ISLAMIC DEVELOPMENT BANK

29

ANNUAL REPORT
1424H (2003-2004)

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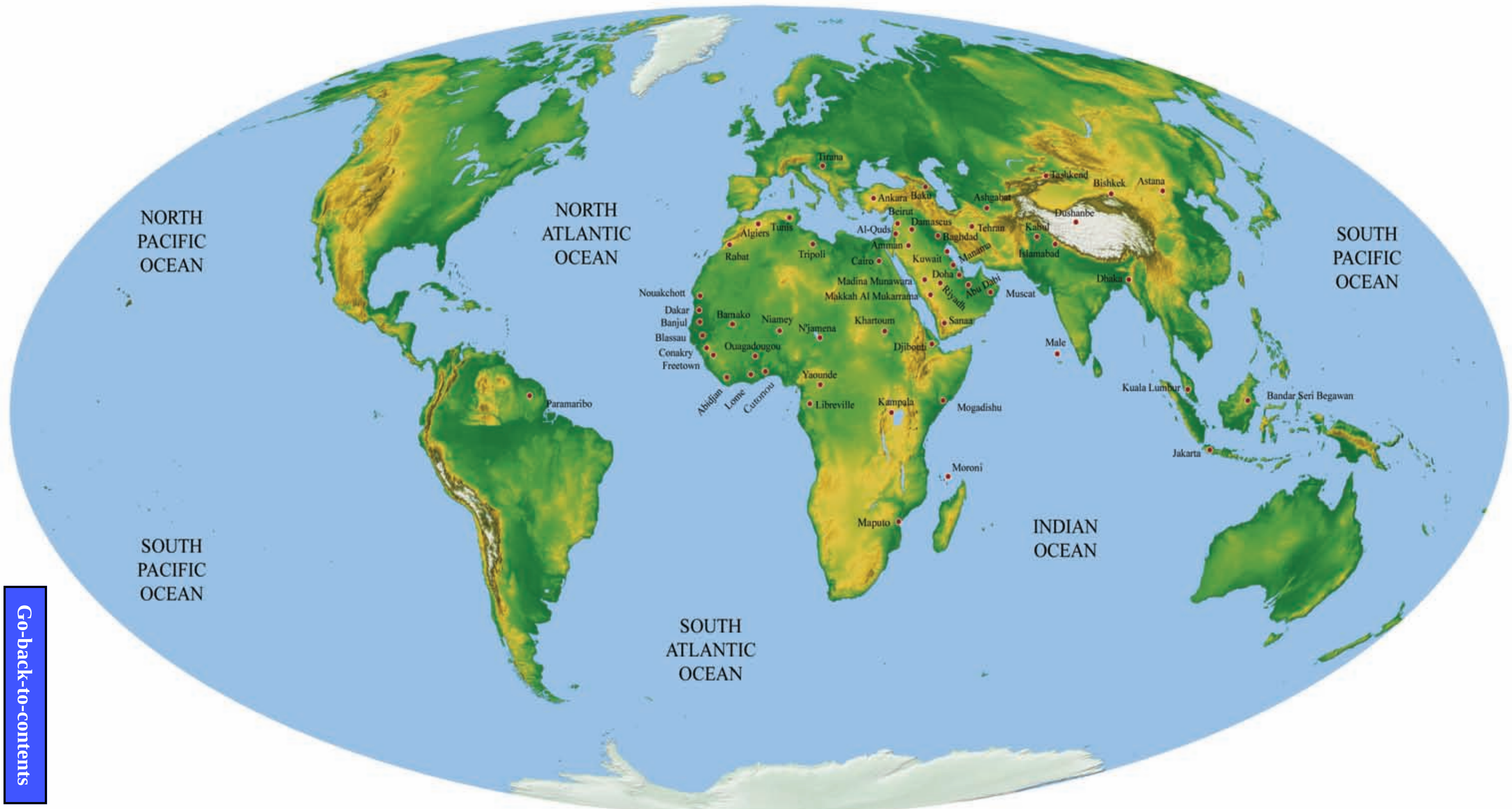
CAPITALS OF MEMBER COUNTRIES OF
THE ISLAMIC DEVELOPMENT BANK



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In the Name of Allah,
the Beneficent, the Merciful

22 Jumad Awwal 1425H
10 July 2004

H.E. The Chairman,
Board of Governors of the
Islamic Development Bank

Dear Mr. Chairman,

Assalamu-O-Alaikum Waramatullah Wabarakatuh

In accordance with Articles 32(i), 32(iii) and 41(1) of the Articles of the Agreement establishing the Islamic Development Bank and Section 11 of the By-laws, I have the honour to submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Executive Directors, the Annual Report on the operations and activities of the Bank in 1424H (2003-2004).

The Annual Report also includes the audited financial statements of the Bank as well as those of the operations of the Waqf Fund, the Export Financing Scheme and the Islamic Banks' Portfolio for Investment and Development, as prescribed in Section 13 of the By-laws.

Please accept, Mr. Chairman, the assurances of my highest consideration.

Dr. Ahmad Mohamed Ali

President,
Islamic Development Bank and
Chairman,
Board of Executive Directors

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223rd Meeting of the IDB Board of Executive Directors, Jeddah, Jumad I, 1425H

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IDB BOARD OF EXECUTIVE DIRECTORS


Hon. Ibrahim Bin Mohamed Al-Mofleh


H.E. Dr. Ahmad Mohamed Ali
President, IDB and Chairman
Board of Executive Directors


Hon. Mohamed Azzaroog Rajab


Hon. Abu Salihu Hj. Mohamed Shariff


Hon. Zeinhom Zaharan


Hon. Mahamed Ali Taleb


Hon. Ilgar Veysal Ogiu Isayev


Hon. Dr. Selim C. Karatas


Hon. Dr. Mehdi Karbasian


Hon. Jamal Nasser Rashid Lootah


Hon. Abdul Aziz Nur Hersi


Hon. Ould Samba Achour


Hon. Dr. Zul-Kifl Salami


Hon. Faisal Abdul Aziz Al-Zamil


Hon. Dr. Waqar Masood Khan

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ISLAMIC DEVELOPMENT BANK

Establishment

The Islamic Development Bank is an international financial 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.

Purpose

The purpose of the Bank is to foster the economic development and social progress of member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of Shari'ah i.e., Islamic Law.

Functions

The functions of the Bank are to participate in equity capital and to grant loans for productive projects and enterprises besides providing financial assistance to member countries in other forms for economic and social development. The Bank is also required to establish and operate special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, in addition to setting up trust funds.

The Bank is authorized to accept deposits and to mobilize financial resources through Shari'ah compatible modes. It is also charged with the responsibility of assisting in the promotion of foreign trade, especially in capital goods, among member countries; providing technical assistance to member countries; and extending training facilities for personnel engaged in development activities in member countries to conform to the Shari'ah.

Membership

The present membership of the Bank consists of 55 countries. The basic condition for membership is that the prospective member country should be a member of the Organization of the Islamic Conference, pay its contribution to the capital of the Bank and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors.

Capital

Up to the end of 1412H (June 1992), the authorised capital of the Bank was two billion Islamic Dinars. The value of the Islamic Dinar which is the accounting unit in the Bank, is equivalent to one SDR -Special Drawing Right- of the International Monetary Fund. Since Muharram 1413H (July 1992), in accordance with a Resolution of the Board of Governors, it became six billion Islamic Dinars (ID) divided into 600,000 shares having a par value of 10,000 Islamic Dinars each. Its subscribed capital also became ID four billion payable according to specific schedules and in freely convertible currency acceptable to the Bank. In 1422H, the Board of Governors, in its Annual Meeting held in Algeria, decided to increase the authorized capital of the Bank from ID six billion to ID fifteen billion and the subscribed capital from ID4.1 billion to ID8.1 billion

Head Office and Regional Offices

The Bank's principal office is in Jeddah in the Kingdom of Saudi Arabia. Two regional offices were opened in 1994; one in Rabat, Morocco, and the other in Kuala Lumpur, Malaysia. In July 1996, the Board of Executive Directors also approved the establishment of a Regional Office at Almaty, Kazakhstan, to serve as a link between IDB member countries and Central Asian Republics. The office became operational in July 1997 and is now a full fledged Regional Office. The Bank also has field representatives in eleven member countries which are: Gambia, Guinea Bissau, Indonesia, Iran, Kazakhstan, Libya, Mauritania, Pakistan, Senegal, Sudan and Sierra Leone.

Financial Year

The Bank's financial year is the lunar Hijra Year (H).

Language

The official language of the Bank is Arabic, but English and French are additionally used as working languages.

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ABBREVIATIONS		
ACSAD	-	The Arab Centre for the Studies of Arid Zones and Dry Land
ADB	-	Asian Development Bank
ADFIM	-	Association of Development Finance Institutions of Malaysia
ADFIMI	-	Association of National Development Financing Institutions in Member Countries of the IDB
AfDB	-	African Development Bank
AFESD	-	Arab Fund for Economic and Social Development
AFTAAC	-	Arab Fund for Technical Assistance to African Countries
AMD	-	Assets Management Department, IDB
AOAD	-	Arab Organisation for Agricultural Development
APEC	-	Asia-Pacific Economic Co-operation
ARABOSAI	-	Arab Organisation of Supreme Audit Institutions
ASEAN	-	Association of the South East Asian Nations
ATO	-	Arab Towns Congress
AUDI	-	Arab Urban Development Institute
APIF	-	Awqaf Properties Investment Fund
BADEA	-	Arab Bank for Economic Development in Africa
BED	-	IDB Board of Executive Directors
BITNET	-	American Academic Network
BMA	-	Bahrain Monetary Agency
BOAD	-	Banque Ouest Africaine de Développement (West African Development Bank)
BOG	-	IDB Board of Governors
CIF	-	Cost, Insurance and Freight
CILSS	-	Comite Intergouvernemental de lutte Contre la Secheresse au Sahel (Inter-State Committee for Drought Control in the Sahel)
CIS	-	Commonwealth of Independent States
CNCA	-	National Agricultural Credit Fund of Morocco
COMCEC	-	OIC Standing Committee for Economic and Commercial Co-operation
COMIAC	-	OIC Standing Committee for Information and Cultural Affairs
COMSTECH	-	OIC Standing Committee for Scientific and Technological Co-operation
EC(EEC)/EU	-	European (Economic) Community/Union
ECA	-	Economic Commission for Africa
ESCWA	-	Economic and Social Commission for Western Asia
ECOWAS	-	Economic Community for West African States
EDI	-	Economic Development Institute/World Bank
EFS	-	Export Financing Scheme
FAO	-	Food and Agricultural Organisation of the United Nations

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FCIC	-	Federation of Consultants from Islamic Countries
FDI	-	Foreign Direct Investment
FIDIC	-	International Federation of Consulting Engineers
FOB	-	Free on Board
FOCIC	-	Federation of Contractors of Islamic Countries
GATT	-	General Agreement on Tariffs and Trade
GCC	-	Gulf Co-operation Council
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
GULFNET	-	Gulf Countries Network for Academic and Research Institutions
IAS	-	Islamic Academy of Sciences
IBP	-	Islamic Banks Portfolio
IBRD	-	International Bank for Reconstruction and Development (World Bank)
ICBA	-	International Centre for Biosaline Agriculture
ICCICE	-	Islamic Chamber of Commerce, Industry and Commodity Exchange (Karachi)
ICD	-	Islamic Corporation for the Development of Private Sector (ICD)
ICDT	-	Islamic Centre for Development of Trade (Casablanca)
ICIEC	-	Islamic Corporation for the Insurance of Investment and Export Credit
IFAD	-	International Fund for Agricultural Development
ID	-	Islamic Dinar, which is equivalent to one Special Drawing Right of International Monetary Fund
IDB	-	Islamic Development Bank
IFC	-	International Finance Corporation/World Bank
IFSB	-	Islamic Financial Services Board
IFSTAD	-	Islamic Foundation for Science, Technology and Development (Jeddah)
IIFTIHAR	-	International Islamic Forum for Science, Technology and Human Resources Development
IIRA	-	International Islamic Rating Agency
IMF	-	International Monetary Fund
INOGNE	-	Inter-Islamic S&T Network on Biotechnology and Genetic Engineering
INRES	-	Inter-Islamic S&T Network on Renewable Energy Sources
INWRDAM	-	Inter-Islamic S&T Network on Water Resources Development and Management
IRTI	-	Islamic Research and Training Institute of IDB
IRTIC	-	IRTI Information Centre
ISESCO	-	Islamic Educational, Scientific and Cultural Organisation
ISTU	-	Islamic States Telecommunications Union
ITFO	-	IDB's Import Trade Financing Operations
IUT	-	Islamic University of Technology

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KF	-	Kuwait Fund for Arab Economic Development
KFW	-	German Aid Organisation
LDCs	-	Least Developed Countries
LDMCs	-	Least Developed Member Countries of the IDB
MFIs	-	Multilateral Financing Institutions
NAFTA	-	North American Free Trade Agreement
NDFIs	-	National Development Financing Institutions
ODA	-	Official Development Assistance
OECD	-	Organisation for Economic Co-operation and Development
OIC	-	Organisation of the Islamic Conference
OICC	-	Organisation of Islamic Capitals and Cities
OICIS-NET	-	OIC Information System Network
OPEC	-	Organisation of Petroleum Exporting Countries
PLS	-	Profit and Loss Sharing
R&D	-	Research and Development
SDR	-	Special Drawing Right
SESRTCIC	-	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SFD	-	Saudi Fund for Development
S&T	-	Science and Technology
TA	-	Technical Assistance
TCP	-	IDB Technical Co-operation Programme
TINIC	-	Trade Information Network for Islamic Countries
TPSOIC	-	OIC Trade Preferential System
TRANS	-	Comite de Liaison de la Route Trans Saharienne (Trans Saharan Road Liaison Committee)
UAE	-	United Arab Emirates
UIF	-	IDB Unit Investment Fund
UN	-	United Nations
UNCED	-	United Nations Conference on Environment and Development
UNCTAD	-	United Nations Conference on Trade and Development
UNDP	-	United Nations Development Programme
UNEP	-	United Nations Environment Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organisation
USA	-	United States of America
WHO	-	World Health Organisation
WTO	-	World Trade Organization
WWF	-	World Waqf Foundation
XGS	-	Exports of Goods and Services

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TABLE 0.1:
SUMMARY RECORDS OF THE IDB GROUP ACTIVITIES FOR THE PERIOD 1396H-1424H (1 JAN. 1976-21 FEB. 2004)
(Amount in Million)[1]

ITEM[2]	1396H –1421H		1422H		1423H		1424H		1396H-1424H	
	No.	ID/US$	No.	ID/US$	No.	ID/US$	No.	ID/US$	No.	ID/US$
PROJECT FINANCING[3]										
Loan	429	1,846.92	49	206.85	48	220.99	53	236.53	579	2,511.30
		2,382.05		*265.94*		*286.88*		*322.36*		*3,257.23*
Equity	112	357.35	4	12.92	5	22.58	6	142.19	127	535.04
		458.03		*16.19*		*30.85*		*212.39*		*717.47*
Leasing	160	1,937.44	22	267.54	10	127.25	32	297.58	224	2,629.81
		2,607.69		*344.12*		*163.43*		*427.14*		*3,542.38*
Instalment Sale	147	1,289.25	11	93.25	27	297.48	13	86.68	198	1,766.67
		1,719.37		*117.95*		*390.81*		*121.76*		*2,349.89*
Combined Lines of Financing	16	150.41	2	27.41	1	10.00	4	14.72	23	202.54
		193.02		*36.00*		*12.50*		*22.00*		*263.52*
Profit Sharing/Musharaka	8	93.35	0	0.00	0	0.00	0	0.00	8	93.35
		124.55		*0.00*		*0.00*		*0.00*		*124.55*
Mudaraba	0	0.00	0	0.00	0	0.00	2	13.38	2	13.38
		0.00		*0.00*		*0.00*		*20.00*		*20.00*
Istisna'a	38	485.76	14	270.43	7	147.02	22	371.03	81	1,274.24
		651.34		*345.77*		*185.53*		*507.70*		*1,690.33*
Others[4]	19	109.42	1	11.95	10	196.02	10	172.37	40	489.77
		149.00		*15.00*		*265.64*		*249.87*		*679.51*
Total Project Financing	**929**	**6,269.90**	**103**	**890.36**	**108**	**1,021.35**	**142**	**1,334.48**	**1,282**	9,516.10
		8,285.05		*1,140.98*		*1,335.63*		*1,883.22*		*12,644.87*
Technical Assistance (TA)	340	107.74	39	8.76	29	7.70	24	8.10	432	132.29
		137.51		*11.29*		*9.88*		*11.19*		*169.86*
TOTAL PROJECT FINANCING + TA	1,269	6,377.65	142	899.12	137	1,029.05	166	1,342.58	1,714	9,648.39
		8,422.55		*1,152.27*		*1,345.51*		*1,894.41*		*12,814.74*
TRADE FINANCING OPERATIONS[5]										
Import Trade Financing Operations (ITFO)	1,003	9,956.75	61	969.45	73	985.11	88	1,162.25	1,225	13,073.56
		12,633.11		*1,223.50*		*1,301.00*		*1,649.83*		*16,807.44*
Export Financing Scheme (EFS)	171	534.58	18	142.12	19	150.90	11	89.53	219	917.13
		731.06		*178.95*		*198.36*		*124.80*		*1,233.17*
Islamic Banks Portfolio (IBP)	110	1,215.45	8	66.14	14	189.96	13	107.86	145	1,579.41
		1,680.78		*83.00*		*260.25*		*161.25*		*2,185.28*
Unit Investment Fund (UIF)	40	209.56	5	35.46	10	70.80	13	61.20	68	377.02
		284.45		*44.50*		*97.00*		*91.50*		*517.45*
Awqaf Properties Investment Fund (APIF)	0	0.00	0	0.00	1	1.46	6	8.86	7	10.32
		0.00		*0.00*		*2.00*		*13.25*		*15.25*
Islamic Corporation for Developmnt (ICD)[6]	0	0.36	0	0.00	0	0.00	0	0.91	0	1.27
		0.46		*0.00*		*0.00*		*1.36*		*1.82*
Treasury Operations	1	30.38	2	39.84	0	0.00	2	10.03	5	80.25
		38.55		*50.00*		*0.00*		*15.00*		*103.55*
TOTAL TRADE FINANCING OPERATIONS	**1,325**	**11,947.08**	**94**	**1,253.00**	**117**	**1,398.23**	**133**	**1,440.65**	**1,669**	16,038.96
		15,368.42		*1,579.95*		*1,858.61*		*2,056.98*		*20,863.96*
Special Assistance Operations	880	413.59	54	11.16	38	9.34	45	16.70	1,017	450.78
		515.40		*14.07*		*12.54*		*23.47*		*565.49*
NET APPROVED OPERATIONS	3,474	18,738.31	290	2,163.28	292	2,436.62	344	2,799.93	4,400	26,138.13
		24,306.37		*2,746.29*		*3,216.66*		*3,974.86*		*34,244.19*
GROSS APPROVED OPERATIONS	4,024	21,993.97	300	2,272.71	299	2,539.99	344	2,799.92	4,967	29,606.59
		28,631.15		*2,884.34*		*3,353.20*		*3,974.87*		*38,843.56*
MEMORANDUM ITEM (in ID million)										
DISBURSEMENTS[7]		14,226.04		1,196.26		1,369.30		1,350.84		18,142.45
REPAYMENTS[8]		10,654.52		1,290.00		989.00		1,038.62		13,972.14
GROSS INCOME				170.55		160.58		222.22		
NET INCOME				72.91		73.45		58.62		
RESERVES: Capital				26.27		26.27		26.27		
General				1,048.15		1,117.42		1,187.23		
BALANCE ON INVESTMENT DEPOSIT SCHEME				91.84		94.94		95.69		
SUBSCRIBED CAPITAL				8,100.00		8,100.00		8,100.00		
NUMBER OF MEMBER COUNTRIES			53		54		55			
ADMINISTRATIVE BUDGET: Approved				49.23		52.28		53.96		
Actual				48.04		48.81		48.30		
NUMBER OF STAFF AT END OF YEAR			878		881		881			

(1) US$ amounts are in italic
(2) All figures on operations are net of cancellation, unless otherwise specified.
(3) Figues include IBP, ICD, UIF, APIF & Treasury Operations.
(4) Refers to financing from Sukuk and investment in Sukuk (1423H-1424H). But from 1408H to 1422H, the figures refer to investment in Financial Institutions by IBP.
(5) Mainly through Murabaha mode of financing
(6) These are term finance projects where 2 or more modes are used for financing a project. To avoid double counting, only the amounts are shown here as the projects are counted under the mode with the largest amount.
(7) Figures comprise Ordinary operations, ITFO, EFS, IBP, UIF, APIF, ICD and Special Assistance Operations.
(8) Figures include Ordinary operations, ITFO, EFS, IBP, UIF, APIF and ICD.

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TABLE 0.2
CUMMULATIVE IDB GROUP* OPERATIONS BY MAJOR MODES OF FINANCING
(1396H TO THE END OF 1424H) (1 JANUARY 1976 - 21 FEBRUARY 2004)

Country		Total Project Financing		Technical Assistance		Total Trade Financing		Special Assistance Operations		Grand Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Afghanistan	ID M**							17	10.68	17	10.68
	US$ M								14.31		14.31
Albania	ID M	10	40.67	4	0.58			2	0.96	16	42.21
	US$ M		55.88		0.81				1.30		57.99
Algeria	ID M	42	524.11	8	4.22	198	1,592.13	7	4.49	255	2124.95
	US$ M		695.85		5.47		2,027.21		5.65		2734.18
Azerbaijan	ID M	9	75.00	7	1.30			4	1.51	20	77.81
	US$ M		101.88		1.79				1.99		105.66
Bahrain	ID M	45	342.69	4	0.65	11	113.23			60	456.56
	US$ M		460.14		0.88		152.00				613.02
Bangladesh	ID M	50	256.42	3	0.80	111	1,766.64	9	28.41	173	2052.26
	US$ M		338.74		1.08		2,282.26		35.05		2657.13
Benin	ID M	21	92.16	12	4.30	4	16.52	1	1.29	38	114.27
	US$ M		123.42		5.01		20.00		1.40		149.84
Brunei	ID M	3	35.75							3	35.75
	US$ M		45.17								45.17
Burkina Faso	ID M	38	156.71	14	7.62	2	8.61	8	8.13	62	181.07
	US$ M		207.01		9.12		11.25		8.64		236.03
Cameroon	ID M	17	98.93	7	2.54			3	1.34	27	102.82
	US$ M		126.79		3.10				1.74		131.63
Chad	ID M	23	68.26	14	3.04			10	9.86	47	81.16
	US$ M		89.07		3.90				10.75		103.72
Comoros Islands	ID M	6	15.64	5	1.58	3	5.93	2	0.73	16	23.87
	US$ M		20.14		1.97		7.50		0.88		30.49
Cote D'Ivoire	ID M	3	24.61					6	0.95	9	25.56
	US$ M		32.00						1.25		33.25
Djibouti	ID M	16	24.64	7	1.44			8	1.42	31	27.50
	US$ M		31.60		1.79				1.87		35.26
Egypt	ID M	35	445.85	7	1.60	91	834.81	3	0.93	136	1283.20
	US$ M		601.81		2.16		1,118.96		1.20		1724.13
Gabon	ID M	12	99.52	3	1.66					15	101.18
	US$ M		132.50		2.25						134.75
Gambia	ID M	18	45.76	12	2.45	7	11.87	4	1.65	41	61.73
	US$ M		60.88		3.16		14.04		1.83		79.91
Guinea	ID M	42	175.18	18	7.04	6	37.93	5	5.99	71	226.13
	US$ M		227.31		9.03		48.80		7.59		292.73
Guinea Bissau	ID M	3	2.73	6	1.27	2	11.59	3	1.12	14	16.70
	US$ M		3.21		1.54		15.00		1.25		21.00
Indonesia	ID M	52	387.63	2	0.08	21	436.49	1	0.16	76	824.37
	US$ M		526.36		0.11		585.00		0.22		1111.69
Iran	ID M	36	540.85	3	1.60	96	827.76	6	9.95	141	1380.16
	US$ M		731.23		2.12		1,118.74		13.20		1865.28
Iraq	ID M	5	36.41	1	0.10	35	264.92	7	3.63	48	305.06
	US$ M		42.98		0.15		301.27		4.85		349.25
Jordan	ID M	47	408.46	12	3.75	60	578.61	1	0.20	120	991.02
	US$ M		540.26		4.92		695.53		0.25		1240.96
Kazakhstan	ID M	14	88.55	5	1.01	3	12.74	5	0.69	27	102.99
	US$ M		123.06		1.36		18.00		0.94		143.36
Kuwait	ID M	11	123.42	4	1.00	12	134.68	4	6.47	31	265.57
	US$ M		170.39		1.39		185.48		7.51		364.77
Kyrgyz Rep	ID M	7	37.21	6	1.02			4	1.19	17	39.42
	US$ M		51.61		1.39				1.67		54.67
Lebanon	ID M	38	421.25	5	0.68	9	90.54	17	5.26	69	517.72
	US$ M		571.55		0.88		119.77		7.29		699.49
Libya	ID M	14	217.25	1	1.98	11	235.22	2	2.90	28	457.35
	US$ M		283.54		2.60		306.66		3.75		596.55
Malaysia	ID M	27	385.49	2	0.19	40	223.95	5	8.81	74	618.44
	US$ M		503.84		0.26		304.49		11.45		820.05

* Figures are net of cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.
** ID M means the Amount is in ID million.

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TABLE 0.2 (CONTINUED)
CUMMULATIVE IDB GROUP* OPERATIONS BY MAJOR MODES OF FINANCING
(1396H TO THE END OF 1424H) (1 JANUARY 1976 - 21 FEBRUARY 2004)

Country		Total Project Financing		Technical Assistance		Total Trade Financing		Special Assistance Operations		Grand Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Maldives	ID M**	15	41.99	6	0.82					21	42.80
	US$ M		56.61		1.02						57.63
Mali	ID M	36	149.42	19	7.50	1	6.11	6	13.32	62	176.35
	US$ M		194.18		9.60		7.97		14.28		226.02
Mauritania	ID M	28	113.04	24	9.64	3	20.42	5	9.08	60	152.18
	US$ M		144.28		12.45		24.50		10.17		191.39
Morocco	ID M	37	320.98	10	2.18	103	1,090.23	3	1.04	153	1414.43
	US$ M		418.45		2.89		1,401.56		1.30		1824.20
Mozambique	ID M	11	48.27	3	0.46			5	1.77	19	50.50
	US$ M		65.27		0.63				2.23		68.12
Niger	ID M	24	75.26	19	7.30	15	92.54	12	8.48	70	183.58
	US$ M		93.69		9.18		113.35		9.70		225.93
Oman	ID M	31	392.57	5	1.69	2	17.12	2	0.38	40	411.75
	US$ M		515.65		2.21		22.00		0.50		540.36
Pakistan	ID M	47	413.64	4	0.71	223	3,346.77	6	7.66	280	3768.77
	US$ M		559.11		0.94		4,441.04		10.47		5011.56
Palestine	ID M	14	31.42	8	2.69			36	38.85	58	72.96
	US$ M		42.00		3.74				49.74		95.47
Qatar	ID M	18	192.05	1	0.08	2	7.20			21	199.33
	US$ M		270.79		0.11		10.00				280.89
Saudi Arabia	ID M	18	227.20	11	1.58	73	523.11	2	0.11	104	752.00
	US$ M		308.57		2.17		704.08		0.13		1014.94
Senegal	ID M	37	177.21	16	6.86	16	97.43	6	12.67	75	294.18
	US$ M		228.65		8.28		127.14		13.94		378.01
Sierra Leone	ID M	13	32.24	13	3.55			3	2.37	29	38.17
	US$ M		41.24		4.10				3.00		48.34
Somalia	ID M	6	20.00	6	1.54	4	36.06	16	4.50	32	62.10
	US$ M		24.86		1.90		46.20		5.96		78.92
Sudan	ID M	48	237.23	11	1.83	19	146.00	15	18.30	93	403.36
	US$ M		315.66		2.43		191.36		21.81		531.25
Suriname	ID M	3	8.22			1	7.39	2	0.13	6	15.74
	US$ M		11.35				10.00		0.19		21.54
Syria	ID M	25	261.38	1	0.20	11	84.35	1	0.20	38	346.13
	US$ M		344.13		0.28		92.79		0.25		437.45
Tajikistan	ID M	10	52.76	9	1.64			4	0.43	23	54.82
	US$ M		70.52		2.22				0.59		73.33
Togo	ID M	7	27.33	3	0.89			2	1.37	12	29.58
	US$ M		36.52		1.20				1.70		39.41
Tunisia	ID M	46	334.91	4	0.64	149	681.18	4	3.27	203	1020.01
	US$ M		430.55		0.86		883.44		4.20		1319.05
Turkey	ID M	83	588.33	2	3.25	268	2,172.39	5	17.02	358	2780.99
	US$ M		756.00		4.19		2,839.36		20.38		3619.94
Turkmenistan	ID M	7	54.74	2	0.39			2	0.23	11	55.36
	US$ M		73.48		0.55				0.33		74.35
U.A.E	ID M	19	137.47	5	0.62	14	135.30			38	273.39
	US$ M		188.78		0.81		173.70				363.29
Uganda	ID M	7	30.28	6	1.91	5	11.34	5	2.67	23	46.18
	US$ M		37.79		2.20		13.89		3.42		57.31
Uzbekistan	ID M	2	24.65	1	0.18			8	1.44	11	26.26
	US$ M		36.36		0.23				1.87		38.46
Yemen Rep.	ID M	31	148.55	17	5.38	37	345.04	7	6.99	92	505.96
	US$ M		191.68		6.78		409.62		8.45		616.53
Regional	ID M	8	132.25	53	15.23			81	29.69	142	177.16
	US$ M		193.10		20.58				39.62		253.30
Special Programmes	ID M	4	62.45			1	14.85			5	77.30
	US$ M		85.00				20.00				105.00
Non Member Countries	ID M	3	9.10	1	0.07			635	150.12	639	159.30
	US$ M		12.42		0.10				193.46		205.98
NET APPROVALS	**ID M**	**1,282**	**9,516.08**	**432**	**132.29**	**1,669**	**16,039.00**	**1,017**	**450.78**	**4,400**	**26,138.15**
	US$ M		**12,644.88**		**169.87**		**20,863.96**		**565.49**		**34,244.19**
GROSS APPROVALS	**ID M**	**1,457**	**10,884.11**	**467**	**139.65**	**2,026**	**18,132.04**	**1,017**	**450.78**	**4,967**	**29,606.59**
	US$ M		**14,405.56**		**179.22**		**23,693.29**		**565.49**		**38,843.56**

* Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.
** ID M means the Amount in ID million.

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ACEE ARD Manufacturing Company Sub-project, under IDB Line of Financing to Agriculture Bank of Iran, 2003

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OVERVIEW

Articles 32(i), 32(iii) and 41(1) of the Articles of Agreement establishing the Islamic Development Bank (IDB) require the Board of Executive Directors to submit to the Board of Governors an annual report on the activities of the IDB for each Hijra (H) year. Typically the Report covers the operational and financial activities of the Bank during a particular Hijra year. In addition, the report reviews developments in the world economy and the economic performance of IDB member countries to reflect the environment in which the Bank operates. Furthermore, the Report presents summary of the major new developments and events undertaken by the Bank during the year, that are likely to have impact on its future operations, including strategic policy decisions, the Bank's effort to promote economic cooperation among member countries and a summary of trade financing and promotion activities in its member countries.

The 1424H Annual Report (covering the period 04 March 2003 to 20 February 2004) consists of three parts: Part I covers Economic Overview and Prospects; Part II presents operations of the Bank, as well as different entities and funds in the IDB Group, and Part III covers Corporate Affairs and Finance of the Bank.

Economic Overview and Prospects

Both the global economy and the IDB economic performance in 2003 continued their rising trend, following the economic recovery of 2002. In tandem with the general trend in developing countries, the economic performance varies among different regions of the IDB member countries. While member countries from the African and Asian regions sustained their upward output growth, member countries from the CIS region experienced weaker macroeconomic performance in 2003.

According to IMF data, the world output grew by 3.9 per cent in 2003, compared to 3.0 per cent in 2002. The global economic performance was mainly driven by increases in both industrial production and world trade. Even though, economic growth varies among regions and countries, the US economy continued its rising trend from 2.2 per cent in 2002 to 3.1 per cent in 2003. Similarly, output growth continued to surge in Asia, the Middle East and the CIS countries, excluding Russia.

Growth in Sub-Saharan African countries remained steady in 2003 at 3.5 per cent. The Japanese economy reversed its contraction of -0.3 per cent in 2002 to a 2.7 per cent growth in 2003. Similarly, countries in the Western Hemisphere reversed their contraction of -0.1 per cent in 2002 to 1.7 per cent in 2003. However, growth in the Euro area remained modest at 0.3 per cent in 2003, compared with 0.9 per cent in 2002. In contrast, the growth rate of the IDB member countries increased from 4.7 per cent in 2002 to 5.3 per cent in 2003.

The recovery phase of the world economy is trade-driven. According to the IMF data, rate of growth of the world trade increased from 0.1 per cent in 2001 to 3.1 per cent in 2002 and further to 4.5 per cent in 2003. The growth of exports from emerging and developing countries rose from 6.5 per cent in 2002 to 8.7 per cent in 2003. Similarly, the overall export price index, particularly for the agricultural commodities' prices, recovered from -0.4 per cent in 2002 to 4.4 per cent in 2003.

The trade balance of IDB member countries as a percentage of their GDP increased from 7.1 per cent in 2002 to 7.6 per cent in 2003, hence contributing to the increase of their current account surplus, as percentage of their GDP, from 2.7 per cent in 2002 to 3.7 per cent in 2003. This is also reflected in the savings-investment gap of IDB member countries, where the surplus as a percentage of their GDP increased from 3.3 per cent in 2002 to 3.8 per cent in 2003. National savings rates, in member countries increased from 24.2 per cent of their GDP in 2002 to 25.2 per cent in 2003, basically due to the decline of fiscal deficits, as percentage of GDP, from 3.8 per cent to 2.5 per cent during the same period.

Total debt stock of IDB member countries increased from US$839.5 billion in 2002 to US$875.9 billion in 2003, while their debt service ratio as a percentage of their total exports slightly improved from 16.5 per cent to 15.5 per cent in the same period. Till the end of 1424H (2003-2004), 14 member countries qualified for debt relief under the enhanced HIPC Initiative. By the end of 1424H (2003-2004), estimated net present value (NPV) of the debt relief to be provided by the IDB under the HIPC initiative was US$136 million.

Net capital flows to developing countries continued

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their declining trend throughout 2002 and in early 2003. Foreign direct investment (FDI), the largest source of external funding, for developing countries fell from US$181 billion in 2001 to an estimated US$143 billion in 2002, while the official development assistance (ODA) to developing countries from the OECD of DAC increased from US$52.3 billion in 2001 to an estimated US$58.3 billion in 2002. Workers' remittances became the second-largest source, after the FDI, of external funding for developing countries during the 1990s, exceeding the ODA. Workers' remittances of developing countries were estimated at US$72.3 billion (or 42 per cent of FDI) in 2001, from which South Asia received about 2.5 per cent of its GDP.

Despite some major events/challenges that took place during the year, such as the political uncertainties in the Middle East, fluctuations in oil prices and exchange rates, the IMF forecasts that the world economy will grow from 3.9 per cent in 2003 to 4.6 per cent and 4.4 per cent in 2004 and 2005, respectively; primarily because of the expected high growth of the US and other advanced economies. By contrast, the forecast for GDP growth in IDB member countries is 4.9 per cent in 2004 and 5.3 per cent in 2005, compared to slightly higher than 5.3 per cent in 2003.

The major developments that are likely to have significant impacts on the economies of the IDB member economies are trends in primary commodity prices, particularly that of energy, UN-level efforts to pursue millennium development goals and the efforts to mobilize financing for sustainable development in general, particularly for financing education and enhancing food security in IDB member countries, the Doha Work Program and the outcome of the Fifth WTO Ministerial Conference, and the major development issues confronting post-conflict countries such as Afghanistan and Iraq.

Regarding trade among member countries of the IDB, intra-exports increased by 6.3 per cent in 2002 to reach US$55.7 billion, up from the US$52.4 billion realized in 2001. Despite this increase, the share of intra-exports in total world exports of these countries increased from 11 per cent to 11.5 per cent during the same period. Similarly, intra-imports followed the same pattern: increasing to US$56.3 billion in 2002 (13.1 per cent of total world imports), compared to US$ 55 billion in 2001 (13.6 per cent). Cumulatively, the Bank has financed intra-trade under ITFO amounting to US$12.6 billion, as of end 1424H. Intra-trade operations were also conducted through other windows and affiliates of IDB, such as UIF, APIF and ICD. Through ICIEC, the IDB Group also supported intra-trade and investment among member countries by providing exports and investment insurance schemes.

In parallel to difficulties in obtaining intra-investment flows among IDB member countries, FDI outflows for member countries declined from US$5.1 billion (0.5 per cent of the world total) in 2001 to US$4.5 (0.7 per cent of world total) in 2002. Meanwhile, world total FDI outflows declined by 36 per cent, compared to the 11 per cent decline for the IDB member countries; thus confirming the improved ranking of the IDB member countries in the FDI Performance Index over other countries, measured by its median. Encouraged by this evidence, the efforts to promote cooperation among the IDB member countries are gaining momentum. Promotion of intra-investment figured as a prominent area of activity for the IDB Group in realizing the strategic objective of promoting cooperation among member countries. During the reporting year, the IDB organized the 14th Symposium on the subject of intra-investment, in conjunction with the 28th Annual meeting of the IDB Board of Governors in September 2003, with the aim of generating ideas to promote intra-investment and mobilize adequate resources for poverty alleviation and sustainable development. A new initiative was adopted by the 10th Islamic Summit Conference in Shabaan 1424H (October 2003) to increase the commercial exchanges among the OIC member countries. Moreover, "promoting intra-investment and intra-trade" is being considered by COMCEC as the major theme of a high-level OIC Economic Conference, to be held in November 2004.

The COMCEC, in its 19th Session, took actions to accelerate the implementation of the OIC Plan of Action to strengthen economic and commercial cooperation with technical support and contributions from the OIC institutions and the IDB. It also deliberated in detail on the impact of electronic commerce and use of information technology in the promotion and development of intra-OIC trade and the role that the IDB Group may play in realizing this aim.

In 1424H, the IDB financed seven activities to provide technical assistance and support in relation to accession of more member countries to the WTO and in capacity-building for those who are already

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members so that they may coordinate their positions in the WTO ministerial meetings and fully participate in the new rounds of negotiations.

Operations

Total net financing approved by the IDB Group in 1424H amounted to about ID2.80 billion (US$3.97 billion) compared to ID2.44 billion (US$3.22 billion) in 1423H. This represents an increase of 14.8 per cent. The approvals in 1424H were in support of 344 operations that included 142 project financing operations, 24 technical assistance operations, 133 trade operations, and 45 Waqf Fund (Special Assistance) operations.

Cumulative gross approvals of the IDB Group on all accounts reached ID29.61 billion (US$38.84 billion) at the end of 1424H. The net cumulative approvals at the end of the year stood at ID26.14 billion (US$34.24 billion). Of these, 36.9 per cent financing was for project financing and technical assistance, 61.4 per cent for trade operations and about 1.7 per cent for Waqf Fund (Special Assistance) operations.

Nearly 34 per cent of the year's project financing and technical assistance by the IDB was allocated for public utilities, 26 per cent to the social sector, mainly education and health, 21 per cent for transport and communications, 16 per cent for agriculture and agro-industry, while the rest was accounted for by industry and the financial sector. Overall, 19 per cent of the Bank's operations was allocated to the Least Developed Member Countries (LDMCs), compared to 16.4 per cent a year before.

The amount co-financed by the Bank during 1424H totaled ID162.42 million (US$220.87 million), compared to ID35.88 million (US$46.62 million) in the year before. These were allocated for 13 projects in 11 countries, representing 25 per cent of the total cost of the co-financed projects (US$891.23 million).

During 1424H, the IDB approved a total of ID1.44 billion (US$2.06 billion) in its trade financing operations compared to ID1.40 billion (US$1.86 billion) in 1423H, thus maintaining the consistent increasing trend in these operations, that have been achieved over the past three years.

In order to increase intra-trade among member countries, the Bank's ultimate annual target for trade finance has been set at US$2.0 billion since 1420H. To meet this target in 1424H, the IDB had allocated US$1.36 billion from its own ordinary resources, compared to US$1.20 billion in 1423H, for the Import Financing Trade Operations (ITFO) program, with the remaining amount of US$664 million to be mobilized from external sources such as the Two-Step Murabaha Financing (2SMF) and Syndication. However, total trade operations approvals under the IBP and UIF were US$252.75 million, compared to US$357.25 approved in 1423H, i.e., a decrease of 29 per cent. To consolidate these achievements and to discharge its multifarious functions more efficiently, the IDB has established a number of affiliated entities and funds within the IDB Group.

Activities of Affiliated Entities and Funds

Over the past thirty years, the IDB has developed into a Group comprising four entities, IDB (the flagship), Islamic Corporation for Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and the Islamic Research and Training Institute (IRTI). Within IDB, a number of funds were set up with a view to enhancing efficiency and effectiveness in delivering services to member countries. The funds include the Islamic Banks Portfolio for Investment and Development (IBP), IDB Unit Investment Fund (UIF), IDB Infrastructure Fund (IIF), and World Waqf Foundation (WWF).

In 1424H, ICIEC total insurance policies in force amounted to 76 and current commitments reached US$300 million. The Corporation paid claims totaling US$1.12 million to policyholders and recovered about US$1.0 million from claims paid in the previous year. Over the same period, the ICD approved 11 projects totaling US$57.03 million, a decrease of 11 per cent from the previous year. The type of operations undertaken during 1424H was Equity investment, Leasing, Installment Sale and combined Murabaha and Istisna'a.

During the year, IRTI published two bi-annual journals, in addition to initiating many research projects dealing with Islamic economics, banking and finance. IRTI also organized 28 training programs, 17 seminars and conferences and made significant progress towards launching and maintaining the Islamic Information System on a Website for access through the Internet, including the development of a Model Information Technology for IDB member countries. It further continued to carry out other professional activities during the year, such as contributing to the capacity building of various institutions in member countries in the area of Islamic economics, banking and finance, supervising activities related to the award of the IDB prize, inviting eminent Shariah scholars to deliver lectures in the IDB headquarters, and launching the Awqaf databank.

During 1424H, the IBP approved 19 operations amounting to ID195.48 million (US$292.25 million), of which ID107.85 million (US$161.25 million) was for trade finance. Over the same period, the UIF approved 23 operations amounting to US$207.25 million, of which US$91.50 was for trade finance.

Under the Kingdom of Saudi Arabia project for utilization of sacrificial animals managed by the IDB, 629,302 animals (sheep, cows and camels) were sacrificed during the Hajj in 1424H. Of these, 359,802 were distributed locally amongst the poor, while 269,500 were distributed to the needy outside the Kingdom of Saudi Arabia.

During 1424H, the International Centre for Biosaline Agriculture (ICBA) developed new regional projects and built partnerships with national programs and research centres in the CIS region, West Asia, North Africa and the host country. Such collaborative activities covered arid, dry and salt-affected regions, saline water, agriculture and fisheries. On the technical front, ICBA introduced innovative techniques to solve perennial salinity problems in widespread salt-affected regions in member countries, strengthening their capacity to improve productivity in saline water, agriculture and provided technical and institutional assistance in water-logged and salinity-affected areas.

Corporate and Financial Performance

By the end of 1424H, IDB membership reached 55 countries. The Board of Governors approved the request of the Republic of Uzbekistan to join the Bank's membership. Having fulfilled the terms and conditions recommended by the Board of Governors, Uzbekistan became a member of the Bank, during the 28th Annual Meeting of the Board of Governors held in Almaty, Republic of Kazakhstan, on 5-6 Rajab 1424H (2-3 September 2003).

The Board of Executive Directors (BED) held seven meetings during 1424H in which it examined and made decisions on over 429 agenda items. A major policy decision taken by the BED in 1424H was the adoption of the Strategic Planning Framework for the IDB Group (Box 1).

Box 1
IDB Group Strategic Framework

In 1424H, the Bank adopted a new strategy entitled IDB Group Strategic Framework. The Strategic Framework identified major elements of the IDB Group (ICD, ICIEC, IRTI and IDB as a flagship) to improve efficency and services delivery to member countries.
Under the new strategy, the IDB envisions greater cooperation and coordination among the group members to ensure complementarity and optimum collective impact in the member countries.
To this end, the IDB has formulated its vision, mission statement and core values, and redefined its medium term strategic objectives and priority areas as briefly described below.
Vision: To be the leader in fostering socio-economic development in member countries and Muslim communities in non-member countries in conformity with Shariah.

Mission: The IDB Group is committed to alleviating poverty; promoting human development; science and technology; Islamic economics; banking and finance; and enhancing cooperation amongst member countries, in collaboration with our development partners.

The core values, referred to with the acronym PRIDE, are as follows:

- **P**erformance excellence in all activities and in dealing with its clients and partners.
- **R**esponsiveness (responding to clients' needs with focused and forward-looking approach based on review of performance, reflection on improvement and resolve to offer the best)
- **I**ntegrity (demonstrating a high level of sincerity, honesty and fairness)
- **D**edication in serving clients with dignity and determination supported by creativity and initiative.
- **E**mpowerment of staff and concerned entities with responsibility, authority and teamwork.

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

Objectives:

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

Priority Areas:

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

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

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

The new strategic orientation of the IDB Group reflects the current state of development thinking, particularly with regard to the globalization phenomenon and the changing needs and opportunities in member countries. Besides providing the IDB Group with a reinvigorated development agenda, the new roadmap for the future hinges on the premise that the Bank will work collectively and more closely with the member countries for discernible development impact. The Strategic Framework also called for increased collaboration and partnership with other multilateral development banks and funding agencies, with a view to enhancing the catalytic role of the IDB and achieving the desired developmental goals. This framework will pave the way for further preparatory arrangements and its actual implementation, after successful completion of thirty years in assisting member countries in their quest to overcome the global and internal challenges. By 15 Shawwal 1425H, the IDB will mark thirty years in the service of development (Box 2).

As is the case in other multilateral financing institutions, about one-third of the IDB operations have been extended on a concessional basis to projects with poverty alleviation impact. In fact, the share of agriculture, health and education sectors had grown continuously, since its inception, and exceeded 40 per cent of the IDB project financing and technical assistance in 1424H. The share of these sectors is set to grow significantly in the future in line with the new Strategic Framework.

Total income of the IDB rose from ID160.58 million (US$219.99 million) in 1423H to ID222.22 million (US$332.22 million) in the financial year 1424H (2003-2004). However, the net income of the IDB declined from ID73.45 million (US$100.63 million) in 1423H to ID58.62 million (US$87.64 million) in 1424H. The decline in the net income was due to the decline in income from commodity placement with banks and the volatile exchange rate during the year, costing the Bank ID28.66 million (US$42.85 million). Despite the fall in net income, the IDB financial resources remained strong and exhibited an upward trend.

Total disbursement on account of trade financing in 1424H amounted to ID908.28 million (US$1.36 billion), compared to ID829.5 million (US$1.14 billion) in 1423H, representing an increase of 9.6 per cent. Cumulative disbursements on all accounts, since the Bank's establishment in 1396H, stood at ID18.14 billion (US$23.78 billion).

Box 2
30th Anniversary of IDB

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

From a modest beginning in 1975, with just 22 pioneering member countries, the IDB has since grown in leaps and bounds: membership is now 55, authorized capital stands at ID 15 billion, modes of financing increased from 3 to about a dozen, and gross approvals reached ID 29.6 billion (US$38.84 billion) for 4,967 projects and operations. In addition, the IDB has evolved from one entity to the IDB Group, comprising IDB (as flagship), ICD, ICIEC and IRTI.

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

To respond to these issues, for instance, the IDB has recently formulated a strategic framework for the IDB Group (Box 1), as a clear sign of its dynamism and reflection of its efforts at meeting the ever-increasing needs of member countries and Muslim communities.

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

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

Total repayments received during 1424H amounted to ID933.79 million (US$1.40 billion), of which ID715.46 million (US$1.07 billion) were in respect of ITFO and ID218.32 million (US$326.39 million) for Ordinary Operations of the funds and affiliated entities of the IDB Group. Cumulative repayments on all accounts at the end of 1424H totaled ID13.97 billion (US$18.66 billion).

The IDB draws its resources mainly from the contributions of member countries to its capital stock. Currently, the authorized capital stock of the IDB stands at ID15 billion (US$22.43 billion), of which ID8.1 billion (US$12.11 billion) has already been subscribed. The ordinary resources of the IDB consist of members' subscription (paid-up capital, reserves and retained profits). Member Funds increased by ID170.32 million (US$154.63 million), from ID3.90 billion (US$5.34 billion) in 1423H to ID4.07 billion

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(US$6.08 billion) in 1424H. The paid-up capital stood at ID2.71 billion (US$4.05 billion), or 33.1 per cent of the subscribed capital, the highest ratio for a multilateral development bank, thus confirming the strong commitment of the IDB membership to its objectives. The structure of this capital is unique: the bulk of the financial resources were provided by the better-off member countries, while the less well-off member countries benefit greatly from the capital resources in the form of development assistance. This reflects an important feature of the IDB as a multilateral institution that promotes South-South cooperation. The Bank also supplements its financial resources by mobilizing funds through different Shariah-compatible schemes and instruments.

In the area of resource mobilization, in August 2003, the IDB successfully completed its debut US$400 million 5-year Sukuk (Islamic Bonds) Issue. The Issue size was originally targeted at US$300 million, but was subsequently increased to US$400 million in response to high demand by the market. The Sukuk was given an AAA rating by Standards and Poor's, which enhanced its successful offering. While the Sukuk was structured as a Shariah-compatible instrument, the transaction appealed to a wide spectурm of investors with 60 per cent of the subscription taken up by conventional buyers. The issuance of Sukuk also served the development of the Islamic capital market with a number of Islamic financial institutions being introduced to the highest tradable Islamic security for the first time. The Bank has also been accorded zero risk rating by Basel Committee, which reflects its strong asset base. Building on the success achieved, the IDB plans to raise more funds from the international markets through this instrument to further enhance the level of its financing and support the increasing future demands of these countries.

Vajmdhej Road Footbridge Project, Albania, 2003.

PART I

ECONOMIC OVERVIEW AND PROSPECTS

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Chapter 1

WORLD ECONOMY, MAJOR DEVELOPMENTS AND MEMBER COUNTRIES

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IDB Financed Rural School Project in West Africa, 2003

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HIGHLIGHTS 1424H

World Economy

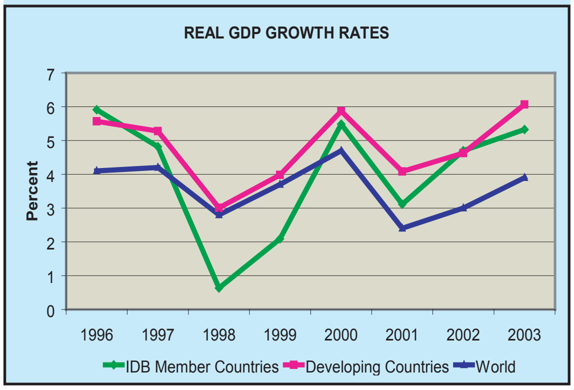
- Broad based output growth across regions in 2003
- World trade growth rate increased from 3.1 per cent in 2002 to 4.5 per cent in 2003
- Concerns over disorderly developments in foreign exchange markets

IDB Member Countries

- Overall GDP growth rate rose from 4.7 per cent in 2002 to 5.3 per cent in 2003
- Continued decline in the inflationary trends
- Stagnating overall national savings and investment rates
- Sustained economic performance by LDMCs

Major Issues/Developments Relevant to IDB Member Countries

- Concern over sustainability of LDMCs foreign debt
- Lack of progress towards achieving MDGs
- Financing Education For All Intiative
- Prospects for achieving food security and eradication of hunger
- Economic development issues in post-conflict countries
- Development agenda and outcome of Cancun Conference
- Islamic financing in global market
- Role of Zakat and Awqaf in poverty alleviation.



I. PERFORMANCE OF THE WORLD ECONOMY[1]

This chapter highlights developments in the major indicators of performance of the world economy, the emerging challenges to the global economy during 2003 as well as the issues and prospects affecting the economies of the IDB member countries. The important economic developments in the world economy are examined in terms of GDP growth rates in different regions and economies, trends in world trade and commodity prices, inflation, interest rates, and exchange rates during 2003. Some of the emerging challenges and factors affecting the prospects of the world economy are also reviewed.

Section II of this chapter discusses economic performance of the IDB member countries during 2003 and reviews the short-term forecasts of the major macroeconomic indicators. Section III provides an analysis of key development issues that confront the IDB member countries.

1. World Output and Growth

The salient feature of the current global economic performance is that it is broad-based across regions and mainly driven by sharp increases in industrial production and world trade. The global output continued its rising trend by recording a growth rate of 3 per cent in 2002 and 3.9 per cent in 2003, compared to a growth rate of 2.3 per cent in 2001. The global economy is currently undergoing a recovery phase. Looking ahead, the growth in global output is projected to further increase by 4.6 per cent in 2004 and 4.4 per cent in 2005.

The United States (US) economy grew from 2.2 per cent in 2002 to 3.1 per cent in 2003 while the output growth in the Euro area was low at 0.9 per cent in 2002 and 0.4 per cent in 2003. The Japanese economy posted a major turnaround by reversing the contraction from -0.3 per cent in 2002 to a GDP growth rate of 2.7 per cent in 2003.

Output growth in Sub-Saharan African countries remained steady at 3.5 per cent in both 2002 and 2003. Excluding Russia, the CIS countries output growth accelerated from 6.2 per cent in 2002 to 8.1 per cent in 2003. In Asia, output growth continued to

[1] Data used in this section is based on the IMF's World Economic Outlook, April 2004.

surge in both China and India at 8 per cent and 4.7 per cent in 2002 and 9.1 per cent and 7.4 per cent in 2003, respectively. GDP in the Middle Eastern countries grew at 4.2 per cent in 2002 and 5.4 per cent in 2003. Countries in the Western Hemisphere reversed the output contraction of -0.1 per cent in 2002 to 1.7 per cent in 2003.

Based on the current IMF projections, it appears that during 2004 output growth rates in major industrial countries will further pick-up, particularly in the Euro area. The improved economic growth prospects are largely due to better business conditions in the developed countries and the deepening integration of the booming Chinese economy with the East Asian and US economies[2].

There are, however, downside risks associated with the current positive economic growth prospects. In particular, there is an expectation that the cyclical economic recovery in the US and Japan will not be sustained, overheating of the booming Chinese economy, collapse of the banking system due to bad loans, or international pressures leading to major realignment of the exchange rates.

In early 2003, monetary policy contributed to defusing the deflationary tendencies in the advanced economies, particularly in the US and Japan. Hence, a credible plan to put the US fiscal deficits on a sustainable path will largely allay the fears of disorderly developments in the foreign exchange markets. In parrallel, sustaining growth in the Euro area is essential to underpin the global economic growth in 2004 and 2005. China is expected to lead in economic growth at 8.5 per cent in 2004. In the developing countries, particularly Sub-Saharan African countries, the Middle East and the Western Hemisphere, countries are expected to record GDP growth rate of around 4 per cent during 2004.

2. World Trade and Commodity Prices

According to the IMF estimates growth in the volume of world trade in goods and services rose from 0.1 per cent in 2001 to 3.1 per cent in 2002 and 4.5 per cent in 2003. These growth rates in world trade are well below the trade growth rate of 12.5 per cent in 2000. Exports by Advanced economies increased from 1.9 per cent in 2002 to 2.7 per cent in 2003. Exports by emerging and developing countries recorded a growth rate of 6.5 per cent in 2002 and 8.7 per cent in 2003. The terms of trade for advanced economies improved by 0.9 per cent in 2002 and 0.7 per cent in 2003. For emerging and developing countries, the terms of trade improved by 0.7 per cent in 2002 and 0.2 per cent in 2003.

According to the World Bank estimates, the value of global exports amounted to US$ 6,314 billion in 2002, of which 71 per cent originated from the industrialized countries and the remaining from the developing countries. The exports growth rate of the European Union-15 was 7.5 per cent in 2002 and more than doubled to 18.6 per cent in 2003. The Japanese exports growth rate surged from 2.8 per cent in 2002 to 13.5 per cent in 2003. The exports growth rate of the US, which declined by 6.5 per cent in 2001 and 4.6 per cent in 2002, turned positive to 2.8 per cent in 2003. Exports of goods from China maintained their unprecedented growth rates of 22.4 per cent in 2002 to reach US$ 326 billion and further increased by 33.7 per cent in 2003.

According to the WTO World Trade Report of 2003, an interesting feature is that the growth rate in merchandise intra-trade among the developing countries increased by 10 per cent, compared with 5 per cent growth rate of the global trade over the period 1990-2001. The value of South-South trade increased from US$ 219 billion in 1990 to US$ 640 billion in 2001. In terms of the structure of the total South exports, intra-South trade stood at about 41 per cent of South-North exports that rose to 60 per cent in 2001. However, the share of intra-South trade is mainly concentrated at intra-developing Asia (66 per cent), followed by intra-Middle East at about 16 per cent in 2001[3].

The developing countries' overall export price recovered from a decline of 3.6 per cent in 2001 and 0.4 per cent in 2002 to an increase of 4.4 per cent in 2003. After the fall in the average oil prices by 13.7 per cent in 2001, the average oil prices rose by 2.4 per cent in 2002 and increased further by 15.9 per cent in 2003. In nominal terms, the average oil prices at US$ 28.90 per barrel during 2003 are back to their average values during 2000. The World Bank price index of all non-energy commodities suggests that real prices continued their upward trend and increased by 6.5 per cent during 2002 and 3.4 per cent

[2] The US economy has continued to defy the notion that its huge budget and trade imbalances represent a threat to the stability of the world economy.

[3] The most important product categories in the intra-South trade are the office and the tele-communication equipments, petrochemicals and plastics.

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in 2003. Within this overall index, the real prices of agricultural commodities recovered from a 6 per cent decline during 2001 to an increase of 10 per cent in 2002 and 3 per cent in 2003. The real price of grains, consisting of maize, rice, and wheat, rose by 14 per cent in 2002, but declined by 4 per cent in 2003. The real price of sugar declined by 19 per cent in 2002 and further by 3 per cent during 2003. Although the real price of cotton declined by 16 per cent during 2001 and 2 per cent during 2002, it reversed the trend during 2003 and surged by 29 per cent.

3. Inflation, Interest Rates, and Exchange Rates

In the Advanced economies, the inflation rate which had declined from 2.1 per cent during 2001 to 1.5 per cent in 2002, increased to 1.8 per cent during 2003. In the emerging and developing countries, the inflation rate declined from 6.8 per cent in 2001 to 6 per cent during 2002 and rose to 6.1 per cent in 2003.

In the US, the inflation rate slightly increased from 1.6 per cent in 2002 to 2.3 per cent in 2003. In the Euro area, the inflation rate remained steady at 2.3 per cent in 2002 and 2.1 per cent in 2003. In Japan, the rate of deflation slowed down from -0.9 per cent in 2002 to -0.2 per cent in 2003.

In different regions of the developing countries, the inflation rate varied considerably. In sub-Sahara Africa (excluding Nigeria), the inflation rate increased from 14 per cent in 2002 to 18 per cent in 2003. In the CIS countries (excluding Russia), the inflation rate was recorded at 9.4 per cent in 2002 and 8.6 per cent in 2003. In China, the rate of change of prices remained fairly subdued at 0.7 per cent in 2000, -0.8 per cent in 2001, and 1.2 per cent in 2003. Inflation rate in developing Asia (excluding China and India) slightly increased from 5.9 per cent in 2001 to 6.1 per cent in 2002 and then fell to 4.9 per cent in 2003. In the Middle East, the inflation rate rose from 7.1 per cent in 2001 to 7.5 per cent in 2002, and 8.6 per cent in 2003.

The London interbank offered rate (LIBOR) on six-month US dollar deposits declined from 6.6 per cent in 2000 to 1.9 per cent in 2002 and 1.2 per cent in 2003. In the US, the yield on three-month treasury bills was at 1.6 per cent in 2002 and 1 per cent in 2003. In recent years, the Japanese short-term interest rates remained flat, close to zero per cent. In the Euro area, the short-term interest rates declined from 4.4 per cent in 2000 to 3.3 per cent in 2002 and further to 2.4 per cent in 2003.

The low interest rate environment in the advanced economies has been managed by prudent fiscal and monetary policies. For instance, in the US, the fiscal deficit of the government deteriorated from 3.3 per cent of GDP in 2002 to 4.9 per cent in 2003. On the other hand, the growth of broad money in the US decelerated from 6.8 per cent in 2002 to 5.3 per cent in 2003. Increase in the fiscal deficits and growth in monetary variables in the Euro area and Japan were negatively correlated during 2002 and 2003.

On the basis of annual averages, the Euro depreciated against the US dollar by about 3 per cent during 2001, reached nearly parity levels during 2002, and then appreciated by about 20 per cent in 2003. The Japanese Yen depreciated against the US dollar by about 13 per cent during 2001 and by about 3 per cent during 2002. During 2003, it appreciated against the US dollar by about 8 per cent.

Beginning early 2002, the US dollar has started to depreciate in part because the surplus countries in East Asia continued to invest in US dollar denominated financial assets. However, there are two potential downside risks associated with this scenario. First, even if the current account adjustment is orderly, there remains a possibility of economic slowdown in the US. Such an event could also cause the economic growth to decline in the East Asian countries. Second, if the adjustment of the exchange rate of the US dollar against other major international currencies is abrupt, then this could result in high international interest rates. Under this scenario, there could be a contagion effect on the international financial markets and stock exchanges. Indeed, the appreciation of the Euro against the US dollar during 2003 contributed to the slowdown of recovery in the Euro area.

The 2004 data in the US, Euro area, and China indicates that the core inflation rate is on the rise. If this trend continues, the Federal Reserve Board (Fed) of the US could respond by tightening its monetary policy, thus leading to a rise in the interest rates. In the foreign exchange markets, such an action could cause the US dollar to appreciate against other major international currencies. In fact, the appreciation of the US dollar during the second quarter of 2004 appears to be the response of the foreign exchange markets to an impending transition to a higher interest rate environment.

4. Major Developments Affecting the World Economy

During early 2003, there were concerns of serious global economic slowdown related to the Severe Acute Respiratory Syndrome (SARS) and bird flu disease in the Asian countries. As it turned out, these effects were contained and their adverse economic impact on global trade and travel were limited. There were also concerns about the risk of global deflation in major industrial countries. By early 2004, the economic performance in major industrial countries proved that the fears of deflation were unfounded. Nonetheless, there are major developments that occurred during 2003 and 2004 that are likely to have an impact on the performance of the major economies and regions of the world. The most recent important development is the accession of ten central European countries to the fifteen member countries of the European Union[4].

With twenty-five members, the European Union (EU) is now the largest regional economic bloc in terms of the GDP with a per capita income of US$ 23,160. The economic assessment of this development depends on the extent to which the twenty-five member countries of the EU can achieve the macroeconomic convergence within a relatively short period. The current account deficits of the new ten countries are close to 4 per cent of the GDP, which is mainly caused by rapid credit growth and expansionary fiscal policies. In such circumstances, the challenge for the enlargement of the EU will be to attract additional foreign direct investment in the new members and maintain their external competitiveness. In terms of trade related impact, the EU enlargement is expected to lead to an increase in the share of intra-EU trade in the total EU trade, based on 2001 trade values, from about 62 per cent to about 67 per cent. The trade re-orientation of the ten countries with the EU has already taken place, because since 1994 these countries have enjoyed duty free access to the EU market.

In Asia, the growth of the Chinese economy and its trade performance is having an impact on the global economy which is reminiscent of the Japanese integration in the world economy in the post-World War II period. For instance, China is now an economy with the second largest consumption of oil that it is only surpassed by the US and ahead of Japan. Imports of oil by China during 2003 increased by over 30 per cent while the International Energy Agency forecasts doubling of imports to four million barrels per day by 2010. In fact, the price rise in the international oil market during 2004 is partly attributed to the increased demand for oil by China. More generally, the rapid growth of the Chinese economy has the potential to shift the demand and thereby increase the world prices of agricultural commodities and energy. Besides the shift in demand in the commodities market, the labour-intensive Chinese exports provide the benefit of cheaper imports in the major industrial countries. However, for the low and middle-income developing countries, particularly in Asia, there is perhaps an unprecedented challenge to undertake sizable adjustments and build flexibility in their product and labour markets. For such countries, one way to lessen intense competition could be to seek Chinese foreign investment in their economies and enter into strategic alliances and joint ventures, for example in the textile and clothing sector. In fact, the surging imports by China, which increased by about 21 per cent in 2002, reaching US$ 281 billion, and further increased by 43 per cent in 2003, provide an opportunity to other developing countries to benefit from a sizable market access.

The total net capital inflows, including official flows, to the developing countries increased from US$191 billion in 2002 to US$228 billion in 2003. The largest single source of net inflows is the foreign direct investment, estimated at US$135 billion in 2003, which is lower than the US$147 billion in 2002. Another interesting aspect is that the build up of foreign exchange reserves position of the developing countries increased from US$78 billion in 2001 to US$173 billion in 2002 and US$276 billion in 2003. The rise in reserves is widespread across the developing countries, as the World Bank reports that of the 132 countries that provided 2003 foreign exchange reserves data, 102 countries reported an increase in their reserves position. These developments are giving rise to two major potential sources of vulnerability. First, in order to sterilize the rising foreign exchange reserves, government securities are issued by monetary authorities in the domestic market at a relatively higher cost compared to the low earnings on the US dollar denominated instruments. Second, about three-quarters of global foreign exchange reserves are held in US dollar denominated deposits, including the US treasury. If the foreign exchange market developments lead to a volatility in the US dollar, this could have significant implications on the real value of their holdings of

[4] The ten countries which joined the European Union on 1st May 2004 are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia.

foreign exchange reserves. In fact, many developing countries, including the IDB member countries, are utilizing their foreign exchange reserves to prepay their relatively expensive foreign debt.

The rising foreign exchange reserves position of developing countries can partly be attributed to the growing remittances by expatriate workers to their home country. This is especially true after September 11, 2001 events as the informal channels of remittances are being closely investigated. As a result, remittances are being increasingly made through the official channels and therefore reported in the financial data. These remittances rose from US$ 88.1 billion in 2002 to US$ 93 billion in 2003. Remittances are the second largest source of flows to developing countries after the foreign direct investment and are about two-and-a half times the amount of of net official flows. Latin America and the Caribbean countries were the major beneficiaries of remittances at US$30 billion, which is about one-third of total remittances flows to all developing countries. South Asia and East Asia each received remittances amounting to US$ 18 billion and Sub-Saharan African countries received US$ 4 billion. The main countries of origin of remittances were the US and Saudi Arabia, which in 2002, accounted for US$ 31.4 billion and US$15.9 billion, respectively. At the micro-level, the economic impact of remittances on recipients is to augment their income and encourage investment activities.

II. ECONOMIC PERFORMANCE OF THE IDB MEMBER COUNTRIES

The fifty-five member countries of the IDB are characterized by diversity of economic structures. According to the World Bank classification system, five IDB member countries are classified as high income group; seven member countries belong to the upper middle income group; fourteen member countries belong to the lower middle income group; and twenty nine member countries belong to the low income group[5]. The recent average GDP share of the IDB member countries in the total GDP of developing countries is estimated at 36 per cent. This excludes the relatively large economies such as China, India, Brazil, and Mexico[6]. The GDP share of twenty nine low income member countries in the total GDP of low income countries is estimated at about 34 per cent. This shows that the IDB member countries constitute an important economic grouping of the developing world.

In line with the overall global environment faced by the developing countries, the economic performance and future prospects in IDB member countries are largely influenced by developments in the industrial countries. However, the impact and relative importance of developments in industrial countries vary considerably amongst the IDB member countries. Divergent economic performance among developing countries in different regions appears to be a dominant feature. Member countries in Asia and Africa sustained their macroeconomic performance. On the other hand, member countries in the CIS region are facing the prospect of weak macroeconomic performance.

After more than two decades of macroeconomic stabilization and structural adjustments reforms, the next major impetus to economic growth, particularly in the least developed member countries (LDMCs)[7], is likely to result from reversing the falling aid flows, sustaining overall investment rates, and improving the market access for their key exports. Given these considerations, it is important to review macroeconomic performance of member countries in terms of economic growth, savings and investment, inflation, fiscal balance, current account and trade balances, and external debt.

1. Real GDP Growth Rates

The GDP growth rate of the IDB member countries was 5.32 per cent in 2003, which is higher than the 4.70 per cent achieved in 2002 (Table 1.1). As a group, the economic growth rates of member countries were slightly higher than the growth rates of the developing countries during 2002. However, in 2003, the growth rate of member countries was lower by about 7 basis points. Thus, in recent years there is a tendency towards convergence of GDP growth rates of member countries to the growth rates achieved by developing countries.

[5] The State of Palestine (i.e. West Bank and Gaza) is not formally classified by the World Bank in any one of its income groups. However, for the purpose of subsequent calculations, the State of Palestine is treated as a low income country.

[6] Including these four large economies in the developing countries, the average GDP share of fifty five IDB member countries is estimated at about 19 percent for the three years from 2000 to 2002.

[7] The LDMCs include 23 IDB member countries, namely Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda and Yemen. As a special case, the State of Palestine is treated as an LDMC by the IDB. Effective from 1425H, Kyrgyzstan Republic and Tajikistan have been designated as LDMCs while Albania, Azerbaijan, and Uzbekistan will be treated as LDMCs.

Table 1.1
HIGHLIGHTS OF THE ECONOMIC PERFORMANCE OF IDB MEMBER COUNTRIES

						Projections	
	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rates %)							
IDB Member countries	2.09	5.48	3.11	4.70	5.32	4.90	5.28
LDMCs	5.36	4.92	5.62	5.16	5.43	6.53	6.22
Developing Countries	3.98	5.87	4.08	4.62	6.06	6.04	5.86
National Savings Rates (% of GDP)							
IDB Member countries	22.08	24.12	23.88	24.22	25.17	24.69	23.78
LDMCs	15.50	16.50	16.81	18.11	18.42	19.36	19.39
Developing Countries	25.51	26.75	26.70	28.11	29.65	29.87	29.46
Gross Fixed Capital Formation (% of GDP)							
IDB Member countries	20.49	20.47	20.54	20.90	21.32	21.60	21.68
LDMCs	19.73	20.34	20.99	21.66	21.72	21.65	22.12
Developing Countries	24.16	24.45	24.96	25.69	27.20	28.02	28.06
Gross Private Capital Formation (% of GDP)							
IDB Member countries	13.47	15.20	14.70	14.76	14.72	14.97	15.33
LDMCs	13.95	14.56	15.40	15.82	15.86	15.39	15.58
Developing Countries	16.17	16.86	17.13	16.99	17.85	18.44	18.80
Inflation							
IDB Member countries	17.33	12.25	12.05	11.31	8.43	6.94	6.31
LDMCs	7.20	5.13	4.48	6.29	6.67	6.44	5.35
Developing Countries	10.39	7.25	6.81	5.98	6.14	5.71	4.97
Fiscal Balance (% of GDP)							
IDB Member countries	-3.43	-1.94	-3.44	-3.77	-2.47	-2.27	-1.77
LDMCs	-2.53	-3.26	-3.06	-3.03	-2.80	-2.59	-2.54
Developing Countries	-3.78	-2.95	-3.17	-3.53	-2.95	-2.73	-2.47
Current Account Balance (% of GDP)							
IDB Member countries	1.21	5.25	3.81	2.71	3.69	2.50	1.27
LDMCs	-5.19	-4.57	-5.39	-4.79	-5.53	-5.32	-5.81
Developing Countries	-0.32	1.43	0.61	1.33	1.70	1.08	0.46
Trade Balance (% of GDP)							
IDB Member countries	4.82	9.40	7.93	7.08	7.55	6.43	4.96
LDMCs	-4.94	-3.42	-3.93	-4.25	-4.29	-3.32	-3.36
Developing Countries	1.67	3.35	2.47	2.92	3.17	2.42	1.80
Net Foreign Direct Investment (US$ Billion)							
IDB Member countries	14.24	15.84	22.74	23.90	23.94	23.42	25.62
LDMCs	0.98	1.01	1.92	2.35	2.99	2.45	2.56
Developing Countries	156.38	156.47	176.21	148.32	128.17	133.99	140.96
External Debt (US$ Billion)							
IDB Member countries	816.54	819.58	810.22	839.52	875.89	883.89	889.37
LDMCs	85.60	84.59	87.27	94.08	100.90	107.16	113.84
Developing Countries	2,552.88	2,498.47	2,470.87	2,526.64	2,644.16	2,724.78	2,790.02
Debt Service /Total Exports Ratio (%)							
IDB Member countries	18.46	15.65	17.56	16.54	15.54	14.17	13.64
LDMCs	14.25	13.28	12.95	11.82	11.28	14.44	10.56
Developing Countries	25.41	21.35	21.65	19.65	18.12	15.74	15.00

Source : Data supplied by the International Monetary Fund, April, 2004.

The LDMCs group recorded GDP growth rates at 5.16 per cent and 5.43 per cent in 2002 and 2003, respectively (Table 1.1). Beginning 1996, the economies of the LDMCs have sustained a growth rate of more than 5 per cent per annum. During 2003, fourteen of the twenty-three LDMCs were undergoing programmes of economic reforms and structural adjustment as part of the IMF's Poverty Reduction and Growth Facility (PRGF). As a result of the implementation of wide ranging economic reforms, the LDMCs continued to outperform the economic growth rates achieved by other IDB member countries as a group.

2. Inflation and Monetary Expansion

Measured by the annual percentage change in consumer prices, the inflation rate in the IDB member countries continued to decline from 11.31 per cent in 2002 to 8.43 per cent in 2003 (Table 1.1). Since 2001, this is the steepest decline in the inflation rate of member countries as a group.

Starting from 2000, inflation rates in the LDMCs as a group stabilized at the range of 5 to 6 per cent, basically due to control of monetary expansion as well as stability of the exchange rates. From 1999, inflation rates in the LDMCs group were similar to that in the developing countries as a group.

Available data on growth in money supply (measured by growth in monetary assets) is obtained for forty-seven IDB member countries from May 2004 edition of the International Financial Statistics.

In 2000, the growth in money supply (M2) ranged between 20 to 64 per cent in thirteen member countries and between 10 to 19 per cent in fifteen member countries. In 2001, it ranged between 20 to 63 per cent in eleven member while there were twenty-one member countries where the growth in M2 ranged between 10 to 19 per cent. In 2002, there were seventeen member countries where the growth in M2 ranged between 20 to 56 per cent, while it ranged between 10 to 19 per cent in thirteen member countries. During 2003 the growth of monetary assets ranged between 20 to 38 per cent in fourteen member countries, except for one country where the growth rate was about 79 per cent[8], while it ranged between 10 to 19 per cent in another fourteen member countries.

[8] Qatar's high growth rate of M2 in 2003 is related to the combined effect of exceptional growth rates in net foreign assets and credit to non-financial public enterprises.

In broad terms, there are two important points to note. First, it appears that peak growth rates of growth in monetary assets have tended to decline during the period 2000 to 2003. Secondly, the exceptional M2 growth rates of 20 per cent-plus range include member countries from the least developed, low and middle income categories.

3. Saving and Investment Rates

The national savings (as percentage of GDP) in IDB member countries as a group increased slightly from 24.22 per cent in 2002 to 25.17 per cent in 2003 (Table 1.1). This is partly due to declining fiscal deficit in IDB member countries in the same period. Since 1999, the divergence between the national savings rates of IDB member countries and the developing countries was estimated at 4.48 per cent in 2003, which is the highest.

The LDMCs group maintained an increasing trend of national savings rate during the 1999-2003 period, reaching the highest rate at 18.42 per cent in 2003. Given that fiscal deficit in LDMCs group fluctuated around a median value of about 3 per cent of GDP, the rising aggregate private savings buoyed the increasing trend in the overall national savings rates during the period 1999-2003.

The overall investment rate is represented by the gross fixed capital formation as a percentage of GDP. During the period 1999 to 2003, the overall investment rates of IDB member countries as a group range between 20 and 21 per cent. In 2003, the overall investment rate by IDB member countries was recorded at 21.32 per cent, which is still below the investment rate achieved in 1997 estimated at 24.15 per cent. In this context, two important observations need to be made. Firstly, in 2003, the divergence between the overall investment rates of IDB member countries and developing countries, estimated at 5.87 per cent, was the highest for the period 1999-2003. Narrowing this divergence in the investment rates is critical for member countries to benchmark their future economic growth rates to those achieved by the developing countries. Secondly, during the last three years, the investment rates of the private sector in member countries is yet to recover to the level achieved in 2000. As is the case with the rising trend of private sector investment rates in other developing countries, the IDB member countries need to accelerate efforts to further enhance investment by the private sector.

The LDMCs group maintained a steady and rising trend of overall investment rates during the period 1999-2003. In 2003, the LDMCs recorded their highest investment rate at 21.72 per cent, which is slightly higher than the overall investment rate of IDB member countries as a group. Despite a relatively tight control of fiscal deficit around a median value of about 3 per cent of GDP, the private sector investment rates of the LDMCs group rose steadily throughout the period 1999-2003.

The savings-investment gap of IDB member countries as a group recorded a surplus of 3.3 per cent of GDP in 2002 and 3.84 per cent in 2003. In contrast, the savings-investment gap of LDMCs showed a deficit of 3.55 per cent of GDP in 2002 and 3.30 per cent in 2003. The savings-investment gap for both the member countries and the LDMCs is also reflected in the current account balance. These observations suggest a considerable potential to further enhance the intra-investment flows from other IDB member countries to the LDMCs group.

4. Public Finance

The overall fiscal deficit of IDB member countries as a group declined from 3.77 per cent of GDP in 2002 to 2.47 per cent in 2003. However, the trend of fiscal deficit in IDB member countries for the period 1999-2003 exhibits considerable volatility. This is partly because of the fluctuating oil revenues in oil producing member countries. In contrast, the trend of fiscal deficit of developing countries is relatively stable around a median value of 3.2 per cent of GDP. Given that aggregate government expenditure is inelastic downward, the fluctuating fiscal deficits are more likely to be financed by IDB member countries' borrowings from both the domestic and international markets. This implication is partly reflected in the rising level of foreign debt contracted by IDB member countries as a group.

The broad trend of fiscal deficits of the LDMCs group over the period 1999 to 2003 is remarkable for the relative stability around an average of about 3 per cent of GDP. As already noted above, in 2003 fourteen of the twenty-three LDMCs were implementing economic reforms both under the PRGF programme and the HIPC-related fiscal assistance and foreign debt relief. Such LDMCs are part of the international compact under which the government expenditure is re-oriented towards poverty alleviation while the international donors, including the IDB, provide new concessional financing and relief to cover the unsustainable debts. However, the evolution of foreign debt of the LDMCs in recent years raises some concerns about the sustainability of this debt.

5. Current Account and Trade Balances

As a percentage of GDP, the current account surplus of IDB member countries as a group increased from 2.71 per cent in 2002 to 3.69 per cent in 2003. In contrast, the current account surpluses reached their highest levels in 2000 and 2001. These two years were marked by improvements in the prices of both fuel and non-fuel primary commodities, and favorable terms of trade for the developing countries. The current account deficit of the LDMCs group deteriorated from 4.79 per cent of GDP in 2002 to 5.53 per cent in 2003.

In 2001 the current account deficit was 5.39 per cent, the highest as a percentage of GDP.

The trade surplus, as percentage of GDP, of the IDB member countries as a group increased slightly from 7.08 per cent in 2002 to 7.55 per cent in 2003. The surplus of exports over imports of the IDB member countries is mainly accounted for the oil exports of the oil producing member countries. In 2003, total exports of goods and services of IDB member countries rose by 13.47 per cent to reach US$699.14 billion, while total merchandise imports rose by 12.73 per cent to US$473 billion. The resulting trade balance in 2003 was US$ 226.14 billion.

The trade deficit, as percentage of GDP, of the LDMCs remained unchanged at 4.3 per cent in both 2002 and 2003. The growth rate of exports of goods and services by LDMCs almost doubled to 14 per cent in 2003 to reach US$26.55 billion. The challenge for the LDMCs is to maintain these exceptional growth rates of exports in the future. In this context, the issue of further market access of key LDMCs export commodities to industrialized countries as well as the other IDB member countries becomes critical. In 2002, the merchandise imports of LDMCs group increased by 8.4 per cent and in 2003 the imports growth rate further increased by 15.4 per cent, reaching US$ 30 billion.

6. External Debt

In 2001, the IDB member countries as a group reduced their external debt by US$ 9.36 billion. Thereafter their external debt resumed the upward trend. In 2002, their net indebtedness increased by US$ 30 billion and, in 2003 by US$ 36.4 billion, reaching US$875.89 billion. As a share of the external debt of the developing countries, the external indebtedness of the IDB member countries has increased from about 32 per cent in 1999 to 33.13 per cent in 2003.

Total external indebtedness of LDMCs increased from US$ 85.6 billion in 1999 to US$100.9 billion in 2003. There has been an acceleration in their external indebtedness since 2001. The contracted net additional debt of US$ 2.7 billion in 2001 and US$ 6.8 billion in both 2002 and 2003. Given the severe indebtedness of the LDMCs (Annex Table 1.B), it would not be prudent to contract large sums of additional debt in the face of the current unsustainable external debt position. Analysis in section III.2 provides further details on current concerns in the area of new borrowings and the need to avoid falling in a debt trap.

Statistics on the member countries' composition of external debt is provided in Table 1.2. Bank loans contracted by the IDB member countries as a group increased to US$ 217,463 million by the end of September 2003. The stock of debt securities issued abroad jumped from US$ 55,730 million in 2001 to US$ 78,972 million in September, 2003. This reflects the fact that many prime non-LDMCs borrowers find it cheaper to raise financing directly from the international capital market. The growth in the stock of multilateral claims on all IDB member countries decelerated to US$ 136,768 million by September, 2003. In 2002, the stock of official bilateral loans to all IDB member countries increased by US$ 8,545 million. The foreign exchange reserves of all IDB member countries increased from US$ 206,733 million in 2001 to US$ 288,961 million in September 2003. This level of foreign reserves is more than sufficient to meet the expected debt servicing obligations falling due within a year.

TABLE 1.2
STATISTICS ON EXTERNAL DEBT BY TYPE FOR IDB MEMBER COUNTRIES*

(US$ million)

	Stocks (end of period)		
	December 2001	December 2002	September 2003
All IDB Member Countries (External Debt of All Maturities)			
Bank loans	213,545	203,885	217,463
Debt securities issued abroad	55,730	72,827	78,972
Brady bonds	2,839	2,831	2,711
Non-bank trade credits	57,515	63,105	n.a.
Multilateral claims	119,577	133,511	136,768
Official bilateral loans (DAC creditors)	77,646	86,191	n.a.
Debt due within a year			
Liabilities to banks	100,125	91,839	100,686
Debt securities issued abroad	5,927	8,275	8,532
Non-bank trade credits	12,628	14,722	n.a.
International reserve assets excluding gold	206,733	245,660	288,961
IDB Least Developed Member Countries (External Debt of All Maturities)			
Bank loans	5,209	6,227	6,642
Non-bank trade credits	7,246	7,969	n.a.
Multilateral claims	32,619	35,954	38,475
Official bilateral loans (DAC creditors)	11,125	11,648	n.a.
Debt due within a year			
Liabilities to banks	3,000	2,889	1,837
Non-bank trade credits	310	422	n.a.
International reserve assets excluding gold	10,007	12,785	14,385

Source: Joint BIS-IMF-OECD-World Bank Statistics on External Debt, last updated on 27 February 2004. See http://www. oecd.org/document/5/0,2340,en_2825_293564_1895813_1_1_1_1,00.html for definition of the above variables, their coverage and data limitations.
Note: The above available data pertains to fifty-three IDB member countries, excluding the State of Palestine and Iraq. Of this, the data for the LDMCs pertain to twenty-three member countries.
*This information has been extracted from a separate database which covers data on the major components of external debt such as bank loans, debt securities issued abroad, Brady bonds, non-bank trade credits, multilateral claims, and official bilateral loans.

Financial flows received from multilateral institutions represent a major source of external funding for the LDMCs. The stock of multilateral claims on the LDMCs increased from US$ 32,619 million in 2001 to US$ 38,475 million in September 2003. The foreign exchange reserves of LDMCs stood at US$ 14,385 million in September 2003, which was more than sufficient to meet the expected debt servicing obligations falling due within a year.

7. Projections for 2004-2005

According to the IMF, global output growth is projected to increase from 3.9 per cent in 2003 to 4.6 per cent in 2004 and 4.4 per cent in 2005. The real GDP growth rate of advanced economies is expected to increase from 2.1 per cent in 2003 to 3.5 per cent and 3.1 per cent in 2004 and 2005, respectively. Maintaining the growth momentum in the advanced economies during 2004 and 2005 is contingent on the performance of the US. Elsewhere, the major impetus for economic growth is projected to emerge from countries in the Western Hemisphere. Output growth in Sub-Saharan African countries is projected to increase from 3.5 per cent achieved in 2003 to 4.2 per cent in 2004 and 5.7 per cent in 2005. The CIS countries (excluding Russia) are projected to experience deceleration in their output growth rate from 8.1 per cent in 2003 to 5.9 per cent in 2004 and 5 per cent in 2005. The developing Asia region (including India and China) is projected to maintain its growth momentum and grow by 7.4 per cent in 2004 and 7 per cent in 2005, compared to 7.8 per cent in 2003. Growth in the Middle East region is projected to decelerate to 4.1 per cent in 2004, from 5.4 per cent in 2003, and recover to 5 per cent in 2005.

The above projections for macro-economic performance at the various regional levels as well as for the IDB member countries (Table 1.1) are predicated on assumptions of key economic variables[9]. Some of these assumptions include the short-term fiscal and monetary policies of the advanced economies will be maintained; real effective exchange rates for the advanced economies will maintain their average levels during the February-March 2004 period; the average price of oil is assumed at US$ 30 per barrel in 2004 and US$ 27 per barrel in 2005; and the average LIBOR on six-month US dollar deposits at 1.3 per cent in 2004 and 3.5 per cent in 2005.

Given the above assumptions, the real GDP growth rate of the IDB member countries is projected to slightly decelerate from 5.3 per cent in 2003 to 4.9 per cent in 2004 and recover to 5.28 per cent in 2005. The output growth rate of the LDMCs is expected to further increase from 5.4 per cent in 2003 to 6.5 per cent in 2004 and 6.2 per cent in 2005. Compared to the developing countries, the forecast for economic growth rate of IDB member countries during 2004 is likely to fall short by 1 percentage point.

A positive feature of the economic prospects of IDB member countries is that the output growth is projected to take place with the prospects of declining inflation rates. The inflation rate in the IDB member countries is expected to decelerate from 8.4 per cent in 2003 to 6.9 per cent in 2004 and 6.3 per cent in 2005. Similarly, the inflation rate in the LDMCs group is projected to slowdown from 6.7 per cent in 2003 to 6.4 per cent in 2004 and 5.4 per cent in 2005.

Unlike the developing countries, the national savings and the investment rates of the IDB member countries during 2004 and 2005 are projected to either slightly deteriorate or improve. The LDMCs group is projected to follow a similar trend. Fiscal deficits of both IDB member countries and LDMCs are projected to gradually decline in 2004 and 2005. Therefore, the projected decline in the national savings rates of IDB member countries would probably be due to decline in private savings rates.

In terms of investment rates, the IDB member countries are projected to post a slight improvement during 2004 and 2005. The private sector investment rate in the IDB member countries is projected to slightly improve from 14.7 per cent of GDP in 2003 to 15.0 per cent in 2004 and 15.3 per cent in 2005. This pick-up in the private sector investment rate is expected to complement the net foreign direct investment in the IDB member countries. However, the increase in net direct foreign investment in IDB member countries is expected to take place with a lag of one year from the current level of US$ 23.94 billion in 2003 to US$ 25.62 billion in 2005.

An implication on the above savings-investment relationship in IDB member countries is that the current account surplus is projected to fall from 3.7 per cent of GDP in 2003 to 2.5 per cent in 2004 and 1.3 per cent in 2005. This fall would mainly be due

[9].Divergence between the underlying assumptions and the actual outcome during the remaining months of 2004 can be expected to alter the projections for 2004 and 2005.

to the projected reduction in the ratio of trade account surplus to GDP of IDB member countries. The current account deficit for the LDMCs group during 2005 is expected to experience a slight deterioration. It may be noted that the prospects for improvement in the current account balance of IDB member countries is likely to be influenced by developments in their foreign indebtedness and debt servicing capacity. The total external debt of the IDB member countries is projected to increase from US$ 875.89 billion in 2003 to US$ 883.89 billion in 2004 and US$ 889.37 billion in 2005. On the other hand, the debt servicing capacity, as measured by the ratio of debt servicing to total exports, is projected to improve, falling from 15.5 per cent in 2003 to 14.2 per cent in 2004 and 13.6 per cent in 2005.

III. MAJOR ISSUES AND DEVELOPMENTS AFFECTING ECONOMIC PROSPECTS OF IDB MEMBER COUNTRIES

The IDB member countries face a number of challenges and developments which are likely to impact on their economic prospects. Some of the important challenges have been already discussed in section I-4 concerning their likely impact on the global economy, including IDB member countries. In this section, major challenges that are likely to impact on the economic prospects of the member countries in the medium term are highlighted. All membership of the IDB is drawn from developing countries and as a result some of these challenges are shared with the developing countries. Perennial challenges include issues related to international capital flows, in particular the prospects of direct foreign investment, recent debt relief initiatives to mitigate the unsustainable debt servicing burden of the severely indebted countries, progress made in implementing the Millennium Development Goals (MDGs), and progress on multilateral trade issues in the post-Cancun period. However, there are other development challenges that are of broad relevance to the IDB member countries. These include issues such as financing education in member countries with a view to further develop human capital, enhancing food security in the food deficit member countries, sustaining broad-based economic development in post-conflict member countries, recent developments in the Islamic banking industry as catalyst of enhancing resource mobilization in member countries, and the role of zakat and awqaf in poverty alleviation.

1. Current Trends in International Capital Flows to Developing Countries

The decrease in net long-term resource flows to developing countries continues to be a source of concern, given the increasing reliance of these countries on external resource flows to achieve economic growth and reduce poverty. However, with official capital outflows slowing down, net private capital inflows to developing countries are provisionally estimated to rise to US$131 billion in 2003, the highest level since 1997. A sharp decrease in net portfolio investment was observed in 2003, particularly in emerging Asia and the Middle East.

Net foreign direct investment (FDI) flows to developing countries fell sharply in 2002, to an estimated US$147 billion, compared to US$175 billion in 2001. The decline was prominent in Latin America, due to the crisis in Argentina, the slowing down of the privatization process, and absence of large mergers and acquisitions that boosted flows in 2001. Net FDI levels have been expected to further decline to US$135 billion in 2003.

In contrast, official development assistance (ODA) to developing countries from members of the OECD Development Assistance Committee (DAC) increased from US$52.3 billion in 2001 to US$58.3 billion in 2003. Fourteen countries of the 22 DAC member countries achieved increases in net ODA in 2002, with the largest flows from: (i) the US (US$1.9 billion); (ii) France (US$1.3 billion); and (iii) Italy (US$0.7 billion). The average ODA levels of non-G7 countries was 0.47 per cent of Gross National Income (GNI) while G7 countries' ODA levels averaged only 0.20 per cent of GNI. Most importantly, with the exception of some DAC countries, ODA levels have largely remained below the United Nations (UN) target of 0.7 per cent of GNI. The level of ODA in 2003 is estimated to have declined while most of the net ODA disbursed in 2002 accrued to Latin America and Africa.

Further increases in official aid are likely to be influenced by the desire to achieve global security assistance for reconstruction in Iraq and Afghanistan and the commitments to increase aid pledged during the 2002 Conference on Financing for International Development in Monterrey, Mexico. The OECD estimated that if all DAC countries were to meet their targets for increases in aid, ODA levels would rise by 31 per cent, and the ODA/GNI ratio would increase

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to 0.26 per cent, by 2006. However, this level would still fall well below the UN target, and would be lower than the ratio of 0.33 per cent consistently achieved until 1992. Nontheless, this target would represent a substantial rise in ODA from the current levels, particularly that some countries have made commitments for future increases in ODA beyond 2006.

Workers' remittances have become an increasingly important source of external funding for many developing countries. Remittance flows are the second-largest source, after the FDI, of external funding for the developing countries during the 1990s, exceeding official development assistance. In 2001, workers' remittance receipts of the developing countries stood at US$77 billion, much higher than net official flows at US$54.8 billion. Workers' remittances receipts of developing countries rose to US$88.1 billion in 2002 and further to US$93 billion in 2003. In the latter years, South Asia received US$18.2 billion in remittances. This is the second highest record among the developing countries' regions and equivalent to 2.5 per cent of the GDP for the region. In 2003, Mexico alone received US$13.2 billion in remittances, the largest remittances in the developing world. Other major recipients included Bangladesh (US$3.2 billion), Pakistan (US$4.2 billion) and MENA countries (US$13 billion).

Remittances are also more stable than private capital flows. The latter often move pro-cyclically, thus raising incomes during booms and depressing them during downturns. Private flows are expected to rise significantly in the long term once sluggish labour markets in G-7 economies recover and new procedures for international travelers become routine.

Net resource flows to the IDB member countries increased from US$25.2 billion in 2000 to US$26.5 billion in 2002. Nearly half of these capital flows in 2002 went to few IDB member countries. As a share of net resource flows to all developing countries, the IDB member countries received resource flows amounting to 19 per cent in 2000, 22 per cent in 2001, and 33 per cent in 2002. Member countries which experienced sizeable increase in net resource flows between 2001 and 2002 are Afghanistan (US$859 million), Cameroon (US$784 million), Iran (US$1.6 billion), Jordan (US$304 million), Malaysia (US$2.5 billion), and Mozambique (US$885 million). Member countries which experienced major drop in the net resource flows between 2001 and 2002 are Algeria, Comoros, Gabon, Kazakhstan, Qatar, Saudi Arabia and Turkey.

As a share of aggregate resource flows to IDB member countries, ODA flows declined from an average of 87 per cent in 1990 to 61 per cent in 2001. Non-concessional flows may have been restricted, especially in the Sub-Saharan African countries where aid remains crucial, on account of delays that have occurred in implementing reforms in some member countries. On average, Sub-Saharan African countries face more volatile commodity prices in their exports than any other developing region. Finally, if donors follow through with their commitment at Monterrey to increase aid flows to the United Nations target of 0.7 per cent of GNI, efforts will need to focus on securing the administrative and institutional preconditions for these resources to be used efficiently, and to manage the ensuing macroeconomic consequences.

Given the vital importance of the transfer of adequate resources to its member countries and the various difficulties encountered in securing sufficient amounts through its traditional sources, the IDB has taken new initiatives to mobilize resources from the international market. It will also maintain its financing policy towards the LDMCs of providing finance to support their economic and social programmes.

2. Recent Debt-Relief Initiatives

Of the fifty five IDB member countries: fourteen countries are classified as less indebted; twelve moderately indebted; and twenty two severely indebted[10]. In 2003, twenty-four IDB member countries were implementing IMF programmes, implying that these countries could not meet normal debt servicing obligations.

On the basis of the set eligibility criteria, nineteen IDB member countries in 2003 were qualified for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) initiative (Table 1.2 and Annex Table 1.A). Of these, fourteen IDB member countries were under the joint HIPC and the IMF Poverty Reduction and Growth Facility (PRGF). This aspect implies that these fourteen countries were under different stages of obtaining debt reduction under the HIPC initiative. Of these countries, four are classified as moderately indebted, and ten severely indebted.

[10].The definitions of these three types of indebtedness is provided in the footnote to Annex Table 1.A.

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That is, the provision of debt reduction under the HIPC initiative is relatively more common for the severely indebted member countries.

In 2001, there were twenty-eight member countries whose ratio of concessional debt to the total debt exceeded the average of 40 per cent for the low-income countries (Table 1.A). In fact, there were twenty member countries where this ratio exceeds 68 per cent, which shows that many member countries rely on concessional financing flows.

The total amount of rescheduled debt owed by the IDB member countries increased from US$8.4 billion in 1990 to US$13 billion in 1995, and almost tripled to US$35 billion in 2001. The principal debt relief mechanism is rescheduling of debt stock rather than debt write off. Thirty debtor IDB member countries obtained debt rescheduling under the aegis of the Paris Club through 168 agreements, which rescheduled debt amounting to US$127 billion over a period of 37 years.

In order to translate the benefit of debt relief into enhancing economic growth and supporting poverty alleviation measures, preparation of debt sustainability assessments (DSAs) has become mandatory under the HIPC initiative. The focus of the HIPC Initiative, which was launched in 1996, is to reduce the existing stock of debt, also known as stock-of-debt operations.

Thus, in order to avoid reverting to the debt trap, the HIPCs face the following three policy options: (i). slow down ambitious public programmes, (ii). increase domestic savings and public revenues, (iii). seek higher non-debt creating foreign direct investments and grants. In this context, two new approaches are emerging in the international policy discussions. The first focuses on ensuring external debt sustainability by developing operational guidelines for countries' decisions concerning new borrowings. Implementation of this approach is achieved through development of a set of external debt-related indicators and stress tests in order to establish the terms and amount of new borrowings. The objective of the approach is to limit new borrowings, including concessional loans, to levels that avoid the country seeking further debt rescheduling.

The second approach claims that debt servicing by the severely indebted countries is beyond their ability to pay. Debt relief even under the HIPC framework is slow and not sufficient enough to make severely indebted countries exit from the debt trap and achieve the MDGs targets. Under this approach, an explicit link is developed between debt relief in the form of budgetary support and the government expenditures required to meet the MDGs targets. Operational implementation of this approach assesses debt servicing capacity in relation to the country's needs for achieving the MDGs targets, and may result in full debt cancellation in some cases, by capping the debt servicing to under 2 per cent of GDP.

The IDB closely monitors the policy debate on the merits and demirits of the above two approaches. At the level of project and programme implementation, IDB will remain engaged with member countries by aiming to identify suitable projects for IDB financing in the tradable sector. In the non-tradable sector (such as the infrastructure, social sector, etc.), projects and programmes should be justified in terms of the efficiency of public expenditure criterion.

At the end of 1424H there are thirty four severely indebted countries which are eligible to receive debt relief under the enhanced HIPC initiative. The total cost of the HIPC initiative to all creditors is currently estimated by the World Bank at US$ 39.4 billion in 2002 Net Present Value (NPV) terms, with the multilateral creditors share of US$19 billion (or 48 per cent). To date, there are twenty seven countries that have been declared eligible to receive debt relief estimated at US$ 33.3 billion in 2002 NPV terms, with twelve countries having reached their completion points. For these countries, multilateral creditors share of the debt relief is estimated at US$ 16.8 billion.

During 1424H, the IDB continued to implement HIPC debt relief packages. Fourteen IDB member countries have been declared eligible to receive HIPC debt relief, where eight countries, namely Benin, Burkina Faso, Mali, Mauritania, Mozambique, Niger, Senegal, and Uganda have reached their respective completion points. There are five more IDB member countries that are yet to be considered for HIPC debt relief[11].

The cost of IDB's share of debt relief under the HIPC initiative is projected at US$ 136 million. The breakdown of IDB's debt relief to the fourteen eligible member countries is presented in Table 1.3.

[11] Comoros, Cote d'Ivoire, Somalia, Sudan and Togo.

TABLE 1.3
ESTIMATED NPV OF DEBT RELIEF BY IDB TO MEMBER COUNTRIES

Country	Date at which NPV of debt relief Estimated	Estimated IDB's share of debt relief in NPV terms (US$ million)	Board of Executive Director Approval
Benin	Dec 1998	4.7	Yes
Burkina Faso*	Dec 1999	14.6	Yes
		7.2	Yes
Cameroon	Jun 1999	1.9	Yes
Chad	Dec 2000	2.4	Yes
Gambia	Dec 1999	2.7	Yes
Guinea	Dec 1999	16.7	Yes
Guinea Bissau	Jul 2000	11.0	Dialogue
Mali	Dec 1998	10.5	Yes
Mauritania	Dec 1998	15.5	Yes
Mozambique		No exposure at Decision Point Date	
Niger	Dec 1999	21.0	Yes
Senegal	Dec 1998	10.6	Yes
Sierra Leone	Dec 2000	1.1	Yes
Uganda	Jun 1999	4.0	Yes

The NPV of IDB's debt relief for each country has been estimated at different decisions point dates.
*Burkina-Faso had two debt relief operations in 1999.

During 1424H, the IDB approved debt relief packages, for Guinea, Sierra Leone and the topping-up of US$7.2 million for Burkina Faso. The Bank is currently engaged in a dialogue with Guinea Bissau in order to establish an appropriate mechanism for the delivery of IDB's share of debt relief.

The IDB's debt relief packages have been fully implemented for Uganda, Mauritania, and Niger. The implementation of IDB's debt relief package for Benin commenced in June 2004. The implementation of the IDB's debt relief packages for Burkina Faso and Mali are currently in progress.

3. Progress in Implementing the Millennium Developments Goals, Poverty-Reducing Growth Strategies, and Related New Initiatives

The eight Millennium Development Goals (MDGs), which comprise 18 targets to be achieved by 2015, are aimed at poverty reduction and improvements in important aspects of human welfare such as health, education, reducing child mortality and improving maternal health, reducing the incidence of communicable diseases, reversing the loss of environmental resources, etc. The monitoring of the progress towards the attainment of the MDGs is based on 48 indicators. The compact of the UN Millennium Declaration and the UN International Conference on Financing for Development, held in Monterrey in March 2002, is based on a clear notion that developing countries will be primarily responsible for domestic reforms and efforts to achieve the MDGs, while the developed countries will provide aid to poor countries on the basis of policy actions and performance.

At the prevailing rates of progress, many of the poor countries are not likely to attain the MDGs by 2015. This is because the 1990s have been considered a decade of development crisis. According to the Human Development Report of 2003, there are 54 more poor countries now than in 1990: in twenty-one countries a larger number of population is hungry; in fourteen countries more children are dying before the age of five; in twelve countries primary school enrollments have gone down; and in thirty-four countries life expectancy has actually fallen. In overall terms, twenty-one countries actually experienced a decline in the human development index[12].

There is also a contrast in the implementation performance of the MDGs at the regional level. A pattern seems to be emerging: some regions are forging ahead, while others are showing persistent declines in key MDGs targets. For instance, in South Asia, where the largest number of the poor in the world live, performance has been relatively homogeneous. Except for Afghanistan, no South Asian country experienced a decline in the rate of the progress towards achievement of the MDGs. In contrast, Sub-Saharan African countries generally experienced a period of stagnation in key MDGs indicators. Similarly, by the end of 1990s, the CIS countries had lower MDGs indicators than Latin American countries with poverty almost tripled and income levels dropped close to the average for least developed countries.

Annex Table 1.B presents data on the current rate of progress in implementing the MDGs in the IDB member countries. The Human Development Report of 2003 lists the distribution of member countries in three categories:

[12] Human development index (HDI) is a summary measure of the following eight factors: life expectancy at birth, adult literacy rate, gross enrolment ratios, GDP per capita in PPP terms, life expectancy, education index, and GDP index. See Annex Table 1.B for the HDI classification of IDB member countries.

- Five member countries are classified among the fifty-five high human development countries,
- Twenty-eight member countries are classified among the eighty-five medium human development countries,
- Eighteen member countries are classified among the thirty-five low human development countries.

Therefore, more than half of the low human development countries and one-third of the medium human development countries are accounted for by IDB member countries.

Implementation progress by IDB member countries in terms of selected MDGs relating to eradication of extreme poverty and hunger, achievement of universal primary education, reduction of child mortality rate, and improved access to safe drinking water and sanitation are presented in Annex Table 1.B. The Table also describes both the nature of data and its interpretation.

In terms of implementation progress towards target 1, there are at least thirteen member countries which are classified as being in 'serious crisis' because with entrenched or extreme income poverty there also appears to be insufficient progress to achieve the target of halving the number of people living below US$1-day by 2015. These countries are characterized as top priority for the purpose of targeting international aid. Also, in at least four member countries, the rate of progress is either too slow or has reversed to meet the income-level poverty reduction target by 2015. Such countries are characterized as high priority. The implication is that both the top and high priority member countries require the urgent attention of the international donor community to assist in the implementation of policies that will accelerate progress towards reducing poverty. The rate of progress by many member countries towards meeting target 2, which is related to the reduction of the number of people suffering from hunger, is on track. The member countries which can be characterized either as top or high priority in terms of this target appear to be mainly limited to post-conflict situations.

Target 3 of the MDGs 2 aims to ensure that by 2015, all children will be able to complete a full course of primary schooling. On this account, it appears that the progress is on track for many of the low human development member countries. Target 5 of the MDGs 4 aims to reduce the under-five mortality rate by two-thirds by 2015. It appears that, except for eight member countries, all other countries are either on track to achieve the target by 2015 or have already achieved the health-related target. Targets 10 and 11 are related to the improved access of the population to safe drinking water and sanitation. The current performance indicates that many member countries are on track to achieve the target for safe drinking water by 2015 and the target for improved access to sanitation by 2020.

The central issue is that at least seventeen IDB member countries are making progress which is not sufficient enough to achieve the target of halving the number of people living below US$1-day by 2015. At this stage, accelerating the current rate of change which is at least greater than half the required progress rate to achieving the poverty-related target appears to be the main challenge for the IDB member countries. The response to this challenge requires that authorities in such countries ensure implementation of sound macroeconomic and sectoral policies that improve the prospects of economic growth.

The international donor community needs to formulate an urgent action plan to support crisis countries by providing grant-based financing in support of poverty alleviation programmes. It is estimated that additional aid need to increase by US$40-100 billion annually in order to help achieve the MDGs in those countries. This requires nearly doubling the current level of official development assistance (ODA) bringing it to 0.43 per cent of DAC countries' gross national income, which is still below the target of 0.7 per cent reaffirmed in the Monterrey Consensus.

In the Monterrey Conference, the additional aid pledges made by the DAC countries are mostly targeted to reach their new levels by 2006 and beyond. That is, while the additional external funding needs are immediate in the crisis countries, the availability of additional ODA resources is unlikely to materialize before 2006. In this context, UK has proposed a financing mechanism, called international finance facility. This facility is expected to raise up to US$50 billion from the capital markets to fund poverty alleviation programmes. Under the proposed facility, donors would commit to make annual payments to the facility, which will allow funds to be raised immediately from the international capital market. Implementation of such an innovative financing mechanism will be the key to resolving the inadequate aid flows to the least developed countries, particularly to those countries characterized by both extreme human poverty and slow or reversing progress towards the MDGs. However, so far only France has endorsed the proposed mechanism. The IDB member countries in various international fora need to mobilize efforts to support such initiatives that will help to alleviate the immediate external financing constraint in many member countries which are making slow progress towards achieving the MDGs.

In order to support the efforts of LDMCs to achieve the MDGs, the IDB is committed to providing resources to boost their economic growth and enhance institutional capacity. Most of the IDB operations in the LDMCs are mainly financed through concessional resources and are concentrated in the MDGs related sectors such as education, health, agriculture and water supply. During 1424H, the IDB approved US$572.22 million for project and trade operations, special and technical assistance activities in the LDMCs. Cumulatively, the IDB approved financing to the LDMCs up to the end of 1424H amounting to US$5.9 billion.

Given that the majority of the LDMCs are in Sub-Saharan African region and facing serious challenges in achieving the MDGs, the IDB is committed to support the attainment of MDGs by substantially increasing its volume of financing within the framework of the New Economic Partnership for Africa (NEPAD). The IDB Governors, on the occasion of the 27th IDB Annual Meeting of the Board of Governors held in Ouagadougou, Burkina Faso in October 2002, issued a Declaration on IDB Group Cooperation with Africa. In this Declaration, the IDB pledged to attain a financing target of US$2 billion over a five year period from 1424H to 1428H (2003-2007). During 1424H, the Bank prepared an Action Plan to operationalize the Declaration. In the first year of its implementation, the IDB approved project financing, trade, and technical assistance operations amounting to US$ 352.32 million, of which about 74 per cent was extended on concessional basis.

4. Financing Education in IDB Member Countries

The available data show that, the average gross primary school enrollment rates in the IDB member countries have risen significantly in the last two decades, from 78 per cent in 1980 to 95 per cent in 2000. Despite the significant increase in secondary school enrollment rate from 29 per cent in 1980 to 47 per cent in 2000, this rate is still low compared to other regions. The enrollment figures, hide enormous disparities across and within IDB member countries. For example, while primary school enrollment rates in many member countries from the Arab region and CIS region have exceeded 100 per cent, the enrollment rates in many member countries from Africa are less than 50 per cent. In fact, access has declined in some African member countries where enrollment increases have not kept pace with population growth and certain groups, especially the poor and females, are disproportionately excluded. The drop-out rates are high in many LDMCs, with only two thirds of children who start school stay to the fifth grade.

A commonly used argument is that private markets are unable to provide basic education efficiently. Consequently, expansion of public schooling to attain universal coverage has imposed strain on governments budgets and the sustainability of maintenance cost of the public education system has become a problem. In the LDMCs, where the tax base and the tax rates are low, mobilization of tax revenues is insufficient to finance an expansion in the whole range of primary and secondary education system (for example, building schools, provision of textbooks, enhancing the learning environment, training teachers, improving delivery methods, etc).

During the last two decades, the trend in public spending in the education sector in IDB member countries has stagnated or declined. For member countries where data is available, public expenditure in the education sector, as a percentage of GDP, increased from 3.6 per cent in 1980 to 4.6 per cent in 1990, before declining to 4.1 per cent in 2000. In countries where the requirement is six years of compulsory education, public expenditure in education sector, as a percentage of GDP, varies from as low as 2 per cent in Uganda to more than 7 per cent in Cote d'Ivoire. However, the average public expenditure by member countries in the Middle East and North Africa (MENA) region reached 5.3 per cent in 2000, which is the highest in the world. By investing in human development, the MENA countries have obtained remarkable results in a relatively short period of time. According to a recent report by the World Bank (2003), "the average literacy rate for women in the region rose from 16.6 per cent in 1970 to 52.5 per cent in 2000. Furthermore, by the year 2000, nine girls for every ten boys were enrolled in primary schools across the region, while 74 per cent of girls and 77 per cent of boys were enrolled in secondary schools. Today, the MENA countries are

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well on the way to meet one of the MDGs which calls for bridging the gender gap in primary and secondary enrollment by 2015".

Despite the above achievements, the goal of universal coverage requires concerted efforts in many LDMCs. Wide gaps still exist between male and female enrollment rates. In some member countries, misallocation of public expenditure in the education sector resulted in a skewed school expansion with inappropriate types of schooling for children from certain backgrounds, leaving out significant portions of the population (girls, children with learning disabilities, children with physiological and psychological problems, ethnic minorities, and the poor). Furthermore, misallocation of public expenditure is responsible for inappropriate and over-subsidized tertiary education at the expense of basic education. More critically, education institutions are poorly equipped to deal with the economic and social challenges faced by the communities and the labour market.

The IDB is preparing a major study on financing education in member countries. This study, which is an IDB Occasional Paper to be published in 1425H, analyzes major indicators related to the state of the education sector, and identifying gaps that need to be filled in order to reach the relevant MDGs. Moreover, the Occasional Paper explores strategies that can suitably finance basic education in IDB member countries and propose policies that ensure efficient utilization of domestic and external resources, relevant lessons from the implementation experience of successful education sector policies in selected IDB member countries, with a view to highlight best practices and innovative solutions to challenges in the education sector.

5. Grain Production and Food Security in IDB Member Countries: Issues and Prospects

In terms of future prospects of enhancing food security, there is a need that member countries focus on key factors that are likely to influence future grain production and contribute to productivity growth in the agriculture sector. Such key factors can be broadly grouped into four categories: land and water resources; technology (including biotechnology); domestic institutions and policies; and international institutions, policies and environment. An IDB Occasional Paper on the subject of food security analyzed key issues regarding ways and means to sustain the growth of grain production and productivity in IDB member countries (Box 1.1).

The study highlighted the need to avoid dissipating scarce resources by way of providing general subsidies on farm inputs and credits to the agriculture sector. Such generalized subsidies distort resource allocation and have perverse distributive effects. For these reasons, all forms of implicit taxes on farm produce also need to be eliminated. To maintain output and price stability, governments should provide institutional support to the agriculture sector with minimum direct intervention in the production and distribution of inputs and produce.

At the regional level, member countries in Sub-Saharan Africa region are dependent on imported grains, including food aid from bilateral and multilateral sources. The level of funding and support by donor governments and international agencies should be increased in projects that have demonstrable potential for growth of grain production and its farm-level productivity. Some member countries in North Africa and West Asia need to consider the economic benefits from the existing allocation of resources for grain production and reallocation of resources from grains to other produces with higher productivity and economic returns to farmers.

In relation to trade and environmental issues, member countries face uncertainties about the effects of changes in (i) the international trade environment for agricultural products, including grains, resulting from the on-going WTO negotiations and (ii) the changes in global climate, especially the frequency and severity of floods and droughts as a result of global warming. Therefore, there is a need to develop risk mitigating mechanisms for the small grain producers and poor consumers in the low-income food deficit member countries. The authorities in such countries should seek the support of the international community to provide financial assistance and food aid without distorting incentives for resource allocation.

The study also highlighted major challenges to enhance farm-level productivity in the IDB member countries. The key initiatives that can be adopted to address such challenges are briefly discussed below.

Land degradation and inadequate management of water are the most serious problems affecting crop productivity. To alleviate such problems, the following

Box 1.1
Food Security and Hunger in IDB Member Countries

An IDB Occasional Paper, published in 1424H (2003), explores the determinants of production and constraints on increasing the grain production in member countries. Following are the major analytical and empirical insights of the Occasional Paper[13].

- ❖ Low land productivity, expressed in output (yield) per hectare, is the main reason for relatively low level of grain production. The average yield level in the member countries increased only marginally during the 1990s. It rose by 15 per cent in Sub-Saharan African member countries and fell by 20 per cent in LDMCs. In the major grain producing countries, barring few, the yield level has either been stagnant or rose very slowly in the last 10-15 years. Therefore, in order to enhance food security, the challenge for the member countries is to raise the average yield to significantly higher levels.

- ❖ A majority of the IDB member countries are net importers of cereals and thirty-three of them are on the list of Low-Income Food Deficit Countries (LIFDCs). In Sub-Saharan Africa, only six member countries have a self-sufficiency ratio of 80 per cent or higher. All countries in West Asia and North Africa, except Turkey and Syria, have ratios of less than 60 per cent (including Yemen). In Central Asia, only Tajikistan depends heavily on net imports, but Kazakhstan is a large net exporter of wheat. In South East Asia, Malaysia depends heavily on imported grains and Indonesia has a ratio of 88 per cent like Bangladesh in South Asia.

- ❖ Nearly one-third of the population of twenty-three LDMCs is undernourished. The average daily calorie intake in most of these countries is less than 2,300 and most of it is obtained from cereals. This is indicative of food insecurity at the household level. Seen from this perspective, the major issue is not that many member countries depend on imported grains, but whether they can maintain national and household food security that includes (i) sustainable use of domestic and foreign resources and (ii) adequate nutrition to the vulnerable and marginalized individuals.

[13] Mahmood Hasan Khan, Grain Production in IDB Member Countries: Issues and Prospects, IDB Occasional Paper No. 9, Rajab 1424H (September 2003).

policy initiatives may be needed at the national and regional levels:

- coordinated management of water at the regional level for the cross-boundary river systems;
- increased level of investment in small-scale irrigation and water projects;
- devolution of water management responsibility to water users and cost recovery of the operations and maintenance of irrigation system or removal of subsidy on irrigation water; and
- rapid dissemination of practices of zero-tillage and integrated soil, water and pest management on the farm

Issues of land titles, rights to land through ownership and tenancy, land concentration, and land fragmentation should be addressed with urgency to increase productivity, enhance food security, reduce rural poverty, and promote social harmony.

National governments, supported by international agencies, should enhance technical and financial support to improve and build the rural infrastructure, including rural education, health care and roads, as a way of contribution to productivity growth and rural poverty reduction.

The importance and role of introducing appropriate technology in raising grain productivity is widely recongined. The policy concern should be on devising a mechanism for the transfer of technologies that can be adopted by farmers. Regional consortia for introducing appropriate technologies to reduce the yield gaps should be adequately funded by national and international sources.

Advancements in biotechnology can be utilized to improve the prospects for increasing grain production. The regional consortia of donors and recipients on rice and wheat are a good beginning for addressing the yield gap issue in both African and Asian member countries. However, it is also important that while utilizing biotechnology to enhance productivity, adequate protection to the indigenous strains of grains should also be protected.

Given the challenges for future grain production, especially in the LDMCs, the IDB continues to make significant contribution to promoting agricultural trade

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among member countries. Agricultural development and food security is among the six priority areas identified in the IDB new Strategic Framework. The Bank's assistance in the agriculture sector, particularly in the low income member countries, will be aimed to support the various public sector activities, including crop and irrigation infrastructure development, storage facilities, agro-processing, micro-credit, feeder roads etc. During 1424H, the IDB approved project and technical assistance operations in the agriculture sector in member countries amounting to ID133.74 million, which constitute about 16 per cent of the total approved operations. Cumulatively, Bank approved ID1,141.64 million in the agriculture sector, which constitutes 15 per cent of the total approved operations.

The IDB plans to further expand cooperation with regional institutions for the purpose of information networking, water conservation, building rural infrastructure, and improving agricultural research. In order to assist the member countries to address challenges of achieving food security and eradication of hunger, the IDB signed a cooperation agreement and a memorandum of understanding with the Food and Agriculture Organization of the United Nations (FAO) to implement various projects under the framework of the Special Programmes for Food Security (SPFS) and South-South Cooperation (SSC). The aim of the agreement is to enlarge cooperation in the process of identification and preparation of agricultural and rural development investment projects. Within the framework of this cooperation, a two-day regional workshop on food security was held at the IDB Headquarters in Jeddah in October 2003. The FAO also assisted the IDB in the evaluation of hydro-agricultural project in Cote d'Ivoire in March 2004, a project on rehabilitation and modernization of irrigation infrastructure in Sudan in May 2004, and a feasibility study on land development project in June 2004. Under the SSC framework, FAO-Investment Centre assisted in the project formulation in the agriculture sector in Burkina Faso, Djibouti, The Gambia, Niger, and Sudan.

6. Developmental Issues Confronting the Post-Conflict IDB Member Countries

Many IDB member countries in different regions have experienced internal conflicts with negative impact on the economy, institutions, and the society. After formal cessation of conflict, there is the task of consolidating the peace efforts where early engagement to restore developmental activities such as the deweaponization programme, re-building of institutions, resumption of economic activities, can provide a basis for normalization and lasting peace. In this context, the role of neighboring countries and international donors in addressing many of the development challenges becomes critical to sustain normalization of society in the post-conflict period. The definition of internal conflict is presented in Box 1.2, which also highlights selected and comparative statistics for episodes of internal conflicts data. These statistics broadly indicate the underlying causes of internal conflicts.

The causes of internal conflict are often complex, country specific and sometime change during the course of conflict. However, there appears to be a set of common risk factors that could push countries towards a period of protracted internal conflicts (Box 1.2). In general, developing countries are a high risk group where, in some cases, political boundaries created by former colonizers led to varying degrees of ethno-linguistic fractionalization. Developing countries with a relatively balanced ethno-linguistic fractionalization but characterized by an absence of democratic governance, equitable public finance framework, and equitable distribution of gains from natural resources are at high risk to experience violent and protracted internal conflicts. Notwithstanding the causes of internal conflicts, there are several distinctive challenges of peace and security and economic development in post-conflict countries.

In the immediate aftermath of cessation of hostilities, international aid is often high. At this stage, the flow of aid to potential beneficiaries in such countries need to be carefully targeted in a transparent manner. As functioning government institutions may not exist, a key challenge for the donor community is to avoid the charges of opportunistic financing to special interests. In attempting to re-build the basic functions of the government, the transparency and credibility of aid management is critical to maintaining durable peace and security.

In terms of development challenges in post-conflict countries, the critical issue is how the economic absorptive capacity might evolve during the first decade of peace. During the early phase of reconstruction in post-conflict countries, experience suggests that there is a tendency in the donor community to organize aid management agencies that concentrate on providing technical skills and

Box 1.2
Understanding Causes of Internal Conflicts

Collier and Heoffler (2001) developed a comprehensive dataset on the internal conflicts and identified major causes of internal conflicts. An internal conflict is defined as an event of civil war between a government and an identifiable rebel organization that results in at least 1,000 combat-related deaths per year, of which at least 5 per cent must be incurred on each side. This definition allows it to make a distinction from massacres. On the basis of this definition, 78 internal conflicts were globally identified that covered 161 countries over the period 1960-99.

Given the above definition, there are nineteen IDB member countries which, during the period 1960-99, are classified as having experienced internal conflicts. Of these, there are eleven member countries that experienced two or more episodes of internal conflicts. Furthermore, there were seventeen member countries which experienced internal conflicts during the period 1945-1994. Therefore, it appears that almost one-third of IDB member countries are highly prone to protracted internal conflicts.

The following descriptive statistics highlight common risk factors in 161 countries that could potentially lead to protracted episodes of internal conflicts.

Key Descriptive Statistics of Full Sample of Peace and Civil Wars: 1960-1999

	Full Sample=1167[1]	No Civil War=1089	Civil War=78
GDP per capita (const. US$)	4061	4219	1645
GDP per capita growth (average for previous 5 years)	1.62	1.74	-0.23
Previous war (% with war since 1945)	20.8	18.5	53.8
Income inequality[2]	0.406	0.406	0.410
Land inequality[2]	0.641	0.641	0.631
Religious fractionalization (index, 0-100)	36.09	35.98	37.70
Ethnic fractionalization (index, 0-100)	39.57	38.64	52.63
Democracy (index, 0-10)	3.91	4.07	1.821

Notes: (1). The full sample and episodes of civil wars and no civil wars also include IDB member countries. (2). The estimated inequality is based on Gini method.
Source: Paul Collier and Anke Heoffler (2001): Greed and Grievances in Civil War, Development Research Group, The World Bank

fiduciary services to donor agencies[14]. A successful aid management agency has built-in provisions whereby specific activities at termination dates are transferred to government ministries as adequate capacity develops[15]. Such transfer of skills to rapidly build government authority are important elements to creating long term interests in maintaining durable peace, efficient management of future aid flows and mitigate risks arising from unfulfilled expectations.

The outcome of reconstruction activities in post-conflict countries indicates that, even with either poor policies or absence of 'good' policies, such countries experience a temporary growth spurt, which is typically double its normal level, and this is largely dependent upon aid inflows. The timing of aid inflows is an important issue – during the first three years of the peace-onset period, there is a need to avoid receipt of large aid volumes that tend to taper out quickly in subsequent years.

A critical development challenge during the immediate post-conflict period is that rebuilding of government institutions is a much more harder task to achieve than the rebuilding of damaged infrastructure. More critically, the absorptive capacity of aid is at its lowest in terms of reconstruction of physical infrastructure in the first two to three years of peace onset. The general lesson is that, in order to sustain durable peace, the post-conflict local authority needs to be assisted to build capacity, in terms of government institutions and fiduciary systems, and development of merit based bureaucracy. Another key lesson is that priorities and target for aid should be investment in social sector and poverty alleviation first, followed by sectoral and macroeconomic policies that support medium term growth in investments by the private sector.

As can be expected, the process of political settlement and regeneration of civil society in post-conflict countries is assisted by different agencies of the United Nations. The multilateral financing institutions (MFIs) take a lead role in the administration of economic aid, capacity building in the economic ministries, and project financing activities. A recent initiative of

[14] Examples of such aid management agencies that were set-up in the recent past in post-conflict IDB member countries are the Council for Development and Reconstruction in Lebanon, the Palestinian Economic Council for Development and Reconstruction in West Bank and Gaza, and the Afghan Assistance Coordination Authority.
[15] This transfer of capacity in Afghanistan where aid coordination and payments processing has been transferred to the Ministry of Finance, reconstruction programme management and fiduciary capacity are transferred to the new Ministry of Economy, and capacity building to the Civil Service Commission.

the World Bank was the setting up of a Trust Fund for Low Income Countries Under Stress (LICUS) in January 2004, which will target assistance to severe LICUS that have been marginalized in terms of aid assistance by the international donor community due to on-going conflicts and persistent arrears. Many other MDBs have designed special policies and instruments to assist in the post-conflict recovery, including clearing the accumulated arrears in the context of the enhanced HIPC framework.

The initial approach of the IDB was to resume normal development financing operations to post-conflict regions or countries such as South Lebanon, Uganda, Mozambique, and Sierra Leone. For instance, the IDB approved in Safar 1420H (May 2000) a reconstruction programme for South Lebanon for a total amount of US$100.5 million to be implemented over a period of three years.

In recent years, the IDB approach is to assist the post-conflict member countries in their economic reconstruction efforts as part of the multilateral financing framework in countries such as Palestine, Afghanistan, and Iraq. The IDB joined, as a member, the Management Committee of the Afghanistan Reconstruction Trust Fund (ARTF), which was established in 2001. The other members of the Management Committee are the Asian Development Bank, United Nations Development Programme, the World Bank, and representatives of official donors. The resources of the ARTF are primarily used to meet the recurrent government expenditures, and more recently, the financing of development projects, including technical assistance. As of January 2004, the ARTF received a total commitment of about US$610 million. The Fund has disbursed about US$245 million up to the end-2003.

The IDB's involvement in the humanitarian assistance to Afghan refugees and participation in the reconstruction activities in Afghanistan has been wide ranging. During 1424H, an operation amounting to US$4.55 million was approved for Afghan refugees. This cumulatively amounts to US$9.25 million against a grant allocation of US$10 million. An amount of US$40 million has been made available by the IDB during 1425H (2004-05) to the government of Afghanistan to finance development projects.

Subsequent to a resolution of the Islamic Conference of Foreign Ministers, the OIC established an Afghanistan Peoples Assistance Fund in June 2002. The IDB is a member of the Council of Trustees. So far, total pledges received for this Fund amount to about US$14.8 million while the funds received by the IDB amount to US$8.38 million.

The IDB approved a Programme for Reconstruction of Iraq in Shawwal 1424H (December 2003). The total package of the Programme is US$500 million, which will be implemented over a five year period in education, vocational training, health electricity, water supply, sanitation, agriculture, and trade.

7. Doha Work Programme and the Outcome of the Cancun WTO Ministerial Conference

The outcome of the Doha WTO Ministerial conference, held in Qatar in 2001, was a commitment that the needs of development, particularly those of the least developed countries, will become the central objective of future trade negotiations. The Doha Work Programme was mainly in the form of an affirmation towards poverty reduction goals, to provide duty-free and quota-free market access to the exports of the least developed countries, and an intent to eventually eliminate agricultural export subsidies. The deadline set for the conclusion of the Doha round was 31st December 2004, which is unlikely to be met, given the failure of the 5th WTO Ministerial conference, held in Cancun, Mexico from 10 to 14 September 2003.

In the Cancun meeting, the 146 WTO member countries failed to agree on a final declaration and instead a one-page Ministerial Statement was presented in the closing session. It highlighted the need for more efforts to conclude negotiations on the "Doha development agenda" and agreed to resume work on the outstanding trade issues by convening a meeting of the WTO General Council no later than 15 December 2003. The purpose of the Cancun meeting was not to reach final agreement on the Doha round, but to agree on principles for taking the trade negotiations forward.

The failure at Cancun represented a lost opportunity because, according to the estimate of the World Bank, a successful Doha round could raise global income by about US$500 billion by 2015, of which 60 per cent of the gains would have accrued to the poor countries. Most of the Doha round gains to the poor countries would come from freeing trade among themselves. Reduction of agriculture export subsidies and greater market access to developed countries constitute additional benefits to the Doha round. Basically, the Cancun meeting has extensive agenda covering trade negotiations on reduction of domestic agriculture subsidies; reduction in agriculture tariffs and elimination of export subsidies on agricultural products; reduction in industrial tariffs on products of special interest to the least developed countries; and negotiating new global rules in four new areas of competition policy, foreign investment, transparency in government procurement, and trade facilitation measures. These four new areas are often referred to as the "Singapore issues".

During the Cancun meeting, a strong bloc of G-20 developing countries emerged, which was mainly led by Brazil, China, India and South Africa. The G-20 developing countries sought to strenghten their negotiating position, to counter the bargaining power of the US and EU countries, and to make the "Doha Development Agenda" more meaningful and relevant to the developing countries. The collapse of the Cancun meeting basically resulted from the failure to reach a compromise solution on three intertwined global trade issues. First, the issues related to the global trade in agriculture were the most contentious and politically sensitive to governments, because of influence exercised by farm lobbies in the developed countries. The offer by the US and EU contained proposals that would have slightly modified the system of agriculture subsidization, which was much less than the expectation that developed countries will offer to reduce domestic farm subsidies and eliminate export subsidies on agriculture trade[16]. Second, four West African countries, namely Benin, Burkina Faso, Chad and Mali, managed to put the issue of cotton subsidization on the Cancun agenda by introducing the subject of "Poverty Reduction: Sectoral Initiative in Favour of Cotton"[17]. The draft compromise on this issue vaguely promised a WTO review of the textile sector and, instead, suggested that West African countries should be encouraged to stop growing cotton. Thirdly, in reaction to disappointing offers by developed countries on the previous two issues, the developing countries refused to be drawn into extending trade negotiations to the Singapore issues.

Another development in the post-Cancun period is that the future round of WTO[18] negotiations could be undermined by the mushrooming regional trade arrangements and bilateral free trade areas, particularly those concluded by the US and the EU. Absence of strong coordination amongst the developing countries is apparently giving way to efforts of some developed countries to conclude bilateral free trade agreements, which could potentially threaten the multilateral trade system of the WTO. These fears were also raised by the Director-General of the WTO who also expressed concern about the proliferation of bilateral or regional free trade agreements by noting that of the 60 bilateral trade agreements currently under negotiation, only seven arrangements are WTO compliant.

In order to revive the "Doha development agenda", the EU and US trade representatives met the coalition of African trade ministers in February 2004 in Kenya. The meeting did not produce substantive progress in terms of a clear programme to reform the highly protectionist agricultural policy, market access issues, and elimination of export subsidies. Despite lack of progress, the WTO Special Session of the Committee of Agriculture resumed negotiations in March 2004 in an attempt to narrow differences for liberalizing global trade in agricultural products. The five-day meeting in Geneva produced initial indications that the EU might be prepared to discuss the elimination of agricultural export subsidies on all products. In a related development, cotton producers in the Africa-Caribbean- Pacific (ACP) region held a meeting, ahead of a WTO meeting on the subject, to harmonize actions aimed at reducing losses stemming from

16. According to the Human Development Report of 2003, tariffs of OECD countries are heavily biased against the agriculture produce of developing countries at 26.9 percent compared to 8.4 percent for textile, 0.9 percent for metals, and 2.2 percent for chemicals. It is estimated that OECD countries pay US$311 billion to their domestic farms. Diary subsidy by EU amounts to $913 per cow and $2,700 per cow by Japan while USA pays $10.7 million per day to domestic growers. In contrast, sub-Saharan countries receive $8 per person from EU and $1.7 per person from Japan while US aid to the region amounts to $3.1 million per day.

17. Cotton as a major export item is important for many IDB countries. For instance, cotton accounts for about 40 percent of total exports in Benin and Burkina Faso, and 30 percent in Chad, Mali, and Uzbekistan. Cotton supports the livelihood of at least 10 million people in West and Central Africa.

18. In March 2004, India, Brazil, South Africa established a Dialogue Forum with a determination to cement their alliance during the Cancun conference and press a united demand of developing countries for the eventual elimination of agriculture subsidies. However, it appears that the USA is proceeding rather rapidly with forging bilateral free trade areas, perhaps with an intent to undermine the developing countries solidarity in the WTO system. For instance, at the regional level, the USA announced a Middle East Free Trade Initiative in May 2003 to be established within 10 years. At the bilateral level, the USA concluded trade and investment framework agreements (TIFAs), which prepare the ground for free trade agreements with many developing countries. The TIFA initiatives are concluded with the following IDB member countries and regional trade organizations: Indonesia, Malaysia, Pakistan, Turkey, Qatar, UAE, Saudi Arabia, Tunisia, ASEAN, UEMO, and COMSEA. During 2003 and 2004, the USA also entered into free trade agreements with Bahrain, Jordan, and Morocco.

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subsidies granted to cotton producers in industrialized countries. Finally, in May 2004, the EU announced its willingness to scale back or remove trade distorting domestic aid to farmers and export subsidies. The EU's offer on farm subsidies is conditional on matching offer from the US. Therefore, substantive progress can take place during 2004 to make progress on the Doha Work Programme.

As part of the Uruguay round, the WTO Agreement on Textiles and Clothing committed countries to move to a quota-free global trade in textiles by end-2004. However, some countries are not yet prepared for liberalized global trade in textiles and foresee that Chinese textile exporters could gain larger market shares in developed countries. In this context, some of the least developed countries expressed concern at the lack of effectiveness of special and differential provisions in order to assist them during the transition period to full integration in the multilateral trading system[19]. Evidently, the issue of maintaining the MFA regime beyond the end-2004 has the potential to divide the unity of developing countries during the current Doha round negotiations.

As part of its assistance on WTO-related matters, the IDB organized a Consultative Meeting at the level of Trade Ministers in Cancun and other consultative meetings at the level of experts before the 5th WTO Ministerial conference. Thirty nine IDB member countries attended the Cancun conference as WTO members, and twelve as observers. These consultative meetings assisted the member countries to coordinate their negotiating positions during the 5th WTO Ministerial conference. Furthermore, IDB has an on-going programme to assist the member countries in building their technical capacity on WTO-related matters as well as to assist non-WTO member countries in their accession efforts.

8. Development of Islamic Banking and Finance

At present, the Islamic financial service institutions (IFSI) comprises over 300 financial entities, which manage assets worth over US$ 250 billion. The institutional structure of IFSI has evolved to reach a stage where it can legitimately claim a niche segment in the global financial market. IFSI refers to the combination of the institutional structures, financial intermediation and market related activities. Some of the important IFSI market segments are composed of the following:

- Asset management institutions, including investment banks, mutual funds, and brokerage houses;
- Deposit taking institutions including fully-fledged Islamic banks and Islamic windows of traditional banks;
- Financial markets, including money market, and e-business;
- Specialized and structured finance providers including takaful (insurance) institutions, venture capital, housing mortgages and infrastructure finance;
- Regulatory supervisors, licensing authorities, legal institutions and framework;
- Shari'ah governance institutions, risk management, transparency, disclosures and standard setters[20], and rating institutions;
- Research and training entities, financial statistics and information providers;

To embed itself in the global financial market place, the IFSI need to be cognizant of a number of intertwined challenges at the global and national levels. The intertwined nature of such challenges emanate from the fast pace of market developments and the changes in the regulatory regime. The IFSI need to respond to issues of maintaining competitiveness accompanied by adequate risk management framework, ability to deal with macroeconomic instability and evolving financial market reforms, striving towards meeting the best practices in financial reporting, seeking strategic alliances with conventional financial services providers or attempting to achieve size consolidation by way of market driven mergers, activating strategic business planning, and a dynamic product development programme in line with changing market requirements and national needs. Box 1.3 highlights

[19] For instance, Bangladesh fears that with phasing out of the multi fibre arrangement (MFA) by end-2004, its readymade garment industries might face closure, loss of foreign exchange earnings, and result in unemployment of 1.5 million workers. Similar concerns were expressed by a group of large textile manufacturers in USA and Turkey, when they jointly expressed fears of "massive trade and economic disruption" and pleaded to the WTO secretariat in March 2004 to extend the MFA by another two years.

[20] In particular, the IDB has been instrumental in setting up of the following institutions: Auditing and Accounting Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB), International Islamic Financial Market (IIFM), Liquidity Management Center (LMC), International Islamic Rating Agency (IIRA), General Council of Islamic Banks and Financial Institutions (GCIBFI), Shari'ah Boards of various institutions and the International Islamic Center for Reconciliation and Commercial Arbitration , which was recently established in 2003 in Dubai, U.A.E.

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the role of the IDB in assisting the Bank Muamalat Indonesia to address the above mentioned intertwined challenges, which ultimately became an example of how fledging Islamic banks can successfully rehabilitate and achieve a business turnaround in a highly competitive banking environment.

An example of emerging intertwined challenges for IFSI is to effectively address the implications of the new Basel Capital Accord (the Basel II Accord), which was launched by the Bank for International Settlements (BIS) in April 2003. The Basel II Accord is expected to be implemented by the national authorities by 2006. More specifically, the Islamic banking institutions are expected to face multi-faceted challenges emanating from the adoption of Basel II Accord by the domestic regulatory authorities in the IDB member countries. To secure the future prospects of the Islamic banking industry, the stakeholders may need to address some of the critical challenges in the following areas.

Under Basel II Accord, the capital adequacy framework and the related umbrella of consolidated supervision have been extended to cover the full range of activities of the financial conglomerates. With this linkage, the host regulator of multinational Islamic banking institutions need to understand their role and build capacity in establishing effective safety nets with control on capital leverage, non-prudential connected businesses spread across many national jurisdictions, the need to control capital arbitrage through cross-sector activities and across jurisdictions, and putting in place standards for information disclosure.

The emergence of a single regulator under Basel II Accord can be advantageous to the multinational Islamic banking institutions. In some western jurisdictions the nature of Islamic banking may not strictly conform to the definition of banking business. At present, such multinational Islamic banking institutions are supervised by different regulators in some non-host jurisdictions, which not only cause over-regulation, but also increases the cost of business. With consolidated supervision by a host regulator, the multinational Islamic banking institutions can develop a predictable relationship and invest in developing risk management techniques, systems and procedures.

The Basel II Accord aims at encouraging the adoption of enhanced risk management techniques by offering capital adequacy incentives and flexible coverage of all significant exposures, securitization and operational risks. The primary instrument of supervision is to bring about market driven discipline. This aspect places premium on banking institutions to demonstrate transparency and meet appropriate disclosure requirements. Thus, it becomes critical that, before implementation of the Basel II Accord, harmonization on technical issues is reached amongst the national regulators, Islamic banking institutions and their external auditors.

During the last three years, the IFSI effectively addressed the intertwined challenges of resource mobilization characterized by market driven pricing and medium-term tenor. The Shariah compatible instrument which gained enormous popularity is called Sukuk. These Sukuk are based on Salam, Ijara, Istisna'a, Istisna'a-cum-Ijara mode of finance and on the basis of pooled portfolios. The surge in Sukuk issuance by sovereign borrowers and corporate entities has mainly resulted from the Shari'ah standardization of the model agreement. The Accounting and Auditing Organization for the Islamic Financial Institutions (AAOIFI), during Ramadan 1423H, adopted an Exposure Draft of Shari'ah Standards concerning Investment Sukuk. Some of the salient features of the Exposure Draft are:

- In case of pooled securitization, the receivables and cash equivalents must not exceed 49 per cent of the pool.
- In case of Istisna'a' and Ijara, the issuance can be implemented in the framework of a Master contract followed by smaller contracts.
- It is possible to embed a convertibility option with a debt contract.
- It is also possible to combine contracts and make new hybrid instruments.

There are three structural types of Sukuk issuance which emerged during the recent years viz. project, asset, and balance sheet specific.

An example of project-specific and market-driven pricing of Sukuk is the transaction of the Government of Qatar. In 2003, the Government needed to mobilize resources for the construction of Hamad Medical City (HMC) in Doha. A joint venture special purpose vehicle (SPV), the Qatar Global Sukuk QSC,

[21] Joint Lead Managers, HSBC and QIIB; Co-Managers, Abu Dhabi Islamic Bank CIMB, Gulf International Bank B.S.C. Islamic Development Bank, Kuwait Finance House K.S.C. Qatar Islamic Bank S.A.Q.

Box 1.3
IDB's Successful Role in the Revival of Bank Muamalat Indonesia (BMI)

BMI was established in 1991 at the initiative of the Indonesian Council of Ulema. It started its operations in May 1992 with a paid-up capital of Rp 89.8 billion. The BMI mainly focused on the provision of Shari'ah compatible financing facilities mainly consisting of Murabaha and Mudaraba modes. The BMI customer base comprised of small and medium size enterprises (SMEs) and retail consumers. The head office of the BMI is located in Jakarta while services and financing facilities are provided through a network of 13 branches, 5 sub-branches and 37 cash offices, which were mainly spread in Java province.

Following the Asian financial crisis and its adverse effects on the Indonesian banking system, the capital base of BMI was strengthened through rights issue. IDB acquired a stake of around 16% in the share capital of BMI by investing US$ 4.0 million (ID 3.0 million) out of a total capital of US$ 24 million. In November 2001, the BMI requested IDB, in its capacity as one of the major shareholders, to increase its contribution to the share capital of BMI up to US$ 10 million from the initial shareholding of US$ 4 million. At the end of December 2001, the market share of BMI in the banking system was estimated at 0.14 per cent of the assets, 0.15 per cent of deposits and 0.26 per cent of the capital base. Within the Shari'ah banking sector, the market share of BMI stood at 60.17 per cent of total assets, 64.86 per cent of deposits and 31.72 per cent of total capital.

During May 2002, the IDB undertook a diagnostic study in order to appraise the request of BMI to increase its share capital. The outcome of the diagnostic study suggested that the Indonesian business environment in the period ahead appears promising. The Indonesian monetary authorities also introduced a policy framework aimed at the development of Islamic banking in Indonesia.

IDB acquired additional equity stock in BMI equivalent to US$ 6 million, which increased its stake to one third. The IDB support was subject to the upgrade of the BMI's Strategic Business Plan and for the business to grow within the framework of the prudential ratios newly set by Bank Indonesia (the central bank). The key BMI business initiative was to enter into an alliance with the Indonesian postal network to offer banking facilities at the retail level. Over a short period, BMI succeeded in attracting new domestic investors, depositors and clients which helped the Bank grow its operations significantly and to become a profitable entity, as confirmed by significant growth in the following performance indicators: between 2002 to 2003, total assets increased by 56 per cent; total financing increased by 33 per cent; return on equity stood at 15.5 per cent in 2002 and 13.8 per cent in 2003; capital adequacy ratio stood at 9.6 per cent in 2002 and 17.8 per cent in 2003; number of branches stood at 66 in 2002 and 156 in 2003, of which 46 branch outlets within postal offices were established in 2003.

The support received by BMI from various stakeholders and the dedication of the BMI management achieved the following: (i). saving BMI from total collapse in the aftermath of the Asian financial crisis; (ii). timely injection of new funds by the IDB, (iii). implementation by the BMI management concerning the technical advice to restructure the business plan, and (iv). the stabilization of the Rupiah exchange rate helped to wipe out all previous unrealized IDB losses in US dollars terms, ultimately making it a profitable investment decision.

IDB's support to BMI can serve as a successful example to the rehabilitation of Islamic financial institutions facing operational difficulties. Through proper diagnostic assessment and demonstrated support by way of making available equity investments at the appropriate time, it is indeed possible to revive fledging Islamic financing institutions even in a highly competitive banking environment.

was incorporated in Qatar with limited liability[21]. This vehicle acquired the ownership of land parcel, which was registered in the ownership of the HMC. The land parcel was placed in trust and Ijara-based Trust Certificates (TCs) were issued worth US$700 millions due by October 2010 at an annual floating rate of return of LIBOR plus 0.45 per cent.

The structure of Sukuk issued by the governments of Bahrain and Malaysia were asset specific. In February 2004, Bahrain announced the launch of its first US$ 250 million five-year Sukuk-Ijara issue to fund the construction of the airport. The underlying asset was the airport land sold to an SPVS. The arranger of this Sukuk issue was Citi Islamic Investment Bank and is expected to be listed on the Bahrain and the Luxembourg stock exchanges. Similarly, the Government of Malaysia issued in 2002 a US$ 600 million Sukuk-Ijara Trust Certificates (TCs), which are due for maturity in 2007. Under this arrangement, the beneficiary right of land parcels have been sold by the government of Malaysia to an SPV, which was then re-sold to investors for five years. The SPV keeps the beneficiary right of the properties in trust and

[22] HSBC was the lead manager, alongside, three Asian co-managers Bank Islam, Maybank and Standard Chartered, plus four Middle Eastern co-managers comprising ABC Islamic Bank, Abu Dhabi Islamic Bank, Dubai Islamic Bank and the Islamic Development Bank.

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issued floating rate Sukuk to investors with pricing referenced against the government of Malaysia's sovereign-credit-curve rather than the value of the property assets[22].

An example of the third structure of Sukuk based on balance sheet strength is provided by the IDB Sukuk issued in August 2003. The need for resource mobilization by the IDB emerged in order to meet the expectations and the increasing financing needs of member countries. The IDB made its debut resource mobilization from the international capital market by issuing five-year Sukuk amounting to US$ 400 million, which is due for maturity in 2008[23]. The IDB Sukuk is intrinsically balance sheet specific because the performance of its pooled securitized assets have been guaranteed by the IDB.

There are two unique features of the IDB Sukuk: (i). the Sukuk have been rated AAA by the Standard & Poor's, and (ii). the Shariah requirement of at least 51 per cent of ijara contracts at the start of the Sukuk issuance have been relaxed to at least 25 per cent ijara contracts during the life of the IDB Sukuk. The latter Shariah relaxation can be expected to enhance utilization of Sukuk funds by the IDB member countries.

At the national level, the Government and the central bank of Sudan have been issuing Government Musharakah Certificates (GMCs) and Central Bank Musharakah Certificates (CMCs), respectively since 1998. These Shariah compliant certificates are issued against a temporary privatization of government shares in the public sector companies. GMCs are issued to mobilize resources to finance the budget deficit whereas CMCs are primarily used as an instrument of monetary policy. More recently in April 2003, the government of Sudan issued the first Government Investment Sukuk (GIS) amounting to SD6 billion. GIS is sold to individuals, companies and financial institutions with the objective of raising funds for the finance of government assets/projects through Ijara, Murabaha or Istisna'a modes of finance. GIS are traded on the Khartoum Stock Exchange. The Sudan Financial Services (SFS) Company manages them, as a Mudarib or fund manager, on behalf of the Ministry of Finance. These Sukuk represent shares in specific government projects, and hence, the market price of GIS varies, based on the performance of the projects financed.

[23] Lead Manager of the IDB Sukuk was Citigroup, while the co-Lead Managers were Abu Dhabi Islamic Bank and Kuwait Finance House, and the Co-Managers were HSBC and Nomura International.

In overall terms, the IFSI are well on the way to expanding their market share in financial intermediation, both at global and national levels. After years of experimenting with product innovation that meet the varying needs of both borrowers and beneficiaries, various participants in the IFSI are introducing flexible Shariah compliant instruments.

9. The Role of Zakat and Awqaf in Poverty Alleviation

Despite increase in global income levels during the last century, poverty still continues to plague large segments of humanity. Different policies have been implemented in the last few decades to reduce poverty, but it is still widespread in many developing and IDB member countries. The IDB Occasional Paper, prepared during 1425H, examined the role and scope of zakat and awqaf in tackling the contemporary issues of poverty alleviation. Zakat is a pillar of Islam that has direct welfare implications for the needy and poor in the society. Zakat is obligatory on Muslims to distribute part of their wealth among the deserving poor and needy. Similarly, awaqf is a voluntary charitable act that has long term economic welfare implications. The study highlights how these institutions can be used to alleviate poverty in Muslim societies.

To understand the role of zakat and awqaf in reducing poverty, it is important to understand the dimensions and causes of poverty. Poverty is a complex phenomenon that can be looked at both from micro and macro perspectives. While the macroeconomic policies affect the overall growth and development of the economy, distribution of income among the people determines the overall poverty levels. At the micro-level, poverty is linked to the entitlements that individuals have to different sources of income. The study not only highlights the causes of poverty, but also presents the static and dynamic approaches of mitigating it.

The potential and scope of using zakat and awqaf institutions to alleviate poverty was examined at the marco-level. The macro examination was calibrated by estimating the potentialities of zakat and awaqf in different countries. To assess the scope of zakat and awaqf in financing poverty alleviation programmes, the estimated funds mobilization potential of zakat resources is compared with the financing needs for poverty alleviation.

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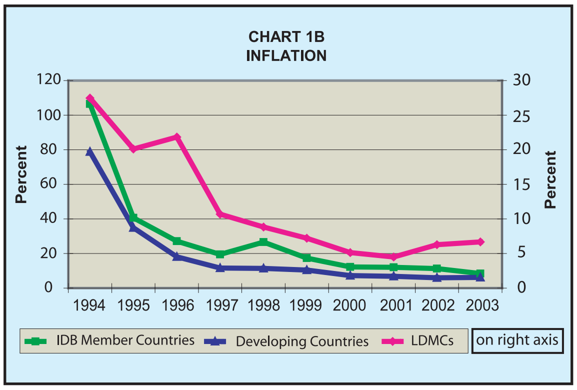
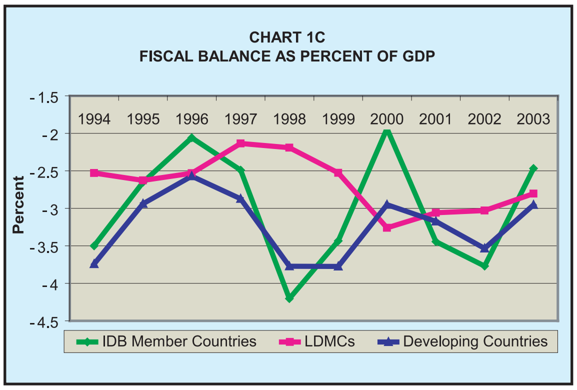
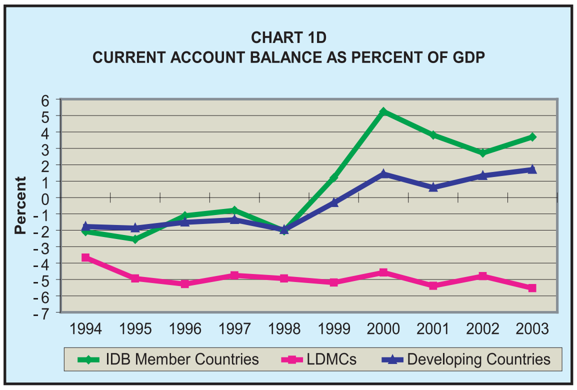
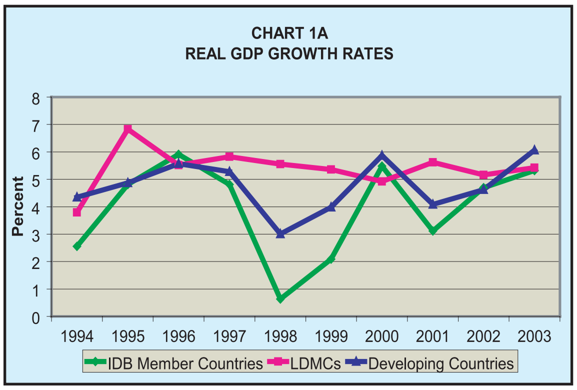
Given the overall mobilization potential of zakat and awaqf resources, the study assessed practical ways to finance the implementation of poverty alleviation programmes. It emerges that the appropriate structuring of zakat and awqaf institutions is critical for effective implementation and reaching of benefits to the target groups. This assessment was reached on the basis of a survey conducted in two IDB member countries (Malaysia and Pakistan) and a non-member country with a Muslim minority (South Africa). In addition to studying the nature and scope of operations of zakat and awaqf institutions in these three countries, the study also identifies the appropriate institutional structures that would enable the efficient implementation of poverty alleviation programmes. The delivery system of zakat and awaqf under different institutional structures is also explored in the study.

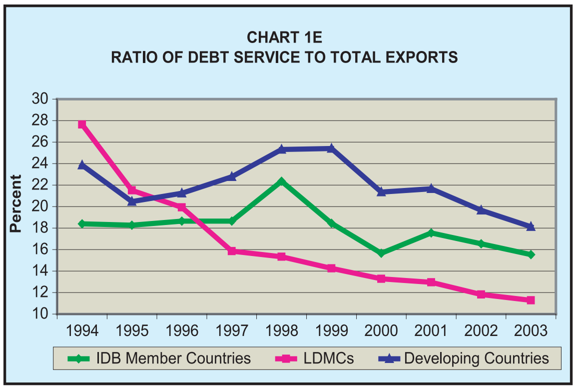
Finally, the study addressed the question of how to integrate the institutions of zakat and awaqf to assist in the attainment of the overall development goals. Recommendations and policies are outlined in light of the discussions and findings of the study. The collection of funds and effective delivery system for poverty alleviation programmes are also discussed. In light of practical experience, emphasis is given to creating new institutional frameworks in which the zakat and awaqf can be used to alleviate poverty in a dynamic sense.











ANNEX TABLE 1.A
SELECTED INDICATORS OF EXTERNAL INDEBTEDNESS OF IDB MEMBER COUNTRIES

	IMF'S PRGF and HIPC Debt Relief 2003	Present Value of Debt		Short-term debt/ Total debt (%)			Multilateral debt/Total debt (%)			Concessional debt/ Total debt (%)		
		% of GNI 2001	% of XGS 2001	1990	1995	2001	1990	1995	2001	1990	1995	2002
Indebtedness Not Classified - 2003												
Afghanistan*	-	-	-	-	-	-	-	-	-	-	-	-
Bahrain	-	-	-	-	-	-	-	-	-	-	-	-
Brunei	-	-	-	-	-	-	-	-	-	-	-	-
Kuwait	-	-	-	-	-	-	-	-	-	-	-	-
Palestine*	-	-	-	-	-	-	-	-	-	-	-	-
Qatar	-	-	-	-	-	-	-	-	-	-	-	-
U.A.E.	-	-	-	-	-	-	-	-	-	-	-	-
Less Indebted - 2003												
Albania	PRGF	18	47	90	14	3	0	25	40	1	57	66
Algeria	None	41	97	3	1	1	7	12	17	3	9	12
Azerbaijan	PRGF	19	40	-	4	8	-	31	28	-	9	49
Bangladesh*	PRGF	21	105	1	1	2	52	61	70	91	93	93
Djibouti*	None	30	-	24	5	4	42	48	55	74	95	88
Egypt	None	25	115	13	7	12	10	12	13	38	61	69
Iran	None	6	26	80	29	27	1	2	6	1	3	6
Libya	None	-	-	-	-	-	-	-	-	-	-	-
Maldives*	None	32	38	18	2	23	42	59	51	71	82	60
Morocco	None	44	100	2	1	1	19	30	32	33	28	31
Oman	None	-	50	12	9	21	5	3	13	9	10	24
Saudi Arabia	None	-	-	-	-	-	-	-	-	-	-	-
Suriname	None	-	-	-	-	-	-	-	-	-	-	-
Mozambique*	HIPC/PRGF	28	36	7	4	11	10	17	27	45	39	52
Moderately Indebted - 2003												
Cameroon	HIPC/PRGF	62	181	14	11	11	20	18	16	27	44	53
Kazakhstan	None	67	134	-	10	6	-	10	10	-	3	3
Malaysia	None	58	44	12	21	12	12	5	3	15	11	7
Mali*	HIPC/PRGF	56	154	3	2	4	36	47	53	91	90	88
Senegal*	HIPC/PRGF	63	150	11	7	6	37	48	55	53	58	76
Togo*	HIPC	-	-	9	6	10	44	48	54	70	55	69
Tunisia	None	57	103	8	12	6	29	35	33	36	28	23
Turkey	SBA	80	208	19	21	14	19	12	6	15	10	4
Turkmenistan	None	-	-	-	4	-	-	14	-	-	5	-
Uganda*	HIPC/PRGF	21	162	5	3	4	49	62	76	56	77	84
Uzbekistan	None	-	-	-	-	-	-	-	-	-	-	23
Yemen Rep. *	HIPC	41	61	19	11	10	16	21	35	51	57	84
Severely Indebtedness - 2003												
Benin*	HIPC/PRGF	36	134	4	3	5	42	54	59	78	78	86
Burkina Faso*	HIPC/PRGF	29	224	10	4	4	68	78	72	72	79	85
Chad*	HIPC/PRGF	39	213	6	2	2	63	75	76	77	77	82
Cote d'Ivoire	HIPC/PRGF	109	233	21	21	10	21	21	24	18	24	38
Comoros*	HIPC	79	276	7	5	10	61	73	69	86	90	86

ANNEX TABLE 1.A (CONTINUED)
SELECTED INDICATORS OF EXTERNAL INDEBTEDNESS OF IDB MEMBER COUNTRIES

		Present Value of Debt										
	IMF'S PRGF and HIPC Debt Relief 2003	% of GNI 2001	% of XGS 2001	Short-term debt/ Total debt (%)			Multilateral debt/Total debt (%)			Concessional debt/ Total debt (%)		
				1990	1995	2001	1990	1995	2001	1990	1995	2002
Gabon	None	89	102	17	7	9	8	13	11	11	16	37
Gambia*	HIPC/PRGF	69	94	4	3	5	55	77	70	68	85	77
Guinea*	HIPC/PRGF	60	203	7	5	9	27	45	49	68	76	76
Guin.-Bissau*	HIPC/PRGF	231	747	8	11	3	39	41	55	57	63	87
Indonesia	EFF	94	199	16	21	16	20	16	14	26	22	24
Iraq	None	-	-	-	-	-	-	-	-	-	-	-
Jordan	SBA	78	111	12	10	6	11	15	24	30	41	42
Kyrgyz Rep.	PRGF	91	223	-	2	3	-	30	45	-	60	64
Lebanon	None	76	470	80	46	21	5	7	5	6	9	3
Mauritania*	HIPC/PRGF	143	359	11	7	9	31	39	46	61	72	79
Niger*	HIPC/PRGF	53	282	9	5	3	41	55	63	48	64	80
Pakistan	PRGF	44	222	15	11	4	33	40	41	59	54	64
Sierra-Leone*	HIPC/PRGF	114	888	12	2	2	15	35	52	26	56	74
Somalia*	HIPC	-	-	12	21	24	32	29	27	66	60	56
Sudan*	HIPC	-	-	28	36	38	12	12	12	30	27	28
Syria	None	-	-	12	21	26	5	5	3	76	70	69
Tajikistan	PRGF	83	120	-	7	7	-	0	23	-	3	32
Memo items**												
Low income countries				12	13	10	22	25	28	43	42	40
Low middle income countries				20	20	16	10	9	8	3	5	2
Heavily indebted poor countries				12	14	13	21	25	35	48	52	57
Severely indebted low income countries				13	17	13	20	21	22	34	34	33
Moderately indebted low income countries				10	9	9	32	37	41	47	55	63

World Bank definitions of severe and moderate indebtedness are used to classify member countries by levels of external debt. Severely indebted means either present value of debt service to GNI exceeded 80 per cent or present value of debt service to exports exceeds 220 per cent. Moderately indebted means either of the two key ratios exceeds 60 per cent of but does not reach, the critical levels. For Moderately indebted countries, this critical level corresponds to present value of debt service to GNI at 48 per cent and 132 per cent of exports. For member countries that do not report detailed debt statistics to the World Bank Debtor Reporting System (DRS), present value calculation is not possible. Instead, the following methodology is used to classify the non-DRS member countries. Severely indebted means three of four key ratios (averaged over 1999-2001) and above critical levels debt to GNI (50 per cent), debt to exports (275 per cent), debt service to exports (30 per cent), and interest to exports (20 per cent). Moderately indebted means three of the four key ratios exceed 60 per cent of, but do not reach, the critical levels. Indebtedness classifications are based on April 2003 data.

(*) against a member country denotes LDMCs status accorded by the IDB.

**The latest year is 2001 for all data reported under Memo items.

(-) indicates data not available.

Data source: Global Development Finance, World Bank – 2003.

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ANNEX TABLE 1.B

PERFORMANCE OF IDB MEMBER COUNTRIES UNDER SELECTED MDG TARGETS

HDI Rank	Countries	MDG 1		MDG 4	MDG 7	
		Target 1	Target 2	Target 5	Target 10	Target 11
High Human Development						
31	Brunei Darusssalam	-	-	-	-	-
37	Bahrain	-	-	-	-	-
44	Qatar	-	-	-	-	-
46	Kuwait	-	Progress	-	-	-
48	U.A.E.	-	-	-	-	-
Medium Human Development						
58	Malaysia	Progress	-	-	-	-
61	Libya	-	-	**Achieved**	**Progress**	**Achieved**
73	Saudi Arabia	-	Progress	Progress	-	-
76	Kazakhstan	*Reversal*	-	*Reversal*	-	-
77	Suriname	-	Progress	Progress	-	-
79	Oman	-	-	**Achieved**	**Progress**	Progress
83	Lebanon	Progress	-	*Progress*	-	-
86	Maldives*	-	-	Progress	-	-
87	Turkmenistan	*Reversal*		*Progress*		
89	Azerbaijan	-	-	*Progress*	-	-
90	Jordan	Progress	Reversal	Progress	Reversal	**Achieved**
91	Tunisia	Progress	-	Progress	Progress	Progress
95	Albania	Progress	-	Progress	-	-
96	Turkey	-	-	-	-	-
98	Palestine*	-	-	-	-	-
101	Uzbekistan	**Reversal**	-	*Reversal*	-	-
102	Kyrgyzstan	**Reversal**	-	Progress	-	-
106	Iran	Progress	Reversal	Progress	-	-
107	Algeria	*Reversal*	Reversal	Progress	-	-
110	Syria	Progress	Progress	Progress	-	-
112	Indonesia	Progress	-	Progress	Progress	Progress
113	Tajikistan	**Reversal**	-	**Progress**	-	-
120	Egypt	Progress	Progress	**Achieved**	Progress	**Achieved**
126	Morocco	Progress	Reversal	Progress	Progress	Progress
134	Comoros*	**Reversal**	-	Progress	Progress	**Achieved**
138	Sudan*	Progress	Progress	**Progress**	Progress	**Progress**
139	Bangladesh*	Progress	No Prog	Progress	Progress	*Progress*
141	Togo*	**Reversal**	Progress	**Progress**	**Progress**	**Reversal**
Low Human Development						
142	Cameroon	**Reversal**	Progress	**Reversal**	*Progress*	*Progress*
144	Pakistan	*Progress*	Progress	*Progress*	Progress	Progress
147	Uganda*	Progress	Progress	*Progress*	*Progress*	
148	Yemen*	Progress	**Progress**	*Progress*		**Progress**
151	Gambia*	**No Progress**	*No Progress*	*Progress*		
153	Djibouti*	**Reversal**	-	*Progress*	-	-
154	Mauritania*	*Progress*	Progress	**No Progress**	**No Progress**	**Progress**
156	Senegal*	*Progress*	*Reversal*	**Progress**	Progress	Progress
157	Guinea	Progress	Progress	Progress	**Progress**	**Progress**

ANNEX TABLE 1.B (CONTINUED)
PERFORMANCE OF IDB MEMBER COUNTRIES UNDER SELECTED MDG TARGETS

HDI Rank	Countries	MDG 1		MDG 4	MDG 7	
		Target 1	Target 2	Target 5	Target 10	Target 11
159	Benin*	Progress	Progress	**Progress**	-	**Progress**
161	Cote d'Ivoire	**Reversal**	Progress	**Reversal**	*Progress*	*Progress*
165	Chad*	**No Progress**	Progress	**Progress**	-	*Progress*
166	Guinea-Bissau*	**Reversal**	-	*Progress*	-	Progress
170	Mozambique*	Progress	Progress	*Progress*	-	-
172	Mali*	Progress	Progress	**Progress**	Progress	**Reversal**
173	Burkina Faso*	Progress	*No Progress*	**Progress**	-	-
174	Niger*	**Reversal**	*Progress*	*Progress*	*Progress*	**Progress**
175	Sierra Leone*	**Reversal**	**Reversal**	**Progress**	-	-
Unranked HDI Countries						
	Afghanistan*	-	**Reversal**	**Progress**	-	-
	Gabon	*Reversal*	Progress	*No Progress*	-	-
	Iraq	-	**Reversal**	**Reversal**	-	-
	Somalia*	-	**Reversal**	**No Progress**	-	-

MDG 1: *Eradicate extreme poverty and hunger*. **Target 1**: Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day. **Target 2**: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

MDG 2: *Achieve universal primary education*.

MDG 4: *Reduce child mortality*. **Target 5**: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

MDG 7: *Ensure environmental sustainability*. **Target 10**: Halve by 2015 the proportion of people without sustainable access to safe drinking water. **Target 11**: Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers as indicated by per centage of urban population with access to improved sanitation.

Note: Data for the above Table is derived from the Human Development Report (HDR), 2003. The information presented above needs to be interpreted in the following two steps:

Step 1: Based on current trends, the actual rate of progress towards the Goal is more than half of the approximate progress required to meet the relevant target by 2015. It also covers performance, which is either less than the required approximate progress (i.e. slipping back) or greater than the approximate progress (i.e. on track) required to meet the targets by 2015. No progress denotes standstill or practically no change in the data. Reversal denotes actual rate of progress that is less than half the approximate progress required to meet the relevant target by 2015.

Step 2: Data that appears in **bold** designates a country which is already characterized as extreme in that target (i.e. the current position) and where the rate of progress is characterized by either reversal or slipping back. The HDR-2003 designates such countries as **top priority** because with entrenched human poverty and combined with failing or reversing progress, such countries are in crisis where the donors' attention and resources must be targeted. Data that appears in *italics* designates a country which is either characterized as extreme in that target but some progress is being made; or the current position of the country is characterized as medium human poverty in that target but the rate of progress is either reversing or slipping back. The HDR-2003 designates such countries as **high priority** because while the current situation is relatively less desperate but the rate of progress is either far too slow or reversing to meet the relevant targets.

Box that appears in **shade** designates absence of relevant country-level data for appropriate categorization.

(*) against a member country denotes LDMCs status accorded by the IDB.

(-) indicates data not available

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Chapter 2

ECONOMIC COOPERATION AMONG IDB MEMBER COUNTRIES

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IDB Co-financed Zija dam, Burkina Faso, 2003

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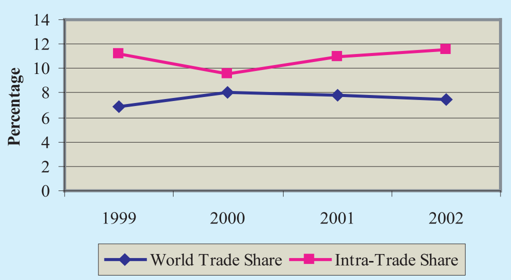
HIGHLIGHTS 1424H

- Intra-trade of IDB member countries:
  - US$ 55.7 billion (11.5 % of total exports) in 2002, a 6.3 % rise over US$ 52.4 billion (11.0 %) in 2001.
  - Intra-trade in regional groupings of IDB members above 10 % in only 2 cases, 5.6 % on average.
  - IDB intra-trade financing under ITFO and EFS reached US$ 1.3 billion or 75 % of net approvals in 1424H.
- Intra-investment and FDI flows into IDB member countries:
  - two member countries received above US$1 billion FDI inflows in 2002, while IDB countries' World share 0.9%.
  - 10 member countries signed treaties on Bilateral Investments and 2 on Double Taxation with 10 other IDB member countries or more.
- 10th Islamic Summit Conference took up new items on closer economic cooperation.
- First round of trade negotiations started among 13 countries under OIC Trade Preferential Framework Agreement.
- IDB organized 6 WTO-related activities and provided 3 member countries with country-specific technical assistance.
- IDB organized 5 training programs under Training Task Force.
- IDB Annual Symposium deliberated on promotion of intra-investment.
- IDB hosted Annual Meeting of Heads of Multilateral Institutions (MFIs) in Dubai.

IDB MEMBER COUNTRIES TRADE



INTRODUCTION

Promotion of economic cooperation among its member countries has been a primary objective of the IDB since inception in 1396H (1976). Promotion of Economic Cooperation Among Member Countries has been currently one of the three strategic objectives for the IDB Group, together with Poverty Alleviation and Promotion of Islamic Financial Institutions. Primarily, it includes trade promotion and technical cooperation, promotion of private sector development, active cooperation with and support for national financing institutions in member countries and close links with other regional and international organizations. The aim has been to help build closer economic and financial relations among the member countries while supporting their overall growth and socio-economic development.

The major goals relating to Promotion of Economic Cooperation includes achieving substantial annual increases particularly in intra-trade and intra-investment through specific modalities and concrete actions.

The chapter starts with an overview of the overall structure and direction of trade of member countries and their intra-trade at the national and regional levels. Also IDB's role in promoting intra-trade is briefly highlighted. This is followed by a review of the progress on intra-investment among member countries. Accordingly, the performance and potential of the member countries in terms of attracting FDI flows are assessed along with a review of the existing legal framework in the member countries to facilitate intra-investment. The section concludes with a brief review of the recent IDB activities and initiatives in the area, including the results of the latest IDB annual symposium on the subject, as well as the efforts to organize an OIC Economic Conference devoted to the subject, together with intra-trade.

The remaining three sections cover the efforts and activities of the IDB in promoting economic cooperation among its member countries at the level of other institutions, such as its cooperation with the Organization of the Islamic Conference (OIC), national development financing institutions (NDFIs), Islamic banks, and the other relevant sub-regional, regional and international organizations where the IDB member countries also participate.

I. INTRA-TRADE AND ECONOMIC COOPERATION

Trade is not only necessary for growth of the national economy, but also links the economies of the trading partners which supports their overall economic development. Thus, production structures change to trigger further trade expansion and output growth. This, in turn, leads to further dynamic linkages through new investments, organisation and management, international capital flows and rapid progress in information technology, etc. As a result, trade among member countries (intra-trade) would serve not only as an initial step towards promotion of economic cooperation, but also an important indicator of the extent of such co-operation among the member countries. In reviewing the overall trade of the IDB member countries, particular focus is placed on the current state and potential for trade enhancement among these countries.

1. Structure and Direction of Trade of IDB Member Countries

Developments relating to intra-trade among the IDB member countries are reviewed in terms of the overall structure, direction and growth of their exports as a group. Table 2.1 provides, for the years 1999-2002, the relevant figures along with comparable figures on World exports, total exports of industrial countries and those of the group of Developing Countries. One initial observation is that 2001 has been a year during which the world export trade and those of industrial, developing countries have actually declined over their levels in 2000, which is seen to be an exceptionally good year for world trade and for exports of all the categories of countries. Meanwhile, 2002 was a year of recovery in export performances, with positive growth rates recorded throughout. It is noteworthy that, only the intra-exports of the IDB member countries have expanded consistently during the period 1999-2002, reaching US$ 48.6 billion in 2000, US$ 52.4 billion in 2001 and US$ 55.7 billion in 2002, representing annual growth rates of 11.7 per cent, 7.8 per cent and 6.3 per cent, respectively.

As for the distribution among country groups of world exports and exports from the three categories of countries given in Table 2.1, export shares of the industrial countries in world trade have declined from 68.1 per cent in 1999 to 65.4 per cent in 2002, while the shares of the developing countries rose from 30.9 per cent to 33.5 per cent during the same period. The shares of the IDB member countries, on the other hand, increased from 5.9 per cent to 6.4 per cent. This was because the industrial countries were able to export at a slower pace to the group of Industrial Countries, while the shares of their exports to the developing and the IDB Member Countries continuously rose. Regarding the exports of the developing countries, on the other hand, the shares of the industrial countries declined from 58.1 per cent in 1999 to 55.4 per cent in 2002, while the shares of the developing countries themselves and those of the IDB member countries both increased. Thus, while the intra-trade of industrial countries decelerated, the share of intra-trade for the developing countries followed a positive trend. Finally, the share of trade within the group of IDB member countries has shown an improvement, changing from 11.2 per cent in 1999 to 11.5 per cent in 2002, despite a drop to 9.6 per cent in the year 2000. In spite of all these developments, the overall weight of the industrial countries in world trade continued during the four-year period under review, with only marginal changes occurring in the overall structure of exports between and within the major country groups.

Analysed against such a background, world exports to the IDB member countries as a group have experienced a rising trend from US$ 335.2 billion in 1999 to US$ 407.9 billion in 2002, excepting a 1.9 per cent drop in 2001. This represents a 21.7 per cent rise over the four-year period during which total world exports grew by only 13.3 per cent. As for the exports of the IDB members destined to the major categories, as shown in Table 2.1, exports to the world expanded from US$ 388.8 billion in 1999 to US$ 483.6 in 2002, a rise of 24.4 per cent despite the drop in 2001, while the growth in exports to the industrial countries was 18 per cent (from US$ 212.7 to US$ 251.0), and to the developing countries group 30.4 per cent (from US$161.0 to US$ 210) during the same period. Finally, the exports to the group of IDB member countries themselves (intra-exports) followed a rising trend from US$ 43.5 billion to US$ 55.7 billion, representing a 28 per cent growth over the four-year period.

One basic underlying issue is that the actual level of exports of the group of IDB member countries is quite low (US$ 483.6 billion or 7.5 per cent of exports to the world in 2002). They constitute 12 per cent of exports of industrial countries and 20 per cent of that of developing countries. Therefore, even to maintain these ratios unchanged they must match the export

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TABLE 2.1

WORLD TRADE, INTER AND INTRA-TRADE OF INDUSTRIAL, DEVELOPING AND IDB MEMBER COUNTRIES (1999-2002)

From - To	World				Industrial Countries				Developing Countries				IDB Member Countries			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
World																
US$ billion	5664.50	6361.7	6134.7	6419.1	3860.1	4235.3	4071.7	4197.9	1752.8	2070.1	1997.5	2151.6	335.2	380.4	373.2	407.9
Share (%)	100.0	100.0	100.0	100.0	68.1	66.6	66.4	65.4	30.9	32.5	32.6	33.5	5.9	6.0	6.1	6.4
Growth (%)		12.3	-3.6	4.6		9.7	-3.9	3.1		18.1	-3.5	7.7		13.5	-1.9	9.3
Share in World Export (%)	100.0	100.0	100.0	100.0												
Industrial Countries																
US$ million	3761.8	4025.2	3910.3	4021.8	2755.1	2889.9	2806.0	2869.0	988.8	1118.3	1079.4	1127.3	191.1	206.3	200.1	216.1
Share (%)	100.0	100.0	100.0	100.0	73.2	71.8	71.8	71.3	26.3	27.8	27.6	28.0	5.1	5.1	5.1	5.4
Growth (%)		7.0	-2.9	2.9		4.9	-2.9	2.2		13.1	-3.5	4.4		8.0	-3.0	8.0
Share in World Export (%)	66.4	63.3	63.7	62.7												
Developing Countries																
US$ million	1900.5	2334.1	2221.9	2394.8	1103.9	1344.2	1264.6	1327.8	762.7	950.6	916.7	1022.8	143.8	173.9	172.9	191.6
Share (%)	100.0	100.0	100.0	100.0	58.1	57.6	56.9	55.4	40.1	40.7	41.3	42.7	7.6	7.5	7.8	8.0
Growth (%)		22.8	-4.8	7.8		21.8	-5.9	5.0		24.6	-3.6	11.6		20.9	-0.6	10.8
Share in World Export (%)	33.6	36.7	36.2	37.3												
IDB Member Countries																
US$ million	388.8	505.8	475.8	483.6	212.7	278.7	256.0	251.0	161.0	206.7	198.2	210.0	43.5	48.6	52.4	55.7
Share (%)	100.0	100.0	100.0	100.0	54.7	55.1	53.8	51.9	41.4	40.9	41.7	43.4	11.2	9.6	11.0	11.5
Growth (%)		30.1	-5.9	1.6		31.0	-8.1	-2.0		28.4	-4.1	5.9		11.9	7.8	6.3
Share in World Export (%)	6.9	8.0	7.8	7.5												

1. Trade flows are analyzed using export figures of reporting countries.
2. Figures in the Table are based on **IMF, Direction of Trade Statistics, CD-Rom, 2004 (March 2004)**.

growth rates of these two groups over time. For larger shares they must expand their exports faster than that of these groups. Thus, although there was a 30.1 per cent growth in exports in the year 2000, the 5.9 per cent decline in 2001 and the weak 1.6 per cent recovery in 2001 lagged behind the corresponding trade performance in the other two groups, leading to a set back in efforts to increase the export shares. This has occurred despite the fact that the IDB member countries include in their group some of the major worldwide exporters of oil and a number of newly industrialized countries, including a number of high export performers globally. It is clear that in order to increase their collective share in world trade, they have to overcome the challenges raised by the small size of their economies, the relative lack of diversification in their output mixes and the ensuing limitations on their actual export levels.

They need to achieve shares substantially above the 7.5 per cent reached in 2002 by gaining greater access to the markets of the industrial countries that dominate world trade and finance.

2. Intra-Trade Among IDB Member Countries

It is necessary to review the performance of the individual member countries to gain insight into the size and directions of change in the overall intra-trade figures given above for the IDB member countries as a group. For this, it is important to analyze certain aspects of the country-level data given in Table 2.2. Besides intra-trade figures, total exports for each country are also given in the table for the year 2002. The figures show that total intra-exports for the group of the IDB member countries amounted to US$55.7 billion in 2002, giving a growth of 6.3 per cent over the US$ 52.4 billion achieved in 2001. This is lower than the 11.9 per cent growth achieved in 2000 and the 7.8 per cent recorded in 2001.

The share of intra-exports in total trade of IDB member countries was 11.5 per cent in 2002, while the same figure in the case of intra-imports was 13.1 per cent. As regards the individual country performance in intra-trade, in 2002, twenty-nine member countries had intra-export shares equal to or larger than the 11.5 per cent average share for the whole group, and in twenty-two of these, the share in question was above 13 per cent, which was the three-year target set in 1998 in pursuance of the relevant Resolution of the Eighth Islamic Summit Conference on "Preparing the Ummah for the 21st Century". Yet, it is clear that this target of US$ 4 billion p.a. could not be achieved for the whole group of member countries, as the intra-export shares increased rather slowly between 1999 and 2002, excepting the decline recorded in the year 2000 (11.2 per cent in 1999, 9.6 per cent in 2000, 11.0 per cent in 2001 and 11.5 per cent in 2002). The total exports of the 29 above-average performers amounted to US$229.0 billion, making up 47.4 per cent of the total exports of the IDB member countries, which was realized as US$483.6 billion in 2002. On the other hand, the intra-exports of these countries amounting to US$37.4 billion, make up 67.1 per cent of the total intra-exports of US$55.7 billion for the whole group. In the case of the twenty-two countries that had individually attained intra-trade shares above the 13 per cent target rate, their share in total member country exports in 2002 was 32.7 per cent and their intra-exports share was 51.2 per cent of the overall total.

If intra-export performance is evaluated as compared to the average level of intra-exports of US$1.031.7 billion for the whole group, it would be observed that fourteen countries (Algeria, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Libya, Malaysia, Pakistan, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates) had realized intra-exports above this average in 2002, and their collective intra-exports amounting to US$46.4 billion made up 83.3 per cent of the total for the whole group. Furthermore, Iraq, Kuwait, Libya, Tunisia and Turkey among these fourteen above-average performers remained below the 13 per cent target share, although, except for Libya, they all did better than the overall average intra-export share of 11.5 per cent in 2002.

The above figures show that the achievement of higher intra-trade targets for the whole group of IDB member countries clearly depends on the performance of the member countries with relatively larger economies and/or more diverse mix of tradable goods.

The inadequacy of the overall trade performance of the member countries, as well as the intra-trade among them, is amply demonstrated in the per capita figures. Inhabiting a combined population of around 1.35 billion, the IDB member countries realized per capita export revenues from the world of only slightly more than US$358 during 2002, with a little above US$ 42 of this received from intra-exports. On the import side, comparable figures were less than US$ 318 for total imports and below US$ 42 for intra-

TABLE 2.2
INTRA-TRADE AMONG IDB MEMBER COUNTRIES IN 2002

Sl.No.	Countries	Exports 2002 (US$ million)			Imports 2002 (US$ million)		
		IDB MCs	World	Share %	IDB MCs	World	Share %
1.	Afghanistan	35.8	98.4	36.4	368.7	1006.9	36.6
2.	Albania	3.9	329.5	1.2	111.3	1499.2	7.4
3.	Algeria	1609.4	18527.5	8.7	1131.4	11808.7	9.6
4.	Azerbaijan	202.7	1580.7	12.8	478.0	1819.7	26.3
5.	Bahrain	783.3	8462.4	9.3	1579.9	4028.0	39.2
6.	Bangladesh	231.1	5442.0	4.2	867.3	7847.8	11.1
7.	Benin	49.1	197.9	24.8	185.4	1542.3	12.0
8.	Brunei	39.7	3438.8	1.2	325.0	1630.0	19.9
9.	Burkina Faso	23.3	171.3	13.6	219.7	644.9	34.1
10.	Cameroon	88.1	1909.4	4.6	167.9	2170.3	7.7
11.	Chad	5.6	66.1	8.5	32.0	448.4	7.1
12.	Comoros	0.1	27.9	0.3	10.1	88.4	11.5
13.	Côte d’Ivoire	893.3	5056.1	17.7	151.2	3117.0	4.9
14.	Djibouti	138.3	154.7	89.4	179.0	665.0	26.9
15.	Egypt	1015.7	6971.1	14.6	2351.7	19557.9	12.0
16.	Gabon	47.6	2975.7	1.6	79.2	1144.4	6.9
17.	Gambia	4.1	27.1	15.0	90.1	403.8	22.3
18.	Guinea	90.7	870.3	10.4	161.7	882.5	18.3
19.	Guinea-Bissau	2.8	119.6	2.3	24.1	111.7	21.6
20.	Indonesia	5165.8	57144.0	9.0	3701.5	31285.1	11.8
21.	Iran	2056.9	21444.7	9.6	3442.5	20400.9	16.9
22.	Iraq	1142.0	9233.1	12.4	1165.9	5824.8	20.0
23.	Jordan	1256.0	2675.9	46.9	1507.3	5248.9	28.7
24.	Kazakhstan	1397.1	9670.3	14.4	470.4	6583.9	7.1
25.	Kuwait	1976.8	15879.2	12.4	1761.6	8736.2	20.2
26.	Kyrgyz Republic	177.7	485.5	36.6	221.8	587.2	37.8
27.	Lebanon	530.1	971.7	54.6	1172.1	6287.5	18.6
28.	Libya	1117.8	9873.9	11.3	813.0	5440.2	14.9
29.	Malaysia	5610.5	93387.2	6.0	4101.5	79506.3	5.2
30.	Maldives	4.9	211.1	2.3	95.0	386.8	24.6
31.	Mali	18.3	166.7	11.0	382.9	1438.0	26.6
32.	Mauritania	63.9	541.0	11.8	115.4	859.6	13.4
33.	Morocco	533.7	8259.5	6.5	1970.4	13382.3	14.7
34.	Mozambique	1.3	682.0	0.2	25.4	1269.7	2.0
35.	Niger	7.0	156.3	4.5	126.5	395.2	32.0
36.	Oman	502.5	8658.9	5.8	2099.3	5654.7	37.1
37.	Pakistan	2333.2	9886.0	23.6	4856.2	11237.9	43.2
38.	Qatar	416.7	11578.7	3.6	664.6	4047.7	16.4
39.	Saudi Arabia	9375.1	66703.3	14.1	3706.8	47504.8	7.8
40.	Senegal	282.0	948.7	29.7	164.5	1957.6	8.4
41.	Sierra Leone	1.6	100.5	1.6	43.6	494.1	8.8
42.	Somalia	69.4	79.4	87.4	148.4	343.7	43.2
43.	Sudan	238.8	1973.7	12.1	502.2	2150.9	23.3
44.	Suriname	3.5	494.9	0.7	4.6	603.6	0.8
45.	Syria	1869.6	6461.5	28.9	979.1	7073.3	13.8
46.	Tajikistan	245.2	737.0	33.3	337.6	710.3	47.5
47.	Togo	98.8	304.7	32.4	125.2	939.6	13.3
48.	Tunisia	802.8	6798.8	11.8	874.4	9527.9	9.2
49.	Turkey	4474.3	35057.9	12.8	5774.8	50820.0	11.4
50.	Turkmenistan	628.1	2710.4	23.2	613.5	1819.1	33.7
51.	Uganda	10.5	328.0	3.2	38.7	991.9	3.9
52.	U.A.E.	6971.0	38770.9	18.0	4027.9	30352.6	13.3
53.	Uzbekistan	452.9	1559.4	29.0	351.9	2076.9	16.9
54.	Yemen	609.1	3271.0	18.6	1385.6	2776.9	49.9
55.	Total	55709.4	483632.3	11.5	56285.9	429133.0	13.1

Source: IMF, Direction of Trade Statistics, CD-ROM, March 2004.

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imports. Given the key role of foreign trade for overall growth and development and the vital role that intra-trade plays in the promotion of economic cooperation among trading partners, this performance need to be strengthend by increasing total and intra-trade of IDB member countries by all possible means.

In light of the above analysis, it is clear that there is an urgent need for all the member countries, especially those with larger economies and more diversified output and export structures among them, to make a special effort to significantly increase their intra-trade with other member countries. Such an initiative would prove more significant in a world where impediments before the realization of expected benefits from the implementation of the WTO agreements is growing for most of the developing countries, including the IDB member countries. As a result, the latter continue to face growing difficulties in accessing the markets of the industrial countries and are unable to realize foreign exchange earnings commensurate with their growing development needs.

3. Intra-Trade Among IDB Member Countries within other Regional Economic Organizations

In promoting economic cooperation in general and intra-trade in particular among its members, the IDB keeps a focus on the subject beyond its own activities and performance. In this context, participation of many of its member countries in several other regional groupings and trade cooperation organizations is also of interest to the Bank. These include the League of Arab States (Arab League), the Arab Maghreb Union (AMU), the Association of South East Asian Nations (ASEAN), the Commonwealth of Independent States (CIS), the Common Market of Eastern and Southern Africa (COMESA), the Economic Cooperation Organization (ECO), the Economic Community of West African States (ECOWAS), the Gulf Cooperation Council (GCC), the South Asian Association for Regional Cooperation (SAARC), the Customs Union of Central African States (UDEAC) and the Economic and Monetary Union of West Africa (UEMOA).

Although these organizations differ in terms their mandates, their operational schemes and the number of IDB member countries that participate in them, all of them share the objective of expanding economic cooperation and integration among their members, with expansion of intra-trade among members accorded a priority in all of them. Consequently the IDB follows with close interest the progress achieved in these organizations and cooperates with them in support of the common membership involved, as reviewed further below. It is worth noting that the Arab League, AMU, CIS, ECO, GCC and UEMOA have memberships composed only of IDB member countries.

Table 2.3 covers the exports performance in 2002 of the IDB member countries that take part in each of the regional organizations mentioned above. The intra-export shares in the 1999-2001 period are included as annual averages representing the past few years. The next five columns of the table reflect distribution of the exports of the IDB member countries in each region in 2002 among different groups of partner countries, such as intra-regional, IDB member countries outside the region, developing countries excluding the IDB members and the industrial countries. Total exports are also given to allow for the calculation of the actual levels of exports corresponding to each share. Finally, the top intra-export performers in each regional grouping are shown, together with their combined shares, to reflect their relative weight in intra-intra-trade. The table shows that in 1999-2001 and 2002 the shares of intra-regional exports in total exports have been below 3 per cent in AMU, ASEAN, COMESA, SAARC and UDEAC, while the comparable intra-export shares in GCC remained in the 4-5 per cent range and in ECO and CIS between 5 to 6 per cent. These two sets of figures are far below the 11.5 per cent intra-trade share recorded for the whole of the IDB member countries as a group in 2002. In only two regional groupings, namely ECOWAS and UEMOA, which have largely overlapping memberships, the intra-export shares were in the range 12 to 15 per cent for the IDB member countries. Thus, it may be concluded that, except for those in ECOWAS and UEMOA, the IDB member countries in the regional groupings are having less active intra-trade among themselves than the IDB members experience as a group.

Regarding the underlying trends in intra-regional export shares in different groupings, the comparison of the 1999-2001 annual averages with the shares in 2002 show that in four regions the shares were rising (Arab League, AMU, ASEAN and ECO), in two (COMESA and UDEAC), they are stationary, and in the remaining five (CIS, ECOWAS, GCC, SAARC and UEMOA), they declined in 2002 in varying degrees.

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TABLE 2.3
EXPORTS* AND EXPORT SHARES IN REGIONAL ORGANIZATIONS (1999-2001, 2002)

Regional Groupings	1999-2001	2002						
	Reg'l Average	Reg'l MCs	Non-Reg'l IDB MCs	Non-IDB Developing	Industrial Countries	Total Exports	Top Intra-Regional Exporters	
	Share (%)	Share (%)	Share (%)	Share (%)	Share (%)	US$ million	Countries	Share
Arab LEAGUE	7.4	8.0	13.3	26.9	51.9	225,874	S. Arabia, UAE, Syria	58
AMU	2.5	2.7	6.7	7.3	57.3	44,001	Tunisia, Libya, Algeria	87
ASEAN	2.4	2.7	4.3	43.4	49.6	153,970	Indonesia, Malaysia	99
CIS	6.6	5.9	12.6	50.6	30.8	16,743	Kazakhstan, Uzbekistan	68
COMESA	1.1	1.1	13.8	23.6	61.6	9,455	Sudan, Egypt	97
ECO	5.7	5.9	8.5	27.5	58.1	83,230	Iran, Turkey, Kazakhstan	61
ECOWAS	13.9	12.6	5.1	28.5	53.8	8,660	Cote D'ivoire, Senegal, Togo	94
GCC	5.1	4.6	8.7	33.4	53.2	150,053	S. Arabia, UAE, Bahrain	92
SAARC	1.1	0.9	16.4	14.6	68.2	15,539	Bangladesh, Pakistan	100
UDEAC	0.7	0.7	2.2	17.9	79.3	4,951	Cameroon, Gabon	100
UEMOA	13.5	12.3	7.0	29.3	51.4	7,121	Cote D'ivoire, Senegal, Togo	96

*Figures on intra-trade relate to exports among IDB member countries in each grouping, not for all the members.
Source: IMF, Direction of Trade Statistics, CD-Rom, March 2004.

As for the distribution of total exports of the 11 regional groupings under review among various categories of countries, the intra-regional shares are the smallest, followed by exports to IDB member countries outside the respective groupings. The second largest export share went to the developing countries, excluding the IDB group of countries. Finally, and the greatest proportion of the exports of the regional groupings (more than 50 per cent, except in ASEAN) went to the industrial countries in 2002. This confirms the dependence of the IDB countries on the developed countries for their exports, even when viewed in the context of their respective memberships in regional groupings.

Another important indication derived from Table 2.3 is that in the case of the great majority of the regional groupings, 2-3 countries contribute most to the intra-trade. In fact, in seven groupings the share of the top performers is above 90 per cent of the total intra-regional exports, in one close to that. In two groupings the share is between 60 to 70 per cent and in one between 50 to 60 per cent. In the majority of cases these top performers are the relatively most developed countries in their respective regions, so their leading positions are expected. Yet, for some of them their total world exports are also quite high to give them very low intra-regional export shares within their overall trade. These, actually are the countries which would be in a position to contribute most to intra-regional trade by increasing their exports to their regional partners in the future. Secondly, in the case of the GCC, ECO and SAARC, the recently evolved regional free trade agreements and some other inter-regional arrangements are expected to contribute substantially to the development of the intra-trade in these regions as well as that with some of the other regions. This, in turn, should increase the intra-trade for the IDB member countries as a whole.

4. IDB Activities Relating to Promotion of Economic Cooperation Among Member Countries through Enhancement of Intra-Trade

The IDB, on its part, tries to expand and enhance its trade financing operations and its trade promotion activities to encourage intra-trade, as reflection of its conviction that promoting intra-trade between its members through financing operations and promotion activities would serve as a precursor of and a powerful catalyst for fostering wider economic co-operation among its member countries. To this end, several financing schemes have been developed over time to help member countries import inputs needed for their development, on the one hand, and be able to export non-traditional commodities and capital goods, on the other. Furthermore, IDB's trade financing operations provide temporary relief to the member countries against foreign exchange shortages. The Import Trade Financing Operations (ITFO) and the Export Financing Scheme (EFS) comprise the two main schemes utilized in these operations. The total amount of intra-trade financing in IDB trade financing under ITFO and EFS in 1424H reached US$ 1.3 billion, which comprises 75 per cent of its total net approvals under the two schemes.

On the other hand, the IDB has been using its Trade Cooperation and Promotion Programme to help promote trade among its member countries by strengthening trade relations, exploring potential areas of trade cooperation and enhancing of the volume of intra-trade. It seeks to increase awareness and information on the existing and potential trade opportunities by organizing workshops, trade fairs and exhibitions, training courses and financing of studies. In this regard, in 1424H, the IDB implemented various trade promotion and capacity-building activities for member countries, which include participation in and support for four exhibitions, one trade fair, four seminars/workshops, three training courses and two studies, involving cooperation with six member countries. (IDB's trade-related operations and activities are discussed in detail in Chapter 4).

Intra-trade being an important sector under the strategic objective of Promotion of Economic Cooperation among Member countries, the strategic plans being prepared by the IDB Group institutions will aim to increase in five years the shares of intra-exports and intra-imports from their existing low levels to new levels which will be set in these plans. For this, they will ensure a wider geographical coverage in the IDB trade financing operations and increase the number of products to be financed. Consequently, a wider information and data exchange on trading opportunities among the member countries will be encouraged, on the one hand, and the countries will be assisted to improve their export capabilities by increasing the number of trade fairs, trade directories, trade promotion seminars and other innovative measures to be applied, on the other.

The past year has also been one for new initiatives in the area of intra-trade. In pursuance of the proposal made by Saudi Arabia during the Tenth Islamic Summit Conference held in Malaysia in Sha'ban 1424H (October 2003) to increase the commercial exchanges among the Islamic countries, preparations were started by the IDB Group on a number of possible actions. The aim was to seek ways and means of enhancing the financial resources of the IDB to help the Bank finance and act as guarantor of exports among member countries. Furthermore, discussions were held with the representatives of the Turkish government and of COMCEC Coordination Office to include intra-trade as one of the major agenda items of the OIC Economic Conference to be held in Turkey in November 2004.

II. INTRA-INVESTMENT AND ECONOMIC COOPERATION AMONG MEMBER COUNTRIES

Benefits of trade as an engine of growth and as a means to promote cooperation among the trading partners depends on the existence of diversity in the production structures, complementarities in exportables, productivity growth and competitiveness, establishment of certain basic physical infrastructure facilities and availability of a minimum necessary technology. In turn, all of these necessitate substantial outlays in investment.

The fifty-five member countries of the IDB constitute a group of developing countries placed over a wide geography in four continents and inhabited by one fifth of the world's population. Most of them are also endowed with rich and diverse natural and human resources. They offer vast opportunities for growth and carry varied aspirations for development. Yet, most of them lack the necessary capital for effective and sustained growth.

There is a small group among the members, on the other hand, which has financial resources in excess of their immediate needs and seeking profitable and secure investments. Thus, cooperation through intra-investment appears as a natural line of action for the IDB member countries as a group, especially in a global environment where the FDI flows have been on a decline for the majority of the developing countries.

1. FDI Performance and Potentials in IDB Member Countries

Table 2.4 summarizes various indicators relating to the inward and outward FDI flows for the member countries for the period 1999 to 2002, based on the detailed data given in Annex Tables 2.A.1 and 2.A.2.

Table 2.4.
Foreign Direct Investment Involving IDB Member Countries
(Amount in US$ million)

Distribution of MCs	FDI inflows to IDB MCs		FDI outflows from IDB MCs	
	1999-2001	2002	1999-2001	2002
Above US$ 1,500 million	4	2	0	0
Between US$ 1,000 and US$ 500 million	4	9	3	0
Between IDB Average and US$ 500 million	12	10	1	4
Below IDB Average	21	22	31	20
Negative	9	6	2	3
Country Sub-groups				
High Group Total (US$ mln)	14,112	15,419	4,790	3,530
Average (US$ mln)	706	771	823	613
Low Group Total(US$ mln)	-4,256	-29	794	1,052
Average (US$ mln)	-213	-1	25	42
IDB Average (US$ mln)	193	308	134	147
IDB Total (US$ mln)	9,856	15,390	5,101	4,542
World Total (US$ mln)	1,096,626	651,188	1,002,927	647,363
IDB World Share (%)	0.9	2.4	0.5	0.7

Source: UNCTAD, World Investment Report 2003.

In the first part of the table, frequency distributions of member countries according to the various ranges of FDI values in US$ million are given, for the average annual values in the 1999-2001 period, along with the corresponding 2002 figures. In the lower sections of the table various summary statistics are given to facilitate the analysis.

For both FDI inflows and outflows, it is observed that the majority of the member countries have flows below the IDB averages, while there are only a few countries that are above the US$ one billion mark during the period under consideration. Thus, twenty countries are seen to lie above the IDB annual average FDI inflow of US$ 193 million in 1999-2001 and twenty-one above the OIC average of US$ 308 million in 2002. It is a positive development that the IDB average has improved substantially from 1999-2001 to 2002 and that a similar number of countries have done better than average in both cases. The averages for this high group of countries have also improved from US$ 706 million to US$ 771 million per year, respectively. At the lower part of the scale were 30 countries that received FDI inflows below the IDB average of US$ 193 million per year in the earlier period, while 28 member countries remained below the US$ 308 million IDB average for 2002. It should be noted that for this latter low group both the total FDI inflows and the sub-group averages were negative[1] . In sum, the overall total of the member countries FDI inflows have improved considerably from US$9,856 million per year in the 1999-2001 period to US$ 15,390 million in 2002.

When compared with the world FDI inflows, the figures for the IDB member countries look quite low for the period under review. The IDB countries' total inflows of US$ 9,856 million per year was only 0.9 per cent of the comparable world figure of US$ 1,096,626 million in 1999-2001. In 2002, the respective figures were US$ 15,390 million and US$ 651,188 million, which represents a 2.4 per cent share for the member countries. It is to be noted that the world FDI inflows in 2002 have recorded a substantial drop of 40 per cent from their average annual levels of above US$ one trillion in the 1999-01 period, as compared to the 54 per cent increase realized in the total annual inflows of the IDB member countries as a whole.

Regarding the FDI outflows given in the right part of the Table, it is observed once again that only four IDB member countries have recorded above the

[1]A negative inflow means that the FDI related payments to outside in the form of repatriation and remittances exceed the total inflows in a given year. The nine countries with negative flows in 1999-2001 are large enough to more than offset the positive balances in the low group and make the low group average negative. It also causes the total FDI total of the high group (US$ 14,112 million) to exceed the total inflows of the whole of the IDB member countries during the 1999-2001 period.

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IDB average of US$ 134 million in 1999-2001 and the average of US$ 147 million in 2002. The great majority of the countries (thirty-three of them), meanwhile have been in the low group (below average) in the earlier period, while twenty countries were in that group in 2002. There were 2-3 countries with negative outflows. The four countries in the high group averaged US$ 823 million in the earlier period and US$ 613 million of annual FDI outflows in 2002, while comparable figures for the low group were US$ 25 million and US$ 42 million, respectively. The total FDI outflows from the IDB member countries as yearly averages during the period 1999-2001 and in 2002 have dropped from US$ 5,101 million per year in the 1999-2001 period to US$4,542 million in 2002, although the IDB average outflows increased from US$ 134 million per year in the earlier period to US$ 147 million in 2002.

In comparison with the world FDI outflows, the total member country FDI outflows of US5,101 million in 1999-2001 constituted only 0.5 per cent of the world total of US$ 1,002,927, while in 2002 the total FDI flows for the member countries dropped to US$ 4,542 million, which makes only 0.7 per cent of the total world outflow of US$ 647,363 million. Compared to the annual average in the 1999-2001 period, the world total outflow decreased by almost 36 per cent, and there was only an 11 per cent drop for the member countries as a group. Thus, indicating relative improvement in the share of the member countries within the total world FDI outflows.

A brief review of Table 2.5 on FDI Performance and Potential Indexes[2], and the respective rankings of the IDB member countries in this respect, would provide additional insight into the status and future prospects of these countries in this area. The table brings side by side the world rankings of the member countries vis-à-vis the two indices in question. The Table shows that the average (median) rank for the IDB countries in the FDI Performance Index is close to 100, which is slightly lower than the median for all of the 196 countries for which the Index is calculated. The median for the FDI Potential Index is 88, which is considerably better than the world average.

The rankings indicate that eight LDMCs lie above the median in the Performance Index. Conversely, mostly due to their small or negative inward FDI flows, many oil exporters are placed in lower ranks in the Performance Index, while they figure quite high on the Potential Index scale. The great majority of the LDMCs are ranked in the third quartile of the Potential Index, which gives a negative indicator for the future. Still it is a positive, yet indirect, sign for the future of FDI flows that, out of 49 IDB member countries listed, 32 have rankings above the median of the FDI Potentials Index.

As for Intra-investment flows among IDB member countries, reliable figures on the flow of investments among developing countries in general are very difficult to obtain, especially on a current basis. Thus, one can only cite as latest the cumulative data for the 1985-1999 period, specially compiled for an IDB occasional paper[3] . These figures show a total amount of US$ 15.4 billion intra-investments flows recorded among IDB member countries during the period in question. The principal recipients of intra-investments among the IDB member countries were Saudi Arabia with US$4.46 billion (29.0 per cent), Bangladesh with US$2.61 billion (16.9 per cent), Kuwait with US$2.54 billion (16.5 per cent), the UAE with US$1.62 billion (10.5 per cent), Qatar with US$0.69 billion (4.5 per cent), Libya with US$0.58 billion (3.8 per cent) and Lebanon with US$0.53 billion (3.4 per cent). The largest investors during the same period were Egypt with US$3.76 billion (24.4 per cent), Lebanon with US$2.50 billion (16.2 per cent), Syria with US$1.36 billion (8.8 per cent), Tunisia with US$1.26 billion (8.2 per cent), Saudi Arabia with US$1.23 billion (8.0 per cent), Malaysia with US$1.22 billion (7.9 per cent), Sudan with US$ 1.21 billion (7.9 per cent) and the UAE with US$ 0.87 billion (5.6 per cent).

2. Legal Framework for Investment Flows in IDB Member Countries

The existence of the appropriate legal environment would assure good governance and serve as a major facilitating factor in attracting investment flows from other countries. Besides developing and transforming their national legislations according to a number of international requirements, the governments also seek adhesion to a number of sub-regional, regional and multilateral cooperation agreements. Finally, they sign more specific bilateral agreements to promote and encourage economic and commercial cooperation

[2]While the inward FDI Performance Index is the ratio of a country's share in global FDI flows to its share in global GDP, the FDI Potential index is an un-weighted average of the scores of eight normalized economic and social variables.

[3]Promoting Investment Flows in IDB Member Countries, Occasional paper No.6, 2001.

TABLE 2.5
FDI PERFORMANCE AND POTENTIAL IN IDB MEMBER COUNTRIES (RANKED)

Country	FDI Performance		FDI Potential		Country
	Index	Rank	Index	Rank	
Brunei	3.445	10	0.404	20	Qatar
Gambia	2.861	12	0.364	24	U.A. Emirates
Kazakhstan	2.714	15	0.318	28	Kuwait
Mozambique	1.939	24	0.304	30	Saudi Arabia
Azerbaijan	1.573	33	0.301	31	Bahrain
Togo	1.276	45	0.297	32	Brunei
Morocco	1.269	46	0.295	33	Malaysia
Jordan	1.163	54	0.240	47	Libya
Bahrain	1.126	56	0.222	50	Oman
Sudan	1.112	57	0.206	58	Lebanon
Uganda	1.109	58	0.190	68	Jordan
Albania	0.958	67	0.184	70	Egypt
Mali	0.923	68	0.183	73	Tunisia
Malaysia	0.904	70	0.181	74	Iran
Tunisia	0.763	76	0.174	76	Suriname
Benin	0.669	82	0.170	77	Gabon
Uzbekistan	0.634	84	0.166	81	Algeria
Côte d’Ivoire	0.627	86	0.161	83	Kazakhstan
Senegal	0.475	94	0.159	86	Turkey
Lebanon	0.454	96	0.158	87	Gambia
Qatar	0.416	98	0.156	88	Yemen
Algeria	0.386	101	0.151	90	Syria
Kyrgyz Republic	0.321	107	0.148	93	Morocco
Egypt	0.286	110	0.148	92	Indonesia
Turkey	0.268	112	0.144	98	Uzbekistan
Guinea	0.223	114	0.142	99	Uganda
Pakistan	0.200	116	0.142	97	Albania
Sierra Leone	0.193	117	0.130	106	Azerbaijan
Burkina Faso	0.182	119	0.128	108	Mozambique
Niger	0.156	121	0.126	110	Côte d’Ivoire
Cameroon	0.145	122	0.126	111	Guinea
Bangladesh	0.111	125	0.119	117	Mali
Oman	0.054	129	0.119	115	Cameroon
Iran	0.011	131	0.118	119	Senegal
Kuwait	-0.016	132	0.115	121	Bangladesh
Libya	-0.110	134	0.112	122	Togo
Saudi Arabia	-0.144	135	0.111	123	Sudan
U.A. Emirates	-0.187	136	0.107	125	Burkina Faso
Yemen	-0.203	137	0.104	126	Niger
Indonesia	-0.680	138	0.101	128	Kyrgyz Republic
Gabon	-0.995	139	0.099	129	Pakistan
Syria	-0.995	139	0.092	132	Benin
Suriname	-1.613	140			Sierra Leone

Source: UNCTAD, World Investment Report 2003.

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with other countries. In the area of intra-investment, bilateral investment and double taxation treaties are quite common among countries. Table 2.6 (based on Annex Table 2.A.3) brings together information relating to such agreements signed among the IDB member countries and with other countries. The table shows that bilateral investment treaties are greater in number among IDB member countries as compared to double taxation treaties. Furthermore, such treaties have been enacted with greater number of non-member country governments than with member countries. Thirdly, most of the LDMCs appear to have lagged behind in entering into such treaties, although they suffer most from the lack of foreign exchange and outside investments in trying to realize their development plans and programmes.

The table also shows that a number of countries have signed such agreements with a relatively large number of member countries, but even in their cases agreements with the majority of the member countries are yet to be enacted. On the other end of the scale, African countries appear to be the most isolated in this regard. Yet, especially for promotion of intra-investment, which for many reasons is a more complicated and sensitive activity as compared to development of intra-trade, the majority of the member countries, especially the LDMCs have to consider seriously to embark upon the preparation of the necessary legal background and framework in their countries and with potential partners in economic development. Bilateral treaties to be signed within the already existing and operating regional groupings might provide a good start in the desired direction of enhanced investment flows among different countries.

3. Activities and New Initiatives of the IDB in the Area of Intra-investment

For the IDB, promotion of investment in basic infrastructure (particularly road transport) in and among the member countries has been an area of primary interest since its inception in 1975. In this context, the Bank has organized a number of international investment conferences in order to create awareness among investors and to inform them about investment opportunities within the Islamic world. It also organized various symposia and workshops on investment related issues, impediments, requirements and environment.

In addition to its usual project financing operations

TABLE 2.6
BILATERAL INVESTMENT TREATIES (BITS) AND DOUBLE TAXATION TREATIES (DTTS)

	BITs signed with		DTTs signed with	
	IDB MCs	Other States	IDB MCs	Other States
Egypt	20	32	5	7
Iran	17	25	3	6
Malaysia	17	14	2	13
Morocco	16	13	4	6
Yemen	14	8	3	0
Pakistan	14	n.a.	8	n.a.
Lebanon	13	23	10	7
Sudan	12	3	1	0
Turkey	11	23	2	13
Indonesia	11	21	3	11
Syria	11	1	10	7
Jordan	10	13	1	2
Kyrgyz Republic	8	9	1	4
Bahrain	8	2	2	2
Uzbekistan	7	18	4	15
Algeria	7	9	6	6
U.A. E.	7	6	2	6
Guinea	7	3	0	1
Mali	7	0	1	0
Kuwait	6	15	3	7
Kazakhstan	6	12	5	13
Azerbaijan	6	9	1	2
Oman	6	6	4	5
Tunisia	5	11	7	4
Qatar	5	11	1	2
Mozambique	8	8	0	1
Bangladesh	4	7	0	4
Benin	4	4	0	0
Burkina Faso	4	4	0	4
Senegal	4	3	2	3
Chad	4	1	0	0
Turkmenistan	4	n.a.	0	0
Cameroon	3	2	1	0
Mauritania	3	2	0	0
Comoros	2	4	0	0
Gabon	2	4	0	0
Djibouti	2	1	0	0
Niger	2	0	0	0
Albania	1	13	0	8
Saudi Arabia	1	7	0	0
Uganda	1	7	0	4
Côte d'Ivoire	1	4	1	0
Brunei	1	1	0	1
Palestine	1	1	0	0
Suriname	1	1	0	0
Sierra Leone	0	2	0	0

Source: UNCTAD, World Investment Report 2003.

in different sectors, the IDB has established the Islamic Corporation for the Development of the Private Sector (ICD) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and undertook arrangements to provide lines of financing to National Development Financing Institutions (NDFIs) in support of small and medium size enterprises (SMEs). It also actively cooperated with the Association of Development Finance Institutions in IDB member countries (ADFIMI), Islamic Chamber of Commerce and Industry (ICCI) and with Islamic Banks. All of these initiatives aimed to promote and support investment flows in and among member countries, with special and strong emphasis being placed on private sector development in the member countries.

Promotion of intra-investment also figures as a prominent area of activity for the IDB Group in realizing the strategic objective of Promotion of Cooperation Among Member Countries emphasized in the IDB Group Strategic Framework. In formulating a five-year strategic plan to achieve these objectives, the IDB Group aims to promote intra-investment through different means at its disposal in order to achieve a substantial annual increase over its current level.

One other activity of the IDB in 1424H in the area of intra-investment was the 14th Annual Symposium of the Bank, which was held on 2 September 2003, in conjunction with the Annual Meeting of the IDB Board of Governors, held in Almaty, Kazakhstan. "Cooperation among OIC Member Countries for Intra-Investment" was the theme of the Symposium. Following the keynote address and presentations made by eminent groups of panellists, detailed discussions were held on the subject by the participants. The recommendations that evolved for this Symposium are highlighted in Box 2.1. As referred to in the previous Section, intra-investment, together with intra-trade, will constitute the major agenda items of the OIC Economic Conference to be convened in Turkey in November 2004.

III. IDB'S COOPERATION WITH THE ORGANISATION OF THE ISLAMIC CONFERENCE (OIC)

In pursuance of its basic objective to assist promotion of economic and commercial cooperation among its members, the IDB takes special interest in the activities of the Organization of Islamic Conference (OIC), with particular focus on the economic agenda of the Organization. In fact, a basic prerequisite for joining the Bank by any country is to hold OIC membership. In this sub-section, the different facets and orientations of this special relationship are reviewed, with particular emphasis on the results attained during 1424H.

1. Cooperation at the OIC Level

An important facet of the IDB's activities concerns its close cooperation with the General Secretariat of the Organization of the Islamic Conference (OIC), and its subsidiary organs, specialized institutions and affiliate organizations. In this respect, the IDB has developed strong working relationships with the OIC institutions that operate in areas of common interest. They include the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC), the Islamic Centre for Development of Trade (ICDT), the Islamic University of Technology (IUT) in Dhaka and the Islamic Chamber for Commerce and Industry (ICCI) in Karachi. Co-operation between the IDB and these institutions involves collaboration in joint research and training activities, participation in each others' meetings and holding consultative meetings on the periphery of Ministerial Conferences and other high-level forums in order to find ways and means to enhance cooperation, exchange information, views and experiences and follow up collaborative activities with the OIC institutions.

The IDB has actively and regularly participated in the tri-annual OIC Summit Conferences, the annual and follow-up meetings of the Standing Committee for Economic and Commercial Cooperation (COMCEC) and of the Islamic Conferences of Foreign Ministers (ICFM), as well as the annual sessions of the Islamic Commission for Economic, Cultural and Social Affairs. It also undertook specific assignments emanating from different OIC forums. In this context, within 1424H, the IDB participated in the Thirtieth Islamic Conference of Foreign Ministers that was held in Teheran, Islamic Republic of Iran on 28-31 May 2003, and the Tenth Islamic Summit Conference, held in Putrajaya, Malaysia on 11-18 October 2003. The IDB decided to finance the study on the Restructuring of the OIC General Secretariat and its Role in Facing the Challenges of the New Millennium. The IDB was also present at the Twenty-seventh Session of the Islamic Commission for Economic, Cultural and Social Affairs held in Jeddah from 28 February to 3 March 2004, where draft resolutions were prepared

Box. 2.1
Recommendations of the 14th Annual IDB Symposium:
Cooperation Among OIC Member Countries for Intra-Investment

At national level, IDB member countries need to:

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

At regional level, OIC/IDB member countries may, within the framework of the Organization of the Islamic Conference (OIC), consider:

1. Adopting a new approach for strengthening economic cooperation among member countries in general and for increasing intra-investment in particular through the following major initiatives:

    a. Constituting a "Joint Investment Promotion Team" composed of selected senior government officials, leading businessmen and thought leaders with the mandate to:
        - ❖ Revitalize existing institutions, agreements and other arrangements for promoting intra-investment at the level of OIC and regional and sub-regional economic organizations;
        - ❖ Revise the "OIC Strategy and Plan of Action to Strengthen Economic and Commercial Cooperation" taking into account recent developments and new challenges;
        - ❖ Set an intra-investment target with time schedule, similar to that adopted for intra-trade at the OIC level; and
        - ❖ Hold economic summits to provide regular impetus to the promotion of intra-investment.

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

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

2. Establishing a "Forum of Investment Promotion Centres from OIC member countries" with the objective to further enhance the ongoing economic cooperation among these centres.

At IDB Group level, the Symposium proposed to consider:

1. Scaling up IDB Group activities in the area of economic cooperation by:

    a. Promoting and financing joint ventures among private investors from member countries, and reciprocal investment in free trade zones;
    b. Enhancing the role of ICIEC and ICD in promoting intra-investment and accelerating the process of launching an "Investment Promotion Scheme"; and
    c. Enhancing the IDB Group partnership and networking with regional economic cooperation organizations as well as multilateral and bilateral financial institutions for promoting and facilitating intra-investment.

2. Providing assistance for:

    a. Developing databases on investment (statistics on intra-investment, investment opportunities, potential investors);
    b. Sharing experience between member countries for the development of conducive business environment and appropriate regulatory framework for promoting intra-investment; and
    c. Strengthening consultancy firms in member countries.

3. Sponsorship of networking events and innovation awards.

for the Thirty-first Islamic Conference of Foreign Ministers scheduled for Istanbul in June 2004. The Bank submitted reports on its activities to all of these meetings, giving detailed information on the tasks assigned to it by various forums of the OIC, as well as the status of the work being done under the four Task Forces (Intra-trade, Training, Health and Illiteracy Eradication).

2. Cooperation at the COMCEC Level

The Standing Committee for Economic and Commercial Cooperation (COMCEC) has been a particular forum of great importance to the IDB, as the ministerial committee of the OIC that regularly brings together the economy and trade ministers of the member countries. This Committee has been mandated by the OIC Summit to deliberate, in annual meetings, upon a specific agenda prepared by its Follow-up Committee. The IDB reports on its activities to this Summit-level Committee and carries out specific tasks requested by the ministers. Moreover, the IDB actively participates in consultative meetings with the OIC institutions such as SESRTCIC, ICDT and ICCI, where possibilities for joint activities are discussed in areas of common interest in support of the specific economic cooperation agenda discussed and resolved in different OIC forums. The IDB organized the seventh of these consultative meetings in Jeddah on 1 March 2004, where important issues were discussed relating to the improvement of the implementation of the ten-sector OIC Plan of Action, the holding of the first round of Trade Negotiations under the OIC Framework Agreement on Trade Preferences, in Antalya Turkey on 6-9 April 2004 and matters of common interest relating to the implementation of the Resolutions of the Tenth Islamic Summit Conference. A meeting of the Working Group was also held on the same day to discuss project proposals already submitted under the OIC Action Plan implementation.

The Nineteenth Session of the COMCEC that met in Istanbul, Turkey on 20-23 October 2003, considered a number of agenda items such as the World Economic Development with Special Reference to the OIC Member Countries, Supporting the Reform of the International Financial Architecture, Review of the Plan of Action and the Acceleration of its Implementation, Expansion of Intra-Trade, Matters Relating to the World Trade Organization (WTO), Tenth Private Sector Meeting Among OIC Member Countries. The theme of the Exchange-of-Views Session was "Impact of Electronic Commerce and Use of Information Technology in the Promotion and Development of Intra-OIC Trade". In preparation for this Meeting, the IDB provided financial support for the organization of a workshop on the subject in question and submitted a paper to it. Furthermore, the Ministers approved the Supplementary Mechanism for the Implementation of the OIC Plan of Action, the Ministerial Declaration on the launching of the First Round of Trade Negotiations and the Rules of Procedure of the Trade Negotiation Committee.

3. Cooperation at the COMSTECH Level

The IDB continued its close cooperation with the Standing Committee for Scientific and Technological Cooperation (COMSTECH), which also involved a number of specific assignments, in addition to allocations in support of enhancement of scientific and technological development of the Islamic Ummah. Moreover, the Bank has been involved with projects promoted by the COMSTECH, such as the promotion of bio-technological research in member countries, to help better utilize the existing vast resources and potentials particularly in the agricultural sectors in the member countries. Moreover, the Bank continued with its M.Sc. Scholarship Programme for candidates from member countries in cooperation with COMSTECH.

The cooperation between the IDB and the COMSTECH also extends into the implementation of various COMSTECH sponsored country projects. These include (i) state of the art seminars of Inter-Islamic Networks on Science and Technology in Oceanography, Water Resources, Genetic Engineering, Space Sciences, Renewable Energy Sources, and Tropical Medicine; (ii) Young Researchers Support Programme; (iii) Science and Technology Expatriate National Scheme and (iv) Establishment of S&T Centres of Excellence in member countries.

4. Status Regarding the Signing and Ratification of the Multilateral Agreements Among OIC Member Countries

To enhance capacity building for promoting economic, commercial and technical cooperation among its member countries, the OIC has approved a number of multilateral agreements and statutes in various areas and sectors. The details relating to the latest state of these agreements are given in the Box 2.2.

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5. Activities of the Task Forces Established in Priority Areas of Cooperation in the Implementation of the 8th Islamic Summit Resolution

Relating to the Islamic Summit Resolution that endorsed the IDB document entitled "Preparing the Ummah for the Twenty-first Century" and called for the translation of the recommendations outlined into practical programmes with qualitative and quantitative objectives, the implementation activities continued in 1424H towards the achievement of the quantitative targets already set in each area.

In the area of Intra-trade, the target was to help bring up the share of intra-OIC trade from 10 per cent to 13 per cent in three years. In this connection, the IDB had already increased the annual allocation of ITFO to US$1 billion, approved technical assistance of US$5 million for trade related co-operation and intensified efforts to increase syndication and two-step Murabaha financing for the LDMCs. In terms of actual implementation, in 1424H approvals under ITFO reached US$1,650 million, while the same figure under the EFS amounted to US$ 125 million. Out of these amounts 68.5 per cent of the ITFO approvals and all those under EFS were for intra-trade.

In the area of Training, the target set was to increase by 30 per cent over three years the number of people trained by the various OIC institutions, including the IDB. The Task Force on Training continued to assess the training needs and seek out the resources and facilities available for training within and outside the Islamic world. In this regard, during the latest phase, the following programmes were held during 1424H in collaboration with the OIC-affiliated institutions:

1. Expert Group Meeting on "Land Degradation and Plant, Animal and Human Nutrition", 20-23 September 2003, Damascus, Syria.
2. Regional Conference on "Water Demand Management and Pollution Control", 14-17 December 2003, Sharm El-Sheikh, Egypt.
3. Seminar on ''Capacity Building in Economic Diplomacy'', 16-20 February 2003, Casablanca, Morocco.
4. Workshop on "National Biodiversity Strategies and Action Plans in Arab Countries", 17-19 January 2004, Damascus, Syria.
5. Workshop on ''Assessment of Student Learning and Quality Improvement in Vocational Training'', Dhaka, Bangladesh.

Box. 2.2
Legal Status of OIC Cooperation Agreements

1. General Agreement on Economic, Technical and Commercial Cooperation Among Member States.

This Agreement was adopted by the Islamic Conference of Foreign Ministers (ICFM) in 1977. It "aims at encouraging capital transfer and investment, exchange of data, experience, technical and technological skills among member states and at facilitating the implementation of a fair and non-discriminatory treatment among these countries while giving special attention to the least developed member states". The Agreement became effective from April 28,1981. So far it is signed by 41 Member States and ratified by 28.

2. Agreement on the Protection and Guarantee of Investments Among Member States

This Agreement was adopted by the ICFM held in 1981. It spells out the basic principles governing the promotion of capital transfers among Member States and the protection of investments against commercial risks while guaranteeing the transfer of capital and its proceeds abroad. The Agreement became effective in February 1988 when 10 Member States ratified it. Up to now it is signed by 30 Member States and ratified by 20.

3. Framework Agreement on Trade Preferential System

This Agreement was adopted as per Resolution No 1 of the 6th Session of COMCEC held in Istanbul, Turkey, on October 7-10, 1990. So far 13 of the 23 Member States that had already signed the Agreement have also ratified it. Since the minimum necessary 10 ratifications having been secured, the Framework Agreement became effective in October 2002. The first round of negotiations under the Agreement have been started in Antalya, Turkey during the first week of April 2004.

4. Statute of the Islamic Civil Aviation Council

Having been adopted in 1982, the Statute has been signed by only 16 Member States and is ratified by only seven. Accordingly it has not yet become effective.

5. Statute of the Islamic States Telecommunications Union (ISTU)

The Statute was adopted in 1984. Having been signed by 13 Member States, but ratified by only 10, the Statute has not yet entered into force, since a minimum of 15 ratifications are needed for it.

6. Statute of the Standards and Metrology Institute for the Islamic Countries (SMIIC)

This Statute was adopted in 1998, and up to now 6 signatures have been recorded and only 2 Member States have ratified the Statute. It is not yet in force.

In line with recommendations of the five-expert task force on Health, it was decided to develop an Action Plan for the actual implementation of the Vaccine Production Programme and to establish a Consortium of vaccine producing facilities. The IDB had earlier approved an allocation of US$5.6 million and adopted the programme on "Self-Reliance in Vaccine Production", under which ID 1.318 million (US$ 1.65 million) or 24 per cent was utilized as of end-1424H for four technical assistance operations in Algeria, Egypt, Iran and Tunisia. Three other projects have also been proposed.

The Task Force on Literacy, comprising the IDB and experts from ISESCO, ALESCO and UNESCO, had aimed for reducing illiteracy in the member countries that experience high illiteracy rates. The IDB already allocated US$3.5 million for technical assistance in this area. The Illiteracy Eradication Programme includes six sub-projects to be adhered to by eighteen short-listed member countries according to their needs. The IDB was also called for to accord special priority to four member countries with relatively high illiteracy rates and to devise suitable projects for this purpose. So far 94 per cent of the programme was implemented by providing TA grants to eleven projects in ten countries totalling US$3.3 million, eight of them being LDMCs.

IV. IDB'S COOPERATION WITH MEMBER COUNTRIES AND MUSLIM COMMUNITIES

Apart from its regular project-related technical assistance operations, the IDB continues to undertake various other cooperation and support activities involving assistance, capacity-building, information, education, research, emergency relief and development related operations of direct benefit to both member countries and Muslim communities in non-member countries.

1. Assistance to Member Countries on the WTO Related Matters

The World Trade Organization (WTO) came into being in 1995 with the objective of evolving a rules-based multilateral trading system, aiming to raise the standards of living, ensure full-employment and expand the production and the exchange of goods. The WTO has also provided a permanent forum for further negotiations of trade liberalization, settlement of disputes and review of trade policies of its members.

Although significant benefits were expected to accrue to developing countries from increased market access opportunities, many of these have not materialized. Furthermore, implementation of the WTO agreements and obligations posed a formidable and difficult task for developing countries due to their weak and inadequate institutional and human capacities. These same constraints resulted in a weak and ineffective participation of these countries in the WTO rules formulation process. It is in response to these challenges and constraints, as well as the needs and demands of its member countries reflected in the relevant COMCEC resolutions, that the IDB launched an extensive Technical Assistance Programme (TAP).

The Programme is primarily aimed at strengthening the human and institutional capacity of OIC member countries to enable them to better participate in the multilateral trading system. The WTO-related Technical Assistance Programme of the IDB is delivered through a number of activities, such as holding of workshops/seminars on WTO Agreements, organization of Trade Policy Courses, and undertaking of subject-specific studies. The IDB has also been organizing consultative meetings of the OIC member countries as a forum for exchange of views on issues relating to the WTO prior to and after the ministerial conferences. In addition, specific technical support is provided to countries acceding or willing to join the WTO.

In 1424H, the IDB organized the following WTO related activities:

1. Three-Week Trade Policy Course in English, Jeddah, Saudi Arabia, 28 June-16 July 2003.
2. Joint Workshop with WIPO on Establishment of Intellectual Property Regime for the Maldives, Male, Maldives, 16-17 November 2003.
3. Three Consultative Meetings of the OIC Countries in Preparation for the 5th WTO Ministerial Conference in Geneva, Jeddah and Cancun on 1-2 May 2003, 27-28 July 2003, and 9 September 2003, respectively.
4. Post-Cancun Dialogue for the OIC Countries to Discuss and Evaluate the Results of the 5th Ministerial Conference, Geneva, Switzerland, 2-3 December 2003.

Country-Specific Technical Assistance was provided to the following:

1. Sudan: financing of study expenses and an expert mission to assist in accession negotiations.
2. Kyrgyz Republic: financing of two missions to Geneva.
3. Kazakhstan: financing of an expert on agriculture.

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

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1994 with a mandate to assist in the expansion of trade transactions and investment flows among OIC member countries. It has been established as a subsidiary of the IDB with an authorized capital of ID 100 million. ICIEC aims to provide: (i) export credit insurance and re-insurance to cover non-payment of export receivables resulting from commercial (buyer) and non-commercial (country) risks and (ii) investment insurance and re-insurance against country risk, mainly the risk of exchange transfer restrictions, expropriation, war and civil disturbance, and breach of contract. The Corporation operates in conformity with the Shariah principles.

To facilitate trade and investment, ICIEC supported exports of US$ 119 million and intra-investments of US$ 29 million during the year 1424H. At the same time, ICIEC participated in selected conferences and symposia during 1424H. It also signed Memoranda of Understanding with the Supreme Council of Export Promotion of Yemen and the State Insurance Corporation for the Insurance of Export Credit and Investment of Kazakhstan.

3. The IDB Annual Symposia

The IDB started organizing Symposia in conjunction with the Annual Meetings of its Board of Governors in 1409H. The aim was to facilitate an exchange of views on themes of current relevance to the economic development and social progress for member countries. They also generated useful discussions and practical recommendations at the regional, national and IDB levels. In the fourteen such symposia organized so far themes such as agricultural and food security, counter-trade, joint ventures, science and technology, promotion of exports, investment in least developed African IDB member countries, human development, Uruguay Round Agreements and the World Trade Organization, information technology, private sector participation in physical infrastructure, resource mobilization from capital markets, productivity and competitiveness, women in poverty alleviation and intra-investment were discussed.

The Fourteenth Annual Symposium of the IDB was organized in conjunction with the Annual Meeting of IDB Board of Governors, held in Almaty, Kazakhstan on 2 September 2003 on “Cooperation among OIC Member Countries for Intra-Investment”.

The Symposium emphasized the need for close economic cooperation among member countries of the Organization of the Islamic Conference (OIC) by strengthening their networking capacity in order to promote intra-investment and mobilize adequate resources for achieving sustainable development and alleviating poverty. To this end, the Symposium formulated recommendations to be considered at regional, national and IDB levels. (See Box 1 under Section II.3 above)

4. Technical Co-operation Programme

The Technical Cooperation Programme (TCP) of the IDB is devoted to the promotion and enhancement of the quality of the human resources in the member countries. In implementing the activities in this area donor countries/institutions, the beneficiaries and financiers cooperate to mobilize and exchange skills, talents and technical know-how for achievement of socio-economic development in the member countries. The TCO consists of two windows. The Technical Cooperation Programme (TCP) is for Human Resources Development. The unit for Non-Governmental Organizations and Women In Development aims to assist the poor and the disadvantaged groups in member countries on basic needs and to help women to participate and benefit from the process of socio-economic development.

The Programme objectives are followed through (i) provision of on-the-job training, study/familiarization visits, (ii) recruitment of experts and (iii) organization of workshops and seminars. In 1424H, 92 operations amounting to US$ 2.1 million were approved for member countries and regional/international institutions, with 52 operations totalling US$ 1.04 million for training, studies and familiarisation visits, 12 operations of US$ 0.24 million for experts’ services and 28 operations of US$ 8.5 million for organizations or seminars and workshops. The activities of the TCP are further detailed in Section 3, Chapter 3, of this Report.

5. Promotion of Co-operation Among Member Countries in Private Sector Development

There has developed a wide and growing acceptance of the key role of the private sector in moving towards global economic integration, especially in the face of the reduced roles of the governments in the management of the national economies. In this regard, the IDB member countries have been encouraging to a greater extent their respective private sectors to play larger roles in their national development by implementing extensive policy reforms involving price liberalization, more flexible foreign exchange regimes and reduced restrictions on trade, including tariff reductions.

The IDB promotes private sector development through financing and other activities. For this, serious effort is made to expand resource mobilization to better accommodate the needs of the member countries and their private sectors. Entities established in this connection as parts of the "IDB Group", which include, in addition to the IDB itself, the Islamic Corporation for the Development of the Private Sector (ICD) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). The fourth entity in the Group is the Islamic Research and Training Institute (IRTI).

Moreover, the IDB provides lines of financing to the national development financing institutions (NDFIs) in support of investments in small and medium size enterprises in member countries to expand self-employment. The IDB has also launched financing schemes in support of such enterprises, particularly to the governments on soft terms, similar to the lines of financing extended to the NDFIs, in order to impact overall economic development through the intermediation of private and public sectors institutions. The IDB also participates in the equity capital of Islamic financial institutions and of enterprises whose financial structure and operations are compatible with Shariah.

Other activities in support of private sector development in member countries include cooperation and collaboration with the Association of Development Finance Institutions in IDB member countries (ADFIMI) to organize seminars on topical issues, with special focus on development and institutional strengthening of the SMEs in member countries.

6. Responding to the Special Development Needs of the Least Developed Member Countries (LDMCs)

The perennial difficulties and the concomitant special development needs of the Least-Developed Member Countries (LDMCs) have always been and continue to be of particular interest for the IDB. For this purpose, the IDB provides assistance targeting key sectors, including human resource development, water supply, agriculture and feeder roads. Moreover, the IDB applies highly concessional terms to the majority of its operations concerning the LDMCs.

During its 27th Annual Meeting, the Governors of the IDB adopted the Declaration on IDB Group Cooperation with Africa, where it was declared that the IDB would aim at accelerating economic growth and contributing to the fight against poverty. While the social sectors would be the main beneficiaries of IDB financing, growing support will also be extended in other priority areas. In this context, it was decided that the IDB group should target an overall financing of US$2 billion for the African LDMCs, while adapting policies and procedures to ensure rapid and efficient resource utilization of the trade financing facilities by the African member countries. In 1424H, to render operational the Declaration, 38 operations totalling US$ 328 million were approved against a target of US$ 295 million set for the year.

7. The International Centre for Bio-saline Agriculture

The Centre for Bio-saline Agricultural Centre (ICBA) in the UAE was established with the initiative of the IDB, as a reflection of the Bank's continued interest to provide support and assistance to the development of agriculture in the member countries. It mainly focuses on forage and environmental greening projects in the countries of the Gulf Co-operation Council, and is dedicated to research and development on saline irrigated agriculture. The ICBA also supports scientific and technical cooperation and manpower development through special programmes where agricultural production is limited by inadequate soil conditions and water salinity. In this context, the Centre has set up a network of contacts throughout the world, and has been developing cooperation agreements and implementing joint projects in collaboration with a number of national, regional and international organizations. The activities of the ICBA are discussed in Chapter 5 of this Report.

8. Assistance to Muslim Communities in Non-Member Countries

The IDB has two major programmes that substantially benefit Muslim Communities in non-member countries. The IDB Special Assistance Programme aims to foster economic development and social progress for Muslim communities in non-member countries through institution-building and development in the educational, health and social sectors, as well as through capacity-building in areas of economic, financial and banking activities. It also provides assistance and relief for member countries and Muslim communities around the world in cases of natural disasters and famine for Muslim refugees world-wide. In 1424H, 31 operations worth US$ 6.04 million were approved for Muslim communities and organizations in eighteen non-member countries.

The IDB Scholarship Programme for Muslim communities, on the other hand, provides assistance to deserving and needy students from these communities to pursue undergraduate or first-degree studies in selected fields in member countries. In 1424H, a total of US$ 2.7 million was spent on the Programme. A total of 2416 students are presently continuing their studies. The details of the IDB's Special Assistance Activities are discussed in Chapter 3.

9. Co-operation through Consultancy Services

One major aim in promotion of economic cooperation among member countries is to help for fuller utilization of the existing resources, capacities and facilities in the member countries. Thus, the Bank accords preference to consultants, contractors and suppliers from the Islamic world in carrying out its own activities and operations. In this context, it works closely with the Federation of Consultants of Islamic Countries (FCIC), the Federation of Contractors of Islamic Countries (FOCIC) and the Islamic Chamber of Commerce and Industry (ICCI). Furthermore, the Consultancy and Procurement Services Unit maintains a roster on qualified, registered and well-established firms and individuals from member countries who are engaged in consultancy work and procurement services to provide support to IDB's Operations Complex.

Up to the end of 1424H, 87.5 per cent of a total of US$143 million worth of consultancy services procured by the IDB was conducted by consultants from member countries.

V. IDB'S CO-OPERATION WITH ISLAMIC BANKS AND NATIONAL DEVELOPMENT FINANCING INSTITUTIONS

As part of its efforts to support private sector development and small-scale enterprises in line with the needs at the national and local levels, and to mobilize new resources, the IDB has developed close links with the Islamic Banks and National Development Financing Institutions to help increase their efficiency, as well as extend the coverage of its operations.

1. IDB'S Co-operation with Islamic Banks

The IDB has, since its inception, taken a leadership role in developing various Islamic modes of financing to benefit member countries and played an active part in promoting and strengthening Islamic banking in these countries and other parts of the world. Consequently, Islamic banking developed into a growing industry with expanding opportunities for further growth. Their capital, deposits, and assets grew substantially during the past thirty years, while Islamic financing windows were also started by several regular banks in the US and Europe.

The IDB has helped in the proliferation of Islamic banks with its technical assistance for capacity building and lines of financing, and by participating in the capital of these banks. The IDB has also contributed to the development of standards and procedures for various financial products. Thus, the Bank took part in the establishment of the Accounting and Audit Organisation for Islamic Financial Institutions (AAOIFI), an institutional arrangement for self-regulation in the financial reporting of the Islamic banks and financial institutions and for implementation of indigenous auditing practices.

The IDB also remained active in the creation of a mechanism for producing internationally acceptable regulatory standards for the Islamic banking industry to help it in its relationship with the central banks in their countries and place Islamic banking at par with the conventional banks. To render Islamic banks competitive in the new global environment, the IDB continues to assist with new initiatives for strengthening the architecture of the financial sector in different countries. It is also helping to develop an internationally acceptable and codified prudential framework for the Islamic banking industry. In this connection, the Islamic Financial Services Board (IFSB) was inaugurated in 2002.

The IDB was also involved in the establishment of the International Islamic Finance Market (IIFM), and the creation of an International Islamic Rating Agency (IIRA). The hope was that it would be possible for Islamic banking industry to offer new alternatives and a wider choice to both the investors and users of funds across the world, and to provide innovative support to the global efforts to enhance and expand development financing.

2. IDB Co-operation with National Development Finance Institutions

To help contribute to the overall economic development of its member countries, the IDB has actively been cooperating with National Development Finance Institutions (NDFIs) in member countries. The Bank organizes an annual meeting with the NDFIs during the Annual Meeting of IDB's Board of Governors to discuss issues related to cooperation and coordination among the NDFIs, which are also invited to fully utilize IDB's technical assistance facility in the areas of feasibility studies and capacity building.

The Bank has made substantial progress in improving its operational relations with the NDFIs through greater utilisation of the lines of financing. Among these are provision of 'free limits', authorising of the NDFIs in the approval of sub-projects up to 25 per cent of the overall approved amount of the lines of financing, and securing for the NDFIs a margin of 3-5 per cent over and above the IDB's mark-up. It was also decided that an allocation might be made to any IDB member country for extending a line of leasing/instalment sale or Istisna'a financing to be utilised by a specific number of Development Finance Institutions. The IDB has also decided to extend, in principle, full delegation of authority to selected NDFIs.

Furthermore, the IDB has worked closely with the Association of National Development Finance Institutions (ADFIMI), which brings together 48 member NDFIs and three Associate Members. This collaboration involves organising training programmes/seminars/workshops for the staff members of the NDFIs.

VI. IDB'S CO-OPERATION WITH REGIONAL AND INTERNATIONAL ORGANISATIONS

1. Promotion of Co-operation through Regional and Sub-regional Economic Groupings Involving IDB Member Countries

The IDB has always viewed regional economic groupings of its member countries as significant contributors to its overarching objective to promote economic cooperation among its member countries, and has cooperated with and supported these groupings in different ways. Taking into account the size of the existing and potential markets with enormous trading opportunities, the abundance of natural, human, and financial resources, as well as highly valuable technical skills, brought together under these regional schemes, the IDB has sought to promote extensive economic, commercial and technical co-operation at the level of the regional groupings where its members participate.

The IDB has also developed bilateral initiatives with various regional groupings, such as the Memorandum of Understanding (MOU) signed with the ECO, and has provided financial and technical assistance to them for the implementation of projects in different fields. The IDB is also cooperating with member countries in the Arab region, by managing, upon their request two funds established by them to provide education and health care for the needy families in Palestine, while they also finance cultural projects and others in support of the Palestinian economy

The IDB follows closely direct contacts and co-operation among regional groupings involving its member countries. In this connection, the ECO and the ASEAN hold joint Ministerial Meetings every year on the sidelines of the United Nations General Assembly to discuss and develop co-operation in the areas of information, trade and investment. The GCC and ASEAN have also agreed to develop closer relations through annual consultative meetings to discuss co-operation between them, especially in the areas of trade, investment, technology and labour. AMU and ECOWAS are collaborating with the Common Market for Eastern and Southern Africa (COMESA). The COMESA is also collaborating with ASEAN in the development of adjacent areas. The IDB has also been following closely the conclusion of the regional free trade agreements recently signed within ECO and SAARC, where IDB member countries are active participants.

In this context, the regional organizations involving the IDB member countries are invited to the Annual Meetings of the IDB Board of Governors to discuss issues of mutual interest. As a further step in further developing the relations between different regional groups and encouraging them to develop modalities and projects of inter-regional cooperation, the Bank has invited experts from a selected number of these regional groupings for a meeting at the Bank's headquarters on 29-30 June 2002, where it was agreed to follow a set of sectoral priorities for such cooperation, hold regular annual meetings, and develop a Work Programme on inter-regional economic cooperation. Work is in its final stages to complete the revision of the draft Programme already prepared and finalize it in another experts meeting. Presently, AMU, COMESA, ECO, Islamic Chamber of Commerce and Industry, the League of Arab States and UEMOA are actively participating in this initiative.

2. IDB Co-financing and the Co-ordination Group

The IDB also undertakes co-financing of projects with other international financial institutions in the form of parallel financing, as pooling is not preferred because of the Islamic character of the Bank. In 1424H, The IDB undertook co-financing amounting to US$ 220.87 million. The share of the IDB in the co-financed projects was 24.8 per cent.

The IDB has been a member of the eight-member Arab Coordination Group[4] since June 1976 where cooperation and collaboration among the member institutions extends beyond a co-financing partnership as such. The Group discusses issues of common interest such as attempts to enhance working relations among its members; monitors the implementation of co-financed projects, undertakes joint missions; and exchanges information and views relating to various financial issues, like appraisal reports, financing plans, overdues and information strategy. New areas such as helping the Central Asian countries in the implementation and rehabilitation of projects have also been added, and a number of Roundtable Table meetings were held in some of these countries.

3. IDB's Co-operation with Regional and International Organisations

The IDB keeps close links with various multilateral and regional financial institutions including the World Bank, the International Monetary Fund (IMF), the Asian Development (AsDB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Food and Agricultural Organisation of the United Nations (FAO), the International Fund for Agricultural Development (IFAD), the International Trade Centre, Geneva (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Health Organisation (WHO), the World Intellectual Property Organisation (WIPO) and the World Trade Organisation (WTO).

The IDB and UNESCO have cooperation agreements in the area of education, especially in support of the various needs of the least developed member countries in Africa.

The IDB has signed an MOU with the World Trade Organisation (WTO) to cooperate in the organization and implementation of trade policy courses. Furthermore, the IDB participates in the WTO Ministerial Conferences and the quadrennial United Nations Conference on Trade and Development (UNCTAD).

The IDB has signed an MOU with the World Bank to strengthen and broaden the partnership between the two institutions. A similar understanding has been developed with the IMF to strengthen cooperation and collaboration between the two organisations in various areas, including statistical data, pertaining to developments in the world economy, as well as the member countries. In this connection, World Bank experts have contributed substantially to the establishment of the IDB Live Data Base, which has been in operation for over a year.

The IDB regularly participates in the IMF/World Bank Annual Meetings, and takes an active part in both the Development Committee Meetings, and the Meetings of the MFI's and MDB's. This is done as a

[4] The members of the Coordination Group are the Abu Dhabi Fund for Development; the OPEC Fund for International Development; the Saudi Fund for Development; the Arab Fund for Economic and Social Development; the Kuwait Fund for Arab Economic Development; the Arab Bank for Economic Development in Africa; the Arab Gulf Programme for United Nations Development Organizations (AGFUND); and the Islamic Development Bank (IDB).

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part of the effort to join hands with the latter financing institutions with a view to harmonizing policies, procedures and practices to further improve the effectiveness of development assistance and support. The latest of these Meetings was organized by the IDB in Dubai in September 2003. (See Box 2.3).

In fact, since the high-level Forum Meeting held in Rome on February 24-25, 2003 which culminated in the Rome declaration on Harmonization, the Islamic Development Bank has been actively associated with partner institutions, such as the African Development Bank, the Asian Development, the Inter-American Development Bank and the World Bank in a path breaking international effort to harmonize operational policies, procedures and practices with partner countries to further improve development effectiveness and contribute to the attainment of the millennium development goals. Through harmonized approaches among the Multinational Development Banks (MDBs), the transaction costs of implementing projects will be significantly reduced and, more importantly, the limited capacities of partners would be released for more productive outputs, while fiduciary oversight and public accountability are enhanced. In this regard, the IDB has already revised its guidelines for procurement and consultancy services with the assistance of World Bank Consultants.

The IDB also participated in the World Bank Fiduciary Forum held in Washington, D.C, on March 8-11, 2004 and at the Fourth Meeting among the MDBs on financial management hosted by the Inter-American Development Bank on March 4-5, 2004. It was decided that the Working group of the MDBs will prepare revised guidelines on financial management, procurement and disbursements. These will be mainstreamed in the Operations Complex with a view to reaching common approaches thereby reducing the burden on partner countries and rationalizing costs.

The IDB is also a member of the Working Group of International Financial Institutions on SMEs Development, which focuses on development of Best Practices, Impact Evaluation and the Way Ahead for Development of Micro, Small and Medium Size Enterprises. IDB has been participating in the Working Group since its second meeting at the OPEC Fund in Vienna and more recently at the third meeting hosted by the African Development Bank in Tunisia (April 1-2, 2004). The Working Group comprises MDBs, bilateral donor agencies, leading micro and SMEs banks and financial intermediaries.

Box. 2.3
The 2003 Annual Meeting of the Heads of MFIs

The Meeting of the Heads of the Multilateral Financing Institutions (MFIs) was held in Dubai on 21 September 2003 in conjunction with the World Bank/IMF Annual Meeting. The Islamic Development Bank hosted and chaired the Meeting. Discussions was held on the following:

Promotion of Interregional Economic Cooperation for Development

The Meeting observed that the MFIs need to play a greater role in helping their member countries benefit from the existing regional cooperation mechanisms through better coordination of their efforts. The meeting also noted that regional infrastructure projects have been instrumental in enhancing regional and interregional cooperation. The suggestion to create a "special fund" to finance regional cooperation initiatives was made.

Harmonization of Policies and Procedures: Follow up on the Rome Meeting

The Meeting stressed the importance of the agreement reached at the Rome Forum, which is considered instrumental in helping to enhance aid delivery, as the main objective of harmonization is to make multilateral aid delivery more cost-effective. The MDBs Working Groups have been very active in the area of harmonization of policies and procedures and several initiatives are under way. Some harmonization efforts are also under way at regional.

The Emerging Private Sector in Selected Arab Countries

The discussion revolved around the efforts made by various MFIs in support of private sector development, including the ability of the private sector to generate jobs, value added and exports in the MENA region, creation of the Islamic Corporation for the Development of the Private Sector by IsDB, Infrastructure and SME support by AfDB in Tunisia and Egypt, the Global Loan Agreement signed by EIB with Syria, the AfDB/EU agreements involving Morocco and Tunisia, and finally the OECD Initiative of Good Governance and Investment in the Middle East by the OECD. It was also noted that AfDB is in the process of launching two trust funds in support of private sector. The AsDB reiterated the need to carry out a Private Sector Assessment with special emphasis on SMEs and Infrastructure.

The next meeting will be held in Washington, D.C and will be hosted by the IADB.

Table 2.A.1
FDI Inflows to IDB Member Countries (ranked by 1999-01 averages)

Countries Above Average	FDI in US$ million		Countries Below Average	FDI in US$ million	
	1999-01 Average	2002		1999-01 Average	2002
Malaysia	2746	3203	Bangladesh	180	45
Kazakhstan	1859	2561	Albania	130	213
Turkey	1677	1037	Mali	85	102
Morocco	1536	428	Senegal	77	93
Egypt	937	647	Togo	58	75
Algeria	714	1065	Benin	55	41
Brunei	608	1035	Chad	47	901
Tunisia	544	821	Cameroon	46	86
Sudan	446	681	Gambia	43	43
Pakistan	407	823	Iran	41	37
Jordan	348	56	Oman	36	40
Bahrain	300	218	Guinea	25	30
Azerbaijan	289	1067	Kyrgyzstan	16	-12
Lebanon	266	257	Burkina Faso	15	8
Mozambique	259	406	Maldives	12	12
Uzbekistan	255	65	Niger	11	8
Syria	246	225	Sierra Leone	5	5
Uganda	235	275	Guine-Bissau	4	1
Cote D’Ivoire	220	223	Djibouti	3	4
Qatar	220	326	Afghanistan	2	-
Group Total	14112	15419	Mauritania	1	12
Group Average	706	771	Comoros	0	1
IDB Total	9854	15390	Iraq	-5	-9
IDB Average	193	308	Kuwait	-20	7
World Total	**1,096,626**	**651,188**	Libya	-26	-96
IDB Share (%)	**0.9**	**2.4**	Suriname	-49	-85
			Yemen	-62	64
			Gabon	-166	123
			U.A.E.	-414	95
			Saudi Arabia	-881	-350
			Indonesia	-3525	-1523
			Group Total	**-4256**	**-29**
			Group Average	**-213**	**-1**

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Table 2.A.2
FDI Outflows from IDB Member Countries (ranked by 1999-01 averages)

Countries Above Average	FDI out US$ million		Countries Below Average	FDI out US$ million	
	1999-01 Average	2002		1999-01 Average	2002
Iran	1299	1299	Bahrain	130	178
Malaysia	1238	1238	Libya	130	110
U.A.E.	883	442	Indonesia	116	116
Turkey	671	175	Lebanon	74	74
Saudi Arabia	534	50	Qatar	61	61
Azerbaijan	165	326	Morocco	58	29
Group Total	4790	3530	Egypt	34	28
Group Average	**823**	**613**	Kuwait	28	-155
IDB Total	**5101**	**4542**	Algeria	25	100
IDB Average	**134**	**147**	Mali	24	19
World Total	**1,002,920**	**647,363**	Cote D'Ivoire	20	2
IDB Share (%)	**(0.5)**	**(0.7)**	Pakistan	14	-17
			Gabon	14	
			Kazakhstan	12	423
			Togo	12	
			Benin	10	
			Brunei	9	8
			Bangladesh	8	4
			Jordan	6	25
			Kyrgyzstan	6	6
			Gambia	5	5
			Albania	4	4
			Cameroon	3	3
			Tunisia	2	1
			Guinea	2	2
			Burkina Faso	2	1
			Chad	1	
			Syria	0	
			Senegal	0	39
			Oman	0	
			Niger	-2	
			Uganda	-14	-14
			Group Total	**794**	**1052**
			Group Average	**25**	**42**

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Table 2.A.3
Bilateral Investment and Double Taxation Treaties
Among IDB Member Countries and with other States

Country	Bilateral Investment Treaties (BITs) with			Double Taxation Treaties (DTTs) with		
	Partner IDB Member Countries	No	Others	Partner IDB Members	No	Others
Egypt	Algeria, Bahrain, Chad, Djibouti, Gabon, Guinea, Jordan, Lebanon, Malaysia, Mali, Morocco, Mozambique, Niger, Oman, Palestine, Senegal, Syria, Turkey, Turkmenistan, Uganda	20	32	Indonesia, Lebanon, Malaysia, Senegal, Uzbekistan	5	7
Iran	Albania, Azerbaijan, Bahrain, Bangladesh, Kazakhstan, Kyrgyzstan, Lebanon, Malaysia, Morocco, Pakistan, Sudan, Syria, Tajikistan, Turkey, Turkmenistan, Uzbekistan, Yemen	17	25	Kazakhstan, Lebanon, Syria	3	6
Malaysia	Algeria, Bahrain, Burkina Faso, Djibouti, Egypt, Guinea, Iran, Kazakhstan, Kyrgyzstan, Lebanon, Morocco, Pakistan, Saudi Arabia, Senegal, Sudan, Turkey, Yemen	17	14	Egypt, Kuwait	2	13
Morocco	Egypt, Guinea, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Oman, Pakistan, Qatar, Senegal, Sudan, Syria, Turkey, UAE	16	13	Bahrain, Lebanon, Senegal, UAE	4	6
Yemen	Algeria, Bahrain, Indonesia, Iran, Jordan, Malaysia, Oman, Pakistan, Sudan, Syria, Turkey, UAE	14	8	Algeria, Syria, Tunisia	3	0
Pakistan	Azerbaijan, Bangladesh, Indonesia, Iran, Kyrgyzstan, Lebanon, Malaysia, Morocco, Oman, Syria, Tunisia, Turkey, UAE, Yemen	14	n.a.	Azerbaijan, Kazakhstan, Lebanon, Oman, Qatar, Syria, Tunisia, Uzbekistan	8	n.a.
Lebanon	Azerbaijan, Bahrain, Egypt, Gabon, Iran, Jordan, Kuwait, Malaysia, Morocco, Pakistan, Syria, Tunisia, Yemen	13	23	Algeria, Egypt, Iran, Kuwait, Morocco, Oman, Pakistan, Syria, Tunisia, UAE	10	7
Sudan	Bahrain, Indonesia, Iran, Jordan, Malaysia, Morocco, Oman, Qatar, Syria, Turkey, UAE, Yemen	12	3	Syria	1	0
Turkey	Algeria, Egypt, Indonesia, Iran, Malaysia, Morocco, Pakistan, Qatar, Sudan, Tajikistan, Yemen	11	23	Kazakhstan, Uzbekistan	2	13
Indonesia	Bangladesh, Jordan, Kyrgyzstan, Morocco, Mozambique, Pakistan, Sudan, Suriname, Turkey, Uzbekistan, Yemen	11	21	Egypt, Syria, Uzbekistan	3	11
Syria	Bahrain, Egypt, Indonesia, Iran, Jordan, Lebanon, Morocco, Pakistan, Sudan, UAE, Yemen	11	1	Algeria, Indonesia, Iran, Jordan, Kuwait, Lebanon, Pakistan, Sudan, Tunisia, Yemen	10	7
Jordan	Algeria, Bahrain, Egypt, Indonesia, Kuwait, Lebanon, Morocco, Sudan, Syria, Tunisia	10	13	Syria	1	2
Kyrgyz Republic	Azerbaijan, Indonesia, Iran, Kazakstan, Malaysia, Pakistan, Tajikistan, Uzbekistan	8	9	Kazakhstan	1	4

Table 2.A.3 (Continued)
Bilateral Investment and Double Taxation Treaties
Among IDB Member Countries and with other States

Country	Bilateral Investment Treaties (BITs) with			Double Taxation Treaties (DTTs) with		
	Partner IDB Member Countries	No	Others	Partner IDB Members	No	Others
Mozambique	Algeria, Egypt, Indonesia	8	8	n.a.	0	1
Bahrain	Egypt, Iran, Jordan, Lebanon, Malaysia, Sudan, Syria, Yemen	8	2	Algeria, Morocco	2	2
Uzbekistan	Azerbaijan, Bangladesh, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Turkmenistan	7	18	Egypt, Indonesia, Pakistan, Turkey	4	15
Algeria	Jordan, Malaysia, Mali,Mozambique, Niger, Turkey, Yemen	7	9	Bahrain, Lebanon, Mali, Oman, Syria, Yemen	6	6
U.A. E.	Morocco, Pakistan, Sudan, Syria, Tajikistan, Tunisia, Yemen	7	6	Lebanon, Morocco	2	6
Guinea	Benin, Cameroon, Egypt, Malaysia, Mali, Mauritania, Morocco	7	3	n.a.	0	1
Mali	Algeria, Benin, Cameroon, Chad, Comoros, Egypt, Guinea	7	0	Algeria	1	0
Kuwait	Jordan, Kazakhstan, Lebanon, Morocco, Tajikistan, Yemen	6	15	Lebanon, Malaysia, Syria	3	7
Kazakhstan|	Azerbaijan, Iran, Kuwait, Kyrgyzstan, Malaysia, Uzbekistan	6	12	Iran, Kyrgyzstan, Pakistan, Turkey, Turkmenistan	5	13
Azerbaijan	Iran, Kazakhstan, Kyrgysztan, Lebanon, Pakistan, Uzbekistan	6	9	Pakistan	1	2
Oman	Brunei, Egypt, Morocco, Pakistan, Sudan, Yemen	6	6	Algeria, Lebanon, Pakistan, Tunisia	4	5
Tunisia	Cote d'Ivoire, Jordan, Lebanon, Pakistan, UAE	5	11	Cameroon, Cote d'Ivoire. Lebanon, Oman, Pakistan, Syria, Yemen	7	4
Qatar	Iran, Morocco, Senegal, Sudan, Turkey	5	11	Pakistan	1	2
Bangladesh	Indonesia, Iran, Pakistan, Uzbekistan	4	7	n.a.	0	4
Benin	Burkina Faso, Chad, Guinea, Mali	4	4	n.a.	0	0
Burkina Faso	Benin, Chad, Comoros, Malaysia, Mauritania	4	4	n.a.	0	4
Senegal	Egypt, Malaysia, Morocco, Qatar	4	3	Egypt, Morocco	2	3
Chad	Benin, Burkina Faso, Egypt, Mali	4	1	n.a.	0	0
Turkmenistan	Egypt, Iran, Kazakhstan, Uzbekistan	4	n.a.	n.a.	0	0
Cameroon	Guinea, Mali, Mauritania	3	2	Tunisia	1	0
Mauritania	Burkina Faso, Cameroon, Guinea	3	2	n.a.	0	0
Comoros	Burkina Faso, Mali	2	4	n.a.	0	0
Gabon	Egypt, Lebanon	2	4	n.a.	0	0
Djibouti	Egypt, Malaysia	2	1	n.a.	0	0
Niger	Algeria, Egypt	2	0	n.a.	0	0
Albania	Iran	1	13	n.a	0	8
Saudi Arabia	Malaysia	1	7	n.a.	0	0
Uganda	Egypt	1	7	n.a.	0	4
Côte d'Ivoire	Tunisia	1	4	Tunisia	1	0
Brunei	Oman	1	1	n.a.	0	1
Palestine	Egypt	1	1	n.a.	0	0
Suriname	Indonesia	1	1	n.a.	0	0
Sierra Leone		0	2	n.a.	0	0

Source: UNCTAD, World Investment Report 2003

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PART II

OPERATIONS

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Chapter 3

PROJECT FINANCING, TECHNICAL ASSISTANCE AND WAQF FUND (SPECIAL ASSISTANCE OPERATIONS)

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IDB Provided Financing for Ibra Hospital, Sultanate of Oman, 2003

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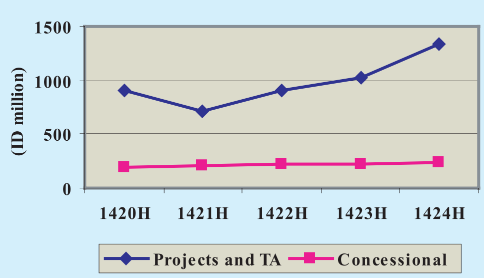
SUMMARY OF IDB GROUP OPERATIONS 1424H

- Total approvals of the IDB Group: ID 2.8 billion (US$3.97 billion)
  - Project financing, Ordinary Resources: ID 818.12 million (US$1.12 billion)
  - Project financing (from Sukuk): ID105.15 (US$149.4 million)
  - TA: ID 8.1 million (US$11.2 million)
  - Trade financing: ID 1.44 billion (US$ 2.06 billion)
  - Special Assistance Operations: ID 16.70 million (US$23.47 million)
  - Other project financing/investments, various windows of the Bank: ID 411.21 million (US$613.75 million)
- Number of operations:
  - 98 projects (including 5 Sukuk operations)
  - 49 other projects (various windows)
  - 24 technical assistance operations
  - 133 trade financing operations
  - 45 special assistance operations
- Disbursed amount (Ordinary Resources and Sukuk Operations) during 1424H: ID 530 million (US$792.02 million)
- Co-financing by the IDB: ID 162.42 million (US$ 220.87 million)
- Share of IDB financing in co-financed projects: 24.8 per cent
- Share of LDMCs in total concessional financing: 66.1 per cent.

IDB OPERATIONS



I. INTRODUCTION

This chapter starts by providing a brief overview of the global operations of the IDB; including financing by the different subsidiaries and funds within the IDB Group. Primarily, the chapter focuses on two broad categories of operations, namely, (a) Project Financing and Technical Assistance (TA) and (b) Waqf Fund Operations. The main activities covered in the latter category are: Special Assistance Operations, emergency and relief operations, Scholarships, Technical Cooperation Programmes, and the OIC Vaccine Production and Illiteracy Eradication Programmes. The chapter also dwells on operations evaluation, regional offices/field representation, consultancy and procurement activities. Profiles of new projects and TA operations approved during the year are highlighted at the end of the chapter. Details on the other categories of IDB Group operations are presented separately in Chapter 4 (Trade Financing Operations) and Chapter 5 (Activities of Affiliated Entities and Funds).

At the aggregate level, during 1424H, the IDB as a Group approved ID 2,799.93 million (US$3,974 million) for different types of operations. These included 98 operations for project financing amounting to ID1334.48 million (US$1,825.59 million), 24 TA operations worth ID 8.10 million (US$11.19 million), 133 trade financing operations amounting to ID 1,440.65 million (US$ 2,056.98 million) and 45 Special Assistance operations worth ID16.70 million (US$23.47 million). The operations approved in 1424H represent 10.3 per cent increase over the approvals in 1423H, in ID value terms (Table 3.1).

At the end of 1424H, cumulative net approvals of the IDB Group reached ID 26.1 billion (US$34.24 billion). Of these operations, 36.4 per cent went to project financing, 0.5 per cent for TA, 61.4 per cent to financing trade, and 1.7 per cent for Special Assistance operations.

II. REVIEW OF KEY FEATURES OF IDB OPERATIONS, POLICIES, AND INITIATIVES DURING 1424H

The operational issues addressed during the year were aimed at further improving the quality of project identification and appraisal, capacity for project supervision to enhance the rate of disbursement and prospects for project sustainability, all with a view to ensuring effectiveness of the Bank's development

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TABLE 3.1
FINANCING APPROVED BY IDB GROUP
BY TYPE OF OPERATIONS (1420H-1424H)

(Amount in ID million)

Type of Operations	1420H		1421H		1422H		1423H		1424H		1396-1424H	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
I. Ordinary Operations[1]												
a(1) Project Financing (including Sukuk Resources)	76	680.00	83	584.00	82	701.00	78	820.40	98	923.27	1,085	7,715.20
b(2) Project Financing (excluding Sukuk Operations)	*76*	*680.00*	*83*	*584.00*	*82*	*701.00*	*75*	*696.00*	*93*	*818.12*	*1,074*	*7,485.65*
c(3) Technical Assistance (TA)	34	7.07	33	11.33	39	8.76	29	7.70	24	8.10	432	132.29
Sub-Total (a+c)	**110**	**687.54**	**116**	**595.65**	**121**	**709.91**	**107**	**828.2**	**122**	**931.37**	**1,517**	**7,847.49**
Sub-Total (b+c)	*110*	*687.54*	*116*	*595.65*	*121*	*709.91*	*104*	*703.80*	*117*	*826.22*	*1,506*	*7,617.94*
II. Other Project Financing[2]												
(UIF, IBP, ICD, APIF and Treasury Operations)	14	211.57	12	122.29	21	189.21	30	200.85	41	411.21	197	1800.90
Total Project Financing + TA	**124**	**899.12**	**128**	**717.94**	**142**	**899.12**	**137**	**1,029.05**	**166**	**1,342.58**	**1,714**	**9,648.39**
III. Trade Financing Operations[2]												
(ITFO, EFS, IBP, UIF, ICD Treasury Operations)	56	622.31	97	1,156.98	94	1,253.00	117	1,398.23	133	1,440.65	1,669	16,038.96
IV. Special Assistance[4]												
(Waqf Fund Operations)	76	23.81	47	11.62	54	11.16	38	9.34	45	16.70	1,017	450.78
Total: I(a1), II, III and IV)	**256**	**1,545.23**	**272**	**1,886.54**	**290**	**2,163.28**	**292**	**2,436.62**	**344**	**2,799.93**	**4,400**	**26,138.13**

1. Ordinary Operations in this context are Projects and Technical Assistance Operations financed from the Ordinary Capital Resources (OCR) of the Bank, as well as projects financed from the Special Account for the Least Developed Member Countries (LDMCs) and projects financed from Sukuk resources. TA Operations exclude those financed from the OIC Literacy and Vaccination Programme. Figures are net of cancellation.
2. Based on the updated operations net of cancellations. Further details are provided in Chapter IV.
3. Net of cancellations.
4. Before cancellations.

assistance to member countries. They included the lessons of experience in the designing of new projects, enhancing the role of the IDB Regional Offices and Field Representatives, and continued collaboration with the international financing institutions in the harmonization of policies and procedures[1].

Cognizant of the weak capacity in member countries; particularly in least developed ones, as one of the major problems hampering development efforts, the IDB continued to address this issue through capacity building measures, provided mainly on grant basis. Concerted efforts were made to improve project supervision and follow-up and thus, disbursements flow.

With regard to debt relief, the IDB, during the year 1424H, approved topping up debt relief assistance through rescheduling and other modalities to Burkina Faso of ID5.2 million (US$7.2 million) under the enhanced HIPC Debt Relief Initiative. Another debt relief under the same Initiative was reached for Sierra Leone, amounting to ID 0.84 million (US$1.10 million). Similarly, the IDB rescheduled the debt stock of Guinea for a period of 25 years.

The competitiveness of IDB's terms and conditions of financing was also reviewed. To make the IDB's financing more attractive and flexible, the IDB approved the denomination of two Sukuk operations (for Iran and the United Arab Emirates) in Euro and Pound Sterling, with a view to minimizing the risks of currency losses. The IDB is taking steps to explore this new process further in order to exercise selective flexibility and appropriate measures to denominate its operations in a variety of major currencies in the future.

The IDB has also reclassified the Kyrgyz Republic and Tajikistan as least developed member countries (LDMCs) of the Bank. This reclassification implies that these two countries would have access to the Bank's most concessional financing effective 1st Muharram 1425H (21 February 2004).

[1] Currently, IDB Field Representatives are in Guinea, Indonesia, Iran, Kazakhstan, Libya, Pakistan, Sudan and Senegal. The Field Representative in Senegal also oversees IDB operations in The Gambia, Guinea-Bissau and Mauritania. The Field Representative in Guinea also oversees IDB operations in Sierra Leone.

Following exptensive preparation, the IDB Group adopted a common Strategic Framework in Shawwal 1424H (December 2003). Members of the IDB Group will be required to prepare detailed strategic plans towards the implementation of this Framework. The new strategic plans will come into effect in Muharram 1426H (February 2005).

On the project approval side, it is important to highlight the financing that has been extended by using resources mobilized from the financial market through the Sukuk scheme. Details of this scheme are given in Box 3.1.

The IDB also continued to implement previously approved specific packages for countries facing particular problems:

(i) The IDB offered emergency humanitarian assistance to Afghan refugees and displaced persons and pledged an amount of ID 36.55 million (US$50.0 million) for the reconstruction of Afghanistan. Two projects under this programme amounting to ID6.77 million (US$8.25 million) have been approved so far.

Box 3.1
Project financing under the debut issue of IDB International Islamic Sukuk

In 1424H, and for the first time of its history, the IDB mobilized resources from the international financial market (see para VI of Chapter 7 about the mobilization process). The amount thus made available was US$ 400 million.

Some basic guidelines were defined as regards the projects to be financed:

(i) Developmental objectives and rationale of the projects should be ensured.
(ii) There should be a suitable distribution among the member countries and the main sectors.
(iii) The financing per project would be between US$ 15 million and US$ 60 million.
(iv) The country ceiling is fixed at US$ 100 million.
(v) Terms and conditions will reflect the cost of mobilizing resources from the market, plus a reasonable margin of profit to the IDB as per market conditions.
(vi) Tenure period may go up to 12 years with preference to leasing financing and quick disbursing projects.
(vii) The Government and Bank guarantees are preferred. However, other types of guarantees may be considered on a case by case basis.

Furthermore, in order to ensure comprehensive project preparation as well as swift utilization of the financing, special procedures were agreed as follows:

(i) Potential projects meeting the above criteria would be identified and submitted with relevant information to the Board of Executive Directors (BED) for concept clearance.
(ii) Subsequently, due diligence would be undertaken on the selected projects using the required technical, financial and legal expertise, both from the IDB Group and outside consultants (a special budget was approved by the BED for that purpose).
(iii) Based on the findings of the due diligence team, negotiations are then undertaken to finalize the terms and conditions.
(iv) After clearance by a Special Interdepartmental Committee, the project is submitted to the President to whom the BED had given the approval authority.

As of end 1424H, an amount equivalent to US$ 316.9 million had been allocated for the financing of eight operations (three were approved in 1423H* for an amount of US$ 167.5 million and five in 1424H for an amount of US$ 149.4 million). Actual disbursements reached US$ 167.5 million at end 1424H.

Countries having benefited of Sukuk financing are Iran, Algeria, Benin, Gabon, Niger and the United Arab Emirates. The sectors involved are telecommunications, transport and industry.

The financed projects are either in the private sector or the public/semi-public sectors, but operating as commercial entities.

**One Operation (for US$ 36.1 million) was subsequently cancelled, bringing net approvals in 1423H to US$ 131.4 million and net approvals as of end 1424H to US$ 270.8 million.*

(ii) The IDB also approved a programme for the reconstruction of Iraq amounting to ID 365.50 million (US$500 million) to be implemented over a period of five years (2004-2009). The programme comprises: US$50 million in loans for education, vocational training and health projects, US$245 million for priority sectors of electricity, water supply and sanitation, education, health and agriculture by way of Leasing, Istisna'a and Instalment Sale; US$5.0 million as TA (Grant) for institutional capacity building and project preparation; and US$200 million for trade financing for basic commodities and production materials.

(iii) A package of US$200 million was approved for Algeria under emergency assistance following the earthquake of 1424H comprising US$100 million for project financing, to be utilized within two years, and US$100 million for trade financing, to be utilized within one year. US$20 million of the emergency assistance will be used by way of Loan to finance the cost of constructing primary schools, and US$80 million by way of Instalment Sale/Leasing/ Istisna'a for reconstruction and equipment supply of damaged infrastructure in education, vocational training and health sectors.

(iv) A package of US$201 million was approved for Iran as emergency assistance for the earthquake that hit the city of Bam. This included US$20 million of Loan financing for reconstruction of education and health facilities in the affected areas, US$80 million for the reconstruction of infrastructure facilities through Istisna'a, Leasing, Instalment Sale, US$1.0 million Grant for reconstruction of essential health and education facilities, and US$100 million for imports under trade financing facilities.

(v) The IDB approved in 1420H a Reconstruction Programme for South Lebanon for a total amount of US$100.5 million to be implemented over a period of three years. This included a Loan financing of US$10 million; Istisna'a, Instalment Sale and Leasing operations up to US$90 million; and a special TA (Grant) operation of US$0.5 million for engineering designs of projects within the Programme. A three year reconstruction and development programme for South Lebanon has also been developed and agreed upon with the Government. The programme is divided into five main sectors and 15 projects have already been identified. So far, five projects amounting to US$60.34 million have been approved and they are at different stages of implementation as at end of 1424H.

(vi) In October 2002, the IDB Board of Governors issued a Declaration on IDB Group Cooperation with Africa during its 27th Annual Meeting in Ouagadougou, Burkina-Faso. In this respect, the IDB has pledged a financing package of US$ 2.00 billion over the coming five years (2004-2008) for the African LDMCs. The first step taken by the IDB to operationalize the Ouagadougou Declaration was the adoption of an Action Plan. During 1424H, 38 operations amounting to US$327.68 million have been approved within the framework of the Ouagadougou Declaration against a planned target of US$295 million for the year. This represents an achievement by 11 per cent above the target. The approvals include operations from Ordinary financing, Trade financing as well as from the ICD private sector window (Box 3.2).

III. ANNUAL AND CUMULATIVE APPROVALS OF PROJECT FINANCING AND T.A. OPERATIONS

The size of the annual project operations has been rising significantly and steadily over the last five fiscal year (1420H-1424H) i.e., by more than 8 per cent per annum, reflecting the policy focus to foster socio-economic development through project and technical assistance financing.

Total amounts approved for new projects and Technical Assistance (TA) from Ordinary Capital Resources reached ID 826.22 million (US$1,130.29 million) during 1424H, compared to ID703.80 million (US$ 893.42 million) in 1423H (Table 3.1 and Chart 3.1). This represented an increase of 17 per cent over the 1423H approvals in ID terms. Most of the TA operations approved during the year were utilized for capacity building, project preparation and design purposes. Preparation and design comprise pre-feasibility, full feasibility, preliminary design and detailed engineering design.

The IDB net cumulative approvals for project and

Box 3.2

Implementation of the Ouagadougou Declaration on the cooperation between IDB Group and Africa

In Shabaan 1423H (October 2002), the IDB Board of Governors, meeting in Ouagadougou (Burkina Faso), adopted the above Declaration which reaffirmed IDB's commitment to accord specific attention to the African countries under its operational activities. This initiative came to streamline IDB's assistance to these countries which are facing considerable development challenges.

The Declaration identifies certain priorities for the IDB Group intervention:

- Social sectors will remain main beneficiaries while growing support will be extended for income generating activities;
- Highest priority will be given to Education;
- A major objective of IDB's intervention will remain providing the population with safe drinking water;
- Particular attention will be accorded to financing health care;
- The support to infrastructure (particularly the regional one) will continue;
- The private sector will be given a special importance;
- Support will be provided to help African countries attract external financing as well as take their share in world trade exchanges;
- Support will be extended to strengthen the capacity of institutions in the member countries particularly in the fields of project implementation, Science and Technology, investment promotion, contracting and consultancy services.

In terms of amount, a target of US$ 2 billion was set for the IDB Group interventions over five years (1424H–1428H) for the least developed African member countries.

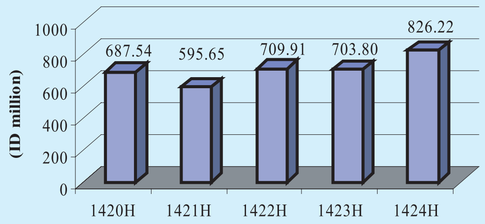
Subsequently, the Board of Executive Directors endorsed an Action Plan to operationalize the Declaration. The Action Plan identified, in particular, the issues that needed to be addressed to allow satisfactory implementation of the Declaration. These relate to policy matters, procedures and resources.

Under the Action Plan, the Bank set a target of approving US$295 million during 1424H. As of end 1424H, the above target was globally over-achieved by 19 per cent. Details are as follows:

- Loan: US$ 192 million (130 per cent achievement).
- TA: US$ 6.3 million (105 per cent achievement)
- Non concessional ordinary financing (including from SUKUK resources): US$ 61 million (93 per cent achievement)
- Trade: US$ 80 million (160 per cent achievement)
- ICD: US$ 12.50 million (125 per cent achievement).

It is worth mentioning that, in 1424H, IDB field presence in Africa was improved through the appointment of a Field Representative in Guinea (also covering Sierra Leone). This comes in addition to the Field Representatives in Libya, Senegal and Sudan.

CHART 3.1
PROJECT AND TECHNICAL ASSISTANCE
FINANCING, 1420H-1424H



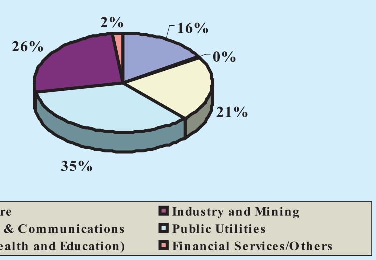
TA since inception of the Bank in 1396H up to the end of 1424H have amounted to ID 7,617.94 million (US$9,996.44 million). Project financing accounted for 98.3 per cent, or ID7,485.65 million (US$9,826.58 million) and TA operations accounted for 1.7 per cent, or ID132.29 million (US$169.86 million).

1. Distribution of Approved Operations by Sector

IDB's new strategic orientation has given more support to the development of agriculture and social sectors (i.e. human resource development) since these sectors have direct impact on poverty alleviation in the member countries. The share of these sectors in the IDB financing is, therefore, expected to grow significantly in line with the Bank's new strategic orientation.

In terms of distribution of IDB financing by sector in 1424H, 34 per cent was allocated to the Public Utilities sector, 26 per cent to Social (Education and Health) sector, 21 per cent to Transport & Communications sector, 16 per cent to Agriculture/Agro-Industry sector, 0.3 per cent to the Industry sector, and 2.7 per cent to Other sectors such as Islamic banks, etc., (see Table 3.2, Charts 3.2 and 3.3).

CHART 3.2
SECTORAL DISTRIBUTION PROJECT AND
TECHNICAL ASSISTANCE OPERATIONS
APPROVED DURING 1424H



2. Distribution of Approved Operations by Mode of Financing

IDB finance is based on Islamic principles and as such is unique in its structure and process. Furthermore, these modes of financing cater for different needs and clients. They include Leasing, Instalment Sale, Istisna'a, Profit-sharing and Equity participation; in addition to the familiar modes of Loan financing and TA – which are IDB's long-term modes of financing (see Table 3.3 and Chart 3.4).

CHART 3.3
CUMULATIVE SECTOR DISTRIBUTION OF
PROJECTS AND TECHNICAL ASSISTANCE
OPERATIONS, 1424H

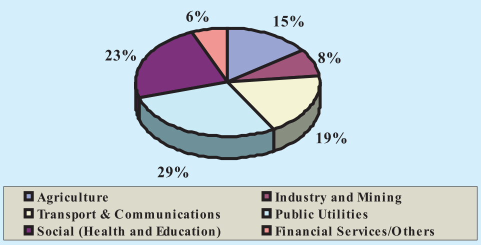
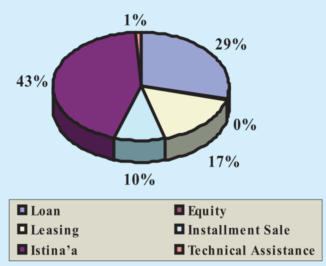


CHART 3.4
MODEWISE DISTRIBUTION OF
APPROVALS, 1424H



In 1424H, Loan financing (i.e. concessional financing) accounted for about 28.6 per cent of the total amount approved for project financing under Ordinary Resources, compared to 32 per cent in 1423H. As can be seen in Table 3.3, the largest share under modes of financing came from Istisna'a which represented more than 44 per cent of the total under all types of modes of financing. This trend was very much consistent over the last three years. Leasing ranked as third in the order of modes of financing with almost 17 per cent share. Instalment Sale operations came fourth with 9.5 per cent of total financing, as compared to 15 per cent in 1423H.

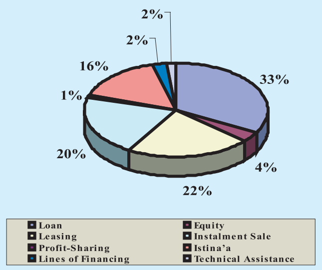
TABLE 3.2
DISTRIBUTION OF PROJECT AND TECHNICAL ASSISTANCE FINANCING BY SECTOR

(Amount in ID million)

	1420H		1421H		1422H		1423H		1424H		1396H-1424H	
Sector	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Agricultural and Agro-Industry	20	129.31	16	35.06	15	39.54	15	111.25	23	133.74	310	1,141.64
Industry & Mining	1	3.7	-	-	3	42.07	1	34	1	2.78	104	606.32
Transport & Communications	17	99.24	14	121.85	23	174.41	18	156.21	17	176.49	261	1,432.02
Public Utilities	19	233.18	21	221.41	18	205.77	14	150.25	22	281.99	261	2,181.32
Social Sectors	36	159.24	53	191.33	48	216.06	39	207.75	38	216.02	408	1,778.22
Financial Services/ Others	17	62.88	12	26.00	14	32.07	17	44.342	16	15.21	162	478.43
Total:	**110**	**687.55**	**116**	**595.65**	**121**	**709.91**	**104**	**703.80**	**117**	**826.22**	**1,506**	**7,617.95**

Loan financing and Technical Assistance together accounted for 28.6 per cent in 1424H, fairly within the overall operations plan of the Bank for 1424H. Mode-wise distribution of cumulative project approvals since inception of the Bank in 1396H is shown in Chart 3.5. There was no new line of financing in 1424H. The emphasis was put on the utilization of the existing lines (see Box 3.3).

CHART 3.5
CUMULATIVE MODEWISE DISTRIBUTION OF APPROVALS, 1424H



3. Geographical Distribution of Project and T.A. Approvals in 1424H

During 1424H, 42 member countries and four regional/international organizations have benefited

TABLE 3.3
APPROVED PROJECT AND TECHNICAL ASSISTANCE FINANCING BY MODE OF FINANCING

(Amount in ID million)

Mode	1420H		1421H		1422H		1423H		1424H		1396H - 1424H	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Loan + LDMC Loan	39	179.69	52	202.64	49	206.85	48	220.99	53	236.53	579	2,511.30
Equity	4	18.49	4	5.23	2	3.12	1	4.44	2	1.86	108	284.25
Leasing	7	147.26	2	35.50	6	118.02	4	109.06	8	137.72	127	1,675.48
Instalment Sale	14	163.45	8	94.09	10	87.28	14	204.59	11	78.99	164	1,559.10
Profit Sharing	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	7	62.45
Istisna'a	12	171.58	16	235.86	13	258.48	7	147.02	19	363.02	70	1,205.24
Lines of Financing	0	0.00	1	11.00	2	27.41	1	10.00	0	0.00	19	187.82
Technical Assistance	34	7.07	33	11.33	39	8.76	29	7.70	24	8.10	432	132.29
Total:	**110**	**687.54**	**116**	**595.65**	**121**	**709.91**	**104**	**703.80**	**117**	**826.22**	**1506**	**7,617.94**

Box 3.3
Bank Keshavarzi (Agriculture Bank of Iran) Bank for the Year 2003, Iran

- Bank Keshavarzi [Agriculture Bank of Iran] has been acclaimed "Bank of the Year 2003, Iran" by The Banker of the Financial Times London and also ranked 9th in the region and 212th in global ranking. Bank Keshavarzi with nearly seventy years of experience in agriculture financing expanded its operations to merchant banking having over 1,800 networks of branches throughout the Islamic Republic of Iran. Bank Keshavarzi had as of March 20, 2003 total assets of US$26.928 billion, extended US$20.965 billion financing facilities and made a pre-tax profit of equivalent US$253 million and in the process ranked the "Bank of the Year 2003" in Iran by the Banker.

- The IDB has been financing small and medium scale industries since its establishment in 1977 and is continuing to expand its out-reach by associating with National Development Financing Institutions (NDFIs) like Bank Keshavarzi. The IDB has provided over US$ 300.00 million to finance SMEs in the member countries. The IDB has extended two lines of financing for small and medium enterprises which are being actively utilized for agro-industrial projects.

- The IDB provided a US$ 10.00 million first Line of Financing to Bank Keshavarzi. Because its technical capacity and performance, Bank Keshavarzi was given full delegation of authority to identify, appraise and disburse for projects under the Line. Bank Keshavarzi is among the most active utilizers of the IDB lines of financing. Under the two IDB Lines of Financing (US$22.50 million) to Bank Keshavarzi, sub-projects in the agro-industrial sector pertaining to processing of wheat into flour and semolina, production of tomato paste, frozen french fries, fruit juice concentrate, etc. have been financed and are in production except for one which is to commence production early 2004.

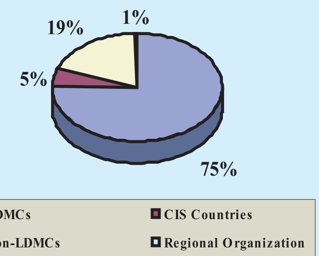
- Bank Keshavarzi will be able to fully utilize the recently approved IDB Second Line of Financing (US$ 12.50 million) so that additional facilities may be provided for the development of SMEs in the Islamic Republic of Iran leading to greater employment generation.

- The leadership of Bank Keshavarzi has given the IDB every reason to stand shoulder to shoulder as an active and trusted development partner on the road to further economic progress.

from IDB's financing. During the year, 17 LDMCs and seven member countries exceptionally treated as LDMCs have benefited from the Ordinary financing of the Bank to the tune of ID 227.16 (US$309.41 million) i.e. 27 per cent of total approvals from Ordinary Resources. Forty-four loan operations amounting to ID 179.40 million (US$244.59 million), i.e. 73 per cent of the total Loan approvals, were approved for LDMCs, while nine Loan operations for ID 57.30 million (US$77.89 million), i.e. 27 per cent of the total Loan approvals, were approved for non-LDMCs. Similarly, 10 TA operations amounting to ID 4.81 million (US$6.56 million) were approved for LDMCs and 14 TA operations for ID 3.29 million (US$ 4.49 million) were approved for non-LDMCs. Regarding ordinary financing, 8 operations amounting to ID 42.43 million (US$58.53 million) were approved for LDMCs and 32 operations amounting to ID 538.66 (US$734.40 million) for non-LDMCs (see Table 3.4). Out of this, one equity operation for ID 1.18 million (US$1.6 million) was approved for an LDMC and another for ID 0.68 (US$0.93 million) for a non-LDMC (Table 3.5).

LDMCs have benefited from the Special Account for the LDMCs by ID 22.21 million (US$30.2 million) in 1424H. Two LDMCs have also benefited from the Sukuk (Islamic bonds) funds during 1424H amounting to ID 25.22 million (US$34.50 million). Details are provided in Table 3.4 and Charts 3.6 and 3.7.

CHART 3.6
DISTRIBUTION OF CONCESSIONAL FINANCING BY COUNTRY, 1424H



4. Operations in the Least Developed Member Countries (LDMCs)

The IDB policy towards the member countries classified as LDMCs is to assist them in implementing programmes aimed at poverty reduction, boosting economic growth and enhancing institutional capacity so as to manage and sustain development projects. Most of the Bank's activities in the LDMCs[2]

[2]Twenty-two member countries of IDB are classified as Least Developed; namely, Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, and Yemen. Starting from 1425H, two more countries, Kyrgyzstan and Tajikistan have also been added to the list. In addition, Albania, Azerbaijan, Uzbekistan and Palestine are also treated as LDMCs as a special case and received the same treatment.

CHART 3.7
DISTRIBUTION OF ORDINARY
FINANCING BY COUNTRY CATEGORY, 1424H

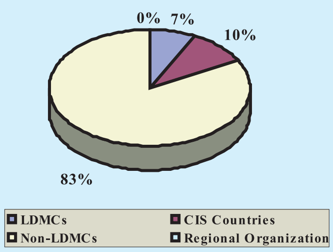


TABLE 3.4
FINANCING BY COUNTRY CATEGORY, 1424H
(Amount in ID million)

Sl. No.	Type of Financing	No. of Operations	ID	US$	Share (%)
CONCESSIONAL					
1.	LDMCs	54	184.22	251.428	22.24
2.	CIS Countries	6	12.581	16.974	1.50
3.	Non-LDMCs	12	46.197	62.88	5.56
4.	Regional Orgnizations	5	1.631	2.267	0.20
	Sub-Total:	**77**	**244.633**	**333.549**	-
ORDINARY FINANCING					
1.	LDMCs	8	42.943	57.983	5.13
2.	CIS Countries	6	57.94	80.971	7.16
3.	Non-LDMCs	26	480.704	657.782	58.20
4.	Regional Organizations	0	0	0	0.00
	Sub-Total:	**40**	**581.587**	**796.736**	-
	Grand Total:	**117**	**826.22**	**1130.285**	**100.00**

are concentrated in the education, health, agriculture and water supply sectors and mostly financed on concessional basis.

During 1424H, 17 LDMCs and seven member countries specially treated as LDMCs received ID 227.16 (US$309.41 million) through the ordinary financing of the Bank, i.e. 27 per cent of the total approvals of the Bank in 1424H. In comparison, total global operations financed by the Bank in favour of all the LDMCs amounted to more than ID4.6 billion. Thus the share of the LDMCs from the global IDB approvals reached about 17.5 per cent as compared to 16.4 per cent in 1423H (Table 3.5).

Total project and TA financing approved for the LDMCs since the IDB's inception up to the end

TABLE 3.5
FINANCING APPROVED
FOR THE LDMCs DURING 1424H
(Amount in million)

Sl. No.	Mode of Financing	No.	ID	US$	LDMCs Share (%)
1.	Loans (Ordinary Resources)	29	157.20	214.63	73.5
2.	Loan (Special LDMCs Account)	15	22.20	30.16	100.0
3.	Equity	1	1.18	1.66	64.1
4.	Leasing	4	28.98	38.92	20.7
5.	Instalment Sale	2	3.65	4.89	4.4
6.	Istisna'a	1	9.12	12.51	2.5
7.	Technical Assistance (TA)	10	4.81	6.63	59.3
	Total Project Financing and TA	62	227.16	309.41	27.4
8.	Import Trade Financing (Operations ITFO)	17	181.68	257.48	15.6
9.	Special Assistance (Wafq) Operations	3	3.76	5.33	22.7
	Grand Total:	**82**	**412.6**	**572.22**	**20.4**

of 1424H was ID1,947.09 million (US$ 2,533.86 million), representing 42.5 per cent of the aggregate financing approved for all types of operations for LDMCs (Table 3.6). On the other hand, LDMCs share of cumulative concessional financing reached 62.7 per cent, i.e. ID 1,656.76 million, from the ID 2,642.96 million of the IDB's global concessional financing.

5. Co-financing with International Financing Institutions

The total amount co-financed by the IDB during 1424H amounted to ID 162.42 million (US$ 220.87 million) in favour of 13 operations in 11 countries. This amount is far above that of the previous year, which totalled ID 35.88 million (US$ 46.62 million). However, in US dollar terms, IDB's contribution in 1424H was 25 per cent of the total cost of the co-financed projects (US$ 891.23 million), compared to its share of 45.8 per cent in 1423H.

Conversely, the total amount co-financed by other donors in 1424H reached ID 225.30 million (US$308.22 million) compared to ID 34.20 million (US$ 46.78 million) in 1423H. During the year, IDB's co-financing partners contributed 34 per cent of the total cost of these projects, compared to the IDB's share of 25 per cent. Table 3.7 provides a summary of the co-financed projects during 1424H.

TABLE 3.6
CUMULATIVE FINANCING
APPROVED FOR THE LDMCs (1396H - 1424H)

(Amount in million)

Sl. No.	Mode of Financing	No.	ID	US$	LDMCs Share (%)
1.	Loans (Ordinary Resources)	290	1,397.01	1,816.09	55.8
2.	Loans (Special LDMCs Account)	119	180.05	244.69	100.0
3.	Equity	27	56.53	71.88	10.0
4.	Leasing	15	119.29	150.96	4.3
5.	Instalment Sale	14	55.40	74.11	3.2
6.	Profit Sharing	1	3.5	4.35	3.5
7.	Istisna'a	4	32.12	42.80	2.5
8.	Technical Assistance (TA)	243	80.08	100.37	59.1
9.	Line of Equity	1	0.54	0.58	0.2
10.	Line of Equity/ Leasing/Instalment Sale	5	22.54	27.99	10.6
	Total Project Financing and TA	719	1947.09	2533.85	20.0
11.	Import Trade Financing Operations (IFTO)	207	2450.18	3107.9	18
12.	Special Assistance (Waqf) Operations	182	188.26	226.58	40.0
	Grand Total:	**1108.7**	**4585.53**	**5868.377**	**15.1**

In addition to co-financing arrangements, the IDB has cooperation and collaboration arrangements with several agencies and international financing institutions covering many areas.

Since the high level Forum Meeting held in Rome during February 24-25, 2003 that culminated in the Rome Declaration on Harmonization of policies and procedures, the IDB has been actively associated with partner institutions, namely the members of the Arab Coordination Group, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank and the World Bank in a path-breaking international effort to harmonize operational policies, procedures and practices with the aim to further improve the efficacy of development and contribute toward meeting the Millennium Development Goals (MDGs).

During 1424H, the IDB also participated in the World Bank Fiduciary Forum and the fourth face-to-face meeting among the MDBs hosted by the Inter-American Development Bank (March 4-5, 2004) on financial management. The working group of the MDBs has agreed to revise the current guidelines on financial management, procurement and disbursements. These will then be mainstreamed in the IDB with a view to reaching common approaches; thereby reducing burden on partner countries and at the same time rationalizing costs.

IV. ASSESSMENT OF THE PORTFOLIO

Status of Approved Projects/Operations

Including five newly approved Sukuk operations as at the end of 1424H, the overall Portfolio of the IDB (gross and including Sukuk) consisted of 1,697 approved projects/operations amounting to ID 8,834 million. This includes 702 completed projects amounting to ID 2,929 million, 802 on-going projects amounting to ID 4,688 million, and 193 cancelled projects for a total of ID 1,217 million.

Of the 802 on-going projects, 442 projects amounting to ID 2,486 million are currently disbursing while 360 projects amounting to approximately ID 2,202 million are non-disbursing.

Of the 360 non-disbursing projects, 90 projects with financing agreements amounting to ID 754 million have not yet been signed. Agreements for 64 projects amounting to ID 405 million have been signed but are yet to be declared effective. On the other hand, 206 projects amounting to ID 1,043 million have been declared effective but disbursements have not started (see Chart 3.8 for the trend of disbursement and approvals).

Mode-wise, the portfolio also consisted of 399 on-going operations amounting to ID1,836.52 million for longer-term financing (Loans and TA's), and 403 operations amounting to ID2,851.84 million for medium term financing (Installment Sale, Leasing, Istisna'a, Profit-sharing, Equity, Lines, etc).

There were also 404 on-going operations amounting to ID 1,228 million for the LDMCs and 398 on-going operations amounting to ID3,460.28 million for the non-LDMCs. Further details of these operations are given in Tables 3.8 and 3.9.

V. PORTFOLIO EVOLUTION

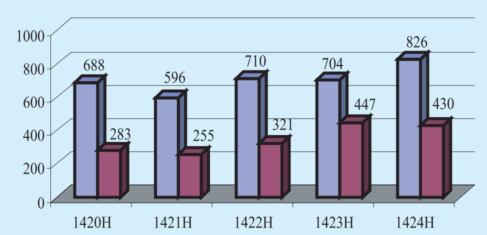
Analysis of the evolution of the projects portfolio shows that during 1424H, 117 projects (ID 403.71 million) had started disbursing in addition to the

TABLE 3.7
PROJECTS CO-FINANCED WITH OTHER INSTITUTIONS IN 1424H

(Amount in million)

Sl. No.	Country	Project Name	Financing Mode	Total Cost	IDB Participation		Name of Co-financier(s)	Amount in US$
				US$	ID	US$		
1.	Algeria	Constantine and Mila Water Supply Project	Istisna'a	145.97	34.50	47.63	Saudi Fund for Development	35.00
2.	Azerbaijan	Reconstruction of Ujar-Yevlakh Road	Istisna'a	31.04	16.92	22.00	OPEC Fund	6.00
3.	Burkina Faso	Construction of Kaya-Dori Road	Loan	34.10	7.00	9.00	West African Development Bank OPEC Fund ECOWAS Fund	9.00 7.00 5.40
4.	Chad	Mamdi Polder Agricultural Development (Supplementary Financing)	Loan	8.40	4.15	5.40	Arab Bank for Economic Development in Africa	3.00
5.	Mali	Construction of Saraya-Kita Regional Road	Loan	80.43	7.00	9.45	OPEC Fund	
6.	Mali	Ded and Environmental Studies of Taoussa Dam Project	T.A.	5.73	1.95	2.70	West African Development Bank	0.50
7.	Mauritania	Nouakchott Water Supply	Loan	220.00	7.00	9.66	Arab Fund for Economic and Social Development Saudi Fund for Development Kuwait Fund for Arab Economic Development African Development Bank	99.90 30.00 33.00 13.00
8.	Mozambique	The Beira Fishing Port Reconstruction Project	Loan	19.74	7.00	9.00	Arab Bank for Economic Development in Africa	8.99
9.	Senegal	Construction of Saraya-Kita Regional Road	Loan	80.43	7.00	9.45	ECOWAS Fund West African Development Bank	
10.	Syria	Changing the Cooling System of Mehardeh Power Plan Project	Leasing	57.87	29.26	40.38	OPEC Fund	11.56
11.	Tunisia	Health Project	Instalment Sale	76.00	21.74	30.00	European Investment Bank	15.87
12.	Yemen	Hajjah Rural Electrification Project	Leasing	65.75	11.9	16.50	Arab Fund for Economic and Social Development	15.00
13.	Yemen	Hajjah Rural Electrification Project	Loan	65.75	7.00	9.70	Arab Fund for Economic and Social Development	15.00
	Total			**891.23**	**162.42**	**220.87**		**308.22**

CHART 3.8
DISBURSEMENT AND APPROVAL TREND, 1420H-1424H



on-going projects in the portfolio. Thus, the number of non-disbursing projects was reduced from 428 in 1423H to 360 projects in 1424H. Moreover, 39 projects were completed during the year. During the same period 14 projects, totalling ID 80.90 million, were cancelled (see Table 3.9).

Comparison of figures shows that while the completed operations have increased by 39, the ratio of completed operations to the active portfolio has slightly decreased from 46.8 per cent to 46.6 per cent. However, the number of non-disbursing operations has decreased drastically both in absolute terms (from 428 to 360), and relative terms (from 56 per cent to 45 per cent of the active portfolio). This shows an overall improvement of the portfolio with the projects moving more quickly into the disbursing phase.

In 1424H, the IDB continued its efforts to improve disbursements. Total project disbursements during the year amounted to ID 530 million (US$ 792.02 million) including disbursements made during the year under the IDB Sukuk. This represented an increase over the level achieved in 1423H which amounted to ID 447.0 million (US$587.55 million).

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TABLE 3.8
STATUS OF CURRENT PORTFOLIO, END 1424H

(Amount in million)

Sl. No.	Project Category	Operations		Amount		Amount Share (%) on ID
		No.	Share	ID	US$	
1.	DISBURSING OPERATIONS	442	55.11	2486.4	3336.57	53.03
2.	NON-DISBURSING OPERATIONS					
	2.1 Agreement not Signed	90	11.22	753.72	1014.67	16.08
	2.2 Agreement not Effective	64	7.98	404.83	540.73	8.63
	2.3 Effective but not Disbursing	206	25.69	1043.41	1363.97	22.26
	Sub-Total:	**360**	**44.89**	**2201.96**	**2919.37**	**46.97**
	Total (1+2)	**802**	**100.0**	**4688.36**	**6255.94**	**100.0**

TABLE 3.9
STATUS OF PROJECTS PORTFOLIO (1423H - 1424H)

(Amount in ID million)

Sl. No.		At the end of 1423H		At the end of 1424H	
Active Portfolio					
1.	Disbursing	325	2,082.7	442	2,486.4
2.	Non-Disbursing	428	2,233.0	360	2,202.0
	(a) Unsigned	(133)	(830.6)	(90)	(753.7)
	(b) Signed but not declared effective	(102)	(544.0)	(64)	(404.8)
	(c) Effective but not disbursed	(193)	(858.5)	(206)	(1,046.4)
Completed Operations		**663**	**2,701.3**	**702**	**2,929.3**
Cancelled Operations		**179**	**1,135.6**	**193**	**1,216.5**
	Total:	**1,595**	**8,153.0**	**1,697**	**8,834.1**

Thus, the disbursement ratio increased above the 50 per cent mark during 1424H, as compared to just under the 40 per cent mark in 1423H. To ensure proper utilization of project funds, the IDB has, since 1423H made it mandatory to submit periodic audited project accounts and financial statements for all the implementing and executing agencies in the member countries.

VI. OPERATIONS EVALUATION

During 1424H, the IDB evaluated 16 projects, including post-evaluation of 15 completed projects, and special evaluation of 1 on-going operation. A Country Assistance Evaluation (CAE) was also conducted in Tunisia.

Mode-wise, the projects post-evaluated in 1424H involved Loans for 68 per cent, Leasing for 13 per cent and Instalment Sale for 19 per cent.

Box 3.4
Operations Evaluation Office

The Operations Evaluation Office (OEO) was established in 1411H (1990). It provides independent assessment of completed projects and specific on-going operations financed by the IDB in order to learn from past experience, build up a reference database and disseminate the results as valuable feedback to improve future financing activities.

Since inception in 1396H, the IDB has evaluated 229 projects, in addition to 2 CAEs in Jordan and Tunisia. Project evaluation assesses the effectiveness of project design, implementation, financial and economic rates of return, sustainability of benefits and socio-economic impact (see Table 3.10).

Project evaluation emphasized the need for better design and supervision of projects, and assessment of the capacity of the executing agencies. It also stressed the need for improved project follow-up and supervision. The lessons learned were of two types: (a) operational lessons to improve efficiency, effectiveness and rationale of IDB's financing activities, and (b) development lessons which focus on the socio-economic impact of the Bank's contribution to the development of the beneficiary countries. Appropriate recommendations have been

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TABLE 3.10
POST-EVALUATED PROJECTS (1411H - 1424H)

Year of Evaluation	No. of Post-Evaluated Projects	No. of Specially Evaluated Projects	Total
1411H - 1424H	145	6	151
1421H	20	4	24
1422H	17	-	17
1423H	13	8	21
1424H	15	1	16
Total:	**210**	**19**	**229**

made to enhance the quality and impact of future operations of the Bank:

- Appropriate project preparation and design.
- Comprehensive and relevant appraisal reports with reliable data and achievable targets.

The main factors identified as contributing to success of projects are:

- Sound feasibility studies at the appraisal stage;
- Satisfactory performance of the executing agencies in terms of implementation arrangements.
- Effective sustainability actions.

The lessons learned from the post-evaluated projects were disseminated within and outside the Bank to ensure improved management of the project cycle.

A Country Assistance Evaluation exercise was carried out for Tunisia in 1424H jointly with the World Bank. Its salient outcome as well as related lessons learned and recommendations are provided in Box 3.5.

VII. CONSULTING AND PROCUREMENT SERVICES

Consulting and procurement services are integral part of the project implementation process. Though the implementation of IDB-financed projects lies primarily with the beneficiaries, the Bank has the responsibility to see that the funds provided are utilized effectively and for the purposes for which they were initially intended. The Bank gives preference to suppliers, consultants and contractors from member countries in implementing its projects. As a facilitating mechanism, the Bank maintains a database of pre-qualified service providers in the member countries.

When a new project is approved and agreement is signed, the IDB role would be to ensure that the selection of consultants, suppliers and contractors is done transparently, that the agreed policies and procedures for contracting and procurement are adhered to. It further ensures that works are executed properly and the beneficiary derives maximum possible benefits from the services thus rendered. To achieve this, the IDB procures goods, services and works through competitive bidding.

Information on business opportunities generated from the IDB newly approved projects are deposited in the Bank's portal to allow prospective service providers to bid. With a view to ensuring thorough understanding, interpretation and application of the Bank's policies and procedures, these are usually communicated to the executing agencies prior to commencement of implementation through dedicated seminars, project launch workshops and similar fora.

Since commencement, the IDB has utilized ID104.66 million (US$143,17 million) for consultancy services, of which ID91.57 million (US$125.27) million (87.5 per cent) were allocated to consultants from member countries.

VIII. REGIONAL OFFICES/FIELD REPRESENTATIVES

The IDB has three Regional Offices, in Almaty (Kazakhstan), Kuala Lumpur (Malaysia) and Rabat (Morocco). The main objective of establishing regional offices is to bring the Bank closer to the member countries in response to the increased demand and diversity for its technical services and financial assistance. The Regional Offices supports the Headquarters in all phases of the project cycle.

With the Bank moving towards an integrated Strategic Framework for the IDB Group, the Regional Offices are starting to play an enhanced role embracing major activities of the Group. Regional Offices are focusing

Box 3.5
Country Assistance Evaluation (CAE) for Tunisia

- The main objective of the CAE was to assess the relevance and effectiveness of IDB's intervention in Tunisia since 1976. It was the second member country for which a CAE has been undertaken – Jordan being the first country for which a CAE was conducted in 2002. Both exercises were carried out in partnership with the World Bank.
- Tunisia is a major beneficiary of IDB's financing. IDB's strategy for assistance to Tunisia was mainly targeted to the development of public utilities (45 per cent), agriculture, especially integrated rural development (17 per cent), social services (15 per cent) and industry and mining (9 per cent) in line with the priorities set by the Government. Out of the total project financing of US$355.24 million extended to Tunisia over the period 1976-2003, nearly 86 per cent has been allocated to the above-mentioned four sectors. Around 34 per cent of the net approved amount was actually disbursed as of mid-2003.
- IDB's assistance to Tunisia has been appreciated by the Tunisian authorities. There was a general consensus that this assistance was relevant. In fact, IDB's experience in dealing with the different executing agencies is considered very successful due to the fact that the country possesses a very efficient and experienced technical and administrative staff.

Lessons Learned

- Project implementation in Tunisia will certainly be accelerated, thanks to the measures taken by the IDB for effecting closer project supervision and follow-up. In this connection, it would be advisable for the Bank to mount regular follow-up missions so as to resolve any problem that might hinder the timely implementation of the project.
- Often the performance/guarantee bonds submitted in connection with disbursements on contracts are a source of rejection and delay in processing disbursement requests. More flexibility is needed in this regard.
- The opening of imprest accounts in Tunisia was initiated by the IDB in order to accelerate the implementation of financed projects. It is, therefore, proposed to assess this experience in collaboration with the Tunisian authorities and to revisit the related guidelines for the smooth and speedy establishment of these imprest accounts, if deemed necessary.

Recommendations

- IDB could focus its future assistance to Tunisia to projects that serve the development of human resources as well as in the areas of public utilities and integrated rural development to combat poverty in rural areas.
- IDB may further contribute to financing projects in the transport, information technology, and vocational and technical education, in accordance with the priorities outlined in Tunisia's 10th Five-Year Development Plan.
- Most of the projects financed by the IDB in Tunisia have resulted in significant cost savings, the utilization of which was often rejected by IDB. The savings resulted, among other things, from a significant appreciation of both the Islamic Dinar and US Dollar against the Tunisian Dinar. The Tunisian authorities suggested that IDB should be more flexible in this regard, especially when the utilization of the savings intends to enhance or complement the project achievements.

on expediting project implementation resulting in higher rate of disbursements and consequent higher net transfer of resources to the member countries in their constituency. Regional Offices also ensure quality of entry of projects which helped tremendously in reducing the average time of project implementation.

As a result, the Bank has initiated the process of prioritizing the activities of the Regional Offices in order to sharpen their focus and bring about greater development effectiveness of the IDB operations in the member countries. Regional Offices are now more pro-active in their operations particularly in dealing with the private sector.

The Regional Offices face on the other hand new challenges in the area of enhanced economic cooperation among the member countries with respect to the new innovative programmes of trade and investment in the various regions.

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The IDB currently has eight Field Representatives in Pakistan, Guinea, Iran, Indonesia, Kazakhstan, Libya, Sudan, and Senegal. Under the Ouagadougou Declaration for Africa, the Bank will appoint ten more Field Representatives in selected member countries in Africa, primarily to ensure timely implementation of IDB approved operations. Currently the Bank is examining ways and means to ensure enhancement of the roles and activities of Field Representatives in a more efficient manner.

IX. WAQF FUND OPERATIONS

Below is an account on the utilisation of the Waqf Fund for the Special Assistance Programme, the Scholarship Programme, the Technical Cooperation Programme, NGOs and Women-in-Development Program, and the OIC-Vaccine and Illiteracy Eradication Programmes. Information on Technical Assistance grants has been provided in Section III of this Chapter.

Box 3.6
Concept of WAQF

The concept of the Waqf is similar to trusts whereby a freeze is made on the sale or the donation of the asset under the Waqf or trust. However, the income earned from the use of the asset is appropriated for the purpose of providing assistance to the poor and the needy. The IDB Waqf Fund was established in 1421H (2001) to provide various types of assistance to Muslim communities in non-member countries; in the form of educational grants (initially aimed at non-member countries but presently also caters for the needs of the member countries as well). and relief against natural disasters such as drought, floods, earthquakes etc. The Waqf Fund is also utilised to cover administrative and other overheads of the non-income generating activities of the Bank.

1. Special Assistance Programme

In 1424H, the IDB approved 45 operations totalling ID16.69 million (US$23.47 million) from the IDB Waqf Fund (formerly the Special Assistance Account). Fourteen operations totalling ID12.73 million (US$17.42 million) were approved in 11 member countries and 31 operations totalling ID4.42 million (US$ 6.04 million) were approved for Muslim communities and organizations in 20 non-member countries. Details of these operations are given in Table 3.11.

Box 3.7
Sources of Income and Utilization of the Waqf Fund

The Waqf Fund derives its income from the following sources:

- Return from cash and cash equivalents and fixed deposits with banks
- Profit on managed investment
- Net income from deposits of the Unit Investment Fund (UIF)
- Investment in Murabaha and other funds.

The resources from the Waqf Fund are presently utilized for the following main activities:

- Special Assistance operations, particularly for Muslim communities in non-member countries.
- Islamic Research and Training Institute (IRTI)
- Scholarship Programmes
- Technical Cooperation Programme
- Special Account for LDMCs
- Technical Assistance Loan and Grant financing
- Contribution to Adahi (Sacrificial Meat Utilisation Project of the Kingdom of Saudi Arabia)

The activities of the Waqf Fund with regard to the Special Assistance Programme shows that by the end of 1424H, a total of ID413.37 million (US$565.49 million) was spent on 1,017 operations and programmes. Of this amount, US$370.16 million was approved for 374 operations in member countries and US$195.32 million for 643 operations for Muslim communities and organizations in non-member countries. A summary of Waqf Fund activities is given in Table (3.12).

2. Scholarship Programmes

The Bank's Scholarship Programme was established in 1402H to assist Muslim communities in non-member countries to raise their standard of living through university education and technical training.

2.1 IDB Scholarship Programme for Muslim Communities in Non-Member Countries

This Programme provides training opportunities for Muslim students from non-member countries to pursue undergraduate or first-degree courses in

Box 3.8
Special Assistance Programme

The Special Assistance Programme was established in 1400H/1985 with the objective of promoting the development of Muslim communities in non-member countries of the IDB in areas of education and health. It also aims to alleviate the sufferings of the communities afflicted by the natural disasters or war in both member and non-member countries.

Since inception of the Programme, the assistance to Muslim communities in non-member countries has focused on developing and strengthening institutions involved in educational, social and health activities to help them improve people's standard of living and preserve their Islamic identity.

The Special Assistance Programme also assists member countries through training and research to help orient their economic, financial and banking activities towards Shariah. In Summary, the types of projects supported by the Special Assistance Programme are as follows:

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

fields relevant to their communities and countries. Presently, the disciplines are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. On exceptional basis, the Programme includes banking, finance, administration, management and business studies, accountancy and marketing for Muslim communities in the Commonwealth of Independent States (CIS) and East European countries. Although the Programme serves Muslim communities in non-member countries, it also assists nine member-countries on exceptional basis.

The scholarships are provided to Muslim students as interest-free loan (qard hasan). The Muslim communities are responsible for the selection of financially needy students. The refunded loans are deposited in trusts (awqaf) established in each country to help other needy students from the same communities.

Since the Programme's inception in 1404H, the IDB has granted scholarships to students in fifty-six countries, including nine member countries, with continued efforts to include more Muslim communities.

In 1424H the IDB spent ID 2.00 million (US$ 2.7 million) on the Programme. Cumulatively, the Bank has spent a total of ID 38.10 million (US$50.50 million), benefiting 6,827 students on this programme. A total of 3,737 students have completed their studies, 674 students (9.9 per cent) dropped out for various reasons, leaving a total of 2,416 students still studying under the Programme. A list of countries and the number of beneficiaries per country are provided in (Table 3.13).

2.2 IDB Merit Scholarship Programme for High Technology

Introduced in 1411H (1991-92), the IDB Merit Scholarship Programme provides scholarships for advanced studies and/or research in science and applied technology considered crucial to and needed in the development of member countries.

In its twelve years of implementation, this Programme has selected a total of 244 scholars, of whom seventy-seven post-doctoral scholars have completed their studies and research and returned to their home institutions/countries. Sixty scholars completed their PhD's under this Programme, for 137 graduates.

During 1424H the Programme has spent ID 0.5 million (US$ 0.67 million) and selected 32 scholars. By the end of the year, a total of ID 7.6 million (US$ 10.1 million) has been spent on the Programme, benefiting 244 scholars from 173 institutions in 44 member countries. Statistics on selection are shown in Table 3.14.

The Programme is announced once in a year between March and April and applications are received, through the Offices of the IDB Governors, until September 30. The thirteenth academic year (A.Y.1425H/2004-05) was announced in May 2003.

TABLE 3.11
OPERATIONS FINANCED FROM THE IDB WAQF FUND IN 1424H IN MEMBER COUNTRIES AND FOR MUSLIM COMMUNITIES IN NON-MEMBER COUNTRIES

(US$ Million)

Sl. No.	Countries	Project	
Member Countries			
1.	Afghanistan	Construction of Primary & Secondary Schools	4.55
2.	Iran	Urgent Relief for the Earthquake Victims in Iran 2003	0.20
3.	Iran	Reconstruction of Essential Health & Education Facilities, Damaged in Earthquake DAM 2004	1.00
4.	Iraq	Humanitarian Relief Assistance to the Affected People of Iraq	2.00
5.	Iraq	Capacity Building for the Iraqi Red Crescent Society	0.20
6.	Kazakhstan	Additional Grant for the Renovation & Equipping of Iqra University, Almaty	0.15
7.	Kyrgyz Rep.	Urgent Relief for the Victims in Kyrgyz Rep.	0.20
8.	Niger	Construction of Academic Buildings for the Islamic University of Niger	1.14
9.	Pakistan	Waqf for COMSTECH Institute of Advanced Training (CIAT), Islamabad	2.00
10.	Somalia	Construction of East Africa Nursing Institute, North East Province, Galactic	0.16
11.	Sudan	Urgent Relief for the Victims in Kassla	0.20
12.	U.A.E.	Budget of ICBA for 2003	4,03
13.	Regional	Loan of US$1.5 Million to the World Waqf Foundation	1.50
14.	Regional	Unmasking Allegations Raised Against Some Verses of the Holy Quran	0.10
	Sub Total		**17.42**
Non-Member Countries			
1.	Australia	Construction of Primary School, Brisbane, Queensland	0.20
2.	Bosnia & Herzegovina	Construction of Summejja VTC for Women in Visoko	0.16
3.	Bosnia & Herzegovina	Construction of an Islamic Secondary School for Girls in Cazin	0.30
4.	Burundi	Construction of a school and a Medical Centre, Bujumbura	0.21
5.	Bulgaria	Renovation & Equipping of VTC's, Dormitories and Islamic Institute	0.25
6.	China	Construction of Hunan Educational Training Centre, Changsha City, Hunan Province	0.25
7.	China	Construction of Medical & VTC, Zhenghou City, Hunan Province	0.25
8.	Ethiopia	Construction of As Salaam Islamic Institute, Shashemene, Oromo Region	0.22
9.	India	Construction of Boys High School and Hostel Building, Hojai, Nagaon, Assam	0.16
10.	India	Construction of VTC and Hostel for Boys, Burdwan District, West Bengal	0.16
11.	India	Construction of Al-Ata VTC for Women, Shamshabad, Hyderabad	0.09
12.	India	Construction of 3 Laboratory Blocks in different Towns in Kashmir Province	0.26
13.	India	Construction of Talat Polyclinic College for Girls, Khuldabad, Aurangabad, Maharashtra	0.17
14.	India	Grant for Capacity Building for the Institute of Objective Studies (IOS), New Delhi	0.08
15.	India	Construction of Girls Hostel for the Hundred Flowers Higher Secondary School's Society, Imphal, Manupur	0.12
16.	India	Furbishing & Equipping the Computer Laboratory of Indira College for Aman Education Society	0.08
17.	Kenya	Construction of High School, Kisumu, Nyanza Province	0.25
18.	Malawi	Relief for the Flood Victims for 2003	0.10
19.	Nepal	Construction of Bhutaha General & Maternity Clinic, Bhutaha	0.13
20.	Russia	Construction of Hospital in Saratov City, Volga Region	0.20
21.	Nigeria	Setting-up of Paediatrics Ward at Muslim Specialist Hospital, Zaria	0.25
22.	South Africa	Purchase of School Building for Al-Azhar Institute of Cape Town (AICT), Cape Town	0.15
23.	Sri Lanka	Extension & Equipping of the National Hospital, Akurana, Kandy Province	0.11
24.	Tanzania	Construction of Secondary Blocks & Coaching Programme at two Islamic High Schools for Boys & Girls in Dar Al-Salaam	0.40
25.	Tanzania	Construction of Student Hostels for Zanzibar University, Zanzibar	0.30
26.	Thailand	Construction of the Islamic Secondary School in Chana City, Songkla Province	0.18
27.	U. K.	Construction of Al-Mizan School, East London	0.25
28.	U. K.	Expansion and Renovation of Palfrey Girls School, Walsall, West Midland	0.22
29.	U. S. A.	Purchasing, Renovating and Equipping of the New Building of Al-Ikhlas Training Academy, Detroit, Michigan	0.25
30.	Uzbekistan*	Additional Grant for Equipping and Furnishing of Imam Al-Bukhary University, Samarkand	0.10
31.	Venezuela	Construction of the South Islamic Centre, El-Tigre	0.23
	Sub-Total		**6.08**
	Grand Total		**23.50**

*This assistance was provided to Uzbekistan before it became a member of the IDB in 1424H.

TABLE 3.12
SUMMARY OF OPERATIONS APPROVED FROM THE IDB SPECIAL ASSISTANCE AND WAQF FUND FOR MEMBER COUNTRIES AND MUSLIM COMMUNITIES IN NON-MEMBER COUNTRIES
(Amount in million)

Year	Member Countries		Muslim Communities in Non-Member Countries		Total	
	No.	US$	No.	US$	No.	US$
1399H	1	0.90			1	0.90
1400H	6	9.07	1	1.00	7	10.07
1401H	3	0.44	5	4.00	8	4.44
1402H	6	6.31	1	0.70	7	7.01
1403H	3	3.40	3	3.35	6	6.75
1404H	24	57.43	10	5.92	34	63.25
1405H	10	24.99	24	10.71	34	35.70
1406H	2	0.42	20	10.47	22	10.89
1407H	9	8.04	8	3.09	17	11.14
1408H	39	32.10	26	6.90	65	39.00
1409H	11	28.24	24	8.02	35	36.26
1410H	26	47.64	28	6.94	54	54.59
1411H	27	27.91	33	7.91	60	35.83
1412H	21	8.71	47	30.92	68	39.63
1413H	13	15.06	22	4.31	35	19.38
1414H	23	16.13	43	7.70	66	24.83
1415H	7	1.30	29	6.12	36	7.42
1416H	7	5.31	40	7.17	47	12.48
1417H	11	13.16	28	6.75	39	19.91
1418H	11	5.89	39	9.12	50	15.02
1419H	25	3.99	41	9.22	66	13.21
1420H	26	12.97	50	18.47	76	31.45
1421H	20	8.83	27	6.52	47	15.35
1422H	21	6.45	33	7.61	54	14.07
1423H	8	6.15	30	6.38	38	12,54
1424H	14	17.42	31	6.04	45	23.47
Total	**374**	**370.16**	**643**	**195.32**	**1017**	**565.48**
Share		**65%**		**35%**		**100%**

2.3 M.Sc Scholarship Programme in Science and Technology for IDB Least Developed Member Countries

Twenty IDB LDMCs are eligible to benefit under this Programme. These countries are Afghanistan, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Palestine, Sierra Leone, Somalia, Togo, Uganda and Yemen (Table 3.15).

So far, 120 students have benefited from this programme and 90 students have been placed in Burkina Faso, Egypt, Mali, Malaysia, Morocco, Pakistan, Senegal, Tunisia, Turkey Uganda and Yemen.

Box 3.9
IDB Merit Scholarship Programme

The IDB Merit Scholarship Programme provides scholarships for advanced studies and research in science and technology, for the development of member countries. The main objectives of this Programme are:

- To develop technically qualified human resources in the IDB member countries;
- To enhance the scientific, technological and research capability and potential of scholars and researchers in IDB member countries;
- To help meet the needs of the IDB member countries in areas of science and technology; and
- To strengthen the scientific, technological and research capability of institutions in member countries.

Box 3.10
M.Sc Scholarship Programme in Science and Technology for IDB Least Developed Member Countries

This Programme started in 1404H (1983-84) with the aim of:

- Providing opportunities for academically meritorious and financially needy young Muslim students to pursue undergraduate or first-degree studies; and
- Training these students in specific disciplines to enable them to become professionals who are dedicated to the development of their communities and countries.

During 1424H, the Programme has spent ID0.052 million (US$ 0.07 million). By the end of the year, a total of ID 0.42 million (US$ 0.55 million) was spent on the Programme. The reason for the low rate of utilization was the difficulty in securing timely admissions and placements in member countries.

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TABLE 3.13
IDB SCHOLARSHIP PROGRAMME FOR MUSLIM COMMUNITIES IN NON-MEMBER COUNTRIES PROGRESS DURING 1424 (2003-2004)

No.	Country	Cumulative (Total) Utilization Upto (1423H/ 2002-03)	Quota for 1424H (2003-04)	Utilization in 1424H (2003-04)	Cumulative (Total) Utilization Upto 1424H (2003-04)	Number of Graduates	Number of Non-Completion	Present Total of Recipients
1.	Argentina	3	2	-	3	-	-	3
2.	Bosnia & Herzegovina	44	10	1	45	15	4	26
3.	Bulgaria	46	3	-	46	20	14	12
4.	Burundi	2	-	5	7	-	-	7
5.	Cambodia	22	2	-	22	9	1	12
6.	Canada	25	2	2	27	10	1	16
7.	Central African Republic	5	3	4	9	-	-	9
8.	China	45	20	-	45	1	1	43
9.	Congo	18	2	2	20	10	5	5
10.	Dem. Rep. of Congo (Zaire)	34	7	6	40	8	9	23
11.	Eritrea	125	6	-	125	50	29	46
12.	Ethiopia	138	15	14	152	52	17	83
13.	Fiji	44	2	-	44	24	13	7
14.	Ghana	202	9	9	211	116	19	76
15.	Greece	2	2	-	2	1	-	1
16.	Guyana	14	2	1	15	5	7	3
17.	India	2120	120	-	2120	1531	65	524
18.	Kenya	157	8	8	165	91	14	60
19.	Kibris	8	2	-	8	4	1	3
20.	Lesotho	5	2	-	5	1	4	0
21.	Liberia	89	5	-	89	27	28	34
22.	Madagascar	36	2	-	36	11	14	11
23.	Malawi	37	3	2	39	14	14	11
24.	Mauritius	39	2	2	41	29	2	10
25.	Mongolia	34	2	2	36	11	13	12
26.	Myanmar (Burma)	135	8	4	139	48	48	43
27.	Nepal	94	4	-	94	62	9	23
28.	New Zealand	14	2	-	14	6	2	6
29.	Nigeria	722	60	-	722	318	55	349
30.	Papua New Guinea	1	2	-	1	-	1	0
31.	The Philippines	431	22	-	431	243	53	135
32.	Russian Federation	35	8	-	35	13	11	11
33.	Rwanda	33	3	-	33	15	2	16
34.	Singapore	50	2	3	53	43	5	5
35.	South Africa	119	8	-	119	56	19	44
36.	Sri Lanka	223	6	8	231	170	2	59
37.	Tanzania	256	17	17	273	121	44	108
38.	Thailand	351	13	-	351	206	22	123
39.	Trinidad & Tobago	38	2	-	38	23	6	9
40.	U.S. Virgin Islands	2	2	-	2	-	-	2
41.	Vanuatu	3	2	-	3	-	-	3
42.	Vietnam	21	2	-	21	6	2	13
43.	Yugo. (Crotia)	3	2	2	5	-	-	5
44.	Yugo. (Kosovo)	10	2	-	10	3	2	5
45.	Yugo. (Macedonia)	63	2	5	68	16	8	44
46.	Zambia	5	2	-	5	-	-	5
47.	Zimbabwe	14	2	-	14	6	1	7
	New Countries	-	4	-	0	-	-	0
MEMBER COUNTRIES INCLUDED ON EXCEPTIONAL BASIS:								
48.	Afghanistan	348	20	20	368	155	45	168
49.	Albania	18	2	3	21	5	2	14
50.	Azerbaijan	1	2	1	2	1	-	1
51.	Cote D'ivoire	38	2	-	38	19	6	13
52.	Kazakhstan	52	5	-	52	12	18	22
53.	Mozambique	35	3	-	35	5	4	26
54.	Palestine	144	4	9	153	90	5	58
55.	Somalia	60	10	13	73	13	4	56
56.	Togo	71	2	-	71	42	23	6
	Total	**6684**	**460**	**143**	**6827**	**3737**	**674**	**2416**

TABLE 3.14
IDB MERIT SCHOLARSHIP PROGRAMMEME
STATISTICS ON SELECTION FOR THE LAST FIVE YEARS - (A.Y. 1420/1999-00 TO A.Y. 1424/2003-04)

No	Countries	Up to 1421H/ 1998-2000-01	1422/ 2001-02	1423/ 2002-03	1424/ 2003-04	Total Selected
1.	Afghanistan	-	-	-	1	1
2.	Albania	1	1	-	-	2
3.	Algeria	8	1	1	1	11
4.	Azerbaijan	1	-	-	-	1
5.	Bahrain	4	-	-	-	4
6.	Bangladesh	12	1	1	3	17
7.	Benin	-	-	1	-	1
8.	Brunei Darussalam	-	-	-	-	0
9.	Burkina Faso	1	-	-	-	1
10.	Cameroon	3	-	-	-	3
11.	Chad	2	-	-	-	2
12.	Comoros	-	-	-	-	0
13.	Cote d'Ivoire	-	-	-	-	0
14.	Djibouti	-	-	-	-	0
15.	Egypt	11	1	2	3	17
16.	Gabon	-	-	-	-	0
17.	Gambia	2	-	-	-	3
18.	Guinea	2	-	-	-	2
19.	Guinea Bissau	-	-	-	-	0
20.	Indonesia	14	1	1	3	19
21.	Iran	7	1	1	2	11
22.	Iraq	2	-	-	1	3
23.	Jordan	6	1	-	2	9
24.	Kazakhstan	1	-	1	-	2
25.	Kuwait	2	-	1	1	4
26.	Kyrgyz	3	1	-	-	4
27.	Lebanon	3	-	1	-	4
28.	Libya	3	-	-	-	3
29.	Malaysia	4	1	1	3	9
30.	Maldives	2	-	-	-	2
31.	Mali	1	-	-	-	1
32.	Mauritania	1	-	-	-	1
33.	Morocco	5	1	1	1	8
34.	Mozambique	-	1	-	-	1
35.	Niger	2	-	-	-	2
36.	Oman	3	1	1	2	7
37.	Pakistan	11	2	1	1	15
38.	Palestine	7	-	-	1	8
39.	Qatar	-	-	-	-	0
40.	Saudi Arabia	4	-	-	1	5
41.	Senegal	2	1	-	1	4
42.	Sierra Leone	1	-	-	-	1
43.	Somalia	-	-	-	-	1
44.	Sudan	9	1	1	1	12
45.	Suriname	-	-	-	-	0
46.	Syria	6	1	1	1	9
47.	Tajikistan	-	-	-	2	2
48.	Togo	-	1	-	-	1
49.	Tunisia	5	1	1	-	7
50.	Turkey	10	1	1	1	13
51.	Turkmenistan	-	-	-	-	0
52.	Uganda	2	1	1	-	4
53.	United Arab Emirates	-	-	-	-	0
54.	Uzbekistan	-	-	-	-	0
55.	Yemen	5	1	1	-	7
	Total	**170**	**22**	**20**	**32**	**244**

TABLE 3.15
M.Sc. SCHOLARSHIP PROGRAMMEME IN SCIENCE AND TECHNOLOGY FOR IDB LEAST DEVELOPED MEMBER COUNTRIES STATISTICS ON SELECTION FOR THE LAST SIX YEARS (A.Y. 1419/1998-99 TO A.Y. 1424H/2003-04)

No	Countries	1419/ 1998-99	1420/ 1999-00	1421/ 2200-01	1422/ 2001-02	1423/ 2002-03	1424/ 2003-04	Total Selected
1.	Afghanistan	-	2	3	3	2	1	11
2.	Benin	2	1	1	2	2	-	8
3.	Burkina Faso	-	1	-	-	-	1	2
4.	Chad	2	-	2	1	-	2	7
5.	Comoros	-	2	-	-	-	1	3
6.	Djibouti	-	2	-	2	-	-	4
7.	Gambia	1	2	-	-	2	-	5
8.	Guinea	1	1	-	1	3	2	8
9.	Guinea Bissau	-	-	-	-	-	-	0
10.	Maldives	3	-	2	-	2	1	8
11.	Mali	-	1	-	2	1	1	5
12.	Mauritania	1	1	-	1	1	2	6
13.	Mozambique	-	-	-	-	-	-	0
14.	Niger	-	2	2	2	-	2	8
15.	Palestine	-	-	-	-	-	-	0
16.	Sierra Leone	2	1	2	1	1	-	7
17.	Somalia	3	-	2	2	2	1	10
18.	Togo	-	-	-	-	-	2	2
19.	Uganda	2	2	3	2	2	2	13
20.	Yemen	3	2	3	1	2	2	13
	Total	**20**	**20**	**20**	**20**	**20**	**20**	**120**

3. Technical Cooperation Programme (TCP)

During 1424H, the TCP approved 92 operations, totalling ID1.54 million (US$2.1 million) as follows:

- On-the-job training, studies and familiarisation visits (52 operations at a cost of ID0.76 million US$1.04 million).
- Recruitment and placement of experts (12 operations for US$0.24 million).
- Workshops and seminars (28 operations, US$0.85 million).

Since the inception of the TCP in 1404H and up to the end of 1424H, a total of 1,130 operations amounting to ID17.69 million (US$24.2 million) in grants was approved. Of this amount, Seminars and Workshops accounted for the 52 per cent, i.e. ID9.25 million (US$12.63 million), On-the-job Training accounted for nearly 33 per cent, i.e., ID5.91 million (US$8.09 million), and Expert Recruitment Services for about 14 per cent (US$3.48 million).

Box 3.11
Technical Co-operation Office

The Technical Co-operation Office (TCO) implements one of the key programmes of the IDB to further foster economic cooperation among the IDB member countries. This Technical Co-operation Programme aims at the promotion and enhancement of the quality of the human resources in the member countries, basically through exchage of expertise.

4. Vaccine Production and Illiteracy Eradication Programmes (OIC)

At the end of 1424H, 11 TA operations worth ID2.50 million (US$3.30 million) have been approved under the Illiteracy Programme, leaving an unutilised balance of US$ 0.20 million. These operations were in favour of 10 countries, namely Bangladesh, Chad, Djibouti, Gambia, Jordan, Mauritania (2 operations), Morocco, Sierra Leone, Sudan and Yemen.

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Box 3.12
Self Reliance in Vaccine Production Programme and Illiteracy Eradication Programme

In Sha'ban 1420H (December 1999) the IDB approved two TA grants of US$3.5 million and US$5.6 million for two respective Programmes namely: (a) Eradication of Illiteracy in the Islamic World, and (b) Self-sufficiency in Human Vaccine Production. These Programmes were part of a much wider development agenda aimed at preparing the Ummah for the 21st Century in the areas of education, health, human resources development and intra-trade.

Specifically, the objectives of the Illiteracy Programme were to conduct illiteracy eradication caravans, training courses and workshops for specialists in illiteracy campaign. The Programme was also expected to build the capacity of existing adult education centres, prepare the necessary curriculum and produce tailored TV Programmes. On its part, the Vaccine Production Programme was intended to increase the supply of cost-effective and affordable vaccines, and ultimately achieve self-sufficiency. This was to be implemented through an assessment of requirements, production capacity and constraints; undertaking feasibility and market studies; and promoting inter-country trade in vaccines.

On the other hand, the Vaccine Production had a utilization of approximately ID1.47 million (US$2.015 million) as at end-1424H in respect of six TA operations for Algeria, Egypt, Iran, Kyrgyz Rep., Malaysia and Tunisia (one each). This represents a utilization rate of around 36 per cent in US dollar terms.

5. NGO's and Women-in-Development

The Non-Government Organizations (NGOs) Unit was established in 1418H (1997) and the Women-in-Development Unit in 1419H (1998). They were both located in the then Business Development Department. Subsequently, the two units were merged into one in 1420H (1999) to become the NGOs & WID Unit. During 1424H, the Unit disbursed more than ID383,763 million (US$525,000) for 24 micro projects that were aimed at poverty reduction through grass-root training and capacity building.

X. PROJECT PROFILES[3] BY COUNTRY-1424H

This section provides brief information on projects and TA operations approved during 1424H from the Ordinary Capital Resources of the Bank. The information relates to the total project costs, the financing mode applied by IDB, approval date, amount(s) financed by IDB both in Islamic Dinars (ID) and US Dollars, and brief description of the project.

With regard to the Loan financing mode, the usual distinction is made between the financing effected from the Ordinary Capital Resources of the Bank (in which case it is referred to as Ordinary Loan), and the financing effected from the Special Account for the LDMCs (coded as LDMC Loan).

IDB financing hospital equipment, Sultanate of Oman, 2003

[3] These profiles highlight only the number of projects approved and not the number of approved operations since some projects can have more than one operations in their approved financing design.

PROFILES OF PROJECTS APPROVED DURING 1424H

Sl. No.	Country	Project Name	Financing Mode	App. Date	Total Cost	IDB Financing (Million)		Description (Purpose/Objectives)
						ID	US$	
1.	Albania	Durres General Hospital Phase-II Project	Ordinary Loan	20-10-03	8.22	5.42	7.05	Provide adequate health care services to the population of the City of Durres and its suburbs. This can be accomplished through providing the facilities for addi. 160 in-patient medical ward beds, hence, fulfilling the requirement of the original master plan design for a regional hospital with a 400 bed capacity to meet the needs of the city and the surrounding areas.
2.	Algeria	Constantine And Mila Water Supply Project	Istisna'a	16-06-03	145.97	34.50	47.63	The project is to deliver potable water supply to some of the localities in the Wilaya of constantine and the southern parts of the Wilaya of Mila.
3.	Algeria	Constantine Zone Load Dispatching Center Project	Leasing	21-07-03	60.00	27.75	38.30	Reduction in time and cost of rectifying the outage within four provinces in the north east part of Algeria. It will result in the increase of energy to meet the growing electricity demand.
4.	Azerbaijan	Reconstruction Of Ujar-yevlakh Road	Istisna'a	20-10-03	31.05	16.92	22.00	The objective of the project is to improve the quality of transport on the Ujar-Yevlakh Road by reducing vehicle operating cost, travel time, accidents and negative environmental impact.
5.	Bahrain	Khalifa Bin Salman Sea Port Project	Istisna'a	20-10-03	454.00	33.30	46.00	The project aims at the construction of a new seaport for the Kingdom of Bahrain in order to provide a modern facility capable of providing an excellent level of service to the Lines, Vessels, Containers, general cargo and also to serve the industrial area. The project will foster economic prosperity of the Kingdom of Bahrain.
6.	Bahrain	Study on envir. impact assesment in support of sustainable devlopment of Hawar	Technical Assistance	27-10-03	0.35	0.15	0.21	The project aims at conducting a study on environmen. Impact assessment in support of sustainable development of Hawar Islands, Bahrain. This will help provide decision-makers, planners and managers with a clear picture of the available resources and the expected impacts of the proposed development activities on the Hawar Islands.
7.	Banglade	Islamic Bank Bangladesh Limited (Additional Iv)	Equity	16-08-03	22.15	1.19	1.66	Exercise preemptive rights by IDB in the equity capital increase of Islamic Bank Bangladesh Limited (IBBL)
8.	Bangladesh	Water Supply Facilities In Coastal Belt-Phase-II	Ordinary Loan	01-09-03	10.16	6.13	8.62	The objective of the project is to improve the environmental and public health conditions and to reduce the occurrence of water borne diseases and effects of arsenic contamination by providing the safe drinking water to the population in the project area.
9.	Bangladesh	Establishment of Union Health Centers	Ordinary Loan	15-02-04	11.71	7.00	9.70	The objective of the project is to provide quality primary health care services to the un-served and underserved rural population at the union level through construction of union health centres, which will enable the beneficiaries to have an easy access to a package of essential health care services.

10.	Benin	Microfinance Project	LDMC Loan + Technical Assistance	03-04-03	1.53	1.02	1.30	The objective of the project is to support the actions of the government in reducing poverty by increasing access to financial services for the rural & urban micro entrepreurs.
11.	Burkina Faso	Construction Of Kaya-dori Road	Ordinary Loan	01-09-03	34.10	7.00	9.00	The objective of the project is to improve the level of service on the existing earth road and reduce cost of transport. The project will encourage the regional integration by facilitating trade and commercial exchange between Burkina Faso and Niger.
12.	Burkina Faso	Soum Hydro Agricultural Development	Ordinary Loan	08-12-03	10.98	7.00	9.60	The project aims at contributing to reduce the food shortage and improve the food security.
13.	Burkina Faso	Liptako Gourma Livestock Development	Ordinary Loan + LDMC Loan	08-12-03	11.26	6.83	9.56	The Project aims to improve the food security for the population through improvement of livestock production, and to promote regional integration between the three member countries of the LGA.
14.	Burkina Faso	F.s. & Prelimin. Design Of The Access To Ouagadougou Airport.	Technical Assistance	15-02-04	0.48	0.30	0.41	The objective of the project is to allow the construction of the land access axes from the city of Ouagadougou to the envisaged new international airport through the financing of a study aimed at their feasibility & preliminary engineering design.
15.	Burkina Faso	Acquisition Of 30 Air Conditioned Buses-stmb Company	Instalment Sale	15-02-04	7.80	3.60	4.81	The project aims at acquiring a set of 36 new and modern buses of 50 to 70 seats capacity and building the appropriate correlative infrastrcture to expand and modernize the existing core activities of Stmb Company.
16.	Chad	Mamdi Polder Agricultural Dev. (Supplementary Financing)	Ordinary Loan	16-06-03	8.40	4.15	5.40	To complete the project and contribute to the improvement of the food security and living conditions of the populations of the prefecture of Lake Chad.
17.	Chad	Equipment For A Brick Factory	Leasing	15-02-04	6.03	2.78	3.84	The main objective of the project is to produce 27300 tons of good quality clay brick products per year initially, through the construction and equipment of a modern brick factory.
18.	Cote D'ivoire	Singrobo-yamoussoukro Highway (Phase-i)	Istisna'a + Ordinary Loan	16-06-03	27.50	18.30	23.80	Constructing of a two-lane dual carriage-way highway section of about 87.5Km long linking Singrobo to Yamoussoukro. The construction of the first portion (about 24.6Km long) between Singrobo & Taabo constitutes phase-1 of the highway project. The Government considers the project a priority in the transport sector.
19.	Djibouti	Health Project (Phase -ii)	Ordinary Loan plus LDMC Loan	01-09-03	5.66	3.65	5.04	The project aims at expanding the coverage of basic health services in Djibouti and improving the physical and human capacity of health facilities, particularly upgrading Peltier Hospital.
20.	Djibouti	C.B. of The Ministry of Econ., Fin., Planning and Privatization	Technical Assistance	09-02-04	0.24	0.15	0.20	The main objective of the Technical Assitance is to upgrade and strengthen the institutional capacity of the Ministry of Economy, Finance and Planning in-charge of Privatization, in particular the Directorate of External Financing, in the fields of programs and projects preparation & supervision, as well as external financing follow up.

21.	Egypt	Feasibility study for the irrigation of the West Nile Delta Project.	Technical Assistance	21-04-03	0.75	0.30	0.41	It aims to financea study to enable the Government to determine the cost, social, technical, economic, financial and operational feasibility and funding the West Nile Delta Irrigation Project (WDNP).
22.	Egypt	C.B. of the Future Generation Foundation for Management Development	Technical Assistance	14-10-03	3.22	0.19	0.26	The Management Devevelopment Program aims at upgrading the managerial skills of senior executives from various govrmt. units and business corporate and engage them in highly charged interchange of knowledge and experience in the field of management.
23.	Gambia	Kotu Ring Rural Water Supply System	Ordinary Loan	08-12-03	10.97	7.00	9.72	The main objective of the project is to facilitate and improve access to clean water by the population of the Kotu Ring in order to improve their living condition and promote better health care.
24.	Guinea	Acquisition of diesel engine generators	Leasing + Ordinary Loan	21-04-03	28.70	12.09	15.72	To alleviate on urgent basis, the acute elec. shortage in the capital city and all main cities, through the acquisition of diesel engine generator sets of 35mw. 3 mobile units with capacity 3x3.5mw along with mechanical and electrical Ancillaries. 3 diesel engine generator sets with capacity 10.8 mw for each.
25.	Guinea	Primary Education Development Project-3	Ordinary Loan + LDMC Loan	21-04-03	7.70	5.20	6.77	By the end of 2005 the project will contribute to (i) increase the grade-1 intake rate from 70% in 2000-01 to 90%, (ii) increase primary school rate in urban areas from 50% to 70% & that of rural areas from 25% to 50% by the end of 2004-05, (iii) reduce primary school grade repetition from 28% in 1999-2000 to 20% and (iv) increase textbook/students ratio.
26.	Guinea	Rural Development in Kakossa	Ordinary Loan + LDMC Loan	20-10-03	11.50	6.99	9.50	The project objective is to contribute to the food security and food self-sufficiency of the country and to improve living conditions of the population in Kakossa, through Land Development, diversification of income generating activities and construction and equipment of supporting infrastructure.
27.	Guinea	Acquisition of diesel engine generators, Phase-ii	Leasing	20-10-03	28.70	4.77	6.20	The objective is to alleviate the acute electricity shortage in the capital city and all main cities in the country, through the acquisition of diesel engine generator sets of 35 mw total capacity production.
28.	Indonesia	Development of Islamic University of Iain Sunan Kalijaga	Istisna'a + Instalment Sale	21-04-03	38.37	23.89	31.05	The objective of the Project is the development & expansion of the Islamic University of Iain Sunan Kalijaga in Yogyak- Arta to include Modern Science Faculties in addition to the traditional existing faculties of Islamic Studies & Shariyah this will serve as a model & resource centre for quality improvement of other Iain universities.
29.	Indonesia	Development and Upgrading of Stain Malang State College	Istisna'a + Instalment Sale	16-06-03	34.38	20.44	26.58	The objective of the project is to upgrade the State College of Islamic Studies (STAIN) in Malang into a full-fledged modern Islamic University. This can be achieved through development and upgrading of its functions, teaching, research activities to cope with the needs of the Indonesian society during the 21st Century.
30.	Indonesia	Mandailing Natal Integrated Development Project	Ordinary Loan	21-07-03	10.87	6.87	9.20	To support the mandailing natal regional authorities devlop. Strategy through the construc. & Modernization of the health & education services,irrigat. Canals,water points & drainage farm infrastructure & road improvement facilities as well as to strengthen the institutional capabilities of the regional agric. Planning & develop. Agencies through c.B. & Training.

31.	Indonesia	Development & Upgrading Of Indonesia Univ. Of Education (Upi), Bandung	Istisna'a + Instalment Sale	15-02-04	45.60	26.37	36.49	The objective of the project is to construct new buildings for different faculties, upgrade the academic curriculum, and provide a state of the arts training for the staff and students.
32.	Iran	Kerman Combined Cycle Power Generation (Phase-ii)	Leasing	21-04-03	183.40	34.23	46.55	the objective of the project is to produce additio. electric power through use of efficient technologies(combined cycle) in conjunction with existing power plant to meet the rapidly growing demand of electricity in Iran. the increase in the availability of electric power will contribute significantly to the economic development of Iran.
33.	Iran	C.B for enhancing quality Welding Training and Research Center	Technical Assistance	21-04-03	0.61	0.30	0.41	(1) To expand the existing skills of the welding training and research center at iust in order to undertake research to promote welding technology, (2) to provide solution to welding problems that the iranian industries are facing. in addition, (3) to standardize & benchmark all kinds of welding operations and issue certification for quality welding
34.	Iran	Idaghmoosh Dam and Irrigation Network Project	Istisna'a	21-07-03	109.51	26.23	38.88	To alleviate poverty by increasing the household income and to prevent migration from the surrounding region of Mianeh city; construction of Idaghmoosh Dam and Irrigation Network will contribute to the increase of regional production and generate employment.
35.	Iran	Dasht-e-abbas Irrigation	Istisna'a	15-02-04	137.25	31.00	39.22	The objective of the project is to help improve the food security and alleviate poverty in the western region of Iran through the development of irrigation for increased and secured agricultural production.
36.	Jordan	The Construction and Equipping of Schools Project	Istisna'a + Ordinary Loan	21-07-03	29.37	16.89	23.31	The project aims at the construction of 26 schools (12 in rural areas and 14 in urban areas) distributed in 8 Governorates in the country.
37.	Kazakhstan	Modernization of Postal Services	Instalment Sale	20-07-03	13.46	6.55	9.00	To restructure the Mail Services & Postal Savings System of Kazpost with a view to making it commercially oriented and competitive through introduction of new technology & effect. manag. info. system. In addition, the project will improve postal services, including postal savings services, transfer of pensions, postal orders & transport of bank notes and money orders.
38.	Kazakhstan	Construction of academic complex for Kazakh Humanities and Law University.	Istisna'a + Instalment Sale	01-09-03	20.05	9.82	13.62	The main objective of the project is to enhance the quality & promote teaching & research in jurisprudence, which will be achieved through construction of faculties of islamic law & banking, linguistics, national and world economy andtrade at the Khlu and thereby effectively contribute to the generation of high caliber of professionals in the fields.
39.	Kyrgyz Rep.	C.B. of the Int'l Charitable Foundation of Maternity (ICFM)	Technical Assistance	01-09-03	0.17	0.10	0.13	The objective of this project is to establish a microfinance umbrella organization & communication network in Kyrgyz Republic which will serve as a knowledge center, disseminating information on microfinance best practices, trianing, marketing ..etc.
40.	Lebanon	Southwestern Beirut Infrastru. (Hawdh Al-ghadeer) Project	Istisna'a	21-04-03	42.48	27.30	37.51	The project aims at addressing the urgent needs to upgrade and expand sections of municipal beirut infrastructure incl including sewer and drainage systems, road superstructure and public utilities.

41.	Lebanon	Southern Coastal Highway Project	Istisna'a	21-07-03	67.77	23.55	32.39	Expanding and enhancing the roadway network & facilitating the transport of passengers & goods in Lebanon. This would be achieved through construct. of two sections(phases ii & iii) of the southern coastal highway connecting Bablieh - Abu Aswad - Borj Rahal, with a length of 13 km.
42.	Lebanon	Reconstruction of Sour-naqoura Road	Istisna'a	15-02-04	13.00	8.85	12.20	The project aims at facilitating transport of passengers & goods through the reconstruction & upgrading of the existing road. Connecting Sour to Naqoura near the southern borders of Lebanon. The project, once completed, will contribute to socioeconomic development of the project area, which is one of the most depressed and densely populated regions in Lebanon.
43.	Maldives	Atoll Social Infrastructure Development	Ordinary Loan	08-12-03	7.63	4.39	6.11	The objective of the project is to strengthen the hospital community health services in the southern region of the country and improve the quality of education at both primary and secondary levels throughout the country.
44.	Maldives	Development of Water Supply & Sewerage Facilities in Atolls	Ordinary Loan	15-02-04	7.90	4.79	6.70	The objectives of the project are (i)to enhance/upgrade the environmental conditions of the four islands by providing safe drinking water & sustainable sanitation facilities,(ii) to improve the quality of life of the people in the focus islands & reduce the affects of water borne diseases and cont- amination of ground water resources by inadequate sanitation.
45.	Mali	Second Education Project	Ordinary Loan + LDMC Loan	16-06-03	10.63	7.00	9.36	It aims at improving the education system by (i) providing better access to basic education through the construction and equipping of 429 classrooms located in 143 schools, (ii) providing students' manuals and pedagogical kits, and (iii) providing teachers' training and a support to the exe executing agency.
46.	Mali	Construction Of Saraya-kita Regional Road.	Ordinary Loan	21-07-03	80.44	7.00	9.45	The objective of the project is to improve the transfer of goods and services between Mali & Senegal by completing the Bamako-dakar road axis through the construction of the 310 kilometers road linking saraya in Senegal to Kita in Mali.
47.	Mali	Agricultural Develop. Project in Kangaba Region	Ordinary Loan	01-09-03	10.24	6.53	9.01	To Improve agricultural production, hence improving the food security situation and alleviating poverty.
48.	Mali	Micro-finance Project	LDMC Loan	25-06-03	1.47	1.00	1.32	The objective of the project is to support the actions of the Government in reducing poverty by increasing access to financing for the "unbankable" rural micro and very small enterprises in the Dist.rict of Kita & Kayes. It will contribute to improve the dev. of women activities generating income, and the sustainability of the local microfinancing networks.
49.	Mali	Liptako Gourma Livestock Development	Ordinary Loan + LDMC Loan	08-12-03	11.51	7.00	9.80	The goal of the project is to improve the food security for the population through improvement of livestock production, and to promote regional integration between the 3 countries members of the Lga..
50.	Mali	D.E.D. and Enviromental Studies of Taoussa Dam Project	T.a.	15-02-04	5.73	1.95	2.70	The objective is to undertake the detailed engineering design (D.E.D.) including the tender documents and the environmental impact assessment study for the multipurpose Taoussa Dam on The Niger River and for the access road to the dam.
51.	Mauritania	Nouakchott Water Supply	Ordinary Loan	01-09-03	220.00	7.00	9.66	The main objective of the project is to satisfy the water demand in Nouakchott for domestic and industrial purposes up to 2030.

52.	Morocco	Sewerage Project for Nine Centers	Istisna'a + Ordinary Loan	21-04-03	26.05	16.85	22.70	It aims at improving of the environmental and sanitary conditions of the population living in the concerned centers through strengthening the capacities of the waste water collection and treatment and protection of vulnerable rece receiving streams.
53.	Morocco	The Emergency Flood Relief Project	Istisna'a + Ordinary Loan	21-07-03	45.62	27.05	37.34	The project aims at the protection of the towns of Settat, Mohammadia, and benahmed from floods through construction of water works and protection dams.
54.	Mozambique	The Beira Fishing Port Reconstruction Project	Ordinary Loan	21-07-03	19.74	7.00	9.00	The project aims at improving the welfare of the population of the country and poverty alleviation by boosting fish landings and processing at the beira port and thereby increasing export earnings as well as increasing supply for local consumption.
55.	Mozambique	C.B. For Mussa Bin Bique University	Technical Assistance	31-12-03	0.30	0.20	0.26	The project aims at building the capacity of the university in offering its students, especially those in the agricult. sciences programs,a well-rouded education through the use of modern laboratory technology and equipment. The project will also help the university grow in a systematic way,nurturing a balanced dev. through the prep. of a development plan and a campus master plan.
56.	Niger	Integrated Rural Development Of Kehehe Tabalak	Ordinary Loan + LDMC Loan	21-04-03	4.74	3.03	3.93	It contributes towards poverty reduction by improving living conditions of the crural population, through mobilizing available water resources in order to develop the agricultural lands and facilitating access to the basic social infrastructures: potable water supply, health care, education.
57.	Niger	The Ministry Of African Integration And Nepad	Technical Assistance	16-06-03	0.33	0.15	0.21	The project aims at building the capacity and strengthening the Ministry Of African Integration & NEPAD Programme. To address the current issue of integrat. & dev within nepad initiative the requested t.a. encompasses a set of measures aiming at allowing the ministry to build the required local and sustained capacity to achieve the NEPAD objectives in Niger.
58.	Niger	Franco-arab Education Development-iv	Ordinary Loan + LDMC Loan	20-10-03	10.40	6.63	9.15	It aims at supporting the 10-year Education Development Program (2003-2013) and in particular Phase-I of the program (2003-2007) which intends to increase: grade-1 intake, primary gross enrolment rate, primary gross enrolment rate in rural areas, secondary gross enrolment rate, grade-6 global survival rate and primary education and franco-arabic education examination success rate.
59.	Niger	Liptako Gourma Livestock Development	Ordinary Loan + LDMC Loan	08-12-03	10.77	6.54	9.16	The goal of the project is to improve the food security for the population through improvement of livestock production, and to promote regional integration between the 3 member countries of the Lga..
60.	Niger	D.E.D And Enviromental Studies of Kandadji Dam	Technical Assistance	15-02-04	3.63	1.22	1.69	The objective is to undertake the detailed engineering design (D.E.D) including the tender documents and the environmental impact assessment study for the multipurpose Kandadji Dam on the Niger River.
61.	Oman	Expansion of Salalah Seaport	Istisna'a	15-02-04	251.00	35.00	49.50	the project aims at satisfying the increasing traffic demand &growth by construct. of two additional berths & development of breakwater. The project will increase the capacity of current, 2003, container handling ability from 2.0 million teu's up to 3.0 million teu's per annum.

62.	Pakistan	Construction of Primary School	Ordinary Loan	08-12-03	12.36	7.00	9.70	The project aims to construct 200 government primary schools at various locations (4 provinces) in Pakistan to minimize illiteracy in rural areas,to meet the targets of the primary education i.e. universalizaion of primary education, and to ensure proper educational environment in the constructed schools of the project areas.
63.	Palestine	Printing Of School Textbooks For Academic Year 2003-2004	LDMC Loan	17-09-03	6.30	1.24	1.70	To support the Ministry of Education in printing textbooks for the year 2003/2004 in order provide the necessary books for one million students in the Palestinian schools.
64.	Qatar	The Soybean Edible Oil Plant Project.	Leasing	21-04-03	60.00	17.50	24.00	Construction of a soybean edible oil plant to process 990,000 metric tons of soybean seeds per year to produce 183,150 metric ton of crude soybean edible oil for human consumption, 732,600 (74%) metric tons of soybean protein cakes for cattle consumption.
65.	Saudi Arabia	The Ebsar Center For Vision Impairment And Rehabilitation.	Technical Assistance	20-10-03	0.64	0.18	0.25	The project aims at assisting Ebsar Foundation in developing comprehensive & sustainable low vision services in the Gulf States. It Includes components on public awareness, low vision care (clinical and rehabilitative) access to low vision devises and additional recommended components in para-professional devevelopment and computer training.
66.	Senegal	Construction Of Saraya-kita Regional Road.	Ordinary Loan	21-07-03	80.44	7.00	9.45	The objective of the project is to improve the transfer of goods and services between Mali & Senegal by completing the Bamako-dakar Road Axis through the construction of the 310 kilometers road linking Saraya in Senegal to Kita in Mali.
67.	Senegal	Education Development Proejct (Phase-iv)	Ordinary Loan + LDMC Loan	20-10-03	10.98	7.00	9.65	(a) Civil works (b) The schools will be equipped with the a ppropriate furniture. Improving the quality of education (c) The C.B. to the Ministry of Education will be reinforced through the acquisition of office equipment, the training of 700 school headmasters &ministry staff (d) Support To Pmu (e) Studies and supervision of civil works (F) Audit.
68.	Senegal	Financial Support For Micro & Small Enterprises	Ordinary Loan + Technical Assistance	08-12-03	3.90	2.53	3.40	To contribute to alleviate poverty by increasing access to financing for rural and urban small and micro-enterprises in the most underprivileged regions of the country, sustain the viability of the existing microfinance networks, & increase capacity of relevant public supervisory bodies.
69.	Sierra Leone	The Social Action Support Program (Sasp).	Ordinary Loan + LDMC Loan	21-07-03	10.82	6.94	9.58	The overall goal of the project is to mitigate the risk of renewed conflict & contribute to sustained poverty reduction through increased access to basic infrastructure & services.
70.	Sudan	The Drought Mitigation Project For Greater Darfur States	Istisna'a + Ordinary Loan	01-09-03	29.37	17.74	24.34	The aim of this drought mitigation project is the provision of sufficient water supply to support efforts to restore the natural resources, livestock raising, food security and the well-being of the people living at the areas affected by drought & desertification.
71.	Suriname	Radiotherapeutic Center Of The Academic Hosp. Of Paramaribo	Istisna'a + Instalment Sale	21-04-03	7.55	4.72	6.47	The main objective of the project is to set-up an integrated radio therapeutic center in the oncology department within the Ahp which would have the necessary modern equipment to provide local treatment including follow-up & ssistance to patients with malignant cancer and provide training to medical students and boost cancer research in Suriname.

72.	Syria	Construction of Schools In Rural Areas	Ordinary Loan	01-09-03	11.10	6.52	9.00	The Project aims at const. of 110 schools in remote rural areas of 6 governorates in the northern & eastern parts of Syria i.e. Hammat, Hims, Aleppo, Hassakeh, Rekka and Deir Azzour Governorates. The project also aims at generating employment opportunity to the local population through involvement of local contractors in the construction.
73.	Syria	Changing The Cooling System of Mehardeh Power Plant	Leasing	01-09-03	57.87	29.26	40.38	The project aims at satisfying the increasing demand of electrical power by increasing the efficiency of Mehardeh Steam Power Plant. This will be achieved by converting the existing wet type cooling system in the plant to dry cooling system.
74.	Tajikistan	C.B. of The Ministry of Economy And Trade	Technical Assistance	24-09-03	0.25	0.15	0.22	The objectives to procure modern it equipment, create a database & software with investment and private sector related information, conduct study on the problems of current privatization process, develop a framework to enhance human resources of the Ministry of Economy and Trade through training.
75.	Tajikistan	F.s. For The Establishment of An Investment Holding Company	Technical Assistance	22-12-03	0.13	0.09	0.13	The objective of the project is to carry out a feasibility study for the already announced Investment Holding Company (Ihc) to assess the viability of the proposed ihc including evaluation of the operational, economic, financial, institutional, legal and managerial aspects of the proposed Ihc.
76.	Tajikistan	Mini Hydropower Plants in the Rural Areas	Ordinary Loan	15-02-04	11.59	6.62	9.18	The objective of the project is to provide a reliable supply of electricity in rural areas of tajikistan where supply is limited during summer, and especially, winter periods owing to a combination of factors such as generating capacity problems during peak periods of demand, energy availability constraints & transmission system supply constraints.
77.	Togo	Acquisition of 20 Buses (Supplementary Financing)	Instalment Sale	19-05-03	2.85	0.06	0.08	The Objective of the project is to improve the current situation of the student transport by the acquisition of 20 buses for the University of Lome.
78.	Togo	Feasibility Study and Detailed Design of Rural Roads	Technical Assistance	15-02-04	0.56	0.35	0.49	The objective of the present technical assistance is to prepare a bankable project for the reconstruction of the priority rural roads network.
79	Tunisia	Health Project	Instalment Sale	21-07-03	76.00	21.74	30.00	The project which lies within the 10th development plan of health services, aims more specifically at upgrading and improving medical equipment in major and regional hospitals.
80.	Turkey	Al Baraka Turkish Finanaced House (Additional Viii)	Equity	09-09-03	19.31	0.67	0.93	The banking regulation and supervisory agency(brsa), which is the highest banking regulatory and supervisory authority in Turkey, has requested abtfh, to strengthen its capital base by injecting fresh money to raise thte paid-up capital.
81.	Turkmenistan	Feasibility Study and Preliminary Design for Turkmenbashy-karabogaz Road	Technical Assistance	27-01-04	0.31	0.20	0.28	The main objective of the study is to assist the government in preparing a f.s.& prelminary design of a project suitable for financing to connect the city of Turkmenbashy, which is a major gateway for Turkmenistan trade with europe to the int'l road network of Kazakhstan and other neighbouring count. it aims to recons.& rehabilit. selected sections of the road.

82.	Uzbekistan	State Medical Emergency Hospitals (Smeh) Equipment	Instalment Sale	15-02-04	29.30	16.14	23.80	To enhance the developmental efforts of the Government of Uzbekistan in maintaining appropriate health standard of the population through the provision of modern medical equipment to 12 emergency medical hospitals at different locations in uzbekistan to enable them to provide emergency and necessary medical services.
83.	Uzbekistan	Road Construction and Maintenance Equipment	Instalment Sale	15-02-04	14.99	8.51	12.56	To facilitate the construction and regular maintenance and upkeep of municipal roads of Tashkent city by providing modern road construction and maintenance equipment and through the upgradation of existing asphalt plant.
84.	Yemen Rep.	Faculty of Engineering Of Aden University	Ordinary Loan	16-06-03	16.00	7.00	9.79	It aims at fostering the level of engineering education in Yemen,through the construction and the development of suitable buildings that would be appropriately house the educational, technical and administrative facilities of the faculty of engineering at the University of Aden New campus at Al-sha'ab city.
85.	Yemen Rep.	Hajjah Rural Electrification Project	Leasing + Ordinary Loan	21-07-03	65.75	18.90	26.20	The project will lead to an improvement in the production and transmission of electricity in the project location in the Hajjah Governorate, which in turn will have substantial social and economic benefits in the region.
86.	Yemen Rep.	Abyan Agricultural Development	Technical Assistance	11-01-04	0.23	0.14	0.20	The projects aims at conducting a comprehensive feasibility study for an agricultural development project in Abyan Governorate covering 13 districts with a focus on water resources.
87.	Regional	The Biological Control of Date Palm Pests Project, (Phase-II)	Technical Assistance	26-10-03	6.32	0.20	0.27	Assemble and validate an integrated pest management system that capitalizes on the new bi-control tech. In addition to local sanitary & agronomical tactics, in a compatible manner so as to maintain weevil's population density below economic thresholds under the prevailing social, environmental and economic conditions of date palm farmers in the region.
88.	Regional	Restructure the General Secretariat of The OIC	Technical Assistance	16-06-03	1.18	0.83	1.18	To conduct an internal assessment of the General Secretariat and propose reform recommendation. In order to improve its relevance & effectivenessto translate the reform recommendations into a change program master plan and to identify and implement the necessary reform initiative which will address immediate issues within the organization.
89.	Regional	Young Researchers Support Prog in Collaboration with COMSTECH	Technical Assistance	18-02-04	0.41	0.27	0.35	The objectives of the programme are (i) to provide young and deserving researchers in idb m.c. with financial assistance, technical capability and administrative support to pursue thier research work on research projects approved by idb, and (ii) to contribute effectively in mitigating the adverse effects of brain-drain on their economic development.
90.	Regional	International Centre for Biosaline Agriculture (ICBA)	Technical Assistance	20-02-04	0.19	0.13	0.19	To enhance icba's effectiveness and contribution through an external manag. and program review exercise. The external review,which is a satutory req., is basically an independent technology audit that seeks to inform sponsors that their investment is sound. The external review provides sponsors with an independent and objective assessment of the relevance, quality and impact.
91.	Regional	Portal and Intranet Infrastructure Solution Project for the GOIC	Technical Assistance	27-10-03	0.31	0.20	0.277	Convert the existing goic web site into a dynamic interacive portal for industrial inf. needed by GCC industry authorities private sector companies, investors and professionals. To maintain and update industrial inf. database about the gcc countries. to treat infrastructure and infrastructure services as a source of income for GOIC to facilitate the decision making process for ind. decision.

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Chapter 4

TRADE FINANCING OPERATIONS

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IDB Promotes Intra-trade Among Member Countries

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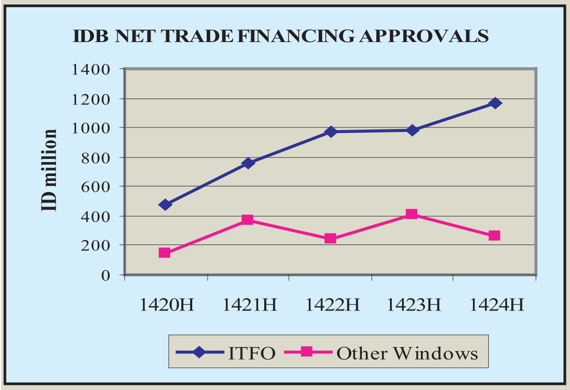
HIGHLIGHTS 1424H

- Total Trade Financing Approved: ID1.44 billion (US$2.06 billion)
- Trade Financing Approved under:
  - ITFO: US$1.65 billion
  - EFS: US$124.8 million
  - I BP: US$161.25 million
  - UIF: US$91.50 million
- 69% of ITFO for financing intra-trade
- Disbursement under trade operations increased from ID829 million to ID1.02 billion
- Number of seminars and trade fairs organized to promote intra-trade: 10



I. IDB'S TRADE OPERATIONS AND ACTIVITIES

Trade Financing Operations

The Islamic Development Bank's (IDB) trade financing operations are implemented in line with Article 2(vii) of the Bank's Articles of Agreement which requires the IDB to promote foreign trade among member countries. The Bank's Strategic Framework also aims to assist member countries in their development efforts by providing finance for importing capital goods, raw material and other intermediate goods.

The trade financing operations are implemented mainly through two schemes, namely the Import Trade Financing Operations (ITFO), launched in 1397H, and the Export Financing Scheme (EFS) launched in 1408H. Trade financing is also undertaken through the Islamic Banks Portfolio (IBP) for Investment and Development and the Unit Investment Fund (UIF) lauched in 1407H and 1410H, respectively.

The Islamic Corporation for Private Sector Development (ICD), Awqaf Properties Investment Fund (APIF) and the Bank's Treasury Department also participate in trade financing operations. The Islamic Corporation for Insurance of Investment and Export Credit (ICIEC) provides export credit insurance to exporters of member countries who are exporting to both member and non-member countries.

IDB manages a special trade programme, in co-operation with the Khartoum-based Arab Bank for Economic Development in Africa (BADEA), to finance exports from Arab countries to non- Arab League member countries of the African Union.

Achievements To Date

Cumulative net approvals since the start of trade operations under ITFO, EFS, IBP and UIF stood at ID15.94 billion (US$20.74 billion) as at the end of 1424H. Their breakdown is as follows:

- ITFO ID13.07 billion (US$16.81 billion)
- EFS ID917 million (US$1.23 billion)
- IBP ID1.58 billion (US$2.18 billion)
- UIF ID377 million (US$517 million)

In addition, a total of ID112.58 million (US$120.62

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million) was approved by the ICD, APIF and Treasury Department for trade financing.

Table 4.1 and Chart 4.1 show the distribution of trade financing approvals per scheme, from 1397H to 1424H.

schemes, compared to the ID 1.40 billion (US$1.86 billion) approved in 1423H, representing an increase of 9 per cent.

The amount approved under ITFO in 1424H was ID 1.16 billion (US$1.65 billion) as compared to the net

TABLE 4.1

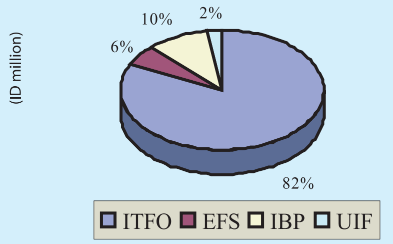
DISTRIBUTION OF TRADE FINANCING APPROVALS FROM 1413H-1424H

(Amount in ID million)

YEAR (H)	ITFO ***		EFS		IBP		UIF		TOTAL	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Till 1413	662	6,486.07	80	154.24	30	217.36	4	8.04	6608	6,865.71
1414	47	290.03	6	20.28	8	127.37	1	3.54	309	441.22
1415	50	318.82	8	18.57	10	111.40	5	20.39	362	469.18
1416	44	333.89	10	43.74	6	129.85	5	22.51	377	529.99
1417	46	357.92	11	31.13	11	151.06	4	17.92	402	558.03
1418	32	351.93	8	27.25	18	173.61	7	35.21	420	588.00
1419	31	581.53	14	45.09	10	75.98	4	12.97	623	715.57
1420	33	478.09	13	51.01	8	79.11	2	14.11	515	622.32
1421	58	758.38	21	143.27	9	149.72	8	74.86	871	1,126.23
1422	61	969.45	18	142.12	8	66.14	5	35.46	1036	1,213.17
1423	73	985.11	19	150.90	14	189.96	10	70.80	1099	1,396.78
1424	88	1,162.25	11	89.53	13	107.86	13	61.20	1260	1,420.84
*Total	1225	13,073.56	219	917.13	145	1,579.42	68	377.01	1657	15,947.12
**Gross	1452	14,717.92	307	1,249.83	187	1695.44	68	377.01	2014	18,040.20

*Excluding cancelled operations. The overall total may not tally with the figures in Tables 0.1 and 3.1 because of differences in the coverage of data.
**Gross approvals, detailed are provided in Annex 4A.
***Operations syndicated by IBP and UIF with ITFO are shown under ITFO only.

CHART 4.1
PERCENTAGE OF NET APPROVALS PER SCHEME FROM 1397H-1424H



Cumulative trade financing approvals as at the end of 1424H amounted to ID18.04 billion (US$23.56 billion). Details of these approvals under the different trade schemes are shown in Annex-4A of this Chapter.

Achievements in 1424H

In 1424H, IDB approved a total amount of ID 1.42 billion (US$2.03 billion) under the four trade finance

approvals of ID 985.1 million (US$1.30 billion) in 1423H. For EFS, the amount approved was ID 89.53 million (US$124.80) million in 1424H as against the previous year's net approved amount of ID 150.90 million (US$198.36 million). Thus, the total amount approved under IFTO and EFS in 1424H was US$1.77 billion, representing an increase of 18.40 per cent over the net approvals of US$1.50 billion made in 1423H.

The approvals under IBP and UIF trade operations were respectively ID 107.86 million (US$161.25 million) (1423H: US$260.25 million) and ID 61.2 million (US$91.50 million) (1423H: US$97.00 million).

Total disbursements on account of trade financing in 1424H were ID 908.28 million (US$1.36 billion) as compared to ID 828.80 million (US$1.14 billion) in 1423H, an increase of 9.6 per cent.

The breakdown of the disbursements under the various trade financing schemes in 1424H is as follows:

- ITFO ID 719.22 million (US$ 1.08 billion)
- EFS ID 39.79 million (US$59.49 million)
- IBP ID 66.25 million (US$99.05 million)
- UIF ID 83.02 million (US$124.12 million)

Table 4.2 and Chart 4.2 compare disbursements to net approvals under the four trade financing schemes during the period 1421H-1424H.

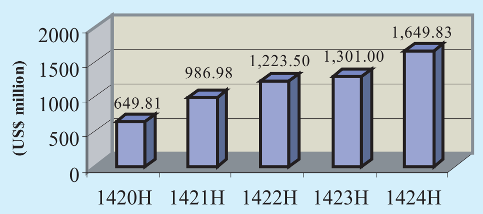
TABLE 4. 2
COMPARISON BETWEEN TOTAL NET APPROVALS AND TOTAL DISBURSEMENTS FOR TRADE OPERATIONS FROM 1421H TO 1424H

(Amount in ID million)

	1421H		1422H		1423H		1424H	
Scheme	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
ITFO	758.38	372.00	969.45	690.00	985.12	725.00	1,162.25	719.22*
EFS	143.27	99.60	142.12	72.10	150.90	41.88	89.53	40.00
IBP	149.72	6.80	66.14	56.60	189.96	25.30	107.86	66.25
UIF	74.86	3.60	35.46	22.80	70.80	37.30	61.20	83.02
TOTAL	**1,126.23**	**482.00**	**1,213.17**	**841.50**	**1,396.78**	**829.48**	**1,420.84**	**908.28**

*Includes ID74.0 million disbursed under syndication.

CHART 4.3
ITFO APPROVALS FROM 1420H-1424H



Performance Highlights

Following are some highlights of ITFO performance in 1424H:

- The approved amount of US$1.65 billion represented an increase of 26.7 per cent over US$1.30 billion net approved amount in 1423H. Of this amount, US$1.13 billion (68.6 per cent) was for financing of intra trade.
- Eighty eight operations benefiting 17 member countries were approved during the year. Significant increases in approvals were achieved this year benefiting Bangladesh (US$460.00 million from US$ 265.00 million in 1423H), Egypt (US$266.50 million from US$185.00 million), Iran (US$232.20 million from US$108.00 million) and Algeria (US$ 145.82 million from US$34.00 million).
- Increased approvals under the Two-Step Murabaha Financing (2SMF) and Syndication mechanisms amounting to US$427.85 million compared to US$370.00 million achieved in 1423H, representing an increase of 15.63 per cent.
- More approvals were made for countries in Sub-Saharan Africa in support of the Ouagadougou Declaration. Seven operations totaling US$54.96 million were approved for Senegal, Sudan and Niger during the year. (1423H: US$19.00 million for five operations).
- Increased approvals of Euro denominated facilities, i.e. €360.61 million as compared to €122.38 million in the previous year. These are for beneficiaries in Algeria, Iran, Senegal, Sudan, Turkey and Tunisia.

EFS Performance

The approvals under the EFS scheme during the year amounted to US$124.80 million as compared to net approvals of US$198.36 million in 1423H, a decrease of 37.1 per cent. This drop in approvals was due to the fact that two major operations under the scheme were not implemented.

II. IDB'S EFFORTS TO PROMOTE INTRA-TRADE AMONG MEMBER COUNTRIES

Allocation of Resources and Approvals

During 1424H, IDB had allocated US$1,356 million from its ordinary capital resources for the ITFO programme compared to US$1,200 million in 1423H. Given the target for the year the remaining amount of US$644.00 million to be mobilised from external sources under the Two-Step Murabaha Financing (2SMF) and Syndication mechanisms. An allocation of US$270.00 million (same amount as in 1423H) was also made for the EFS.

Despite the drop in EFS approvals, IDB trade operations have achieved an overall improvement in performance in 1424H. Aggregate ITFO and EFS approvals for the year was US$1.77 billion, an increase of 18.40 per cent over the net approved amount of US$1.50 billion in 1423H. Of this amount, US$1.33 billion (75.14 per cent) was utilized to finance intra- trade transactions.

Total approvals under IBP and UIF were US$252.75 million as against US$357.25 million approved in 1423H, i.e., a decrease of 29 per cent.

Review of Procedures

The Task Force on Enhancement of Income from Trade Operations, formed during the year to support the work of the Steering Committee on Enhancement of IDB Income, has made certain recommendations on measures to improve the effectiveness of ITFO and EFS, which will further enhance the income of IDB. These include introduction of new products, review of pricing matrixes of both Schemes and re-engineering of the business processes. Some of these recommendations have been approved by the Bank's Management and will be implemented in 1425H.

III. IMPORT TRADE FINANCING OPERATIONS (ITFO)

ITFO, funded from the Ordinary Capital Resources of the IDB, is a buyer's credit scheme of the Bank and has the objective of facilitating and promoting trade among IDB member countries.

Since its inception in 1397H, IDB has approved a total amount of US$16.81 billion under ITFO, of which US$12.56 billion (or 74.70 per cent) was used to finance intra trade (Table 4.3) The bulk of ITFO financing was used by member countries mainly to import crude oil (40.82 per cent), industrial

TABLE 4.3

INTRA-TRADE PERFORMANCE UNDER ITFO FROM 1397H TO 1424H

(Amount in ID million)

Year (H)	Number of Countries	Number of Operations	Amount*		Member Country	
			ID	US$	US$	%
Till 1413H	9	662	6,486.07	7,842.52	6,223.02	79.34
1414	9	47	290.03	405.39	356.25	87.88
1415	9	50	318.82	473.33	348.33	73.59
1416	9	44	333.89	498.50	330.50	66.30
1417	8	46	357.92	509.94	315.44	61.86
1418	9	32	351.93	79.40	389.40	81.23
1419	10	31	581.53	7.22	321.00	40.78
1420	12	33	478.09	649.84	479.84	73.84
1421	14	58	758.38	986.98	792.70	80.32
1422	16	61	969.45	1,223.50	945.25	77.26
1423	17	73	985.12	1,301.00	922.00	70.87
1424	17	88	1,162.25	1,649.83	1,132.06	68.62
TOTAL		**1,225.00**	**13,073.48**	**16,807.45**	**12,555.58**	**74.70**

*Net of cancellations.

intermediate goods (24.95 per cent), refined oil and petrochemical products (7.80 per cent), and vegetable oil (5.56 per cent). ITFO approvals performance in the last five year is shown in Chart 4.3 and its breakdown by commodity is given in Table 4.4 and Chart 4.4.

CHART 4.3
ITFO APPROVALS FROM 1420H-1424H

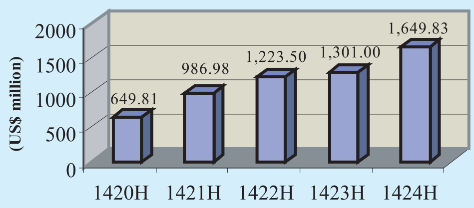


TABLE 4.4
ITFO APPROVALS BY COMMODITY FROM 1397H TO 1424H
(Amount in ID million)

Sl. No.	Commodity	Amount	%
1.	Crude Oil	6863.9	40.8
2.	Industrial Intermediate Goods	4195.5	25.0
3.	Refined Petroleum Products	1041.3	6.2
4.	Petrochemicals	261.1	1.6
5.	Vegetable Oil	934.5	5.6
6.	Cement	226.2	1.3
7.	Fertiliser, Phosphoric Acid and Potash	615.9	3.7
8.	Jute	157.5	0.9
9.	Cotton	368.6	2.2
10.	Sulphur	194.0	1.2
11.	Iron Ore	115.0	0.7
12.	Rock Phosphate	67.9	0.4
13.	Ammonia	36.5	0.2
14.	Clinker, Kaolin	41.4	0.2
15.	Plywood	42.0	0.2
16.	Copper Rods	163.9	1.0
17.	Capital Goods	184.2	1.1
18.	Bicycles	1.8	0.0
19.	Rice, Wheat	702.3	4.2
20.	Others	594.0	3.5
	TOTAL	**16807.5**	**100**

The performance of ITFO has continued to improve in 1424H with US$1.65 billion approved (88 operations) as compared to the previous year's net approvals of US$1.30 billion (73 operations) or an increase of 26.92 per cent. About 75 per cent of the approvals were for Algeria, Bangladesh, Egypt, Iran and Turkey while the remaining were for Bahrain, Indonesia, Jordan, Kuwait, Malaysia, Niger, Pakistan, Qatar, Saudi Arabia, Senegal, Sudan and Tunisia. Table 4.5 shows the ITFO approvals in 1424H according to the recipient country. Annex-4B shows the details for the operations to each recipient country.

CHART 4.4
ITFO APPROVALS BY
COMMODITY FROM 1397H-1424H

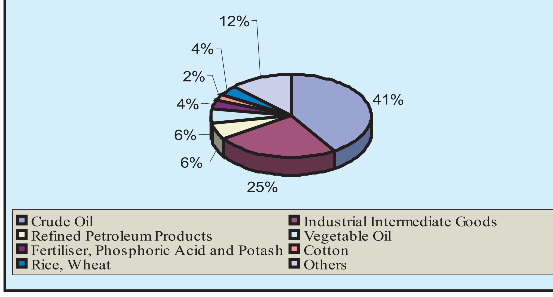


TABLE 4.5
ITFO APPROVALS BY
COUNTRY IN 1424H*

(Amount in million)

Sl. No.	Country	ID	US$
1.	Algeria	103.29	145.82
2.	Bangladesh	324.55	460.00
3.	Bahrain	24.52	35.00
4.	Egypt	185.06	266.50
5.	Indonesia	4.38	6.00
6.	Iran	163.55	232.19
7.	Jordan	7.18	10.00
8.	Kuwait	8.04	12.00
9.	Malaysia	72.94	100.00
10.	Niger	3.50	5.00
11.	Pakistan	51.76	75.00
12.	Qatar	3.34	5.00
13.	Saudi Arabia	40.16	58.00
14.	Senegal	20.22	28.64
15.	Sudan	15.09	21.33
16.	Turkey	103.54	145.43
17.	Tunisia	31.15	43.92
	TOTAL	**1162.25**	**1649.83**

*Details are in Annex 4B.

The IDB policy is to diversify the currency portfolio of trade financing. In line with this policy, more Euro-denominated operations were approved in 1424H (€360.61 million as compared to €122.38 million in 1423H). These are for beneficiaries in Algeria, Iran, Senegal, Sudan, Turkey and Tunisia.

Box 4.1
Structured Financing under Trade Operations

IDB has introduced "non-conventional method" of structured financing in order to further facilitate its intervention in sub-Sahara African countries. This includes short-term revolving credit lines to banks (to be on-lent to their credit worthy clients) and facilities backed against assignment of the beneficiaries export receivables. Evaluation is presently being made on the concept of warehouse receipt lending by the Bank's Special Task Force. Structured trade financing will be the main thrust of IDB's financing activities not only in Sub Sahara Africa but also in the CIS region.

Box 4.2
Support for the Ouagadougou Declaration

In support of the Ouagadougou Declaration, more trade financing approvals have been made to beneficiaries in Sub-Saharan African countries during the year. Seven operations amounting to US$54.96 million (as against the set target of US$50.0 million) had been approved for Senegal, Sudan and Niger during the year. (1423H: US$19 million for five operations in Senegal and Niger).

IV. EXPORT FINANCING SCHEME (EFS)

The Export Financing Scheme (EFS) is a supplier's credit scheme which aims at promoting exports of member countries through provision of short-term and long-term financing of exports destined to both member and non-member countries.

The scheme has been established in 1408H by the IDB in partnership with several exporting member countries. Its total subscribed capital is ID 320.00 million, of which ID 170.00 million has been subscribed by 26 member countries and ID 150 million by IDB. The present paid-up capital is ID 134.00 million ,of which ID 75.00 million was paid by IDB[1].

Cumulative approvals under EFS since its inception in 1408H amounted to ID 917.13 million (US$1,233.16 million) benefiting 19 exporting member countries. All operations approved so far were for intra-trade among member countries. Tables 4.6 and 4.7 show net approvals for exporting and importing member countries from 1408H to 1424H, respectively.

TABLE 4.6
EFS APPROVALS BY EXPORTING COUNTRY
FROM 1408H TO 1424H

Sl. No.	Country	(Amount in million)	
		ID	US$
1.	Algeria	7.71	10.00
2.	Bangladesh	4.81	6.44
3.	Bahrain	18.44	25.00
4.	Egypt	65.52	84.62
5.	Indonesia	9.21	12.50
6.	Iran	4.45	6.00
7.	Jordan	18.48	24.90
8.	Kuwait	97.60	133.48
9.	Libya	6.77	9.14
10.	Lebanon	13.35	17.27
11.	Malaysia	52.26	73.01
12.	Morocco	29.91	39.66
13.	Pakistan	20.90	30.00
14.	Saudi Arabia	213.08	285.76
15.	Sudan	2.24	3.07
16.	Syria	0.35	0.48
17.	Turkey	181.74	250.95
18.	Tunisia	81.13	106.88
19.	UAE	89.18	114.00
	TOTAL	**917.13**	**1,233.16**

In 1424H, an amount of US$124.80 million for 11 operations under EFS was approved as compared to net approvals of US$198.36 million for 19 operations in 1423H; a decrease of 37.08 per cent. This drop is due to the fact that two major EFS operations were not implemented.

The majority of the EFS operations approved during 1424H, US$90.00 million or 72.11 per cent, was

[1] Algeria, Bahrain, Bangladesh, Brunei, Egypt, Gabon, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Malaysia, Morocco, Pakistan, Saudi Arabia, Senegal, Somalia, Sudan, Syria, Tunisia, Turkey, United Arab Emirates and Uganda. Cameroon and Palestine joined the Scheme in 1424H. Kazakhstan and Qatar are expected to join EFS in the near future.

TABLE 4.7 EFS APPROVALS BY IMPORTING COUNTRY FROM 1408H TO 1424H*			
Sl. No.	Country	(Amount in million)	
1.	Algeria	174.903	237.312
2.	Bangladesh	64.553	90.000
3.	Egypt	27.810	38.405
4.	Gambia	2.570	3.450
5.	Iran	130.943	175.099
6.	Iraq	31.066	40.001
7.	Jordan	1.396	1.920
8.	Morocco	1.419	1.930
9.	Pakistan	174.777	230.082
10.	Saudi Arabia	5.656	7.731
11.	Senegal	15.022	20.800
12.	Sudan	1.103	1.440
13.	Syria	1.493	2.000
14.	Tunisia	12.140	17.061
15.	Turkey	47.714	64.606
16.	UAE	0.184	0.243
17.	Uganda	1.774	2.263
18.	Yemen	11.074	15.000
	TOTAL	**705.597**	**949.343**

*Excluding cancellations and EFS Lines of Financing.

aimed to finance export of refined petroleum products from Kuwait to Bangladesh. Total operations approved during 1424H are presented in Table 4.8 and Annex-4C.

TABLE 4.8 EFS APPROVALS BY EXPORTING COUNTRIES IN 1424H			
Sl. No.	Countries	(Amount in million)	
1.	Bahrain	2.10	3.00
2.	Kuwait	64.55	90.00
3.	Saudi Arabia	18.70	25.80
4.	UAE	4.22	6.00
	TOTAL	**89.58**	**124.80**

It is to be noted that, in line with the Memorandum of Understanding signed in 1423H, between IDB and the Saudi Fund for Development the two institutions have for the first time co-financed an EFS operation in 1424H, involving export of sulphur from Saudi Arabia to Senegal.

V. TRADE FINANCING UNDER DIFFERENT FUNDS

1. BADEA Export Financing Scheme

This Scheme is implemented in line with the Memorandum of Understanding (MOU) signed in 1998 by the IDB with the Khartoum-based Arab Bank for Economic Development in Africa (BADEA). Under this MOU, IDB manages a US$50.00 million fund as a Mudarib, which would be used to finance exports of goods from Arab countries to the non-Arab members of the African Union. This MOU, which expired on 22 February 2004, is expected to be renewed.

Since the start of its operations in 1419H, US$96.00 million had been approved for 17 operations for importers in Gambia, Guinea, Kenya, Mauritius, Senegal, Seychelles, Tanzania, Uganda, and Zimbabwe.

In 1424H, US$29.5 million was approved in favour of Mauritius (US$9.7 million), Senegal (US$5.0 million), Kenya (US$5.0 million), Zimbabwe (US$4.9 million) and Gambia (US$4.9 million). Since 1423H, BADEA scheme has been used to further support IDB's commitments under the Ouagadougou Declaration. Details are shown in Table 4.9.

2. Islamic Banks Portfolio for Investment and Development (IBP)

The IBP was established in 1408H by the IDB in association with 20 other Islamic banks and financial institutions. It aims are to mobilise the liquidity available to the Islamic banks and financial institutions to promote the development of the Islamic financial market and diversify its portfolio with a view to generating a return commensurate to its risk profile.

Trade financing is a major activity of the IBP. To date, US$2,185.28 million, out of the IBP's total portfolio of US$3,387.25 million or 65 per cent, had been approved for this purpose.

In 1424H, the IBP approved a total amount of US$161.25 million for 13 trade operations (Murabaha) in Bangladesh, Indonesia, Iran, Saudi Arabia and

TABLE 4.9 BADEA- EFS OPERATIONS APPROVED BETWEEN 1419H AND 1424H			
Year (H)	Exporting Country	Importing Country	Amount in US$ Million
1419H	Jordan &GCC	Mauritius	3.4
	Saudi Arabia	Tanzania	5.0
	Sub Total		8.4
1420H	Arab Countries	Uganda	4.4
	Sub Total		4.4
1421H	Arab Countries	Guinea	7.0
	Arab Countries	Mauritius	
	Arab Countries	Seychelles	4.7
	Sub Total		25.5
1422H	Arab Countries	PTA Bank Kenya	4.7
	Arab Countries	Senegal	5.0
	Sub Total		9.7
1423H	Arab Countries	Mauritius	5.0
	Arab Countries	PTA Bank, Kenya	2.5
	Arab Countries	Afreximbank	15.0
	Arab Countries	Seychelles	4.8
	Sub Total		27.3
1424H	Kuwait or Libya	Zimbabwe	4.9
	Arab Countries	Senegal	5.0
	Arab Countries	Mauritius	9.7
	Arab Countries	Kenya	5.0
	Arab Countries	Gambia	4.9
	Sub Total		29.5
TOTAL			96.0

Turkey. Further details on the IBP operations are provided in Table 5.1 in Chapter 5.

3. IDB Unit Investment Fund (UIF)

Established in 1410H (1989), the UIF complements IDB's ordinary operations by financing projects and Murabaha trade operations either directly or jointly with the IDB and its other affiliates.

Similar to IBP, the main activity of UIF is financing direct and syndicated trade operations. To date, it has approved US$517.45 million out of total portfolio of US$1,288.60 million (40 per cent) . In 1424H, the IBP has approved 13 trade operations valued at US$91.50 million for importers to Bangladesh, Egypt, Indonesia, Iran, Saudi Arabia, Tunisia and Turkey. Further details of the UIF are provided in Chapter 5.

4. Other Trade Financing Operations

Over the past four years, some other funds in the bank were also engaged in financing trade operations besides their other financing activities. These include: Islamic Corporation for the Development of Private Sector (ICD), Awqaf Properties Investment Fund (APIF), and the Treasury Department in 1424H. The APIF financed seven operations in 1424H amounting to ID 8.86 million (US$13.25 million) in 1424H which took its cumulative trade operations to ID 10.32 million (US$15.25) by the end of the year. Till the end of 1424H, the aggregate trade operations by the ICD and Treasury amounted respectively to ID 1.27 million (US$1.82 million) and ID 80.25 million (US$103.55 million), compared to ID 0.36 million (US$0.46 million) for the ICD and ID 70.22 million (US$ 88.55 million) for Treasury in the year before.

VI. TRADE CO-OPERATION AND PROMOTION PROGRAMME (TC&PP)

The Trade Co-operation and Promotion Programme (TC&PP) was established in 1415H (1994) with the aim of supplementing IDB efforts in facilitating and promoting trade cooperation and intra-trade among the IDB member countries. The main objectives of the Programme are:

- Strengthening the existing trade relationships.
- Matching trade opportunities.
- Building capacity of member countries on subjects related to trade.

In 1424H, the TC&PP engaged in several trade promotion activities and capacity building of member countries, as summarized below:

Trade Fairs

- Banking Technologies and Free Zones Exhibition, Damascus, Syria, 1-4 /04/2003.

- Third International Trade & Industrial Fair, Shanyrak 2003, 2-5/09/2003, Almaty, Kazakhstan.
- Second Arab Industries World Exhibition, Jeddah, Saudi Arabia, 13-19/09/2003.
- Expo-OIC 2003 (in conjunction with OIC summit), Putrajaya, Malaysia, 14-19/10/2003
- 6th Afro-Arab Trade Fair, Dar-es-Salaam, Tanzania, 5-14/12/2003.
- IDB Pavilion, the Second International Finance Business Forum, Casablanca, Morocco, 2-3/12/2003.

Seminars/Workshops & Meetings

- Workshop on impact of e-commerce & using information to enhance Intra-Trade on OIC Member Countries, Tunisia, 10-12/06/03.
- The OIC trade Business Seminar, Kuala Lumpur, Malaysia, 15/10/2003.
- Seminar on Development of Exports in the GCC, Kuwait, 14/10/2003.
- OIC Business Forum, Kuala Lumpur, Malaysia, 15-16/10/2003.

Training courses & Studies

- Three training courses on ISO, Damascus, Syria, 16-24/08/2003.
- Study on Arab Industry Integration.
- Study on Trade opportunities between CIS countries and OIC Member Countries (in collaboration with ICDT).

The IDB Group efforts on Trade Cooperation and Promotion also include the Trade Information and Promotion System (TIPS) and the OICNetworks SDN BHD. The details of these schemes are provided in Chapter 5.

VII. TRADE OPERATIONS EVALUATION

IDB trade financing operations have experienced overall improvement in performance in 1424H. Total approvals under ITFO, EFS, IBP and UIF amounted to US$2.03 billion, as compared to net approvals of US$1.86 billion in 1423H, representing an increase of 9 per cent.

As in the previous years, performance under ITFO was encouraging with approvals reaching US$1.65 billion during the year as compared to net approvals of US$1.30 billion in the previous year, or an increase of 26.7 per cent. This has been achieved through generation of more business in Algeria, Bangladesh, Egypt, Iran, Saudi Arabia, Senegal, and Turkey coupled with resumption of business in Malaysia and Sudan.

Financing of intra trade was the main focus of trade operations with US$1.13 billion or 68.6 per cent of the amount approved under ITFO (US$1.65 billion) and the whole approved amount under EFS (US$124.8 million) used to finance trade among the IDB member countries.

In its Strategic Framework, IDB emphasizes trade as a means to enhance economic cooperation and development of its member countries. Accordingly, the IDB continued to make more resources available for trade financing in 1424H to support trade financing, especially intra trade. For the year, US$1.356 billion was allocated from its Ordinary Capital Resources for this purpose, as against US$1.20 billion in the previous year.

More financial resources are expected to be made available for the IDB to support trade financing arising from the New Initiative of the Kingdom of Saudi Arabia, announced during the 10th Islamic Summit in Kuala Lumpur (October 2003).

In support of Ouagadougou Declaration, the IDB has increased its approvals for trade operations in Sub-Saharan African countries. Structured trade financing has increasingly been used to further facilitate IDB's intervention in the region. Concerning diversification of currency denomination for trade operations, in 1424H also saw increased approvals in Euro for beneficiaries in Algeria, Iran, Senegal, Sudan, Turkey and Tunisia.

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Annex-4A

Distribution of Gross Trade Financing Approvals, 1397H-1424H*

(Amount in ID million)

	ITFO		EFS		IBP		UIF		APIF		ICD		Treasury		TOTAL	
Year (H)	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1397	5	43.61													5	43.61
1398	11	127.44													11	127.44
1399	23	271.56													23	271.56
1400	36	364.62													36	364.62
1401	34	392.18													34	392.18
1402	31	397.02													31	397.02
1403	28	480.60													28	480.60
1404	48	729.06													48	729.06
1405	38	668.21													38	668.21
1406	59	560.62													59	560.62
1407	53	453.03													53	453.03
1408	62	435.84	8	20.19	17	34.62									87	490.65
1409	65	459.74	35	45.29	7	15.71									107	520.74
1410	72	461.74	25	36.02	11	31.47									108	529.23
1411	63	425.35	19	25.37	11	60.07									93	510.79
1412	86	520.51	28	106.53	4	116.28	1	1.11							119	744.43
1413	68	380.54	19	53.67	8	31.68	3	6.93							98	472.82
1414	65	386.18	16	61.26	10	137.29	1	3.54							92	588.27
1415	67	412.74	15	51.10	16	122.65	5	20.39							103	606.88
1416	57	431.41	13	59.88	7	131.58	5	22.51							82	645.38
1417	57	455.06	15	53.37	14	156.62	4	17.92							90	682.97
1418	42	457.57	8	27.25	19	177.59	7	35.21							76	697.62
1419	37	663.64	15	47.49	10	75.98	4	12.97							66	800.08
1420	38	542.30	15	61.32	9	90.20	2	14.11							64	707.93
1421	74	930.99	24	168.15	9	149.72	8	74.86				0.36	1	30.38	116	1,354.46
1422	67	1,043.76	20	170.21	8	66.14	5	35.46					2	39.84	102	1,355.41
1423	78	1,060.35	21	172.68	14	189.96	9	70.80	1	1.46			0	0.00	124	1,495.25
1424	88	1,162.25	11	89.58	13	107.86	13	61.20	6	8.86		0.91	2	10.03	133	1,440.64
Total ID	**1452**	**14,717.92**	**307**	**1,249.31**	**187**	**1,695.42**	**68**	**377.01**	**7**	**10.32**		**1.27**	**5**	**80.25**	**2025**	**18,131.50**
Total US$		**19,020.12**		**1,634.78**		**2,345.80**		**517.45**		**15.25**		**1.82**		**103.55**		**23,638.77**

*Net approval figures for selected years are given in Table 4.1.

ANNEX-4B ITFO APPROVALS BY COUNTRY IN 1424H				
Sl. No.	Commodity	Source of Supply	(In million)	
			I.D	US$
	ALGERIA			
1.	GSM Mobile Equipment (Algerie Telecom)	NMC	18.07	24.76
2.	Telecom. Equipment (Algerie Telecom)	NMC	12.88	17.55
3.	11th Line to Algeria (7th to BNA)	MC/NMC	7.18	10.00
4.	Telecom. Equipment (Algerie Telecom SPA)	NMC	15.99	22.68
5.	Telecom. Equipment (Algerie Telecom SPA)	NMC	16.34	22.82
6.	Wheat (O.A.I.C)	MC	16.81	24.00
7.	Wheat (O.A.I.C)	MC	16.02	24.00
	Sub-Total		**103.29**	**145.82**
	BANGLADESH			
1.	Crude Oil / Refined Petroleum (Min of Power)	MC	18.24	25.00
2.	Crude Oil / Refined Petroleum (Min of Power)	MC	18.46	25.00
3.	Crude Oil / Refined Petroleum (Min of Power)	MC	116.01	160.00
4.	Crude Oil / Refined Petroleum (Min of Power)	MC	17.96	25.00
5.	Crude Oil / Refined Petroleum (Min of Power)	MC	17.65	25.00
6.	Crude Oil / Refined Petroleum (Min of Power)	MC	69.02	100.00
7.	Crude Oil / Refined Petroleum (Min of Power)	MC	16.76	25.00
8.	Crude Oil / Refined Petroleum (Min of Power)	MC	16.95	25.00
9.	Crude Oil / Refined Petroleum (Min of Power)	MC	16.84	25.00
10.	Crude Oil / Refined Petroleum (Min of Power)	MC	16.66	25.00
	Sub-Total		**324.55**	**460.00**
	BAHRAIN			
1.	Alumina & Other raw materials (ALBA)	NMC	24.52	35.00
	Sub-Total		**24.52**	**35.00**
	EGYPT			
1.	Wheat (Ministry of Supply)	NMC	18.05	25.00
2.	Wheat (Ministry of Supply)	NMC	18.24	25.00
3.	Wheat (Ministry of Supply)	NMC	18.34	25.00
4.	Air Conditioning Units (EDBE)	MC	7.18	10.00
5.	Wheat (Ministry of Supply)	NMC	17.26	25.00
6.	Wheat (Ministry of Supply)	NMC	17.09	25.00
7.	Wheat (Ministry of Supply)	MC	11.18	16.50
8.	Petroleum & Petroleum Products (EGPC)	MC	33.88	50.00
9.	Wheat (Ministry of Supply)	NMC	10.13	15.00
10.	Wheat (Ministry of Supply)	NMC	16.76	25.00
11.	Wheat (Ministry of Supply)	NMC	16.95	25.00
	Sub-Total		**185.06**	**266.50**
	INDONESIA			
1.	5th Line to Indonesia (Bank Ekspor)	MC/NMC	4.38	6.00
	Sub-Total		**4.38**	**6.00**
	IRAN			
1.	Parts & Components (IRAN BEHNOUSH CO.)	MC	3.03	4.10
2.	Parts & Components (IRAN BEHNOUSH CO.)	NMC	2.51	3.40
3.	Raw materials for Tire Mfg (SIMORGH)	MC	2.36	3.20
4.	Raw materials for Tire Mfg (IRAN YASA TIRE)	MC	3.02	4.20

ANNEX-4B (CONTINUED) ITFO APPROVALS BY COUNTRY IN 1424H				
Sl. No.	Commodity	Source of Supply	(In million)	
			ID	US$
5.	Components for Motorcycles (N. MOHARREKEH)	MC/NMC	12.13	17.20
6.	Raw materials for Steel (IRAN NATIONAL STEEL)	MC	16.66	23.60
7.	Raw materials for Tire Mfg (IRAN TIRE)	MC/NMC	8.34	11.75
8.	Raw materials for Petrochemical (FARABI)	MC	6.61	9.30
9.	Peugeot CKD KITS (IRAN KHODRO CO.)	NMC	8.10	11.40
10.	Parts & Components for Motorcycles (TIZRO)	MC/NMC	3.28	4.60
11.	Raw materials for Steel (SULIRAN)	MC/NMC	2.86	4.00
12.	Raw materials for Textile (GOLBAFT)	MC/NMC	8.09	11.21
13.	Raw materials for Cable Production (ABHAR WIRE)	MC/NMC	8.09	11.21
14.	Raw materials for Pipe (SADID PIPE & PROFILE)	MC/NMC	10.43	14.52
15.	Raw materials for Steel (AHWAZ)	MC	18.10	25.00
16.	Spare Parts for Wagon (WAGON PARS)	MC/NMC	8.21	11.69
17.	ITFO Line in favor of Export Devt. Bank of Iran	MC/NMC	16.72	24.46
18.	Raw materials for Tire (YAZD TIRE.)	MC/NMC	8.43	12.63
19.	Raw materials for Aluminium (NAVARD)	MC	8.43	12.63
20.	Raw materials for Artificial Strings (ALIAF)	MC/NMC	8.15	12.10
	Sub-Total		**163.55**	**232.19**
	JORDAN			
1.	8th Line to Jordan (HOUSING BANK)	MC/NMC	7.18	10.00
	KUWAIT		**7.18**	**10.00**
1.	Petroleum & Petroleum Products (IPG)	MC	8.04	12.00
	Sub-Total		**8.04**	**12.00**
	MALAYSIA			
1.	Crude Oil (PETCO)	MC	72.94	100.00
	Sub-Total		**72.94**	**100.00**
	NIGER			
1.	ITFO Line in favor of BINCI	MC	3.50	5.00
	Sub-Total		**3.50**	**5.00**
	PAKISTAN			
1.	Petroleum Products (PARCO)	MC	18.45	25.00
2.	Petroleum & Petroleum Products (PARCO)	MC	33.31	50.00
	Sub-Total		**51.76**	**75.00**
	QATAR			
1.	ITFO Line in favor of Qatar Industrial Devt .Bank		3.34	5.00
	Sub-Total		**3.34**	**5.00**
	SAUDI ARABIA			
1.	RAW Sugar (SAVOLA GROUP)	MC/NMC	17.76	25.00
2.	Aluminum, Timber & Sugar (A. AL-GOSAIBI)	MC/NMC	2.81	4.00
3.	Raw materials Raw Sugar (SAVOLA GROUP)	MC/NMC	16.89	25.00
4.	Sheep (AL MAWSHI AL MUKAIRESH)	MC	2.70	4.00
	Sub-Total		**40.16**	**58.00**

ANNEX-4B (CONTINUED) ITFO APPROVALS BY COUNTRY IN 1424H				
Sl. No.	Commodity	Source of Supply	(In million)	
			ID	US$
	SENEGAL			
1.	7th Line to Senegal (BIS)	MC	4.07	5.73
2.	Sulphur (Industries Chimiques du Senegal)	MC	5.32	7.50
3.	8th Line to Senegal (BIS)	MC	3.95	5.41
4.	9th Line to Senegal (BIS)	MC	6.88	10.00
	Sub-Total		**20.22**	**28.64**
	SUDAN			
1.	Agricultural Equipment (GOVT OF SUDAN)	MC/NMC	8.14	11.33
2.	Farming Inputs (GOVT OF SUDAN)	MC	6.95	10.00
	Sub-Total		**15.09**	**21.33**
	TURKEY			
1.	Raw materials for Textile Mfg. (GISAD)	MC/NMC	3.69	5.00
2.	Raw materials for Aluminium (CMS JANT)	MC	7.33	10.00
3.	Raw materials for Textile (GAP)	MC/NMC	7.12	10.00
4.	Raw materials for Textile (KARSU TEKSTIL)	NMC	4.02	5.70
5.	Raw materials for cooking appliance (GUNKOL)	MC/NMC	8.25	11.65
6.	Raw materials for Air-Conditioning (TEBA ISITMA)	MC/NMC	4.07	5.70
7.	Fertilizer & Fertilizer Raw Materials (TUGSAS)	MC	7.24	10.00
8.	Iron Ore, Slab & Coal (ERDEMIR)	MC/NMC	18.19	25.00
9.	Aluminium in T Bar (ASSAN DEMIR)	MC/NMC	6.21	8.69
10.	Iron & Steel Scrap (KAPTAN DEMIR CELIK)	MC/NMC	5.53	7.90
11.	Iron & Steel Scrap (YAZICI DEMIR CELIK)	NMC	14.05	20.00
12.	Raw materials for Plastic (EGE PROFIL)	MC/NMC	4.06	5.78
13.	Raw materials for Plastic (ZORLU)	MC	8.34	12.00
14.	Polypropylene (POLYBAK SANAYI)	MC/NMC	3.42	5.00
15.	Paper & Polyester Fiber (NEDVE GIDA)	MC/NMC	2.03	3.00
	Sub-Total		**103.54**	**145.43**
	TUNISIA			
1.	Crude Oil (BEST BANK)	MC	2.52	3.45
2.	Raw materials for paper (SNCPA)	MC/NMC	4.34	6.00
3.	Raw materials for tyre (STIP)	NMC	7.28	10.00
4.	Raw materials for tyre production (STIP)	MC	7.65	11.00
5.	Raw materials for Iron & Steel (EL-FOUDAH)	MC/NMC	5.56	8.00
6.	Raw materials for paper production (SNCPA)	MC/NMC	3.80	5.47
	Sub-Total		**31.15**	**43.92**
88	**GRAND TOTAL**		**1162.25**	**1649.83**

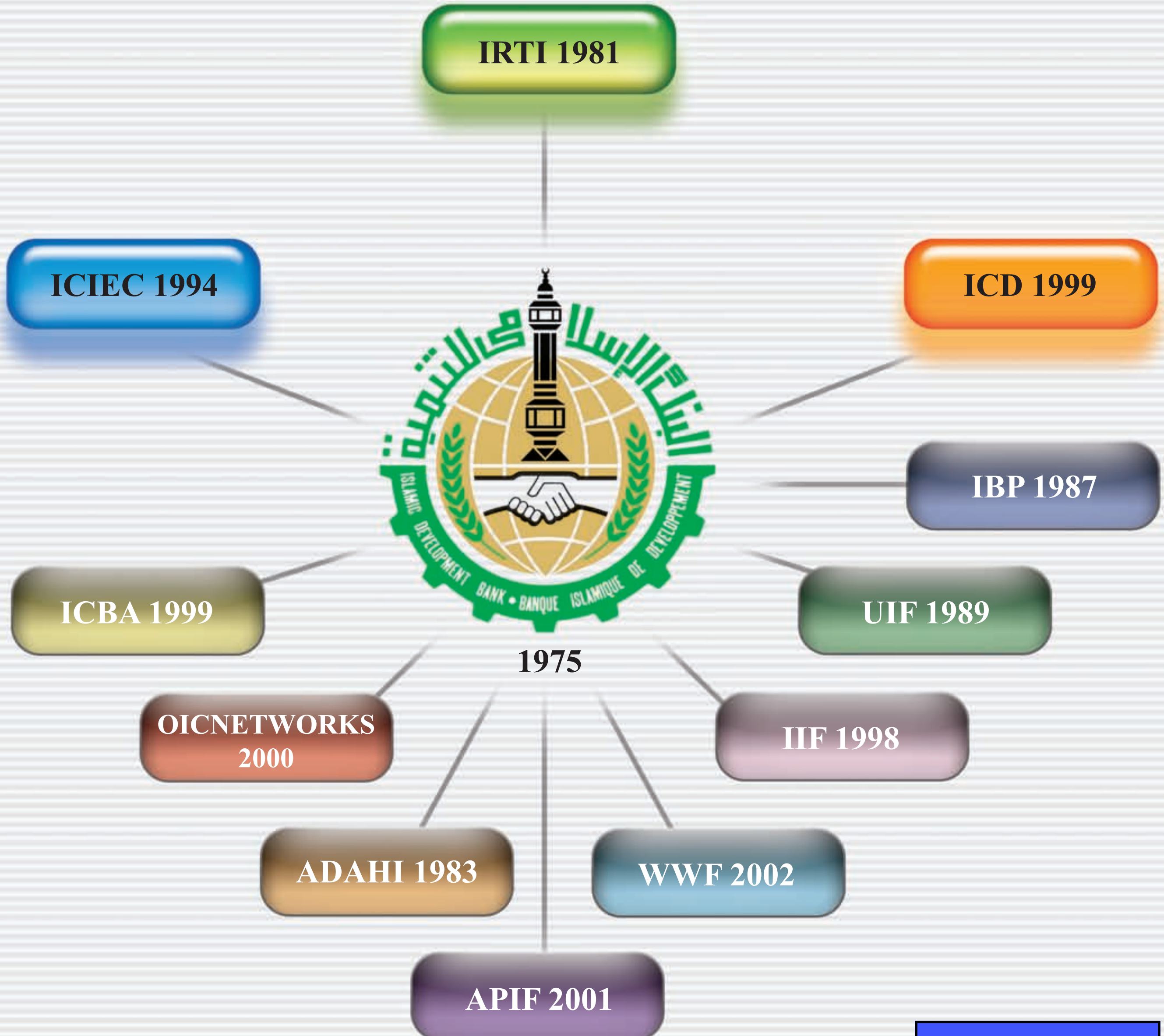
ANNEX 4C

EFS APPROVALS BY COUNTRY IN 1424H

Sl. No.	Commodity	Importing Country	(Amount in million)	
			ID	US$
	BAHRAIN			
1.	Aluminium Alloy Rod	Algeria	2.10	3.00
	Sub-Total		**2.10**	**3.00**
	KUWAIT			
1.	Refined Petroleum Products	Bangladesh	10.56	15.00
2.	Refined Petroleum Products	Bangladesh	10.70	15.00
3.	Refined Petroleum Products	Bangladesh	10.82	15.00
4.	Refined Petroleum Products	Bangladesh	10.83	15.00
5.	Refined Petroleum Products	Bangladesh	10.91	15.00
6.	Refined Petroleum Products	Bangladesh	10.73	15.00
	Sub-Total		**64.55**	**90.00**
	SAUDI ARABIA			
1.	Ductile Iron Pipes & Accessories	Turkey	8.06	11.05
2.	Glass Bottles & Aluminium Cans	Algeria	1.98	2.75
3.	Sulphur	Senegal	8.67	12.00
	Sub-Total		**18.70**	**25.80**
	UAE			
1.	Aluminium Alloy Rod	Senegal	4.22	6.00
	Sub-Total		**4.22**	**6.00**
11	**GRAND TOTAL**		**89.57**	**124.80**

Chapter 5

ACTIVITIES OF AFFILIATED ENTITIES AND FUNDS



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IDB Financed Shtigen Road Asphalting, Albania, 2003

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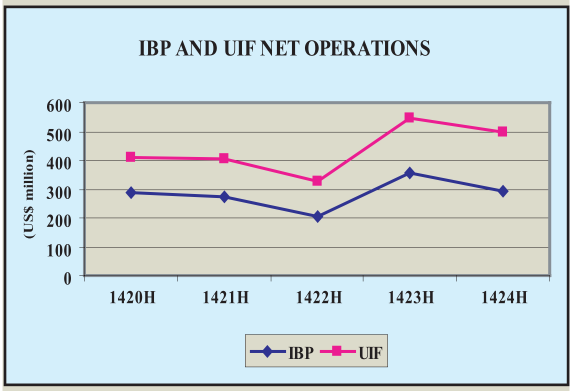
HIGHLIGHTS 1424 H

- IBP Approvals: US $ 292.25 million
- UIF Approvals: US$ 207.25 million
- Infrastructure Fund Equity Participation : US$ 208 million
- Total ICIEC Commitment at the end of 1424H: US$ 119 million
- ICD Total Financing : US$ 184.97 million
- APIF Total Financing : US$ 93.28 million
- World Waqf Foundation: Several Activities Undertaken
- Islamic Research and Training Institute
    - Seminars 17
    - Several Research Papers
    - Training Programs 28
- ICBA Resource Mobilization: US$ 654 million
    - Several Projects Initiated
- Adahi Project : Animals Sacrificed 629302



INTRODUCTION

In recognition of the diverse development needs of its member countries, the IDB has established a number of institutions, organizations, funds, affiliates and entities, etc., with the aim of strengthening the objectives of IDB itself, which is to promote social and economic development in its member countries and Muslim communities. As a result of new strucutral arrangements, the IDB has evolved into a Group comprising the following:

- Islamic Corporation for the Development of Private Sector (ICD);
- Islamic Research and Training Institute (IRTI);
- Islamic Corporation for Insurance of Investment and Export Credit (ICIEC);
- IDB (as flagship)

In addition to the above entities, the IDB Group has a number of funds as vehicle for resource mobilization, these are:

- Islamic Banks Portfolio for Investment and Development (IBP);
- IDB Unit Investment Fund[1] (UIF);
- IDB Infrastructure Fund (IIF)
- World Waqf Foundation (WWF);
- Awqaf Property Investment Fund (APIF);

Similarly, the IDB Group has three affiliated institutions:

- The International Centre for Biosaline Agriculture (ICBA) in Dubai, UAE;
- OIC Networks in Malaysia
- The Kingdom of Saudi Arabia Project for Utilization of Sacrificial Animals Managed by IDB.

Although the different entitities of the IDB Group served to perform diverse functions, they all share the common objective of mobilising financial resources in conformity with the Shari'ah, project financing, promotion of trade among member countries and

[1] The Islamic Banks Portfolio (IBP), the Unit Investment Fund (UIF) and the Awqaf Properties Investment Fund (APIF) are parts of the Asset Management Department.

providing technical assistance. In addition, IDB carries out a number of other activities which have an impact on social and economic development in its member countries. These include:

- Extending training opportunities to personnel engaged in development activities.
- Undertaking research in Islamic economics, banking and finance.
- Making provisions for necessary and sufficient physical and social infrastructure.
- Supporting and promoting the private sector in the member countries, etc. Most of these functions are performed by institutions within the IDB Group.

This chapter highlights the activities of the other entities in the IDB Group during 1424H. These entities also separately publish their own Annual Reports, which can be consulted for further details.

I. ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

Introduction

The Islamic Corporation for the Development of the Private Sector (ICD) came into being in Rajab 1420H (November 1999) as an independent entity within the IDB Group. The mission of the ICD is to complement IDB through the development and promotion of the private sector as a vehicle for economic growth and prosperity in member countries.

Objectives

The main objectives of the ICD are:

- To identify opportunities in the private sector that could function as engines of growth.
- To provide a wide range of Shari'ah compatible financial products and services.
- To expand access to Islamic capital markets by private companies in IDB member countries.

Structure

The authorized capital of the ICD is US$1.0 billion, of which US$500 million is available for subscription; US$263.4 million is already paid-in. The structure of the subscribed capital is as follows:

- IDB, 50 per cent;
- Member countries, 30 per cent;
- Public financial institutions in the member countries, 20 per cent.

The ICD provides its clients with a wide variety of financial products such as direct financing, asset management, structures financing and advisory services. The ICD utilizes Shari'ah compatible modes of financing/financial products, such as equity, term financing (leasing, instalment sale and Istisna'a), and quasi-equity in the form of term financing convertible into equity at some stage of the project life.

The inaugural meeting of the General Assembly of the ICD was held on 6 Rabi' Thani 1421H and it has been operational since then. At the end of 1423H, 45 countries have signed the Articles of Agreement establishing the ICD. To date, 37 countries have already ratified the agreement.

Activities

During 1424H, the ICD approved 11 projects totaling US$57.03 million, a decrease of 11 per cent in the volume of total approvals compared to the previous year. The types of operations undertaken during 1424H were leasing, line of finance, financial facility, equity, instalment sale and one project alone combined Murabaha and Istisna'a.

Projects approved in 1424H pertain to agro-business, industrial, oil and gas, pharmaceuticals, telecommunications and financial sectors.

During 1424H, ICD arranged a two-day workshop on the "Social and Economic Role of the Private Sector in the Arab World" in Cairo, Egypt; and participated in selected seminars in member countries to promote its mission and activities.

ICD is currently in the process of identifying selected strategic partner institutions, such as IFC and the African Development Bank with whom it intends to co-operate in the future.

Since its inception, ICD has provided a total of

US$184.97 million. It uses a mix of financing techniques such as equity participation, Murabaha, instalment sale, leasing, Istisna'a, etc. The ICD financing by type of finance in 1424H is given in Table 5.1. A more detailed account of ICD's operations for the last three years may be found in ICD's Annual Report which is published separately.

the areas assigned to IRTI. The two supportive units are: Special Assignments Unit and the Administrative Services Unit. The Special Assignments Unit implements a number of professional programs run by the Institute, while Administrative Services Unit looks after the administrative requirements of various technical divisions. A Publication Unit within the Administrative Services Unit is responsible for the publication and dissemination of its research output.

TABLE 5.1
ICD OPERATIONS BY MODES OF FINANCING FROM 1421H TO 1424H

(Amount in US$ million)

Sl. No.		1421H		1422H		1423H		1424H		Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.	Equity	2	12.60	2	12.30	3	19.85	1	1.80	8	46.55
2.	Murabaha	*	0.46	0	0.00	0	0.00	*	1.36	*	1.82
3.	Instalment Sale	1	1.44	1	7.50	4	20.07	2	11.50	8	40.51
4.	Leasing	2	20.00	2	17.40	2	15.52	3	18.50	9	71.42
5.	Istisna'a	*	0.80	0	0.00	0	0.00	1	1.87	1	2.67
6.	Financial Facility	0	0.00	0	0.00	0	0.00	1	5.00	1	5.00
7.	Line of Finance	0	0.00	0	0.00	0	0.00	3	17.00	2	17.00
Total		**5**	**35.30**	**5**	**37.20**	**9**	**55.44**	**11**	**57.03**	**30**	**184.97**

*Indicates terms to finance projects where two or more modes are used for a project. This project is counted under the mode with the largest amount.

II. ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

Objectives

The Islamic Research and Training Institute (IRTI) was established in 1401H (1981G) to undertake research and provide training and information services in the member countries and Muslim communities in non-member countries to help bring their economic, financial and banking activities in conformity with Shari'ah and to further economic development and cooperation among them.

Structure

IRTI is presently composed of four technical divisions and three support units. They include: Islamic Economics, Cooperation and Development Division, Islamic Banking and Finance Division, Training Division and an Information Centre. The two research Divisions conduct in-house research and manage external research in their respective areas. The Training Division manages training programs for personnel engaged in development activities in member countries as well as for those working in Islamic banking and financial institutions. The Information Centre is responsible for developing information systems in

Activities

IRTI's activities are described in greater detail in its Annual Report, which is issued separately. The main highlights of its activities in 1424H are described below.

Research

IRTI's research activities aim at organizing and conducting basic and applied research with a view to developing models and methods for the application of Shari'ah in the fields of economics, banking and finance. It also sets out to develop the capabilities of personnel in Islamic economics to meet the research and training needs of Shari'ah observation agencies. IRTI's research output takes various forms, such as in-house research papers, background and discussion papers, seminar proceedings, books of readings, lectures, translations and articles published in IRTI journal.

During 1424H, IRTI completed eight research projects dealing with various issues of Islamic economics, banking and finance. The titles of these research studies/papers are:

1. Risk Control, and Choice of Islamic Finance Contract.
2. On the Design and Effects of Monetary Policy in an Islamic Framework: The Experience of Sudan.
3. Islamic Financial System and Savings: An Empirical Assessment.
4. Financial Distress and Banking Crises: Lessons for Strengthening Islamic Banks.
5. Evaluation of Different Insurance Contracts Used by Islamic Insurance Companies.
6. Occasional Paper on "Financing Public Expenditure in Muslim Countries: New Perspectives and Prospects".
7. Capital Structure in Islamic Firms: Theory and Policies.
8. Ethical Investment and Investor Return: Empirical Evidence from FTSE Islamic Index.

IRTI also completed proceedings of the seminar in Financial Development in Arab Countries.

Besides IRTI scholars contributed scientific papers on various themes dealing with Islamic economics, banking and finance, to seminars and conferences which were held in different member and non-member countries.

Another activity of IRTI with major research input is the publication of a scientific journal in the area of Islamic economics, banking and finance. The journal Islamic Economic Studies is a refereed, bi-annual journal published in Arabic, English and French. Two issues of the journal each in Arabic and English were published in 1424H.

Seminars and Conferences

During 1424H, IRTI organized 17 seminars and conferences on various themes of Islamic economics, banking and finance. Seminar topics and other related information are summarized in Table 5.2.

TABLE 5. 2
SEMINARS AND CONFERENCES HELD DURING 1424H

Sl. No.	Theme	Collaborating Institution	Venue
1.	International Conference on Financial Development in the Arab World	UAE University	UAE
2.	Sixth International Zakah Conference	Kuwait Zakah House	Qatar
3.	Course on Shari'ah Sciences for Economists and Bankers: Theory and Practice	Islamic Banking and Finance Institute	Malaysia
4.	International Seminar on Non-Bank Financial Institutions : Islamic Alternatives	Islamic Banking and Finance Institute, Malaysia	Malaysia
5.	Seminar on Islamic Financial Dealings with Special Reference to Ap-plication	Religious Department of Russia, Islamic University of Moscow, Bank Badar Forte, Moscow, and Council for Asian Muslims, Kuwait	Russia
6.	International Seminar on Awqaf Experiences in the Gulf countries	Ministry of Awqaf, Qatar and Kuwait Awqaf Public Fund.	Qatar
7.	Forum on the Issues of Awqaf	Kuwait Awqaf Public Funds, Kuwait	Kuwait
8.	Forum on Role of Islamic Banks and Financial Institutions in Financing Small and Medium Enterprises	Arab Academy of Finance and Banking, Jordan	Jordan
9.	Workshop on Preparing Proposals on Awqaf Issues		IDB headquarter
10.	Meeting of Philanthropists to mobilize funds for financing projects relat-ing to misunderstanding on the Qur'an		IDB headquarter
11.	Third Meeting of the Council for Identifying the misunderstandings raised on the Qur'an		IDB headquarter
12.	International Seminar on Wealth Creation in Islamic Perspective	University of Durham, UK	Durham, UK
13.	International Seminar on Islamization of Insurance	International Institute of Islamic economics, Interna-tional Islamic University, Pakistan	Pakistan
14.	International Conference on Islamic Banking : Risk Management, Regu-lation and Supervision	Ministry of Finance, Indonesia and Bank Indonesia, Jakarta, Indonesia	Indonesia
15.	Fifth International Conference on Islamic Economics and Finance	Ministry of Finance, Bahrain University of Bahrain, and International Association of Islamic Economics	Bahrain
16.	International Seminar on Islamic Banking	Faculty of Business, Economics and Policy Studies, University of Brunei, Darussalam	Brunei, Darus-salam
17.	International Conference on Monetary Sector in Iran	Monetary, Banking and Research Academy (MBRA), Tehran, Iran	Iran

Training

The IRTI organized 28 training programs during 1424H out of which 23 training courses were offered within the framework of the annual work programme of IRTI and five courses were organized within the framework of task force on training. The courses offered within the framework of annual work programme covered subjects like: private sector development; Islamic economics, banking and finance, information technology, macro economic management, and human resource management. The details of these programmes are given in Table 5.3.

Task Force on Training

Of the above mentioned training programs, IRTI co-sponsored five programs with OIC-affiliated institutions, such as Islamic University of Technology (IUT), Islamic Chamber of Commerce and Industry (ICCI), Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC) and the Islamic Centre for the Development of Trade (ICDT). These training programs were held within the framework of the "Task Force on Training", set up to implement the recommendations of the Tehran OIC Summit on The Preparation of the Ummah for the 21st Century.

Information

During 1424H, the IRTI carried out the following activities in the area of Information Systems and Technology.

IDB Experts Database (IDBED)

The IDB Database on Experts (IDBDE) aims at facilitating the building of a global database of experts and scientists around the world in various fields. This would reduce the cost of locating competent consultancy services to all IDB member countries. The first release of the system was produced on a CD-ROM and distributed during the Science & Technology Workshop conducted jointly by IIFTIHAR and IRTI at Jakarta, Indonesia on 7-8 May 1999.

Trade Information & Promotion System (TIPSys)

The primary objective of this project is to maximise co-operation between exporters, importers and investors in Member Countries by providing them with means of managing and exchanging trade information and business opportunities as well as cost effective ways to become quickly acquainted with each other through the Internet. Thus, the project will establish communication among exporters, importers and investors, and enable them to initiate deals regarding

TABLE 5.3
IRTI TRAINING PROGRAMS DURING 1424H

Sl. No.	Courses / Workshops	Venue
1.	Islamic Banking and Finance	Iran
2.	Regulation and Supervision of Islamic Banks by Central Banks	Jordan
3.	Awqaf and Its Current Applications	Mauritania
4.	Information Technology	Bangladesh
5.	Build, Operate and Transfer (BOT) for the IDB Staff	Saudi Arabia
6.	Financing of Small and Medium Enterprises	Algeria
7.	Preparation and Implementation of Electricity Projects According to BOT Mechanism	Sudan
8.	Preparation and Analysis of Financial Statements for Islamic Banks	Sudan
9.	Privatisation Process in Kazakhstan and CIS Countries	Kazakhstan
10.	Build, Operate and Transfer (BOT) and Privatization Process	Malaysia
11.	Human Resource Management	Maldives
12.	Planning and Implementation Skills of Voluntary Organizations	Kuwait
13.	Islamic Banking: Principles and Practices	Indonesia
14.	Developing Vision Skills and Strategic Management of Voluntary Organizations	Kuwait
15.	Zakah and Awqaf as Tools of Poverty Alleviation	Burkina Faso
16.	Macroeconomic Management	Egypt
17.	Monetary and Fiscal Policies	Pakistan
18.	Promotion and Management of Awqaf Properties	Jordan
19.	Development of Private Sector and Financing Micro Enterprises	Cameroon
20.	Financial Management of Voluntary Organizations	Kuwait
21.	Financing and Development of Micro Enterprises	Yemen
22.	Privatisation Process in Azerbaijan and CIS Countries	Azerbaijan
23.	Financing and Development of Micro Enterprises	Syria
Training Courses within the Framework of Task Force on Training		
24.	Expert Group Meeting on Land Degradation, Plant, Animal and Humanitarian Nutrition	Syria
25.	Workshop on Assessment of Student Learning for Quality Improvement of Technical and Vocational Education	Bangladesh
26.	Regional Conference on Water demand Management and Pollution Control	Egypt
27.	Workshop on National Bio-diversity in Arab Countries	Syria
28.	Seminar on Capacity Building in Economic Diplomacy	Morocco

sales and purchases. IDB Management has approved the implementation of TIPSys by OICNetworks within the portal of OICtrade developed by them.

Model IT Strategy

Realizing that social and economic advancement of IDB member countries in the 21st century partly depends on information technology, which has become a catalyst in the process of economic and technological development, IDB entrusted IRTI with the task of developing a Model Information Technology Strategy for IDB member countries. This framework would provide guidelines for developing and directions for member countries in applying their national information technology strategies as a fundamental development tool. A consulting company from Malaysia carried out the development of the strategy. The study has been published in the form of a book which was distributed during the OIC Science and Technology Conference held in Malaysia during 7-10 October 2003. It was also distributed at the OIC Summit held on 16-18 October 2003 in Malaysia.

Awqaf Databank

IRTI is undertaking this project in collaboration with the Kuwait Awqaf Public Foundation (KAPF). IRTI will work as an external consultant for this project. During 1424H, initial preparation for the launch of the project was made.

Other Professional Activities of IRTI

Encouragement and Promotion Program: During 1424H, as in previous years, a number of requests were processed and grants given to various individuals and institutions for undertaking different activities in Islamic economics, banking and finance. A number of institutions and individual scholars approached IRTI requesting research grants, IRTI publications were sent to many scholars, free of charge, as a part of the effort to encourage research in Islamic economics, banking and finance. Within the framework of this program, IRTI also supports two students who are preparing their M.A degrees on the subject of Islamic banking through the International Banking program of the University of Loughborough, UK. This year, two students were given partial financial support. IRTI is in the process of expanding this program to evolve a scheme of partial financial and technical support to those students who pursue their studies at the doctoral level in the areas of Islamic economics, banking and finance at some university. During 1424H, some students were given partial financial support under this program.

The IDB Prize: The IDB Prize for 1423H in the area of Islamic economics was jointly awarded to Dr. Abbas Mirakhor and Dr. Mohsin Khan of the International Monetary Fund. The prize was given to the winners by the President of the IDB Group during 28th meeting of the IDB Board of Governors. The IDB Prize for 1424H is currently being implemented.

IRTI Shari'ah Lectures: Under this program, eminent Shari'ah scholars are invited to deliver lectures at IDB headquarters before an invited audience. The lectures are delivered on Shari'ah subjects of significant importance for the future development of Islamic economics, banking and finance. During 1424H, two lectures were organized under this program. An eminent Sudanese scholar of Islamic jurisprudence, Dr. Ahmad Ali Abdullah delivered a lecture on Compensation for the Letters of Guarantee. Another Lecture was delivered by His Eminence Shaikh Mukhtar Al-Salami.

Visiting Scholars Scheme: Under this scheme, eminent visiting scholars are invited to work on a specified and approved project. During 1424H, several requests were processed. However, due to logistic reasons no visiting scholars could join during 1424H.

Comprehensive Study on IRTI: The Board of Executive Directors asked the Bank to conduct a comprehensive Study on the Role and Functions of IRTI to determine how IRTI's activities have benefited member countries and how to make IRTI's functioning more effective. An outside consultant was appointed to undertake the study and a steering committee consisting of eminent outside scholars was established to work with the consultant. The Report of the Consultant has been submitted to the Board, which is under its consideration.

III. ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (ICIEC)

Introduction

The Islamic Corporation for the insurance of

Investment and Export Credit (ICIEC) was established in 1415H (1994) with the objective to enlarge the scope of trade transactions and investment flows among the member countries of the Organisation of Islamic Conference (OIC). The ICIEC has adopted a mission statement which states, "To be an insurance provider/partner of choice for exporters, investors, and export credit/investment insurance agencies in member countries, offering competitively priced, comprehensive, and innovative Shari'ah compatible export credit and investment insurance and re-insurance to beneficiaries."

IDB owns 50 per cent of the ID 100 million of Corporation's capital, while the remaining 50 per cent available for subscription for member countries of the OIC. So far 34 countries have joined ICIEC membership, while other countries are at various stages of the membership process.

Functions

ICIEC offers five main types of services:

- Export Credit Insurance to cover the risk of non-payment in relationship to cross border trade transactions;
- Investment Insurance to cover country risk in the context of Investments among member countries;
- Documentary Credit Insurance Policy (DCIP);
- Reinsurance of operations covered by ECAs in member countries,
- Specific Transaction Policy (STP).

Objectives and Strategy

The ICIEC adopted the following strategy and objectives for the year 1424H:

1. Adoption of an indirect marketing strategy, whereby the Corporation will endeavour to act as a wholesaler of insurance services, leaving the direct selling to local agents and export credit insurance agencies in the respective member countries.
2. Introduction of new products tailored to the needs of the market, and in line with the changes in ICIEC's Articles of Agreement.
3. Introduction of limited investment promotion services for member countries in collaboration with the IDB and other relevant international agencies.
4. Continuation of the development of technical and information systems, and human resources of the corporation to keep abreast of the latest developments in the relevant fields.
5. Enhancing Cooperation with experienced international and regional institution to obtain technical assistance, training and re-insurance to benefit from the best practices in the industry.
6. Introduction of a periodic review of the departmental performance based on the performance criteria, operational targets, and action plan for the year.

Activities

At the end of 1424H, the total number of polices in force is expected to be 76 and the current commitment is expected to reach US$300 million. The Corporation's exposure at the end of 1424H is expected to be around US$119 million.

During 1424H, ICIEC paid claims totaling US$1.12 million and recovered an amount of US$0.992 million from claims paid in previous years.

More information on ICIEC's activities is available in ICIEC's Annual Report 1424H published separately.

IV. SPECIALISED FUNDS

Within the IDB, a number of funds were set up with a view to enhancing efficiency and effectiveness in delivering services to member countries. The funds include the Islamic Banks Portfolio for Investment and Development (IBP), IDB Unit Investment Fund (UIF), IDB Infrastructure Fund (IIF), World Waqf Foundation (WWF) and the Awqaf Properties Investment Fund (APIF).

(i) Islamic Banks Portfolio for Investment and Development

Objective

The Islamic Banks Portfolio for Investment and Development (IBP) was established in collaboration with a number of Islamic financial institutions to promote trade and development in member countries. The IBP was instituted on 27th Rajab 1407H (27th March 1987). It mobilized funds from the IDB and other Islamic Banks to be used in the promotion of investment and trade among member countries and to serve as a nucleus for the development of the Islamic financial market. The initial life of the portfolio is 25 years, after which it may be dissolved or renewed.

Structure

The IDB administers the IBP as a "Mudarib" (Manager) through its Assets Management Department (AMD). By the end of 1424H, twenty Islamic banks and financial institutions were shareholding members of the IBP, including the IDB. The assets and liabilities of the portfolio are separate from those of the IDB and its annual accounts are also separately audited.

The IBP has the fixed paid-up capital of US$100 million and a variable capital of US$280 million. In addition, it has access to funds of US$300 million placed by the IDB as a specific deposit. The unit of account for the IBP is the US dollar and its financing is oriented towards, but not exclusively confined to, the private sector in the IDB member countries.

Activities

During 1424H, the IBP conducted a total of 19 operations, amounting to US$292.25 million (ID195.48 million). As could be seen in Table 5.4, 13 out of the 19 operations amounting to US$161.25 million (ID107.85 million) were in the area of trade finance.

TABLE 5.4
LIST OF OPERATIONS APPROVED BY ISLAMIC BANKS PORTFOLIO DURING 1424H

(Amount in million)

Sl. No.	Project Name	Country	Mode of Financing	US$	ID
1.	Acquisition of new Airbus 330-243 aircraft, Emirates Airline	UAE	Leasing	15.00	10.03
2.	Acquisition of three aircrafts, Pakistan International Airlines.	Pakistan	Leasing	58.00	38.79
3.	Soybean Edible Oil Plant Project	Qatar	Leasing	3.00	2.00
4.	Telecom. Cable Expansion project Hesfibel	Turkey	Leasing	5.00	3.34
5.	Purchase & Export of Agricultural Commodities Group ANT	Kazakhstan	Mudarabah	10.00	6.68
6.	Import of Sheep Almawashi Almukhairish	Saudi Arabia	Murabaha	6.00	4.01
7.	Import of wheat & Barley Ministry of Agriculture	Tunisia	Murabaha	8.00	5.35
8.	Import of Raw Materials Caprolactam	Iran	Murabaha	2.00	1.33
9.	Import of sugar Ahmad H. Algosaibi & Bros.	Saudi Arabia	Murabaha	10.00	6.68
10.	Import Capital Equipment Garanti Leasing Turkey	Turkey	Murabaha	13.00	8.70
11.	Import of sugar fvr. Ahmad H. Algosaibi & Bros.	Saudi Arabia	Murabaha	10.00	6.73
12.	Import finished goods Vestel Marketing	Turkey	Murabaha	20.00	13.37
13.	Import of Crude Oil & Petroleum Products	Bangladesh	Murabaha	8.00	5.35
14.	Import of Aluminium ,Timber & Sugar Algosaibi	Saudi Arabia	Murabaha	13.25	8.86
15.	Import of medical consumables, construction material and furniture	Saudi Arabia	Murabaha	10.00	6.68
16.	Import of Crude Oil & Refined Petroleum products	Bangladesh	Murabaha	13.00	8.69
17.	Import of CKD Kits Iran Khodro Co.	Iran	Murabaha	40.00	26.75
18.	Import of Crude Oil Pertamina	Bangladesh	Murabaha	8.00	5.35
19.	State of Qatar US$500 million Sukuk Al-Ijara Issue	Qatar	Sukuk	40.00	75
	Total			**292.25**	**195.48**

During the period 1408H to 1424H, IBP approved US$3.39 billion. Details of IBP financing by mode and country, since its inception, are given in Tables 5.5 and 5.A, respectively. Leasing was the major mode of financing utilized by IBP to finance projects. The total number of operations (including cancelled operations) processed by IBP during the same period stood at 214.

TABLE 5.5
IBP'S APPROVED OPERATIONS BY MODE OF FINANCING SINCE INCEPTION

(Amount in US$ million)

Year	Equity	Instalment Sale	Istisna	Leasing	Mudarabah	Murabaha	Musharakah	Other*	Total
1408H		24.00						5.00	29.00
1409H						18.50			18.50
1410H	5.00					20.43			25.43
1411H	60.00					76.00		16.00	152.00
1412H				10.00		130.00		3.00	143.00
1413H	25.00					28.80			53.80
1414H		0.55				179.85			180.39
1415H				115.00		175.35			290.35
1416H				12.50		187.50		8.50	208.50
1417H	5.00			57.44		206.50		3.00	271.94
1418H				58.24		234.20		7.50	299.94
1419H	1.21			100.00		103.10	41.93	56.00	302.24
1420H			5.00	127.98		106.56		50.00	289.54
1421H		2.00		79.77		190.00			271.77
1422H				104.75		83.00		15.00	202.75
1423H		70.90		2.70		260.25		22.00	355.85
1424H				81.00	10.00	161.25		40.00	292.25
Total	96.21	73.45	5.00	749.38	10.00	2185.28	41.93	226.00	3387.25

Note:
*Refers to investment in financial institutions (1408H-1422H) and in Sukuk (1423H-1424H).

(ii) IDB Unit Investment Fund

Objective

The IDB Unit Investment Fund (UIF) was established in 1410H (1989) under Article 23 of the Articles of Agreement of the Bank. The main objectives of the Fund are:

- To Mobilize resources for IDB,
- To provide a Shari'ah compatible investment opportunity to investors. The Fund has emerged as an asset class investment vehicle with features of a good return, safe investment and liquidity.

In fifteen years, the size of the Fund has grown from US$100 million to US$325 million. The Fund is held by 27 institutional investors from 11 countries. The Fund is listed on the Bahrain Stock Exchange. The listing has enhanced the liquidity position of the Fund, making it possible to trade the Fund's units at any time without the need of applying to the IDB for repurchase. The currency used by UIF for financing is the US Dollar.

The UIF extends its financing facilities through various Islamic modes of financing. Depending on the mode, the maturity of financing varies from 5 to 10 years for medium and long term financing respectively, and 6 to 24 months for short term financing.

Activities

In 1424H, the UIF conducted 23 operations, amounting to US$207.25 million, details of which are presented in Table 5.6.

Since its inception, the UIF provided finances worth a total of US$1,288.6 million under various modes of financing programs, details of which are given in Table 5.7. Country details of operations are presented in Table 5.A.

(iii) IDB Infrastructure Fund

Introduction

The IDB Infrastructure Fund is the first private investment vehicle of its kind to focus on the development of infrastructure in the member countries

TABLE 5.6

OPERATIONS APPROVED BY THE IDB UNIT INVESTMENT FUND IN 1424H

Sl. No.	Project/Beneficiary	Country	Mode of Financing	Amount in US$ Million
1.	Import of Wheat and Barley Ministry of Agriculture	Tunisia	Murabaha	5.00
2.	Acquisition of three passenger aircrafts Pakistan International Airlines	Pakistan	Leasing	12.00
3.	Telecom Cable Expansion project Hesfibel	Turkey	Leasing	10.00
4.	Import of Sugar Ahmed H. Al Gossaibi Brothers	Saudi Arabia	Murabaha	5.00
5.	Import of Corn Misr Company for Automatic Slaughtering House	Egypt	Murabaha	1.00
6.	5-yr issue of US$250m for Bahrain	Bahrain	Sukuk	20.00
7.	Soybean edible oil plan project	Qatar	Leasing	12.00
8.	Import of crude oil and Petroleum products	Bangladesh	Murabaha	15.00
9.	Agrofirma Kenozhi Ltd. Schinsk	Kazakhstan	Leasing	5.15
10.	Acquisition of new airbus 330-243 aircrafts Emirates Air lines	UAE	Leasing	15.00
11.	Bcharre Road Project Government of Lebanon	Lebanon	Istisna	7.00
12.	Quarantina Slaughter House Project Government of Lebanon	Lebanon	Leasing	14.60
13.	Import of Medical Consumables, Construction material and furniture	Saudi Arabia	Murabaha	10.00
14.	Import of Crude Oil and refined petroleum products	Bangladesh	Murabaha	15.00
15.	Import of CKD Kits Iran Khodro Company	Iran	Murabaha	8.00
16.	Import of raw material Caprolacetam	Iran	Murabaha	3.00
17.	State of Qatar US$500m Sukuk al Ijarah issue	Qatar	Sukuk	10.00
18.	Import of Sugar Ahmad H. Al Gossaibi & Brothers	Saudi Arabia	Murabaha	5.00
19.	Import of Aluminium, Timber and Sugar Al Gossaibi	Saudi Arabia	Murabaha	3.50
20.	Import of Capital Equipment Garanti Leasing, Turkey	Turkey	Murabaha	7.00
21.	Purchase and Export of Agricultural Commodities Group ANT	Kazakhstan	Mudarabah	10.00
22.	Import of Sheep Almawashi al Mukairish	Saudi Arabia	Murabaha	4.00
23.	Import of Crude Oil Pertamina	Bangladesh	Murabaha	10.00
	Total			**207.25**

of the IDB. The Fund is registered in the Kingdom of Bahrain. It is an externally managed Fund with Emerging Markets Partnership (EMP) Bahrain as the Fund Manager. A Policy Management Company (PMC) representing the investors in the Fund has been formed to oversee issues relating to the policy and performance of the Fund. All these entities have been set up in Bahrain under a special Amiri Decree granting them special status as an exempt company with limited liability. IDB, as the main sponsor of the Fund, has a 51 per cent sharehold in the PMC. The Fund is managed by EMP Washington 60 per cent and Shamil Bank of Bahrain 40 per cent, an investor in the Fund.

Objectives

The strategic objectives of the Fund are to seek long-term capital appreciation by making equity and equity-related investments in infrastructure projects and infrastructure-related industries in IDB member countries; and to promote the use of Islamic financing in infrastructure projects. The currency of financing of the Fund is the US dollar. The net target return for equity investment is 18 per cent per annum.

The Fund is well placed to help stimulate the development of regional capital markets. While planning to realize projects from an equity investment through a public offering, it may involve, where appropriate, listing on the stock exchange of the host country. Listing may also be acquired on regional or international exchanges, where possible. In view of the large size of infrastructure projects, such listings will serve to expand the region's capital markets. Islamic finance instruments and projects securities may also be listed by the entities in which the Fund invests.

The Fund seeks to establish relations with Islamic banks and other financial institutions to create a large syndicate that will be approached on a project-by-project basis to participate in financing the projects in which the Fund makes an equity investment. Where financing may be provided through CFF, a syndicate may be formed to attract additional funding from institutions that are not participants in the IDB-Infrastructure Fund.

Fee Structure

The Fund has a Management Fee of 1.5 per cent per annum on committed amounts for the first five years

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TABLE 5.7
THE UNIT INVESTMENT FUND (UIF)
OPERATIONS BY MODE OF FINANCING SINCE INCEPTION

(Amount in US$ million)

Year	Equity	Instalment Sale	Istisna'a	Leasing	Mudarabah	Murabaha	Sukuk	Total
1412H		10.15		2.00		1.53		13.68
1413H		6.00				9.72		15.72
1414H		8.58		13.70		5.00		27.28
1415H	1.76			41.48		32.10		75.34
1416H	3.00	18.70	11.00	19.17		32.50		84.37
1417H		14.72		82.76		24.50		121.98
1418H		9.40	6.74	49.24		47.50		112.88
1419H		15.00	6.28	23.32		17.60		62.20
1420H		30.01	21.06	50.94		19.00		121.01
1421H		20.50	15.00	3.08		95.00		133.58
1422H			15.00	65.50		44.50		125.00
1423H	5.00	33.30				97.00	53.00	188.30
1424H			7.00	68.75	10.00	91.50	30.00	207.25
Total	**9.76**	**166.36**	**82.08**	**419.95**	**10.00**	**517.45**	**83.00**	**1,288.60**

Note: The UIF follows the Gregorian accounting year (January 01 – December 31). The above table has been generated from the project level data which has been adjusted for the Hijra calendar (Muharram 01 – Dhul Hijja 30).

and on outstanding investments for the next five years. An incentive fee of 20 per cent on all returns, after the priority rate of return of 7 per cent has been paid, will be shared in the proportion of 80:20 between the investors and the Fund Manager. Shareholders in the PMC will be entitled to receive 30 per cent of the Fund Manager's incentive fee. The IDB would receive 51 per cent of the incentive fee accruing to PMC shareholders in proportion to its Shares.

Sectoral Focus

The main focus of the Fund's investments will be in sectors such as power generation, telecommunication, transportation, energy, natural resources, petro-chemicals, water and other infrastructure-related sectors, including private Islamic financial and capital market institutions.

Investment Criteria of the Fund

In order to qualify for the Fund's investment funds, the project should be a high priority for the country in which it is located. In addition, the following requirements should be met:

1. The Fund will not seek to be a majority investor. Generally, Fund shares will not exceed 40 per cent.
2. The Project should have a competent technical partner with a substantial equity investment.
3. The Project should have a strong and reputable local partner from the private sector.
4. The minimum Equity Investment by the Fund should be US$10 million; with a maximum investment of US$100 million, or 10 per cent of the Fund's Equity Commitment, whichever is lower.
5. The Fund will usually seek a seat on the Board of Directors of the Investor Company or project Board.
6. The Project Sponsors (other than the Fund) should be able to provide assurances that construction will be completed on time and within budget.
7. The Project should be protected to every extent possible from the impacts of inflation, foreign exchange adjustments and inconvertibility of currency.
8. Equity investment in the project should have a clear exit strategy.

Activities

The Fund was set up with a targeted Equity Capital of US$1.0 billion and a Complementary Financing Facility (CFF) of US$500 million. However, US$730.5 million of equity funds and US$200 million of CFF have been raised. The CFF, which is a Shari'ah compliant facility, will be deployed only in conjunction with the Equity Capital. Out of the total commitments, the Fund has invested a total sum of US$208 million in five projects in four member countries. Further projects for participation of the IDB-Infrastructure Fund are under consideration. The equity participation by the Fund as at the end of 1424H is shown in Table 5.8.

TABLE 5.8
EQUITY PARTICIPATION BY
THE IDB INFRASTRUCTURE FUND

Sl. No.	Country	No.	US$ in million	ID in million
1.	Malaysia	1	10.00	6.68
2.	Saudi Arabia	1	48.00	32.10
3.	Pakistan	2	102.00	68.22
4.	Oman	1	48.00	32.11
	Total	5	208.00	139.11

(iv) World Waqf Foundation

Objectives

The World Waqf Foundation (WWF) has been established to achieve the following objectives:

- Boost the IDB's efforts to promote Waqf,
- Support Waqf to enhance the economic and social development of Muslim communities and alleviate poverty,
- Satisfy the aspiration of philanthropists and charity organisations all over the world to set up an international Waqf entity,
- Manage Waqf properties entrusted to the Foundation for safekeeping, investment and spending its proceeds in accordance with the Sharia'h.

Structure

The Foundation is under the direction of a Board, which is composed of individual donors (Waqifs) with at least a Waqf contribution worth one million US dollars. The Board is the general assembly and elects a Board of Trustees, which is the Foundation's Board of Executive Directors. The Foundation operates worldwide in accordance with its by-laws, which were adopted by the IDB's Board of Executive Directors at its 204th session held in Jumad Thani 1422H (September 2001).

The IDB has allocated a sum of 25 million US dollars as an initial Waqf contribution to the Foundation's capital. The proceeds of the contribution shall be utilised to fund education in India. The WWF target is to increase Waqf activity to contribute to comprehensive development, which may lead to an improvement in the cultural, economic and social lives of Muslim communities thereby eliminating poverty. The Foundation intends to support designated institutions and projects.

Activities

During 1424H, meeting of the Waqif's Board, chaired by the President of the IDB Group, was held to elect and executive committee which includes several external experts and scientists. A major task of the committee is to work out a strategy for the WWF which consists of 15 shareholders, including individuals, national associations and governmental organisations. The shareholding of the IDB in the WWF amount to about US$42 million.

(v) Awqaf Properties Investment Fund

The objectives of the Awqaf Properties Investment Fund (APIF) are:

- To promote the role of Awqaf and revive the Islamic tradition of Waqf ,
- To regain its functions as an effective tool in the economic, social and cultural development of the Islamic society by developing , investing and managing Awqaf real estate properties in the member and non-member countries of IDB.

The fund was launched, pursuant to the decision taken at the sixth Awqaf ministerial Meeting held in Jakarta, Indonesia, on 28 Jumad Thani 1418H (October 29, 1997), in accordance with the Memorandum of Understanding signed between the IDB and the nine participants on 9/11/1421H (3/2/2001). An amount of

US$51 million was subscribed towards its capital. Further requests for participation were received and the capital base of the Fund was increased to US$55 million in 1423H. To support the activities of the Funds, the IDB has provided a line of financing of US$50 million. In addition, the Bank has also approved an amount of US$250,000 for technical assistance to be used for preparing feasibility studies, project designs and concepts, etc.

Since its inception up to the end of 1424H, a cumulative total of 24 operations totaling US$93.28 million were approved by APIF as presented in Table 5.9. Of these, 11 operations totaling US$58 million were for the development of Awqaf property and the balance for the management of the Fund's liquidity.

V. OTHER ENTITIES

In addition, the IDB established three affiliated entities: the International Centre for Biosaline Agriculture (ICBA), in the UAE, OICNetworks in Malaysia and the Kingdom of Saudi Arabia Project for Utilization of Sacrificial Animals Managed by IDB.

(i) International Center for Bio-Saline Agriculture (ICBA)

The International Centre for Biosaline Agriculture (ICBA) is a non-profit international agricultural applied research and development (R&D) Centre mandated to work for socio-economic development in the arid and semi-arid areas. The Centre was established in Dubai, United Arab Emirates (UAE) in 1420H (1999). ICBA's founding sponsors were the IDB, which provided funding to establish the Centre, the OPEC Fund, and the Arab Fund for Economic and Social Development. The Government of the United Arab Emirates, through its Ministry of Agriculture and Fisheries, and the Municipality of Dubai, also provided support to launch the Centre.

Since 1420H (1999), ICBA as an organization and ICBA's research programs have matured significantly. ICBA is now being recognized regionally and globally filling a key niche in the development of agriculture using non-conventional sources of water.

TABLE 5.9
LIST OF OPERATIONS APPROVED FOR APIF UP TO THE END OF 1424H

(Amount in US$ million)

Sl. No.	Project Name	Country	Mode of Financing	Amount Approved
Awqaf Development				
1.	Construction of AWQAF commercial building	UAE	Instalment sale	1.0
2.	High rise AWQAF commercial centre	Kuwait	Instalment sale	1.0
3.	Extension of Awqaf commercial complex	Kuwait	Instalment sale	1.0
4.	The Women Centre for Memorization of Qur'an	Qatar	Leasing	11.00
5.	Development .of Al-Khan residential building Sharjah	UAE	Leasing	3.0
6.	Development of Awqaf Building Project Medina Research Centre	KSA	Leasing	3.7
7.	APDC for the Qureish Street Commercial Complex	Jordan	Leasing	15.00
8.	Dev. Of Juffair Office Tower Project	Bahrain	Leasing	6.69
9.	Dev. Of Al-Rashidiyah Islamic Private School	UAE	Leasing	2.54
10.	Dev. Of Awqaf Commercial .& Office Building at Al-Aizarieh	Palestine	Istisna'a	3.10
11.	Dev. Of Awqaf Commercial Tower Project in Khartoum	Sudan	Leasing	10.00
	Sub-Total			58.03
Liquidity Management				
12.	Importation of Crude Oil for Pertamina	Indonesia	Murabaha	2.0
13.	Malaysian Government Global Sukuk issue, through HSBC	Malaysia	Ijara Sukuk	5.0
14.	Import of wheat & Barley Ministry .of Agriculture	Tunisia	Murabaha	2.00
15.	Import of Crude Oil & Petroleum Products	Bangladesh	Murabaha	2.00
16.	Import of Crude Oil & Refined Petroleum products	Bangladesh	Murabaha	2.00
17.	Import of CKD Kits Iran Khodro Co.	Iran	Murabaha	2.00
18.	Purchase of Assets from UIF & Specific Deposits	Lebanon	Leasing	3.00
19.	Purchase of Assets from UIF & Specific Deposits	Sudan	Leasing	3.00
20.	Purchase of Assets from UIF & Specific Deposits	Turkey	Leasing	3.00
21.	Purchase of Assets from UIF & Specific Deposits	Saudi Arabia	Leasing	3.00
22.	Purchase of Assets from UIF & Specific Deposits	Pakistan	Leasing	3.00
23.	Import of Alum., Timber & Sugar Algosaibi	Saudi Arabia	Murabaha	3.25
24.	Importation of Crude Oil Pertamina	Bangladesh	Murabaha	2.00
	Sub-Total			**35.25**
	Total			**93.28**

In 1424H, ICBA began to develop and build partnerships with national programmes and research centres in Central Asia where arid and salt-affected regions are widespread. In Rabi Awwal (May 2003), in conjunction with the first training course in Central Asia in collaboration with the International Centre for Research in the Dry Areas (ICARDA) in Tashkent, Uzbekistan, a mission was set-up to develop collaborative research projects in the region. Kazakhstan has since developed a research proposal and submitted it to ICBA for consideration and funding. Subsequently, a seminar on 'Prospects of Biosaline Agriculture Globally and in Kazakhstan' was held in Almaty, Kazakhstan, in Rajab 1424H (August 2003).

During 1424H, ICBA also put in place measures to strengthen collaboration in ICBA's host country, the United Arab Emirates. The assignment of two scientists from the UAE Ministry of Agriculture and Fisheries, one seconded to ICBA and the other working in partnership on several ICBA research projects, is a major impetus for strengthening collaborative research to increase productivity from saline water in the UAE. The Municipality of Abu Dhabi also called on ICBA to provide technical assistance in its waterlogged and salinity-affected areas. ICBA succeeded in introducing innovative methods to solve the problem.

The Center's resource mobilization activities generated US$654,400 during 1424H-1425H for research projects and training activities. In addition, considerable progress was made during the year towards developing a US$3.79 million 4-year proposal to grow forage crops with saline water on marginal land in six countries in the West Asia and North Africa regions for submission to selected donors for funding.

The Terms of Reference for the External Review of the outcomes of ICBA's first Strategic Plan 1421H-1425H (2000-2004) were decided at the ICBA Board of Directors' meeting in Shabaan 1423H (October 2003). The findings of the review will be incorporated in the development of ICBA's second Strategic Plan 1426H-1430H (2005-2009).

Planning for the development of the second Strategic Plan 1426H-1430H began in 1424H (2003-2004). This strategic planning process will include ICBA's collaborators and the end-users of ICBA's research and development. Stakeholders will be consulted on the priorities at a workshop convened for the purpose.

Work continued in 1424H on Technical Program projects and activities. This included the projects in the Genetic Resources and Production and Management Systems Programs. The activities of the Communication, Information Management, Networking, Training, Workshops and Extension Programs, were conducted both at ICBA headquarters and in other countries. Significant efforts were also devoted to developing and resourcing projects and activities.

In the Genetic Resources Program, acquisition and introduction of new accessions and new species continued in 1424H. During the year, attention focused on obtaining further germplasm of the cereals that have already shown promise (barley, pearl millet and sorghum), with a view to increasing the diversity of genetic material under test. ICBA also continued to obtain new forage species, including browse trees and shrubs.

New germplasm acquired included 275 accessions of sorghum, 103 accessions of pearl millet and 23 accessions of groundnut. These new introduction bring the total germplasm collection to 7,114 accessions of 209 species.

Of the materials that have already undergone initial evaluation, work concentrated on barley (Hordeum vulgare), buffelgrass (Cenchrus ciliaris), lablab (Lablab purpureus) and safflower (Carthamus tinctorius) for which adequate quantities of seed have been produced for evaluation of salinity tolerance. In addition, increasing seed of accessions of sorghum and pearl millet that are at more advanced stages of screening and evaluation of productivity continued.

The performance of forage beets was very positive. The 50 accessions of beet proved to be a mixture of vegetable types, mangles and sugar beet. All grew extremely well through the cool season, producing good quantities of foliage and substantial tubers.

In the **Production and Management Systems Program**, work at the ICBA is now sufficiently advanced to demonstrate that, at the research station and pilot scale, saline production systems are productive and economic. The crops on which research is most advanced are intensive irrigated salt-tolerant forage grasses, pearl millet, sorghum, barley and the salt-bush Atriplex.

Halophyte grasses have been successfully adapted to intensive irrigated production using highly saline water(25,000 ppm) at the research station scale

A long-term field study on the economic feasibility and sustainability of forage production based on highly saline water is assessing two non-conventional salt-tolerant grasses Sporobolus virginicus and Distichlis spicata. In 1424H, the trial continued with the aim of determining the long-term effects of different treatments and their effects on seed production and viability. The field experiments are now showing that the production systems ICBA is developing can be successful in saline environments at the research station level.

Although as species, pearl millet and sorghum are not highly salt tolerant, ICBA has identified particular sorghum and millet lines that produce more than acceptable biomass.

Pearl millet evaluated for salt-tolerance at ICBA shows good potential for both seed and biomass production at high salinities (12,000 ppm)

In 1424H , 49 pearl millet accessions and 42 pearl millet elite varieties were evaluated at three salinity levels. Planting dates were adjusted to minimize the effects of short day length on early flowering and to achieve maximum growth under prevailing environmental conditions. The salt-tolerant genotypes are available for use by collaborating national programs in the region, and also for further evaluation of productivity under a wide range of salinities and management practices.

In 1423H, sufficient quantities of barley seed were obtained to enable large-scale field screening in 1424H at the plot scale. At medium to high salinity (up to 12,000 ppm), some lines produced 2-3 tonnes seed per hectare. Thus, at this scale, the selected barley lines are still meeting the economic production threshold for stressed environments.

Reclamation of salt-affected land: Following successful reclamation of a 55 hectare pilot area in Al Ajban agricultural area, Abu Dhabi Emirate, in 1423H, a proposal to reclaim the Al Nahda and Al Shahama farming areas, in addition to the remainder of Al Ajban farming area was approved in Rabi Thani 1423H (June 2003). The total area to be reclaimed is about 55 sq km.

Maximizing impact through research partnerships: A key role of international research centres is to strengthen developing country research capacity and maximize research impact by facilitating collaborative research in partnership with their research organizations. In 1424H, ICBA launched projects to maximize the impact of its work through strategic research partnerships at: UAE University and the Northern Emirates of the UAE, in Oman, Bangladesh, Pakistan, Iran and Jordan.

Communication, Information Management and Networking In 1424H, ICBA signed three Memoranda of Understanding (MOU) with international and national organizations in Egypt, the UAE and Kazakhstan. The ICBA library made a start on cataloguing the collection to internationally recognized standards. ICBA also prepared an information brochure and the statutes of the Inter-Islamic Network on Biosaline Agriculture (INBA) which is coordinated by ICBA and supported by COMSTECH. Network activities for the Inter-Islamic Network on Biosaline Agriculture include: preparation of research scientists database, a write-up on bio saline research in Islamic Countries, co-operative research work in Islamic countries, literature access facilities to member countries, workshops at ICBA, INBA web page development and the ICBA/INBA newsletter.

Training, Workshops and Extension Between Muharram 1424H and Dhul Hijja 1424H (March 2003 and February 2004) ICBA held two training courses, at its headquarters, and in Tashkent, Uzbekistan in Rabi Awwal 1424H (May 2003) see Table 5.10. A total of 74 trainees took part in these three courses.

TABLE 5.10
ICBA TRAINING COURSES 1424H (2003-2004)

Sl. No.	Course	Duration	Venue	Number of participants	Number of countries participating
1.	Salinization of irrigated lands and reclamation	3–7 Safar 1424H (5–9 April 2003)	ICBA	34	20
2.	Biosaline agriculture and sustainable production systems	11-20 Rabi Awwal 1424H (12–21 May 2003)	Tashkent, Uzbekistan	25	6
3.	Sustainable irrigated agricultural production on degraded/saline land	10 Safar–1 Jumada Thani 1424H (12 April-30 July 2003)	ICBA, ICARDA (Syria)	3	1
4.	In-situ conservation of plant genetic resources	22-26 Shabaan 1424H (18–22 October 2003)	ICBA	15	8

Also for the first time, on-the-job apprenticeships were provided for three Afghani agriculturalists.

Administration and Finance: The external auditors issued an unqualified audit report on the Center's financial statements for 1423H-1424H. ICBA renegotiated the pension plan agreement with Citibank and Eaglestar to minimize losses. Fixed assets have been tagged and a Safety Manual was completed and implemented. A plan to upgrade ICBA's computer network was also developed and approved by ICBA management.

(ii) OICNetworks SDN BHD (OICNetworks)

Background

OICnetworks Sdn Bhd (OICnetworks), which was incorporated in Muharram 1421H (April 2000), is principally involved in Information Services, E-commerce, Internet Connectivity and Consultancy Services. The Company is a joint venture between IDB and MIMOS of Malaysia which have pledged between them a total investment of US$14.5 million over a period of 4 years. The present amount of authorized and paid-up capital is US$2.6 million.

Activities

The Company presently operates two (2) Internet initiatives: OICtrade and OICexchange. The OICtrade is membership-based and targets the Corporate Sectors, while OICexchange serves communities within the OIC member countries. OICtrade collaborates with various parties amongst member countries especially ICCI to accelerate its membership recruitment.

Education is another sector targeted by the Company. It will soon act as a platform that may connect potential students within the OIC space to educational opportunities beginning with Malaysia through e-learning, student placement services and consulting activities. In this initiative, Malaysian colleges and vocational schools will see an increase in student population from Africa and West Asia as soon as the end of the year, following an agreement to promote Malaysia's educational and training facilities among OIC member nations. The agreement was entered between the Company and ten (10) other institutions namely Timecom Holding Sdn Bhd, Sirim Bhd, Malaysian Institute of Management (MIM), MIGHT Meteor Advance Manufacturing Sdn Bhd, Bostonweb Academy, Asia Pacific Institute of Information Technology (APIIT), Global Institute of Studies, KLC Centre for Higher Studies, Al Amoudi Middle East Alliance Sdn Bhd and Kries Education Consortium.

(iii) The Kingdom of Saudi Arabia Project for Utilization of Sacrificial Animals Managed by IDB

The Kingdom of Saudi Arabia Project for Utilization of Sacrificial Animals managed by IDB lies outside the normal range of IDB operations. The Saudi Government nevertheless assigned the project to the IDB, which implements it with due respect for its significance for member countries and the Muslim communities in non-member countries. The project serves Hajj pilgrims by performing the slaughter and related services on their behalf. It oversees the utilization of the sacrificial meat in accordance with established religious norms. The meat is then distributed to the needy in member countries and to Muslim communities in non-member countries. Information about the Project and its objectives is widely disseminated through its sites, pamphlets, booklets, and posters, which are published widely in nine different languages every year.

In 1424H, the number of slaughter of sacrificial animals (such as sheep, cows and camels) totaled 629,302. Of these, 359,802 were distributed amongst the poor and needy of the Haram area in Makkah al Mukarramah, while 269,500 were distributed outside the Kingdom. The distribution of meat in different countries from 1419H to 1424H is shown in Table 5.11.

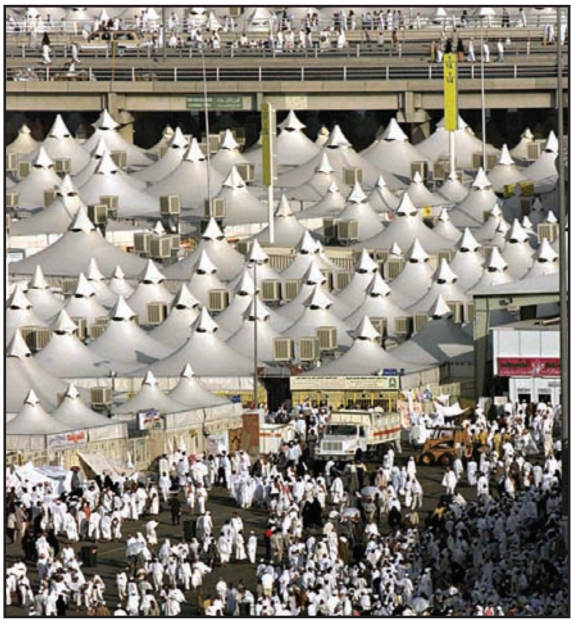

TABLE 5.11
DISTRIBUTION OF SACRIFICIAL MEAT DURING HAJJ SEASON FROM 1419H TO 1424H

Sl. No.	Country	1419H	1420H	1421H	1422H	1423H	1424H
1.	Albania	10,000	-	-	-	-	-
2.	Azerbaijan	2,500	2,500	5,000	5,000	5,000	2,500
3.	Bangladesh	57,000	57,000	69,000	59,000	59,000	59,000
4.	Bosnia	10,000	10,000	-	-	-	-
5.	Burkina Faso	5,000	-	2,500	2,500	2,500	2,500
6.	Chad	5,000	5,000	5,000	5,000	5,000	5,000
7.	Comoros	3,000	3,000	3,000	3,000	3,000	3,000
8.	Djibouti	7,000	7,000	7,000	7,000	7,000	7,000
9.	Egypt	27,000	30,000	-	-	-	-
10.	Ghana	-	-	500	500	500	500
11.	Guinea Bissau	-	5,000	5,000	-	5,000	5,000
12.	Guinea Conakry	7,500	5,500	5,000	5,000	5,000	5,000
13.	Iran	-	-	20,000	-	-	-
14.	Jordan	20,000	20,000	20,000	20,000	20,000	20,000
15.	Lebanon	15,000	15,000	15,000	15,000	35,000	55,000
16.	Mali	5,000	-	2,500	2,500	2,500	2,500
17.	Mauritania	10,000	10,000	10,000	10,000	10,000	10,000
18.	Mozambique	4,000	4,000	4,000	4,000	4,000	4,000
19.	Niger	5,000	-	2,500	2,500	2,500	2,500
20.	Pakistan	20,000	20,000	10,000	10,000	10,000	10,000
21.	Palestine	10,000	10,000	-	1,800	30,000	30,000
22.	Senegal	10,000	10,000	10,000	10,000	10,000	10,000
23.	Sierra Leone	7,000	5,000	5,000	5,000	5,000	5,000
24.	Sudan	20,000	20,000	18,000	10,000	10,000	10,000
25.	Syria	10,000	10,000	10,000	10,000	10,000	10,000
26.	Tanzania	6,000	6,000	3,000	6,000	6,000	6,000
27.	The Gambia	6,000	5,000	5,000	5,000	5,000	5,000
	Sub Total	**282,000**	**260,000**	**237,000**	**198,800**	**252,000**	**269,500**
	Poor of Haram	192,925	155,369	380,671	413,922	377,700	359,802
	Grand Total	**474,925**	**415,369**	**617,671**	**612,722**	**629,700**	**629,302**

TABLE 5.A
TOTAL OPERATIONS APPROVED BY THE ISLAMIC BANKS' PORTFOLIO AND IDB UNIT INVESTMENT FUND BY COUNTRY SINCE INCEPTION

(Amount in US$ million)

SI. No.	Member Country	IBP		SI. No	Member Country	UIF	
		No. of Operations	Amount			No. of Operations	Total Amount**
1.	Algeria	6	39.30	1.	Algeria	13	108.24
2.	Bahrain	22	125.00	2.	Bahrain	6	50.00
3.	Bangladesh	7	92.50	3.	Bangladesh	8	101.70
4.	Brunei	1	25.00	4.	Brunei	1	15.00
5.	Egypt	14	314.29	5.	Egypt	8	72.18
6.	Indonesia	2	60.50	6.	Indonesia	2	25.00
7.	Iraq	1	1.50	7.	Iran	15	156.75
8.	Iran	11	104.50	8.	Jordan	1	5.95
9.	Jordan	3	46.74	9.	Kazakhstan	2	15.16
10.	Kazakhstan	2	12.00	10.	Kuwait	4	32.00
11.	Kuwait	2	100.00	11.	Lebanon	7	73.56
12.	Lebanon	4	83.74	12.	Libya	1	16.67
13.	Malaysia	3	114.50	13.	Malaysia	2	46.76
14.	Morocco	9	103.90	14.	Morocco	1	8.58
15.	Pakistan	40	1,213.69	15.	Oman	1	15.00
16.	Qatar	3	47.60	16.	Pakistan	31	263.02
17.	Saudi Arabia	21	274.90	17.	Qatar	4	47.00
18.	Sudan	5	32.50	18.	Saudi Arabia	9	66.02
19.	Tunisia	8	17.40	19.	Sudan	1	5.00
20.	Turkey	40	452.55	20.	Tunisia	4	15.00
21.	UAE	3	18.00	21.	Turkey	20	121.99
22.	Uganda	1	0.93	22.	UAE	3	28.02
23.	IDB Special Programs	5	105.00				
24.	Non-member (Bosnia)	1	1.21				
	TOTAL:	**214**	**3,387.25**			**144**	**1,288.60**

* Figures are net of cancellations.
** Includes the total of direct, syndicated and co-financed operations.

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PART III

ADMINISTRATION AND FINANCE

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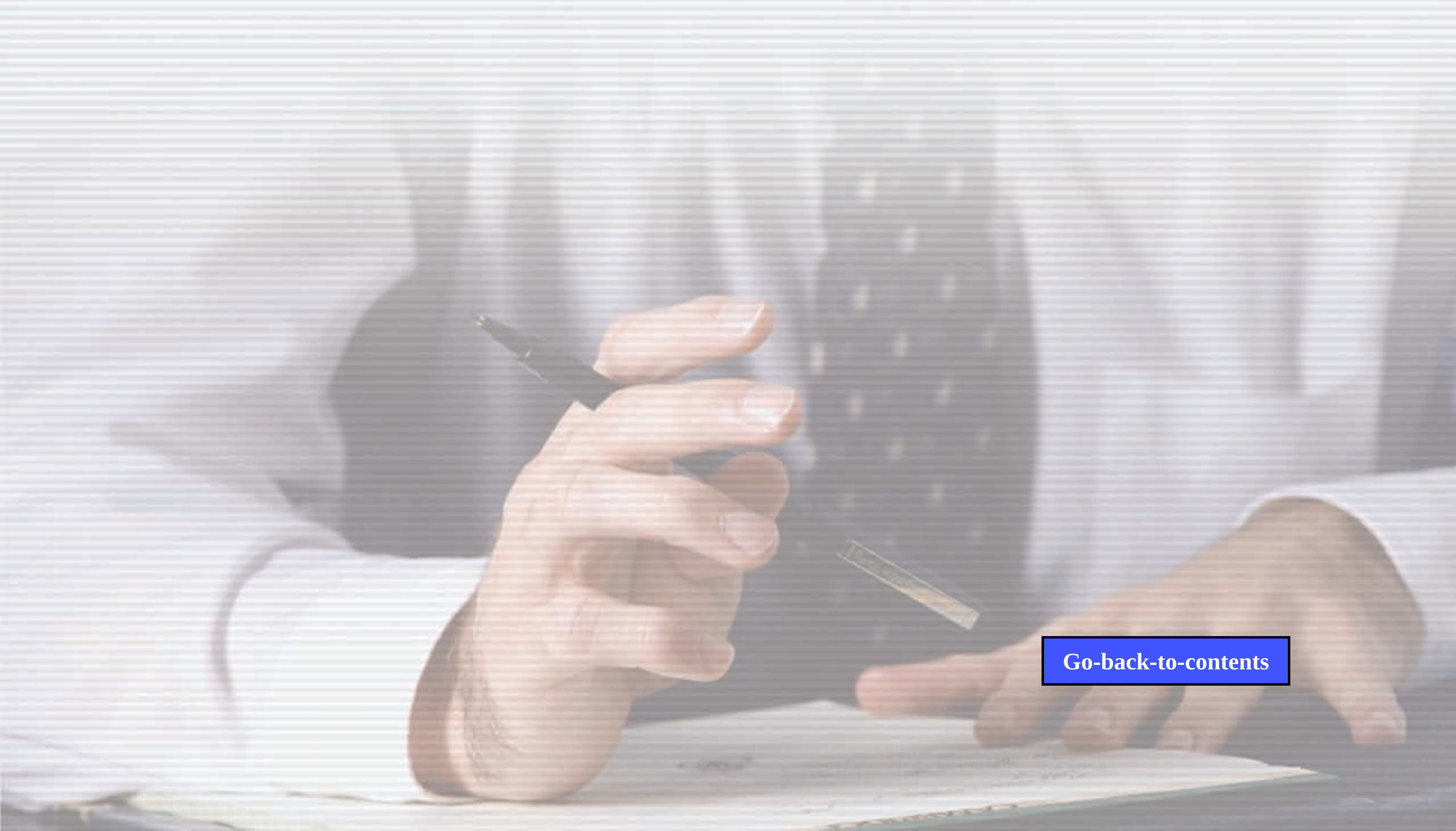
Chapter 6

ADMINISTRATIVE AND CORPORATE AFFAIRS



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IDB Financed Health Center in a Rural Area, Burkina Faso, 2002-2003

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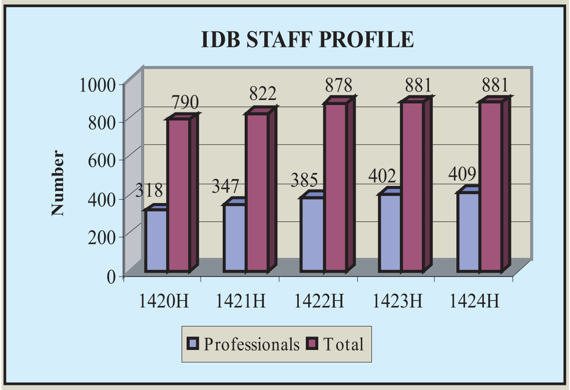
HIGHLIGHTS

- Twenty-Eighth Annual Meeting of the Board of Governors held in Almaty, Kazakhstan.
- The First Annual Meeting to be held in the Commonwealth of Independent States.
- Uzbekistan becomes 55th Member Country of IDB.
- All Countries in the Commonwealth of Independent States now members of the IDB.
- Board of Executive Directors adopted 178 Resolutions in 7 Meetings.
- Board approved Strategic Planning Framework.
- Information Strategy Planning nearing completion.
- Organization structure of the IDB Group further consolidated.
- Total Staff Reached 881.
- Provided 805 Training opportunities to Staff in various fields .
- Management Development Program for the Staff intensified.



I. MEMBERSHIP

The latest country to join the membership of the Islamic Development Bank (IDB) was Uzbekistan from the Commonwealth of Independent States (CIS) region during the Annual Meeting of the Board of Governors in Almaty, Republic of Kazakhstan, thus taking the total membership of the IDB to 55. IDB is a unique Multilateral Development Bank in which all member countries are developing countries. Of these, 23 are classified by the United Nations as least developed countries.

II. ACTIVITIES OF THE BOARD OF GOVERNORS

The Twenty-eighth Annual Meeting of the Board of Governors of the Islamic Development Bank was held in Almaty, Republic of Kazakhstan on 5-6 Rajab 1424H (2-3 September 2003) under the patronage of H. E. Mr. Nursultan Nazarbayev, the President of the Republic of Kazakhstan. This was the first time that the Annual Meeting of IDB was being held in a member country in the CIS region.

H. E. Mr. Nursultan Nazarbayev, in his speech at the opening session held at Akimat, Almaty, commended the pioneering role played by the Islamic Development Bank in fostering the economic development and social progress of member countries and Muslim communities in non member countries. He assured continued support of the government of Kazakhstan in the efforts of the IDB to serve the interests of the Muslim Ummah.

H. E. Mr. Adilbek Dzhaksybekov Ryskeldinovich, Chairman of the Board of Governors, in his opening address paid tribute to the constructive role played by the IDB Group in the last thirty years. He informed the meeting that the Republic of Uzbekistan has been accepted as a full member of the IDB upon completion of all formalities.

In his opening address, H. E. Dr. Ahmad Mohamed Ali, President, IDB, expressed profound thanks to H. E. Mr. Nursultan Nazarbayev, the President of the Republic of Kazakhstan, for his patronage of the meeting and gracing it with his presence. He thanked the people and government of Kazakhstan for the excellent arrangements and their gracious hospitality. He briefly reviewed the performance of the IDB in 1423H and spoke on various matters related to the activities of the IDB Group.

H. E. Mr. Mahmoud Al-Nouri, IDB Governor for Kuwait, H. E. Mr. Shaukat Aziz, IDB Governor for Pakistan, and H. E. Mr. Seydou Bouda, IDB Governor for Burkina Faso spoke on behalf of the Group of Arab countries, Group of Asian countries, and Group of African countries respectively. A number of Governors addressed the Annual Meeting during the Working Session.

The Procedures Committee appointed by the Board of Governors at the Twenty-seventh Annual Meeting met on Monday, 4 Rajab 1424H (1 September 2003). The Board adopted the Agenda for the Annual Meeting in the form recommended by the Procedures Committee.

The Board of Governors took note of the Twenty-eighth Annual Report of the Board of Executive Directors for the Year 1423H (2002-2003) and approved:

(a) Audited Statement of Accounts of the Bank for the Year 1423H (2002-2003);

(b) Transfer of Balance on the Profit and Loss Account as at the end of the Financial Year 1423H (2002-2003) to the General Reserve;

(c) Audited Statement of Accounts of the Waqf Fund for the year 1423H (2002-2003);

(d) Audited Statement of Accounts of the Export Financing Scheme for the year 1423H (2002-2003);

(e) Audited Statement of Accounts of the Islamic Banks' Portfolio for the year 2002;

(f) Audited Statement of Accounts of the Islamic Development Bank Unit Investment Fund (Statements on the Financial Position and the Profit and Loss Accounts for the year 2002);

(g) Audited Statement of Accounts of the Awqaf Properties Investment Fund for the first financial year period ended 29/12/1423H (2002-2003).

The Board of Governors approved the allocation of US$ 5 Million, representing about 5 per cent of the forecasted IDB net income for the financial year 1424H, for financing Technical Assistance Operations in the form of grants for the year 1425H.

The Board of Governors elected the IDB Governor for the Islamic Republic of Iran as Chairman of the Board of Governors for the 1424H-1425H (2003-2004) Session. It also elected the IDB Governor for Gabon and the IDB Governor for the Gambia, as Vice-Chairmen for the term of office starting immediately after the end of the 28th Annual Meeting until the end of the 29th Annual Meeting.

At the closing session, the Chairman of the Board of Governors announced the award of the IDB Prize in Islamic Economics for the year 1423H to two joint winners, namely, Dr. Abbas Mirakhor, Executive Director from Iran and Dr. Mohsin S Khan, Director, Middle East and Central Asia Department, from Pakistan,in the International Monetary Fund. H.E. Mr. B. B. Zhamishev, Alternate IDB Governor for Kazakhstan presented the recommendations of the 14th Annual Symposium on "Cooperation among OIC Member Countries for Intra-Investment" which was held in conjunction with the Annual Meeting.

In his closing statement the President of the Islamic Development Bank responded to the observations made by Their Excellencies the Governors and the suggestions given by them during the deliberations. He thanked the Governors for their positive reaction to the achievements of the Bank, the confidence reposed in him and the valuable suggestions aimed at enhancing the role of the IDB in the service of the Ummah. He responded to the points raised in the speech of H. E. the President of Kazakhstan and the IDB Governors and informed the meeting that the Bank will consider all suggestions and take necessary action.

III. ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS

In 1424H (April 2003 – February 2004) the Board of Executive Directors (BED) held seven meetings in addition to a number of meetings of the Standing, Special, and Ad-hoc Committees of the BED. Table 6.1 summarizes the categories of subjects considered by the Board during 1424H. Box 6.1 highlights the major policy decisions taken. While detailed approvals of projects and operations in 1424H are given in Chapters 3 and 4.

During the year, the Board of Executive Directors has considered a total of 429 items as detailed in Table 6.1. They related to Trade Financing, Project Financing, Waqf Fund Operations, Policy issues, items relating to the Assets Management Department

Meeting of the Board of Executive Directors

as well as those approved by the President, IDB under the authority delegated to him by the Board of Executive Directors. The Board approved a total of 178 items on which it adopted Resolutions. A total of 146 items were approved by the President under the authority delegated to him by the Board and were thereafter submitted to the Board. The remaining 105 items pertained to consideration of various standing items, standard follow-up and progress reports and some items which were postponed for consideration in subsequent meetings of the Board or referred to a Committee of the Board; as such, no resolution was adopted on these 105 items.

To facilitate its work, BED established a number of standing, special and ad-hoc committees which were authorized to assess subjects within their terms of reference and in some cases to take decisions on behalf of the Board.

TABLE 6.1
BUSINESS TRANSACTED BY THE BOARD OF EXECUTIVE DIRECTORS DURING 1424H

Date of BED Meeting	No: of BED Meeting	No. of Agenda Items	Trade Financing	Project Financing	Waqf Fund Operations	Policy Items	Other Items	AMD Items	Follow-up Reports	Items Approved by the President	Resolutions Adopted
Safar 18-19, 1424H April 20-21, 2003	214	69	1	11	8	10	9	1	4	25	32
R. Thani15-16, 1424H (15-16 June 2003) June 10-11, 2001	215	64	-	7	5	10	11	2	3	26	26
J.Awwal 20-21, 1424H (20-21 July 2003)	216	52	1	15	3	9	6	2	3	13	19
Rajab 3, 1424H August 31,2003)	217	36	-	10	6	4	13	-	3	-	20
Sha'aban 23-24 1424H (October 19-20,2003)	218	67	1	9	-	9	8	1	6	33	16
Shawal 13-14, 1424H December 7-8, 2003	219	62	1	9	5	18***	3	-	3	23	27
D. Hijjah 24-25, 1424H February 15-16, 2004	220	79	-	18	10	15***	5	1	4	26	38
TOTAL	**7**	**429****	**4***	**79**	**37**	**75**	**55**	**7**	**26**	**146**	**178**

*These figures represent the Trade Financing and UIF/EFS operations submitted to the BED for approval as these were beyond the financing limit delegated by the BED to the President, IDB. All the other Trade Financing and UIF/EFS operations approved by the President within the delegated authority, and thereafter submitted to the BED, are covered in the column "Item approved by the President". This column also includes TA projects approved by the President, IDB.
**Out of the 429 items considered by the Board, Resolutions were adopted on 178 items, while 146 items were approved by the President as indicated in the first footnote. The remaining 105 items which were considered by the Board but on which no resolutions were required pertain to (i) standing items such as adoption of Agenda & Minutes, Follow-up Statement, Brief Oral Report of the President; (ii) Reports on the meetings of the Finance & Administrative Committee and the Operations Committee of the Board; (iii) standard progress reports and follow-up reports; and (iv) policy items or projects considered and postpond.
*** Consisting of 10 Policy Items and 8 budget items in 219 BED Meeting and 9 Policy Items and 6 budget items in BED 220.

Box 6.1
Major Policy Decisions of the IDB Board of Executive Directors in 1424H

- Approved the Strategic Planning Framework for the IDB Group for implementation by 1426H.
- Approved Participation of IDB in the Donors' Conference held in Madrid to finance the reconstruction of Iraq.
- Approved Participation of IDB in financing the reconstruction program of Iraq.
- Rescheduled modality to deliver shortfall in debt relief and the assistance to Burkina Faso, Sierra Leone, Guinea, under the HIPC Initiative.

Standing Committees

The Standing Committees of the Board are:

1. Finance and Administrative Committee
2. Operations Committee
3. Export Financing Scheme (EFS) Committee
4. Audit Committee

Finance and Administrative Committee: This Committee held six meetings and helped the Board decide matters relating to management of liquid funds and the financial management of the Bank, including the conduct of a quarterly review of financial reports and follow-up of overdues on account of share capital subscription. It considered and assessed annual plans and programs which formed the basis for the preparation of the administrative budget. The Committee made recommendations to the Board on the Bank's general administrative and personnel policy and looked into the proposals for Highly Indebted Poor Countries (HIPC) Initiative for various countries. Its functions also covered the review of various financial issues of the IDB Unit Investment Fund, Islamic Banks' Portfolio and Awqaf Properties Investment Fund.

Operations Committee: The Committee held five meetings and thoroughly examined the operations and projects to be financed from the Ordinary Resources of the Bank, Special Account for LDMCs, Waqf Fund Operations, Trade Finance Operations including BADEA and the IDB Sukuk It also considered the Operations Plans and Programs of the Operations Complex and other entities of the Bank and recommended their approval to the Board. The work of the Committee facilitated decision making by the Board. Another important activity was the finalization of the 28th Draft Annual Report, clearance of the draft annotated outline of the 29th Annual Report of the IDB and the selection of Occasional Papers for 1425H. The Committee also looked into the follow-up reports on the Action Plan to operationalize the Ouagadougou Declaration and the overdues on operations financed.

Joint Meeting of the Finance & Administrative Committee and the Operations Committee:

A joint meeting of the Finance & Administrative Committee and the Operations Committee of the Board was held to consider Operations, Plans & Administrative Budgets of various departments and affiliates of the IDB and recommend their approval to the Board.

Export Financing Scheme Committee: The meeting of the Committee recommended EFS Operations Plans and Administrative Budget as well as the Country-wise allocations of the EFS resources for 1425H for the approval of the Board. It also considered the Report on the performance and status of the EFS for 1424H.

Audit Committee: The Audit Committee held six meetings during which it reviewed the efforts to enhance the Bank's internal controls environment, management of liquid assets, and risk management function, and provided guidance and support to strengthen the departments responsible for those functions.

The committee reviewed the financial statements and the Management Letter with the external auditors, the annual report of the Internal Audit Office, implementation of audit recommendations annual work program, the reports of the Operation Evaluation Office, Equity Portfolio, and Operations Portfolio Status. The committee evaluated the offers from auditing companies and finalized recommendation to the Board for the selection of External Auditors for the IDB and its windows for the year 1425H (2004).

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Other issues considered by the Committee included:

(a) Report on the implementation of the Information Strategy Plan (ISP) project;

(b) Report on the OIC-Networks Sdn Bhd-status of the Bank's investments; status report on the Bank's investment in IIBU-UBK, IIG and other companies;

(c) Evaluation of the first issue of the IDB Sukuk, and monitoring the implementation of the IDB Infrastructure Fund. Another important matter discussed by the Committee was the adoption of appropriate accounting standards in the preparation of the accounts of the Bank, the future of IDB trade financing operations and the proposed options.

Special Committees

The special committees of the Board of Executive Directors met within the framework of their terms of reference. The terms of reference of the special committees are as follows:

The Executive Committee of the Islamic Banks' Portfolio: This Committee establishes policies and guidelines for the Islamic Banks' Portfolio for Investment and Development. It approved operations within the powers delegated to it and recommended other operations for the Board's consideration.

The Executive Committee of the IDB Unit Investment Fund: This Committee provides guidance on policy matters affecting the operations of the Fund and its overall management and administration.

The General Committee of the IDB Scholarship Program for Muslim Communities in Non-member Countries: This Committee guides and supervises the implementation of the Scholarship Program aimed at uplifting the socio-economic conditions of Muslim minorities in non-member countries. The Committee submited an annual report on its performance to the Board.

The Committee for the IDB Merit Scholarship Program for Member Countries: This Committee advises on general policy and supervises the implementation of the IDB Merit Scholarship Program aimed at developing technically qualified manpower in member countries by providing scholarships to promising/outstanding scholars and researchers in subject areas related to the development of member countries.

The Pension Committee: This Committee decides all matters of general policy falling under the IDB Staff Retirement Plan and establishes rules, policies and procedures for the overall administration and implementation of the Plan.

The Pension Administration Committee: This Committee administers the Staff Retirement Plan and maintains its accounts, subject to the supervision and control of the Pension Committee.

IV. VICE-PRESIDENT

The Board of Executive Directos approved the renewal of the term of Dr. Syed Jaafar Aznan as Vice-President for three years from the completion of his pervious tenure (29 Rabi Thani 1424H).

V. ORGANIZATIONAL REVIEW

Strategic Planning Framework

During the year the Strategic Framework of the IDB Group was discussed at two different platforms: during a symposium of local and international experts held at the IDB Headquarters, Jeddah, Saudi Arabia, on 17-18 Rabi Thani 1424 (17-18 June 2003) and at a Special Session of the 216th Board of Executive Directors held on 22 Jumad Awwal 1424H (22 July 2003) in Madina-al-Munawwarrah. Based on recommendations of the various fora and after consultations, the Board approved the first phase of the process of long term planning of the Strategic Framework for the IDB Group. A new Steering Committee under the Chairmanship of the Vice President (Corporate Resources and Services) was also constituted. The Management considers this as the first step towards the implementation of the new Strategic Objectives of the IDB Group.

The second phase will be devoted to the establishment of a mechanism for the implementation of the Strategic Framework including development of institutional growth path and organizational structure. The affiliate institutions of the Group will develop their own mission statements and strategic plans and objectives in tune with the overall objectives of the IDB Group.

IDB Group Forum

The IDB Group Forum which was established to consider matters concerning Group strategies, policies and organizational plans, held eleven meetings during which it discussed the Group Identity Manual, Group Information Systems, Services & Technology Strategy, Group Operations Strategy, IRTI's medium term perspective on research, training, and information, Group Marketing Strategy, Group Trade Operations Coordination Issues, Group Risk Management, Planning and Implementation of IDB Group Strategic Framework, etc.

Organizational Structure

The organizational structure of the Bank underwent the following changes.

- An IDB Group Strategic Planning Office attached to the Office of the Chairman, IDB Group, was established.
- An Operations Planning and Services Department under the Vice President (Operations) was established.
- A Security and Safety Office under the Office of the Vice President (Corporate Resources and Services) was established.
- The Trade Finance & Promotion Department was reorganized.
- A Records & Documents Management Division (RDM) was established.
- The Private Sector Promotion Section with the existing staff from the Office of the Vice President (Trade & Policy) was transferred to the Assets Management Department.
- The functions of the Treasury Department were revised.

Records & Documents Management

Work on the Bank Group's Integrated Records & Documents Management System (IRDMS) which has been assigned to an external solution provider is in progress. The work is expected to be completed within two years.

Total Quality Management (TQM)

Total Quality Management fulfills the quality assurance requirements of the ISP Development Banking System (ISP/DVB). So far, a number of new procedure manuals have been developed (such as Consultancy Manual, Library Manual, and a procedure for updating manuals). Few other existing manuals have been updated .

Distance Learning and Videoconferencing

As the first year of operation, four training courses for 74 participants and 32 video conferences involving 220 Bank staff members were organized. A Steering Committee has been established by the Management to develop policies and advise on programs for the benefit of the member countries.

VI. INFORMATION TECHNOLOGY ACTIVITIES

The information technology improvements being introduced in the IDB Group are aimed at putting in place the best e-business and knowledge–based environment that would enable the Group to serve the interest of the member countries and other sectors involved. Other objectives of the improvement are:

1. Aligning the information systems, services, and technology with the IDB Group strategic objectives;
2. Ensuring client satisfaction and business continuity and performing IT processes according to internationally accepted quality standards.
3. Utilizing flexible and responsive technology infrastructure to facilitate information flow.

The Bank began implementation of the Information Strategy Plan (ISP) in September 2000 towards building a set of integrated IT systems, which will help the Bank to enhance its services to member countries, reduce business cycle time and increase staff productivity.

Mainframe business applications have been frequently maintained to provide the Departments with up-to-date information. Migration of mainframe applications data to the newly delivered ISP systems is also being carried out.

To facilitate this process the staff has been equipped with high performance office technology tools and the most recent versions of software ready to meet today's demanding web-enabled applications and solutions.

GroupWare and other productivity tools such as Internet, Lotus Notes e-mail, Web mail, Intranet and Reuters services are used on a wider scale by the staff to facilitate sharing, dissemination and tracking of information between different departments, regional offices and other organizations.

The IDB Group Website which is the Group's window to the world on the internet continued to be provided and maintained.

During the year the following activities were initiated: move towards IDB Group Web-Portal, Business Intelligence System, Integrated Records and Documents Management System, Library Information System, Fixed Assets & Purchasing systems and Regional Offices Connectivity Project.

VII. STAFF

The current staff strength in the Bank is 881 comprising 409 professionals, 65 special category, 328 general category and 79 manual category. During the year under report, 32 new staff members joined the Bank. Of the new staff, 30 are from member countries. Thirty-three staff members left the service of the Bank during 1424H.

In recruiting staff, due emphasis is given to selecting candidates with the highest standards of efficiency and caliber from the widest possible geographic base. The Bank also continues to recruit external consultants and experts on short term basis for operational and non-operational activities.

Training

During 1424H, the Bank provided 805 training opportunities to the staff. Details are shown in the following Table 6.2.

TABLE 6.2
STAFF TRAINING ATTENDED - BY CATEGORY

No	Type of Training	Professional	Special	General	Total
1.	In-house	441	22	148	611
2.	External	20	4	6	30
3.	Computer	22	3	84	109
4.	Languages	19	1	35	55
	Total	**502**	**30**	**273**	**805**

Box 6.2
Management Development Programme

The purpose of the Islamic Development Bank is to foster economic development and social progress of member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of Sharia'h. Successful achievement of this objective requires the staff to have the right mix of knowledge and skills so that they are able to perform in an optimal manner.

The Management Development Programme (MDP) was conceived with objective of offering a first rate management education and skill development programme for the IDB Group staff. Such skill enhancement is necessary in order to equip the Bank staff to shoulder the future managerial responsibilities.

The MDP, which was launched in October 2002 and conducted by the London Business School, consisted of two residential modules implemented in an environment conducive to learning and active participation. During 1424H, ninety professional staff attended the MDP. So far, 120 professional staff of the IDB Group have attended the MDP.

The MDP imparted the right mix of knowledge and managerial skills to the professional staff. In addition, the MDP provided an opportunity to the participants to better understand the values and principles that guide the IDB Group, the environment in which the Group competes, and how the staff can optimally and strategically improve productivity and performance in a highly competitive environment.

Young Professionals Program

By the end of the year, the Bank received 455 applications under the Young Professionals Program. Six candidates joined the Program during the year. Currently there are 13 young professionals under training.

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VIII. LIBRARY

The IDB library has built a collection of over 80,000 titles of print and non-print materials, with the former comprising books, member country and international organizations' reports, conference proceedings and dissertations; and the latter including CD-ROMs, audio/video cassettes, computer software, microfilms and microfiches. It subscribes to over 500 titles comprising scholarly journals, professional associations' newsletters, information bulletins and international dailies and magazines.

The Library's web site on the Local Area Network provides the staff members access to its electronic resources and services from their desktops. These include the Library's Online Public Access Catalogue (OPAC); Links to major international online Information Services and databanks and Electronic Information Bulletins produced by the Library.

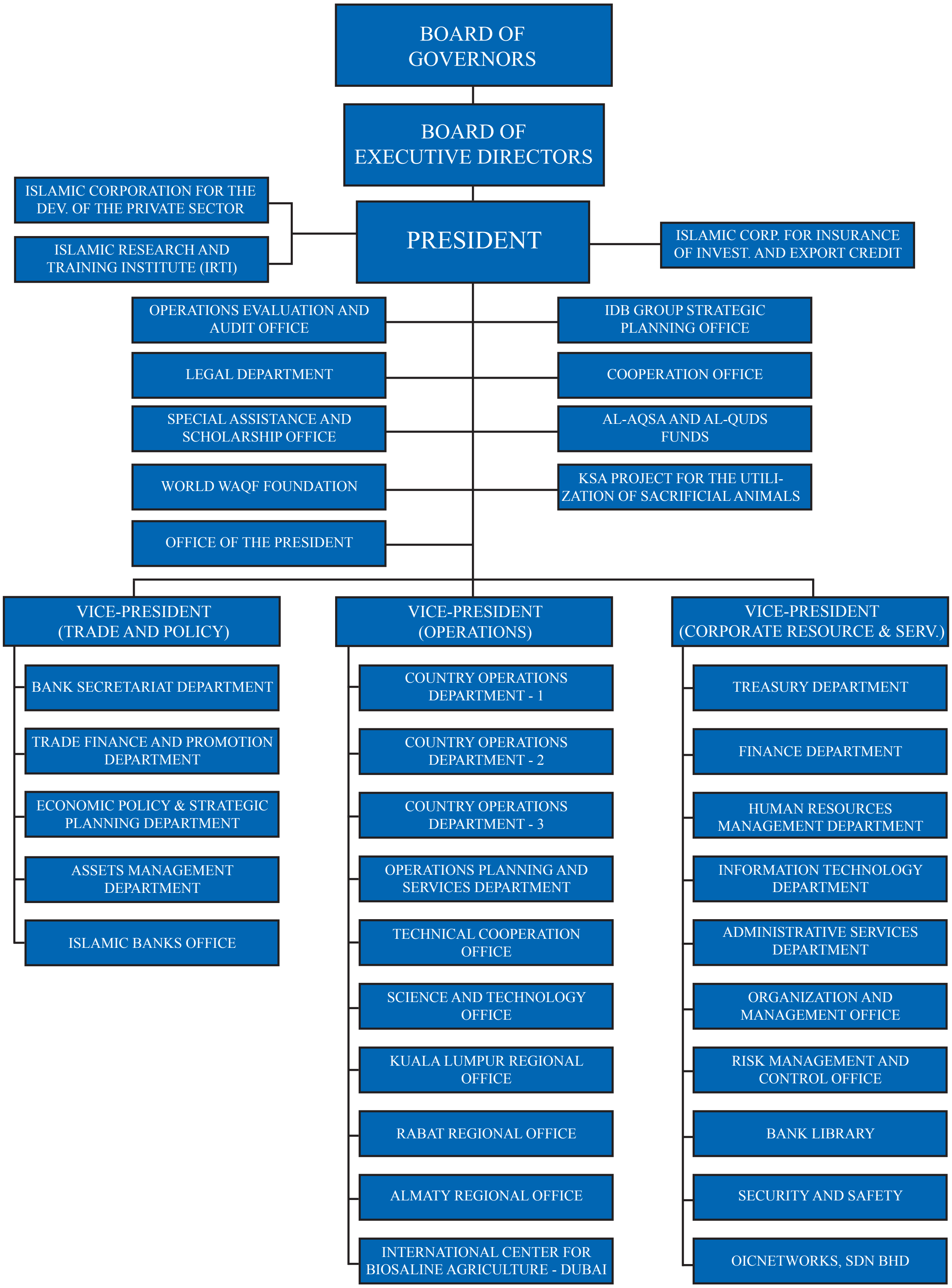
Improvement of Library Services

The following service improvements were made in the library during 1424H:

- Replacement of the CD Net server by a new web enabled CD-ROM/DVD server that allows simultaneous access by multiple users to more than 100 CD-ROM titles in the Library through the LAN.
- Provision of electronic dissemination of information enabling utilization of around 3000 newly added library acquisitions.
- Secured access privileges to a large number of electronic journals, magazines and international dailies which the staff could access from their desktops.

An educational project in Africa financed by IDB, 2003

ORGANIZATIONAL CHART
ISLAMIC DEVELOPMENT BANK GROUP



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Chapter 7

FINANCE

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IDB Water Supply Programme in the Sahel, Africa, 2003

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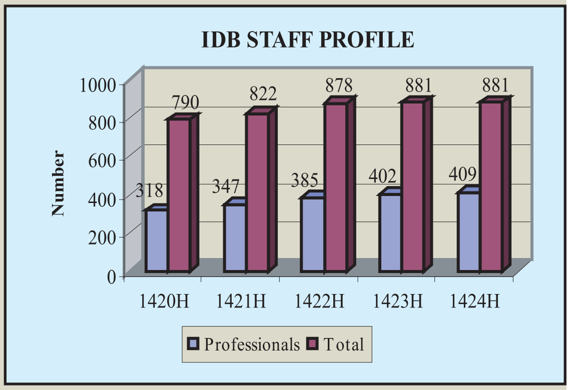
HIGHLIGHTS 1424H

IDB

- Total Assets: ID4.52 billion
- Members' Funds: ID 4.07 billion
- Gross Income : ID 222.22 million
- Net income: ID58.62 million
- Total Expenses, Provisions and Depreciation on Ijarah Muntahia Bittamleek's: ID134.94 million
- Total IDB Group Disbursements: ID1.35 billion
- Total IDB Group Repayments: ID1.05 billion

Waqf Fund

- Net Income: ID9.87 million
- Net Assets: ID887.68 million



Total income for the financial year 1424H (2003-2004) rose to ID222.22 million (US$332.22 million), up from ID 160.58 (US$219.99 million) in 1423H. However, net income dropped to ID 58.62 million (US$87.64 million) from ID 73.45 million (US$100.63 million) in the previous year. The decline in net income is attributable to the decline in income from commodity placement with banks which has decreased from ID 26.62 million (US$36.47 million) in 1423H to ID 12.42 million (US$18.57 million) in 1424H. Also, net income was adversely affected by the exchange losses which amounted to ID 28.66 million (US$42.85 million) as at the end of 1424H compared with an exchange gain of ID 9.46 million (US$12.96 million) in 1423H.

Total resources grew by 9.66 per cent year-on-year. Members' Funds increased by ID170.32 million (US$254.63 million) from ID3.90 billion (US$5.34 billion) in 1423H to ID4.07 billion (US$6.08 billion) in 1424H.

Net approved projects and operations from Ordinary Capital Resources (OCR) increased by 16 per cent, from ID1.81 billion (US$2.37 billion) in 1423H to ID 2.09 billion (US$2.93 billion) in 1424H.

I. OPERATIONS FINANCING

In 1424H, a total of ID2.14 billion (US$2.93 billion) was approved from Ordinary Capital Resources of the IDB; of which ID0.93 billion (US$1.28 billion) for Ordinary Project Operations and ID1.16 billion (US$1.65 billion) for Import Trade Financing Operations. Cummulatively, from 1396H - 1424H, net approval from OCR totaled ID20.69 billion (US$26.80 billion).

Disbursements

The aggregate disbursements under Ordinary Operations and Import Trade Financing Operations (ITFO) in 1424H amounted to ID1.18 billion (US$1.76 billion), compared with ID1.17 billion (US$1.61 million) in 1423H. The disbursements comprised of ID645.48 million (US$965.00 million) for ITFO and ID529.78 million (US$792.02 million) for ordinary operations (Table 7.1 and Chart 7.1). Cumulative disbursements since the Bank's establishment reached ID15.83 billion (US$20.67 billion).

Disbursements under other schemes and institutions

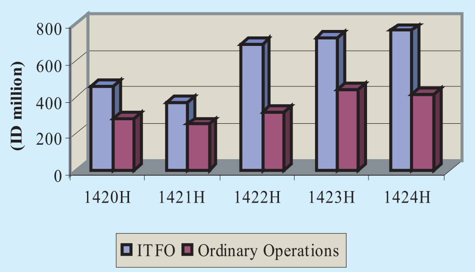
TABLE 7.1
DISBURSEMENTS: ORDINARY OPERATIONS 1420H – 1424H

(ID million)

Year	ITFO		Ordinary Operations		TOTAL	
	Amount	%	Amount	%	Amount	%
1420H	459	62	283	38	742	100
1421H	372	59	255	41	627	100
1422H	690	68	321	32	1,011	100
1423H	725	62	447	38	1,172	100
1424H*	645	55	530	45	1,175	100

*ITFO disbursement Includes ID66 million (US$98 million) for Two Step Murabaha Financing, whereas Ordinary Operations disbursement includes ID115 (US$ 172) for Sukuk and excludes disbursement of Special Assistance amounting to ID10.92 million.

CHART 7.1
DISBURSEMENTS 1420H - 1424H



of the bank for 1424H amounted to ID164.00 million (US$245.18 million) and the cumulative disbursements from 1408H to 1424H amounted to ID1.97 billion (US$2.95 billion) as shown in Table 7.1A.

TABLE 7.1A
DISBURSEMENTS
OTHER SCHEMES 1408H – 1424H

(ID million)

Year	EFS	IBP	UIF	ICD	APIF	Total
1408H-1423H	464	559	729	55	3	1,810
1424H	40	25	83	2	14	164
Total	504	584	812	57	17	1,974

Repayments

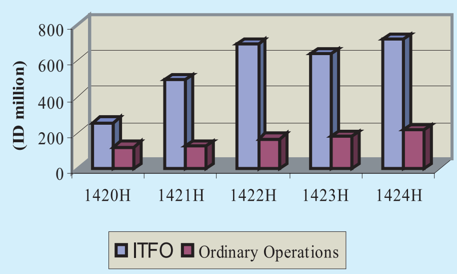
Total repayments during 1424H amounted to ID933.79 million (US$1.40 billion), compared with ID817.44 million (US$1.12 billion) in 1423H, of which ID715.46 million (US$1.07 billion) were in respect of ITFO and ID218.32 million (US$326.39 million) for Ordinary Operations (Table 7.2 and Chart 7.2). Cumulative repayments at the end of 1424H totaled ID11.79 billion (US$15.40 billion).

TABLE 7.2
REPAYMENTS: ORDINARY OPERATIONS 1420H – 1424H

(ID million)

Year	ITFO		Ordinary Operations		TOTAL	
	Amount	%	Amount	%	Amount	%
1420H	255	68	120	32	375	100
1421H	494	80	126	20	620	100
1422H	692	81	165	19	857	100
1423H	639	78	178	22	817	100
1424H	716	77	218	23	934	100

CHART 7.2
REPAYMENTS 1420H - 1424H



Total repayments for other schemes of the IDB for the year 1424H amounted to ID105.00 million (US$156.98) and the cumulative repayments from 1408H to 1424H amounted to ID2.18 billion (US$3.26 billion) as shown on Table 7.2A.

TABLE 7.2A
REPAYMENTS
OTHER SCHEMES 1408H – 1424H

(ID million)

Year	EFS	IBP	UIF	ICD	APIF	
1408H-1423H	398	496	1,177	3	-	2,074
1424H	65	27	13	-	-	105
Total	463	523	1190	3	-	2,179

Overdues

At the end of 1424H, overdues relating to IDB operations after rescheduling [excluding Iraq ID91.23 million (US$136.39 million) and Somalia ID8.83

million (US$13.20 million)], stood at ID7.22 million (US$10.79 million) (Table 7.3). The IDB closely monitors the overdues of its member countries to minimise its exposure to operational risks.

TABLE 7.3
OVERDUES ON OPERATIONS
1420H – 1424H

(ID million)

Finance Type	1420H	1421H	1422H	1423H	1424H
Import Trade Financing Operations	6.92	7.00	0.22	0.03	0.65
Leasing and Installment Sale	3.17	4.00	1.42	4.22	0.57
Loan (including service fees)	4.83	4.04	3.24	2.83	6.00
Total	14.92	15.04	4.88	7.08	7.22

II. FUNDING

At the end of 1424H, Member Countries' Funds (paid-up capital, reserves and retained earnings) amounted to ID4.07 billion (US$6.08 billion), see Table 7.4 and Chart 7.3.

TABLE 7.4
MEMBER COUNTRIES FUNDS
1420H – 1424H

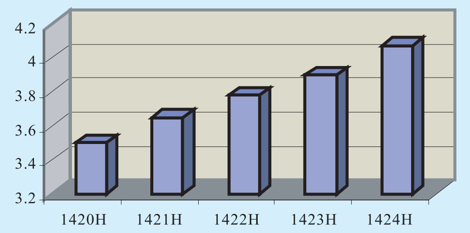
(ID million)

		1420H	1421H	1422H	1423H	1424H
Paid-Up Capital	Amount	2,490	2,574	2,625	2,677	2,711
	%	71	70	70	69	67
Capital Reserves	Amount	26	26	26	26	26
	%	1	1	1	1	1
General Reserves	Amount	907	971	1,048	1,122	1,273
	%	26	27	28	29	31
Retained Earnings	Amount	72	78	73	73	59
	%	2	2	1	1	1
Total Members Fund	Amount	3,495	3,649	3,773	3,899	4,069
	%	100	100	100	100	100

The Authorised and Issued Capital of the IDB remained at ID 15.00 billion (US$22.43 billion) and ID 8.10 billion (US$12.11 billion) respectively in 1424H.

The paid-up capital increased by ID 33.94 million (US$50.74 million), from ID 2.68 billion (US$3.67

CHART 7.3
MEMBER COUNTRIES' FUNDS
1420H - 1424H



billion) in 1423H to ID 2.71 billion (US$4.05 billion) in 1424H. With the admission of the Republic of Uzbekistan in 1424H, the number of countries who have completed the requirements of IDB membership has increased to fifty-five.

Overdues on the IDB's share capital as at the end of 1424H amounted to ID24.02 million (US$35.91 million), see Table 7.5.

TABLE 7.5
OVERDUES ON SHARE CAPITAL
1420H – 1424H

(ID million)

	1420H	1421H	1422H	1423H	1424H
Initial Capital Subscription	7	8	8	8	8
Additional Capital Subscription	-	-	-	-	-
2nd General Capital Increase	20	24	60	44	16
Total	27	32	68	52	24

The IDB supplements its ordinary financial resources by mobilising funds through different Shariah-compatible schemes and financial instruments. By the end of 1424H, the IDB had raised a sum of US$325.00 million through the IDB Unit Investment Fund, US$100.00 million through the Islamic Bank Portfolio for Investment and Development, ID133.99 million (US$200.32 million) through the Export Financing Scheme, ID33.60 million (US$50.23 million) through Awqaf Properties Investment Fund and ID96.52 million (US$144.30 million) through the Investment Deposit Scheme.

III. MANAGEMENT OF LIQUID FUNDS

As of 29 Dhul Hijja 1424H, liquid funds totaling ID964.74 million (US$1.44 billion) were placed with financial institutions operating in international financial markets and in IDB member countries. The data on the composition of liquid funds in major currencies is presented in Table 7.6A.

TABLE 7.6A
COMPOSITION OF LIQUID FUNDS IN MAJOR CURRENCIES 1420H – 1424H

(million)

		1420H	1421H	1422H	1423H	1424H
Euro	Balance	170	694	1,368	592	506
	ID Equivalent	121	488	557	467	428
US Dollar	Balance	577	455	217	77	358
	ID Equivalent	428	356	173	54	237
Deutsche Mark	Balance	514	54	-	-	-
	ID Equivalent	188	19	-	-	-
Japanese Yen	Balance	46,993	42,503	25,735	19,069	14,671
	ID Equivalent	331	272	159	117	91
Pound Sterling	Balance	191	238	249	171	149
	ID Equivalent	225	267	282	197	187
French Franc	Balance	1,130	23	-	-	-
	ID Equivalent	128	2	-	-	-
Other	ID Equivalent	-	3	5	5	6
Sub Total	ID Million	1,421	1,407	1,176	840	949
Add: Local Currency Deposits (Denominated in ID) with Central Banks of Member Countries		30	27	25	13	16
Total Liquid Funds of IDB-OCR		1,451	1,434	1,201	853	965

In Table 7.6B, the data on the investment of liquid funds is presented. These include: a sum of ID 891.00 million (US$1.33 billion) placed in Shariah-compatible investments; other funds totaling ID58.00 million (US$86.71 million) placed in deposit, call and current accounts; and ID16.00 million (US$23.92 million) maintained with the central banks of member countries. Shariah placements yielded a net return of ID12.42 million (US$18.57 million) in 1424H with an average annual rate of return of 2.03 per cent.

IV. OPERATIONS RESULTS

1. Income

Gross income from Ordinary Capital Resources for the year 1424H increased to ID222.22 million (US332.22 million) as compared with ID160.58 million (US$219.99 million) in the previous year (see Table 7.7). The increase is mainly attributable to the rise in income from Ijara Muntahia Bitamleak which amounted to ID112.17 million (US$167.70 million) in 1424H compared to ID59.75 million (US$81.86 million) in 1423H, as well as the increase in income from Instalment Sale and Istisna'a which increased, to ID37.55 million (US$56.14 million) from ID29.61 million (US$40.57 million) in 1423H. In addition, Income from Loan Service Fees increased by ID6.97 million (US$10.42 million) over the prior year (Chart 7.4).

TABLE 7.6B
INVESTMENT OF LIQUID FUNDS 1420H – 1424H

(ID million)

		1420H	1421H	1422H	1423H	1424H
Shariah Compatible Deposits	Amount	1,049	1,105	975	813	891
	%	72	77	81	95	92
Current Call Accounts	Amount	358	292	195	27	58
	%	25	20	16	3	6
Local Deposits Denominated in ID (with Central Banks of Member Countries)	Amount	30	27	25	13	16
	%	2	2	2	2	2
Investment in Lease Participation Pools	Amount	14	10	6	-	-
	%	1	1	1	-	-
Total	Amount	1,451	1,434	1,201	853	965
	%	100	100	100	100	100

The Bank's net income from Ordinary Capital Resources amounted to ID58.62 million (US$87.64 million), thereby, recording a decline of 20.19 per cent as compared with previous year's net income of ID73.45 million (US$100.01 million). The sustained exchange loss suffered during the year 1424H, which amounted to ID28.66 million (US$42.85 million) as compared with an exchange gain of ID9.46 million (US$12.96 million) in 1423H, has significantly impacted the net income. The exchange loss is mainly attributable to the concentration of the Trade Portfolio dominated in US dollar, which has depreciated against the ID during the year. The ID/US$ exchange rate as at the end of 1424H stood at 1.50 compared with 1.37 as at the end of 1423H (Table 7.7A).

TABLE 7.7
COMPOSITION OF GROSS INCOME 1420H – 1424H

(ID million)

		1420H	1421H	1422H	1423H	1424H
Shariah Compatible Deposits	Amount	48	57	46	27	12
	%	34	38	27	17	5
ITFO	Amount	26	27	30	22	20
	%	19	18	18	14	9
Ijara, Installment Sale & Istisnaa	Amount	45	50	70	89	150
	%	32	33	41	55	68
Loan Service Fees	Amount	9	5	11	10	17
	%	6	3	6	6	8
Participation in Equity Capital	Amount	6	6	8	7	12
	%	4	4	5	4	5
Others (including Mudarib Fees)	Amount	6	6	6	6	11
	%	4	4	3	4	5
TOTAL	Amount	140	151	171	161	222
	%	100	100	100	100	100

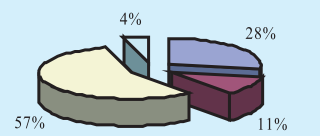
TABLE 7.7A
NET INCOME 1420H – 1424H

(ID million)

	1420H	1421H	1422H	1423H	1424H
Gross Income	140	151	171	161	222
Exchange (Loss) / Gain	-	-	(2)	9	(29)
Expenses*	40	44	53	49	53
Net Income before Depreciation and Provisions	100	107	116	121	141
Depreciation	22	23	35	42	76
Provisions	6	6	8	6	6
Net Income	72	78	73	73	59

*Includes Sukuk expenses of ID5.5 million.

CHART 7.5
EXPENDITURE 1424H
(ID 135 million)



Income from Shariah-compatible deposits dropped from ID26.62 million (US$36.47 million) in 1423H to ID 12.42 million (US$18.57 million) in 1424H due to the liquidation of investments and redeployment to Operational Assets as well as the general decline in the market rates of return. The overall return on total assets amounted to ID222.22 million (US$332.22 million) in 1424H, representing an average yield of 4.3 per cent on the IDB's total assets.

Income realised from Ordinary Capital Resources does not include ID3.14 million (US$4.69 million) earned on conventional call accounts and Yen deposits which have been transferred to the Waqf Fund. This amount was ID3.51 million (US$4.81 million) last year.

2. Expenses

Total expenses and provisions for the financial year 1424H increased by ID38.34 million (US$57.32 million) as compared with 1423H expenses. The increase is caused by the increase in the depreciation pertaining to the additional investments in the Ijarah Muntahia Bittamleek Assets. The breakdown of expenses for the period 1420H – 1424H is given in Table 7.8 and Chart 7.5.

3. Provisions

As of 29 Dhul Hijja 1424H, the aggregate provision for a possible decline in the value of equity investments amounted to ID50.76 million (US$75.89 million), against an equity investments of total value of ID245.31 million (US$366.74 million).

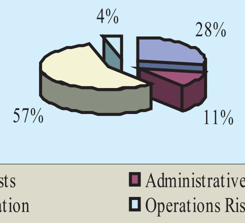
Additionally, for the other types of the Banks's operations, excluding equity participation, the aggregate provisions made of operations risks amounted to ID135.63 million (US$202.77 million). This includes an amount of ID5.83 million (US$8.72 million) charged to ordinary income for this period (see Table 7.9).

V. WAQF FUND

As at the end of 1424H, net assets of the Waqf Fund decreased by ID12.83 million (US$19.17 million) as compared to 1423H. Total net assets stood at ID887.68 million (US$1.33 billion) as at the end of 1424H, composition of which is shown in Table

TABLE 7.8 EXPENSES AND PROVISIONS 1420H – 1424H (ID million)						
		1420H	1421H	1422H	1423H	1424H
Staff Cost	Amount	31	34	43	39	38
	%	46	47	45	40	28
Administrative Expenses	Amount	9	10	10	10	9
	%	14	13	11	10	7
Depreciation	Amount	22	23	35	42	76
	%	32	31	36	44	57
Sukuk Expenses	Amount	-	-	-	-	6
	%	-	-	-	-	4
Operations Risk Provision	Amount	3	6	4	6	6
	%	4	8	4	6	4
Provision against Investment in Lease Participation Pools	Amount	3	-	4	-	-
	%	4	-	4	-	-
Total	Amount	68	73	96	97	135
	%	100	100	100	100	100

CHART 7.5
EXPENDITURE 1424H
(ID 135 million)



7.10. These net assets comprised ID730.73 million (US$1.09 billion) for the principal amount of the Waqf Fund, ID59.03 million (US$88.25 million) for the unspent balance of the Special Assistance Account, and ID97.92 million (US$146.39 million) for the Special Account for Least Developed Member Countries.

Total income has sharply declined from ID45.02 million (US$61.77 million) in 1423H to ID11.23 million (US$16.79 million) in 1424H. The significant decline in income is attributable to the decrease in income from Managed Investments which decreased from ID43.58 million (US$59.70 million) in 1423H to ID2.21 (US$3.30 million) in 1424H. This decline is due to the depreciation in market value and the decline in the rates of return on the investments placed with external Fund Managers. Due to the low returns from Managed Funds, these funds were redeployed to Commodity Placements.

The Cash and Cash Equivalents, UIF-Shares and Murabaha and Other Funds earned positive returns. However, the positive return earned by Cash and Cash Equivalent is less than the 1423H return, whereas, Murabaha and other Funds earned income of ID4.79 million (US$7.16 million) as compared with ID2.70 million (US$3.70 million) achieved in 1423H.

Disbursements from the Waqf Fund for special assistance including grants and programme expenses for 1424H amounted to ID25.77 million (US$38.53 million) as compared to ID31.76 (US$43.51 million) in 1423H.

VI. RESOURCE MOBILIZATION

On 13 Jumad Thani 1424H (August 12, 2003) IDB has successfully completed its debut US$ 400 million 5 years Sukuk (Islamic Bond) Issue. The Issue size was initially set at US$ 300 million but due to strong demand from the investors, it was increased to US$ 400 million.

The Sukuk, was given a AAA rating by Standards & Poor. This contributed tremendously in enhancing the attractiveness of the offering to the international investors. The issue met with strong demand from the Middle East with the offering of the paper also floated on the Asian and European markets. Whilst the Sukuk was structured as Shariah compatible instrument, it also largely appealed to conventional investors such as Fund Managers, investment companies and commercial banks. In fact 60 per cent of the issue was subscribed by such investors. Central Banks, which typically invest in high quality bonds accounted for approximately 40 per cent of the order book.

The Sukuk issuance by the IDB was a pioneering effort for the development of the Islamic capital market. In this context, as part of its efforts to further promote the Islamic capital market, the IDB in 1424H, also acted as a co-manager in the US$600 million Qatari Sukuk and subscribed to a number of Sukuk offerings from the Kingdom of Bahrain.

TABLE 7.9
OCR SIGNIFICANT FINANCIAL INFORMATION
1420H – 1424H

(ID million)

	1420H	1421H	1422H	1423H	1424H
INCOME FROM					
Shari'ah Compatible Deposits	48	57	46	27	12
Import Trade Financing	26	27	27	22	20
Installment Sale & Istisna	18	19	24	29	38
Ijara Muntahia Bittamleak	27	31	48	60	112
Loan Service Fees	9	5	11	10	17
Participation in Equity Capital	6	6	9	7	12
Sale of Assets to UIF	-	-	-	-	-
Dividends from Subsidiary Funds	-	-	-	-	-
Others (incl. Mudarib Fees)	6	6	6	6	11
Total Income	**140**	**151**	**171**	**161**	**222**
Expenses & Provisions*	68	73	96	97	135
Exchange (Loss) / Gain	-	-	(2)	9	(29)
Net Income	72	78	73	73	59
ASSETS					
Current Call & Time Deposits**	358	320	220	469	167
Shari'ah Compatible Investments	1,049	1,105	975	385	798
Other Deposits & Investments	44	55	6	-	4
Investment in Trust Funds	119	138	258	312	402
Operations					
Foreign Trade Financing	667	643	695	894	738
Ijara Muntahia Bittamleak, net	358	398	474	521	645
Istisna'a	19	22	52	153	272
Installment Sale Financing	270	335	381	466	469
Loans	487	531	597	669	657
Less: Operations Risk Provision ***	(61)	(71)	(128)	(135)	-
Participation in Equity Capital	145	169	228	241	241
Other Assets	117	204	119	146	126
Total Assets	**3,572**	**3,849**	**3,877**	**4,121**	**4,519**
Members' Funds	3,495	3,649	3,773	3,899	4,069
Sukuk	-	-	-	-	265
Deferred Income and Accruals	77	200	104	222	185
Total Resources	**3,572**	**3,849**	**3,877**	**4,121**	**4,519**
Financial Ratios (in per cent)					
Total Income / Total Assets	3.9	3.9	4.4	4.1	4.3
Net Income / Total Assets	2.0	2.0	1.9	1.8	1.3
Total Income / Operational Assets	4.7	4.8	5.2	5.3	5.1
Average Return on Liquid Assets	3.8	5.2	4.4	4.0	2.0
Total Expenses / Total Income	48.6	48.4	56.7	57.1	69.6
Total Expenses / Total Assets	1.9	1.9	2.5	2.4	3.0
Exchange Rate (1 ID=$)	1.347	1.269	1.255	1.370	1.495

* Includes Sukuk expenses of ID5.5 million.
** Return from conventional fixed deposits and call accounts is not included in the income of Ordinary Capital Resources as it was transferred to Waqf Fund.
*** Operations Risk Provision for the year 1424H netted off Operational Assets.

TABLE 7.10
ASSETS AND RESOURCES OF THE WAQF FUND
(FORMERLY SPECIAL ACCOUNT) 1420H – 1424H

(ID million)

	1420H	1421H	1422H	1423H	1424H
INCOME FROM					
Call & Fixed Deposits Accounts with Banks	5.00	5.97	6.05	5.86	5.34
Profit on Managed Investments	(5.42)	32.37	5.58	43.58	2.21
Net Result of UIF Deposits	(1.60)	(1.89)	(0.86)	(0.05)	(0.24)
Investments in Murabaha and Other Funds	20.23	9.40	9.50	2.70	4.79
Investment in ICIEC	-	-	0.48	(1.37)	1.34
Investment UIF Shares	0.91	0.70	2.73	1.86	1.52
Exchange (Loss)/Gain	(0.96)	4.70	0.74	(7.57)	(3.73)
Total Income	**18.16**	**51.29**	**24.22**	**45.02**	**11.23**
Expenses	(1.18)	(1.86)	(1.32)	(1.54)	(1.36)
Net Income	16.98	49.43	22.90	43.48	9.87
Assets					
Deposits and Investments	196	161	239	263	359
Managed Funds (Fund Managers)	315	348	321	365	184
Specific Deposits with IDB/UIF	63	38	21	10	3
Murabaha & Other Funds	239	240	137	107	121
Investment in UIF Units	1	41	39	65	61
Infrastructure Fund	-	-	-	2	22
Investment in ICIEC	50	50	62	60	62
Investment in OIC, Net	-	-	1	1	1
Loans & Technical Assistance	67	72	60	80	89
Accrued Income and Miscellaneous	11	8	16	7	6
Share of HQ Building	28	27	26	26	24
Total Assets	**970**	**985**	**922**	**986**	**932**
Deduct: Liabilities Accruals & Other Liabilities	(19)	(16)	(6)	(23)	(25)
Specific Deposit from IDB-UIF	(72)	(51)	(34)	(21)	(13)
Due to IDB (OCR)	(1)	(28)	-	(41)	(6)
Net Assets	**878**	**890**	**882**	**901**	**888**
Represented by:					
Special Assistance	127	111	84	77	59
Special Account for LDMC*	69	78	86	95	98
Principal Amount of Waqf Fund**	682	699	712	729	731
Total Resources	**878**	**890**	**882**	**901**	**888**

* Least Developed Member Countries
** Formerly Special Reserve
Note: Prior years' amounts have been reclassified to conform with current year's presentation.

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APPENDICES

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
29 Dhul Hijjah 1424H (20 February 2004)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

29 Dhul Hijjah 1424H (20 February 2004)

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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Ordinary Capital Resources (the "Bank") as of 29 Dhul Hijjah 1424H (20 February 2004) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Ordinary Capital Resources as of 29 Dhul Hijjah 1424H (20 February 2004), and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Bank has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

For AL JURAID & COMPANY

Omar M. Al Sagga
Registration No. 369

3 Jumad Awal 1425H
21 June 2004

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
29 Dhul Hijjah 1424H (20 February 2004)
(In Thousands of Islamic Dinars)

	Notes	1424H	1423H
ASSETS			
Cash at banks	3	74,601	40,323
Commodity placements with banks, net	4	890,953	812,954
Other investments, net	5	3,506	293
Operational Assets:			
Murabaha financing, net	6	737,650	858,671
Istisna'a assets, net	7	271,970	148,506
Instalment sales financing, net	8	468,714	441,331
Loans, net	9	657,103	601,557
Ijarah Muntahia Bittamleek, net	10	644,920	517,694
		2,780,357	**2,567,759**
Investments in equity capital, net	12	327,366	240,627
Investments in subsidiaries and trust funds:			
Export Financing Scheme	13	75,000	75,000
Islamic Banks' Portfolio for Investment and Development	14	39,699	39,699
Islamic Corporation for the Development of the Private Sector	15	191,940	191,940
Awqaf Properties Investment Fund		9,217	5,559
Accrued income and other assets	16	67,724	86,403
Property and operating equipment, net	17	58,790	60,352
TOTAL ASSETS		**4,519,153**	**4,120,909**
LIABILITIES AND MEMBERS' EQUITY LIABILITIES			
Accruals and other liabilities	18	184,986	221,963
Sukuk liability	19	264,898	-
Total liabilities		**449,884**	**221,963**
MEMBERS' EQUITY			
Paid-up capital	21	2,711,302	2,677,363
Capital reserve	22	26,267	26,267
General reserve	23	1,187,234	1,117,421
Fair value reserve		85,842	4,448
Net income for the year		58,624	73,447
Total members' equity		**4,069,269**	**3,898,946**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**4,519,153**	**4,120,909**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 3 Jumad Awal 1425H (21 June 2004).

The attached notes from 1 through 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF INCOME
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In Thousands of Islamic Dinars)

	Notes	1424H	1423H
Income (loss) from:			
Commodity placements with banks	4	12,419	26,624
Other investments	5	299	(158)
Murabaha financing	6	19,854	22,222
Istisna'a assets	7	9,265	2,736
Instalment sales financing	8	28,283	26,873
Loan service fees	9	16,967	9,999
Ijarah Muntahia Bittamleek	10	112,165	59,754
Investments in equity capital	12	11,659	6,756
Investment in Islamic Banks' Portfolio for			
Investment and Development	14	1,191	2,019
Mudarib fees	14, 15, 26	10,120	3,754
		222,222	**160,579**
Foreign exchange (loss) gain, net		(28,657)	9,464
Sukuk expense	19	(5,542)	-
		188,023	**170,043**
Administrative expenses:			
Staff costs		(37,553)	(39,461)
Other		(9,668)	(9,918)
		(47,221)	**(49,379)**
Depreciation:			
Ijarah Muntahia Bittamleek	10	(74,167)	(38,754)
Property and operating equipment	17	(2,178)	(2,292)
		(76,345)	**(41,046)**
Provision for impairment	11	(5,833)	(6,171)
Net income		**58,624**	**73,447**

The attached notes from 1 through 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In Thousands of Islamic Dinars)

	1424H	1423H
CASH FLOWS FROM OPERATIONS		
Net income	58,624	73,447
Adjustments to reconcile net income to net cash from (used in) operating activities:		
Depreciation	76,345	41,046
Provision for impairment	5,833	6,171
Changes in operating assets and liabilities:		
Other investments	(3,211)	5,940
Murabaha financing	121,021	(107,772)
Istisna'a assets	(123,464)	(101,040)
Instalment sales financing	(27,383)	(84,220)
Loans	(61,381)	(70,757)
Accrued income and other assets	18,679	(30,346)
Accruals and other liabilities	(36,977)	26,252
Net cash from (used in) operating activities	**28,086**	**(241,279)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Commodity placements with banks	(91,120)	41,885
Ijarah Muntahia Bittamleek	(201,393)	(86,509)
Investments in equity capital	(5,345)	(7,861)
Investment in Islamic Banks' Portfolio for Investment and Development	-	11,506
Investment in Islamic Corporation for the Development of the Private Sector	-	(62,568)
Investment in Awqaf Properties Investment Fund	(3,658)	(2,343)
Purchase of property and operating equipment, net	(616)	(832)
Net cash used in investing activities	**(302,132)**	**(106,722)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in paid-up capital	33,939	52,048
Technical assistance grants	(3,634)	(3,634)
Proceeds from Sukuk issued	264,898	-
Net cash provided by financing activities	**295,203**	**48,414**
Increase (decrease) in cash and cash equivalents	21,157	(299,587)
Cash and cash equivalents at the beginning of the year	833,566	1,133,153
Cash and cash equivalents at the end of the year (Note 24)	**854,723**	**833,566**
Supplemental non-cash information Net fair value gains from investments in equity capital	81,394	4,379

The attached notes from 1 through 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 29 Dhul Hijjah 1424H (20 FEBRUARY 2004)
(In Thousands of Islamic Dinars)

	Paid-up capital	Capital reserve	General reserve	Fair value reserve	Net income for the year	Total
Balance at 30 Dhul Hijjah 1422H	2,625,315	26,267	1,048,145	69	72,910	3,772,706
Increase in paid-up capital	52,048	-	-	-	-	52,048
Net fair value gains from investments in equity capital	-	-	-	4,379	-	4,379
Net income	-	-	-	-	73,447	73,447
Transfer to reserves	-	-	72,910	-	(72,910)	-
*Allocation for technical assistance	-	-	(3,634)	-	-	(3,634)
Balance at 30 Dhul Hijjah 1423H	**2,677,363**	**26,267**	**1,117,421**	**4,448**	**73,447**	**3,898,946**
Increase in paid-up capital	33,939	-	-	-	-	33,939
Net fair value gains from investments in equity capital	-	-	-	81,394	-	81,394
Net income	-	-	-	-	58,624	58,624
Transfer to reserves	-	-	73,447	-	(73,447)	-
*Allocation for technical assistance	-	-	(3,634)	-	-	(3,634)
Balance at 29 Dhul Hijjah 1424H	**2,711,302**	**26,267**	**1,187,234**	**85,842**	**58,624**	**4,069,269**

*According to the Board of Governors' resolution No. BG/100/422, and the Board of Executive Directors' resolution No. BED/BG/120/422 US$ 5.0 million (ID 3.63 million) were allocated from the net income of 1422H for the financing of 1423H Technical Assistance Operations in the form of grants. A similar amount in US dollars was allocated from the 1423H net income of IDB - OCR in accordance with the Board of Governors' resolution No. BG/3-424 and the Board of Executive Directors' resolution No. BED/BG/4-424 for the financing of 1424H Technical Assistance Operations in the form of grants.

The attached notes from 1 through 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO FINANCIAL STATEMENTS
29 Dhul Hijjah 1424H (20 February 2004)

1. INCORPORATION AND ACTIVITIES

Islamic Development Bank (the "Bank") is an international financial institution established pursuant to Articles of Agreement signed and ratified by its member countries. The Bank commenced its operations on 15 Shawwal 1395H (20 October 1975). The purpose of the Bank is to foster economic development and social progress of member countries and Muslim communities, individually as well as jointly, in accordance with the principles of Shari'ah. The Bank has 55 member states.

All of the Bank's operational assets, with the exception of investments in equity capital, are considered as sovereign debts made to or guaranteed by the respective member countries or investments in member countries, which are guaranteed by commercial banks acceptable to the Bank.

As an international institution, the Bank is not subject to an external regulatory authority.

The Bank consults the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to provide it with Shari'ah advice. During 1422H, the Bank also established its own Shari'ah Advisory Board.

The Bank carries out its business activities through its headquarters in Jeddah, Saudi Arabia, its regional offices in Morocco, Malaysia and Kazakhstan, and the following affiliated entities/trust funds:

Entity	Relationship	Equity ownership	Nature of business
Islamic Corporation for the Insurance of Investment and Export Credit	Management services	-	Insurance services
Export Financing Scheme	Management services and equity participation (subsidiary)	57%	Financing exports of member countries
Islamic Banks' Portfolio for Investment and Development	Mudarib and equity participation (subsidiary)	49.67%	Investment finance
Islamic Development Bank - Unit Investment Fund	Mudarib	-	Investment finance
Islamic Corporation for the Development of the Private Sector	Equity participation (subsidiary)	92%	Private sector finance
Special Account Resources Waqf Fund	Management services	-	Social sector finance
Awqaf Properties Investment Fund	Mudarib and equity Participation	35.71%	Social sector finance

The financial statements of the Bank are expressed in thousands of Islamic Dinars (ID). Islamic Dinar is the unit of account of the Bank and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

The financial statements reflect the assets, liabilities and results of operations of the Ordinary Capital Resources of the Bank, as defined in the Articles of Agreement. The financial statements exclude the balances and results of operations of the Bank's subsidiaries and certain special trust funds, which are managed and/or operated by the

Bank. The Bank prepares separate consolidated financial statements, which reflect the assets, liabilities and results of operations of the Bank's subsidiaries and trust funds over which the Bank exerts control.

The Bank's financial year is the lunar Hijra year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with Article 8.2 of the Financial Regulations of the Bank and with the Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exists, the Bank uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

(b) Translation of currencies

Transactions in currencies other than Islamic Dinar are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Islamic Dinars on the basis of SDR rates declared by the International Monetary Fund at the date of the statement of financial position. Foreign currency exchange gains and losses are credited or charged to the statement of income.

(c) Revenue recognition

Income from placements with Islamic banks is recognized on a time apportionment basis.

Income from placements with conventional banks, which are invested in commodity trading, is accrued on a time apportionment basis over the period from the actual disbursement of funds to the settlement date.

Any income from cash and cash equivalents and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Bank's statement of income but is transferred to Special Account Resources Waqf Fund.

Income from lease participation pools is recognized based on the valuation reports received from the pool managers. Provision is created when the Bank identifies investments in specific lease participation pools as potentially impaired.

Income from investments in Sukuk is accrued on a time apportionment basis using the rate of return advised by the issuing entities.

Income from Murabaha financing and instalment sales financing are accrued on a time apportionment basis over the period from the date of the actual disbursement of funds to the scheduled repayment date of instalments.

Income from Istisna'a assets is recognized using the percentage of completion method.

Income from loan service fees is accrued according to the loan agreement.

Income from Ijarah Muntahia Bittamleek is accrued according to the lease agreement.

Income from investments in Export Financing Scheme, Islamic Banks' Portfolio for Investment and Development, Islamic Corporation for the Development of the Private Sector and Awqaf Properties Investment Fund is recognized when dividends are declared.

(d) Operational assets

Operational assets consist of receivables from Murabaha financing, Istisna'a assets, instalment sales financing and loan contracts, and Ijarah Muntahia Bittamleek assets.

Amounts receivable from Murabaha financing are stated at the cost of goods sold to the beneficiaries plus income recognized by the Bank to the date of the statement of financial position, less repayments received.

Istisna'a assets represent the disbursements made as of the date of the statement of financial position against the assets acquired for Istisna'a projects plus income recognized, less repayments received.

Amounts receivable from instalment sales financing are stated at the gross amount receivable from the beneficiaries, net of unearned income.

Amounts receivable from loans represent amounts disbursed in respect of projects plus the loan service fees due, less repayments received relating to the outstanding capital portion of the loan as determined according to the loan agreements.

Amounts relating to Ijarah Muntahia Bittamleek consist of assets purchased by the Bank and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements whereby the ownership of the assets is transferred to the beneficiaries at the end of the lease terms upon completion of all payments under the agreements. The assets are recorded at cost and depreciated using the straight-line method over the related lease period.

(e) Investment deposit scheme

Resources from the investment deposit scheme are included as part of the Bank's Ordinary Capital Resources. The scheme's Regulations provide that returns due to investment depositors are determined in relation to the current mark-up applicable to foreign trade financing at the date of receipt of the deposits. The Bank deducts a proportion in respect of its administrative costs of the scheme, except for deposits placed by the Bank's staff retirement plan.

(f) Investments in equity capital

Investments in equity capital are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in equity prices. Such investments are measured at fair value, and any unrealized gains arising from the change in their fair value are recognized directly in the fair value reserve under Members' Equity. Whereas, unrealized losses resulting from re-measurement at fair value are recognized in the fair value reserve under Members' Equity to the extent of the available balance. Excess of unrealized loss over the available balance is recognized in the statement of income. In case there are unrealized losses that have been recognized in the statement of income in previous years, the unrealized gains related to the current year are recognized in the statement of income to the extent of such previous losses.

Investments available-for-sale whose fair value cannot be reliably measured are carried at amortized cost, less provision for any impairment in the value of these investments.

(g) Impairment of financial assets

Operational assets:

The Bank determines its provision for impairment losses based on an assessment of collectibility risks. The assessment is based on country risk ratings and long-term historical experience of the Bank. It also takes into account the losses that it may suffer as a result of rescheduling the dues from certain countries and from settlement plans mutually agreed with the beneficiaries due to its participation in the debt relief initiative for the Heavily Indebted Poor Countries (HIPC). The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances.

Adjustments to the provision are recorded as a charge or addition to income. In determining the adequacy of the provision, the Bank takes into account the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Other financial assets:

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of income upon impairment.

(h) Investments in lease participation pools

Investments in lease participation pools are recorded initially at cost and are revalued periodically based on the valuation reports received from the pool managers.

Provision is created when the Bank identifies investments in specific lease participation pools as potentially impaired.

(i) Investments in unconsolidated subsidiaries and trust funds

Investments in unconsolidated subsidiaries and trust funds over which the Bank exerts control are carried at cost. The Bank's share of dividends distributed by the subsidiaries and trust funds are recognized in the statement of income.

The Bank also prepares separate consolidated financial statements in which the results of its subsidiaries and trust funds, over which the Bank exerts control, are consolidated.

The following is a summary of the financial information (in thousands of ID) for the unconsolidated subsidiaries and trust funds as of end of Dhul Hijjah and for the years then ended:

	1424H	1423H
Income from operations	24,132	18,292
Net income	9,221	5,707
Total assets	542,933	537,954
Total liabilities	17,306	4,849

(j) Property and operating equipment (In Thousands of Islamic Dinars)

Property and operating equipment are recorded at cost, except for donated land, which is recorded at its market value at the time of acquisition.

Land is not depreciated. Other property and operating equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Permanent headquarters building	40 years
Pre-fabricated buildings	6 2/3 years
Furniture and equipment	4 to 10 years
Motor vehicles	5 years

In the year of acquisition, additions are depreciated at 50% of the normal rate. Maintenance and repair costs are expensed as incurred.

(k) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements with banks having a maturity of three months or less at the date of acquisition.

(l) Post-employment benefits plans

The Bank has two defined post-employment benefit plans, the Staff Retirement Plan and Post-Employment Medical Scheme, both of which require contributions to be made to separately administered funds. The cost of providing benefits under the plans is determined separately for each plan based on actuarial valuation. Actuarial gains and losses are recognized as income or expense where material. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

3. CASH AT BANKS

Cash at banks at end of Dhul Hijjah comprises the following:

	1424H	1423H
Cash on hand	121	212
Current accounts	34,117	18,317
Call accounts	40,363	21,794
Total	**74,601**	**40,323**

Current accounts at end of Dhul Hijjah 1424H include ID 16.2 million (1423H - ID 13.2 million), which represent balances in member countries' currencies. These current account balances are to be used to finance operations and projects in the countries in which these accounts are maintained. For each such account, the country is required to maintain the counter-value in local currency.

4. COMMODITY PLACEMENTS WITH BANKS, NET

(In Thousands of Islamic Dinars)

Commodity placements with banks at end of Dhul Hijjah comprise the following:

	1424H	1423H
Placements with Islamic banks	56,018	50,682
Placements with conventional banks	839,078	766,415
	895,096	**817,097**
Less: Provision for impairment	(4,143)	(4,143)
Commodity placements with banks, net	**890,953**	**812,954**

The Bank maintains placements with some Islamic banks where the Bank is entitled to a share of the profit or loss for the period of the placements at the time of their maturity.

Placements with conventional banks are utilized in the purchase and sale of commodities. Trading is conducted by conventional banks on behalf of the Bank. The discretion of the conventional banks over buying and selling is limited by the terms of the agreements between the Bank and the conventional banks. The conventional banks have guaranteed the liability of the third parties in respect of all transactions.

5. OTHER INVESTMENTS, NET

Other investments at end of Dhul Hijjah comprise the following:

	1424H	1423H
Lease participations	5,125	6,737
Investment in Sukuk certificates	3,345	-
	8,470	**6,737**
Less: Provisions for impairment	(4,964)	(6,444)
Other investments, net	**3,506**	**293**

Lease participation pools are investments managed by third party Islamic institutions in which the Bank has made specific investments as part of its management of liquidity.

Investment in Sukuk certificates represents an investment in a Sukuk issued by the Government of Qatar.

6. MURABAHA FINANCING, NET

Murabaha financing at end of Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1424H	1423H
Gross amounts receivable	783,823	911,299
Less: Unearned income	(10,469)	(16,924)
	773,354	**894,375**
Less: Provision for impairment	(35,704)	(35,704)
Murabaha financing, net	***737,650***	***858,671***

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Bank as a result of default by the customer prior to the sale of goods would be made good by the customer.

Income from Murabaha financing for the years ended at end of Dhul Hijjah comprises the following:

	1424H	1423H
Total income from Murabaha financing	22,176	24,891
Less: Share of investment depositors (Note 2e)	(2,322)	(2,669)
Income from Murabaha financing, net	**19,854**	**22,222**

7. ISTISNA'A ASSETS, NET

Istisna'a assets at end of Dhul Hijjah comprise the following:

	1424H	1423H
Istisna'a assets	276,740	153,276
Less: Provision for impairment	(4,770)	(4,770)
Istisna'a assets, net	**271,970**	**148,506**

8. INSTALMENT SALES FINANCING, NET

Receivable from instalment sales financing at end of Dhul Hijjah comprises the following:

	1424H	1423H
Gross amounts receivable	671,502	627,388
Less: Unearned income	(178,848)	(162,117)
	492,654	**465,271**
Less: Provision for impairment	(23,940)	(23,940)
Instalment sales financing, net	***468,714***	***441,331***

(In Thousands of Islamic Dinars)

All goods purchased for resale under instalment sales financing are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Bank as a result of default by the customer prior to the sale of goods would be made good by the customer.

9. LOANS, NET

Loans balance at end of Dhul Hijjah comprises the following:

	1424H	1423H
Loans	724,442	663,061
Less: Provision for impairment	(67,339)	(61,504)
Loans, net	**657,103**	**601,557**

10. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at end of Dhul Hijjah comprises the following:

	1424H	1423H
Cost:		
Assets not yet in use:		
At the beginning of the year	303,122	243,999
Additions	201,393	86,509
Transferred to assets in use	(272,081)	(27,386)
At the end of the year	**232,434**	**303,122**
Assets in use:		
At the beginning of the year	362,598	335,212
Transferred from assets not yet in use	272,081	27,386
At the end of the year	**634,679**	**362,598**
Total cost	**867,113**	**665,720**
Accumulated depreciation:		
At the beginning of the year	(144,145)	(105,391)
Charge for the year	(74,167)	(38,754)
At the end of the year	**(218,312)**	**(144,145)**
Balance at the end of the year	**648,801**	**521,575**
Less: Provision for impairment	(3,881)	(3,881)
Ijarah Muntahia Bittamleek, net	**644,920**	**517,694**

Included in assets in use is an amount of ID 75.1 million (1423H - ID 15.2 million) that represents the cost of fully depreciated assets, which will ultimately be transferred to the beneficiaries under the terms of the lease agreements.

(In Thousands of Islamic Dinars)

11. PROVISION FOR IMPAIRMENT

The provision for impairment at end of Dhul Hijjah is against the following assets:

	1424H	1423H
Commodity placements with banks	4,143	4,143
Lease participation pools	4,964	6,444
Murabaha financing	35,704	35,704
Istisna'a assets	4,770	4,770
Instalment sales financing	23,940	23,940
Loans	67,339	61,504
Ijarah Muntahia Bittamleek	3,881	3,881
Investments in equity capital	50,755	50,755
Total	**195,496**	**191,141**

The movements in the provision for impairment during the years ended at end of Dhul Hijjah are as follows:

	1424H	1423H
Balance at the beginning of the year	191,141	204,639
Charge for the year	5,833	6,171
Assets written off against provision	-	(19,669)
Adjustment to provision due to exchange difference	(1,478)	-
Balance at the end of the year	**195,496**	**191,141**

12. INVESTMENTS IN EQUITY CAPITAL, NET

The Bank undertakes equity investments in industrial and agro-industrial projects and Islamic banks and financial institutions of member countries. In accordance with the Bank's policy, such investments should not exceed one third of the investee companies' capital. The Bank's policy is not to have control or exercise any significant influence over the financial and operating policies of the investees.

Investments in equity capital at end of Dhul Hijjah comprise the following:

	1424H	1423H
Equity investments:		
Listed	216,314	133,666
Unlisted	161,807	157,716
	378,121	291,382
Less: Provision for impairment	(50,755)	(50,755)
Investments in equity capital, net	**327,366**	**240,627**

(In Thousands of Islamic Dinars)

During the year 1423H, the Bank wrote off certain impaired equity capital investments having a carrying value of ID 19.7 million against the related provision. No such write off was made during 1424H.

The movements in equity capital investments for the years ended at end of Dhul Hijjah are summarized as follows:

	1424H	1423H
Balance at the beginning of the year	240,627	228,387
Fair value adjustment	81,394	4,379
Additions during the year	5,345	7,861
Balance at the end of the year	**327,366**	**240,627**

13. EXPORT FINANCING SCHEME

Export Financing Scheme (the "Scheme") is a special fund established under Article 22 of the Articles of Agreement of the Bank and pursuant to the decision taken by the Board of Governors in their annual meeting held in 1406H. The objective of the Scheme is to promote the export of non-traditional goods, especially inter-trade of goods originating from the participating countries.

The Bank has contributed ID 75 million (57% of the paid-up capital) to the capital of the Scheme. The subscribed capital of the Scheme at end of Dhul Hijjah 1424H is ID 318.50 million (1423H - ID 317 million) and the called-up instalments at end of Dhul Hijjah 1424H are ID 158.75 million (1423H - ID 158.50 million) of which ID 0.25 million were paid during the year (1423H - ID 0.25 million).

14. ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT

Islamic Banks' Portfolio for Investment and Development (the "Portfolio") is a trust fund established within the framework of Article 23 of the Articles of Agreement of the Bank and pursuant to the Memorandum of Understanding signed by the Islamic banks in Istanbul on 27 Rajab 1407H (27 March 1987). The objective of the Portfolio is to mobilize the liquidity available with Islamic banks and financial institutions and the savings of individual investors, and channel them to finance trade of Islamic countries in accordance with the principles of Shari'ah.

The authorized capital of the Portfolio is split into fixed (initial) capital and variable (subsequent) capital. The authorized fixed capital is US$ 100 million, of which the Bank holds US$ 49.67 million (1423H - US$ 49.67 million). The authorized variable capital is US$ 280 million and is called and repaid according to specific projects identified for financing by the Portfolio. The Bank's investment in the capital of the Portfolio at end of Dhul Hijjah is as follows:

(In Thousands of Islamic Dinars)

	1424H		
	Subscribed amount	Paid-up amount	
	US$ thousands	US$ thousands	ID thousands
Fixed capital	50,291	49,674	39,699
Variable capital	177,000	-	-
Total	**227,291**	**49,674**	**39,699**
	1423H		
Fixed capital	49,674	49,674	39,699
Variable capital	177,000	-	-
Total	**226,674**	**49,674**	**39,699**

As per the Portfolio's regulations, the Bank has undertaken to purchase the fixed capital of the Portfolio from other member banks and financial institutions if offered for sale up to a maximum of 50% of such shares at the book value of those shares at the date of sale.
(In Thousands of Islamic Dinars)

The Bank manages the Portfolio as a Mudarib. The Muradib fee payable to the Bank is 15% of income before Mudarib share. However, if the return on equity exceeds benchmarks based on 12 months LIBOR, a stratified Mudarib fee over and above 15% of income will be introduced, with a corresponding reduction in the rate of dividends. Previously, the Mudarib fee payable to the Bank was 7.5% of income before Mudarib's share.

The Bank makes advances to and receives repayments from operations on behalf of the special and trust funds. Compensation is paid based on the average earnings on investment in short-term commodity transactions and on deposits for the period during which any amount is outstanding.

15. ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

Islamic Corporation for the Development of the Private Sector (the "Corporation") is an international specialized institution established pursuant to the Articles of Agreement signed and ratified by its members. The Corporation commenced operations following the inaugural meeting of the General Assembly held on 6 Rabi Thani 1421H (8 July 2000). According to the Articles of Agreement establishing the Corporation, the objective of the Corporation is to promote, in accordance with the principles of Shari'ah, the economic development of its member countries by encouraging the establishment, expansion and modernization of private enterprises producing goods and services in such a way as to supplement the activities of the Bank. As of end of Dhul Hijjah 1424H and 1423H, the Bank owns 92% of the paid-up capital of the Corporation.

16. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at end of Dhul Hijjah comprise the following:

	1424H	1423H
Accrued income from placements	3,899	3,931
Accruals from projects	32,372	19,163
IDB Group current accounts	10,379	43,899
Staff loans and advances	10,299	11,692
Prepayments and other assets	10,775	7,718
Total	**67,724**	**86,403**

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(In Thousands of Islamic Dinars)

17. PROPERTY AND OPERATING EQUIPMENT, NET

Property and operating equipment at end of Dhul Hijjah comprise the following:

	Land	Buildings	Furniture, equipment and vehicles	Total
Cost				
At 1 Muharram 1424H	13,043	103,867	23,722	140,632
Additions during the year	-	35	605	640
	13,043	**103,902**	**24,327**	**141,272**
Less share of assets allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1424H	-	(31,845)	(5,213)	(37,058)
Allocations during the year	-	-	(24)	(24)
	-	(31,845)	(5,237)	(37,082)
At 29 Dhul Hijjah 1424H	**13,043**	**72,057**	**19,090**	**104,190**
Accumulated depreciation				
At 1 Muharram 1424H	-	33,837	21,119	54,956
Charge for the year	-	2,301	982	3,283
	-	**36,138**	**22,101**	**58,239**
Less share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1424H	-	(7,416)	(4,318)	(11,734)
Allocation during the year	-	(796)	(309)	(1,105)
	-	**(8,212)**	**(4,627)**	**(12,839)**
At 29 Dhul Hijjah 1424H	**-**	**27,926**	**17,474**	**45,400**
Net book value:				
29 Dhul Hijjah 1424H	**13,043**	**44,131**	**1,616**	**58,790**
30 Dhul Hijjah 1423H	**13,043**	**45,601**	**1,708**	**60,352**

Included in property and operating equipment is an amount of ID 13 million, which represents the estimated market value of land, donated to the Bank by the Government of the Kingdom of Saudi Arabia, at the time of donation (see Note 21).

The cost of the Bank's permanent headquarters building was funded out of the Bank's ordinary resources and out of special assistance accounts resources. The cost and depreciation of the permanent headquarters building and related furniture and equipment was split according to the following proportions:

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(In Thousands of Islamic Dinars)

The Bank - Ordinary Capital Resources	65%
Special Account Resources Waqf Fund	35%

Also, a portion of other equipment cost and its related depreciation is charged to Islamic Research and Training Institute and Special Assistance Administration, which are part of the Special Account Resources Waqf Fund.

18. ACCRUALS AND OTHER LIABILITIES

	1424H	1423H
Investment deposits	96,524	94,943
Interfund payables	9,776	19,826
Accruals	15,683	18,735
Other liabilities	63,003	88,459
Total	**184,986**	**221,963**

Accruals and other liabilities at end of Dhul Hijjah comprise the following:
Investment deposit scheme

The Bank operates the investment deposit scheme to provide investors with an Islamic alternative for making short-term investments through participation in the financing of the Bank. The funds are intended to supplement the Bank's own resources and are restricted for investment in the financing of foreign trade.

Deposits that are accepted in Islamic Dinars, US Dollars and Saudi Riyals earn the same nominal rate of return.

Funds of ID 38.8 million at end of Dhul Hijjah 1424H (1423H - ID 36.7 million) relating to the Bank's staff retirement and medical plans are invested in the investment deposit scheme.

19. SUKUK LIABILITY

The Bank issued its first global Sukuk on 12 August 2003 for USD 400 million (ID 267.58 million) by selling global Sukuk Certificates through a special purpose company established under the laws of Jersey.

The Sukuk Certificates mature on 12 August 2008 and confer on certificate holders the right to receive periodic distribution amounts arising from certain leasing (ID 185.53 million), instalment sale (ID 92.37 million) and Istisna'a (ID 10.35 million) contracts (Sukuk assets), which were originated by the Bank. The Bank continues to service these assets, and guarantees any shortfall in the scheduled instalments.

The Bank continues to recognize the Sukuk assets and records the amounts due to the holders of Sukuk Certificates as a liability in its financial statements.

20. RETIREMENT BENEFITS

The Bank has a defined Staff Retirement Plan that covers substantially all of its staff. In addition, the Bank provides medical retirement benefits for eligible active retired staff through its Post-Employment Medical Scheme.

(In Thousands of Islamic Dinars)

(a) Staff Retirement Plan

The main features of the plan are: (i) normal retirement age is the 60th anniversary of the participant's birth; (ii) on retirement the eligible retired employee is entitled to 2.5% of the highest average remuneration (basic salary plus cost of living allowance) for each year of pensionable service.

The following table summarizes the cost of benefits associated with the Staff Retirement Plan for the years ended

	1424H	1423H
Current service cost	3,755	4,352
Present value adjustment	2,928	3,819
Expected return on plan assets	(1,640)	(2,936)
Net periodic pension cost	5,043	5,235
Actual loss on plan assets	(4,340)	(3,598)

at end of Dhul Hijjah:

	1424H	1423H
Benefit obligations	(74,553)	(81,106)
Fair value of plan assets	60,506	65,617
Plan benefit obligations in excess of plan assets	(14,047)	(15,489)
Unrecognized net actuarial gain from past experience different from that assumed and from changes in assumptions	6,028	4,828
Remaining unrecognized net transition liability	2,289	6,841
Accrued pension cost	(5,730)	(3,820)

The following table summarizes the benefit obligations and plan assets at end of Dhul Hijjah:

	1424H	1423H
Balance at the beginning of the year	3,820	1,910
Net periodic pension cost	5,043	5,235
Contributions	(3,133)	(3,325)
Balance at the end of the year	**5,730**	**3,820**

Movements in accrued pension cost during the years ended at end of Dhul Hijjah are as follows:
The actuarial assumptions used are based on financial market rates of return, past experience and management's best estimate of the future benefits and economic conditions. Changes in these assumptions will impact future benefit costs and obligations. The assumptions used in determining the expense and benefit obligations are as follows:

(In Thousands of Islamic Dinars)

	1424H	1423H
Discount rate of return	3.0%	5.0%
Expected return on plan assets	2.5%	4.5%
Rate of compensation increase	3.0%	3.0%

(b) Post-Employment Medical Scheme

Effective 1 Muharram 1421H, the Bank established the medical scheme for retirees vide resolution BED/18/10/418 (176) dated 18 Shawwal 1418H. In accordance with the said resolution, the Post-Employment Medical Scheme is to be funded jointly by the Bank and staff at 1% and 0.5%, respectively.

The purpose of the Post-Employment Medical Scheme is to pay a monthly amount to eligible retiree staff towards their medical expenses. The administration of the Post-Employment Medical Scheme is independent of the Staff Retirement Plan and contributions are invested in a similar manner to that of the Staff Retirement Plan under the management of the Pension Investment Management Committee. The monthly entitlements payable for each retiree is computed according to the following formula:

Monthly highest average remuneration x 5 (being minimum contribution period) x 0.18%.

The assets and liabilities of the Post-Employment Medical Scheme at end of Dhul Hijjah are as follows:

	1424H	1423H
Assets		
Fair value of investments	1,753	1,481
Liabilities		
Benefit obligations	1,753	1,439
Other liabilities	-	42
Total	**1,753**	**1,481**

(In Thousands of Islamic Dinars)

21. PAID-UP CAPITAL

The capital of the Bank at end of Dhul Hijjah comprises the following:

	1424H	1423H
Authorized: 1,500,000 shares of ID 10,000 each (1423H - 1,500,000 shares of ID 10,000 each)	15,000,000	15,000,000
Issued: 810,000 shares of ID 10,000 each (1423H - 810,000 shares of ID 10,000 each)	8,100,000	8,100,000
Issued shares not subscribed	(139,290)	(858,940)
Subscribed capital	7,960,710	7,241,060
Share capital not yet called	(5,198,080)	(1,302,950)
Instalments not yet due	(27,306)	(3,208,687)
Called-up capital	2,735,324	2,729,423
Instalments paid, not yet due	238	38
Instalments due, not yet paid	(24,260)	(52,098)
Paid-up capital	**2,711,302**	**2,677,363**

22. CAPITAL RESERVE

The capital reserve comprises the estimated value of land and the cost of certain of the Bank's buildings that were donated by the Government of the Kingdom of Saudi Arabia and SR 50 million (ID 9.6 million) received as contribution from the Government of the Kingdom of Saudi Arabia in connection with the construction of the permanent headquarters building.

23. GENERAL RESERVE

In accordance with Section 1 of Article 42 of the Articles of Agreement of the Bank, the annual net income of the Bank is required to be transferred to the general reserve until this reserve equals 25% of the Bank's subscribed capital. Any excess of the net income over the above limit is available for distribution to the member countries.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at end of Dhul Hijjah comprise the following:

	1424H	1423H
Cash at banks	74,601	40,323
Commodity placements with banks	780,122	793,243
Total	**854,723**	**833,566**

25. UNDISBURSED COMMITMENTS

(In Thousands of Islamic Dinars)

Undisbursed commitments at end of Dhul Hijjah comprise the following:

	1424H	1423H
Murabaha financing	802,286	716,413
Instalment sales financing and Istisna'a assets	965,766	1,101,639
Loans	928,906	699,047
Ijarah Muntahia Bittamleek assets	403,703	538,194
Investments in equity capital	11,820	22,968
Investment in Export Financing Scheme	75,000	75,000
Investment in Islamic Banks' Portfolio for Investment and Development	33,665	174,992
Investment in Islamic Corporation for the Development of the Private Sector	66,895	132,494
Investment in Awqaf Properties Investment Fund	5,352	10,853
Total	**3,293,393**	**3,471,600**

26. COMMITMENTS AND CONTINGENCIES THROUGH IDB - UNIT INVESTMENT FUND

The Bank's Unit Investment Fund (the "Fund") is a trust fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of the Fund is to participate in the economic development of the member countries through the pooling of the savings of institutions and individual investors, and to invest these savings in producing projects in the said member countries. The Bank has agreed to extend the guarantee to cover all the projects financed by the Fund.

The Fund's management is supervised by an Executive Committee, which is headed by the President of the Bank. The Bank manages the Fund as a Mudarib and charges a Mudarib fee of 10% of the Fund's net income, which is included in the statement of income under Mudarib fees from trust funds.

The Fund charged the Bank ID 0.5 million for the year ended at end of Dhul Hijjah 1424H in respect of payments on projects purchased from the Bank (1423H - ID 1.29 million). Also, during 1424H, the Bank charged ID 0.17 million (1423H - ID 0.49 million) to the Fund in respect of rebates on lease and instalment sale projects sold to the Fund in previous years.

The Bank has outstanding guarantees at end of Dhul Hijjah 1424H of ID 3.14 million (1423H - ID 9.96 million) in respect of projects sold to the Fund and of ID 134.64 million (1423H - ID 144 million) in respect of other operations, which are covered by counter guarantees from commercial banks acceptable to the Bank.

27. RELATED PARTY BALANCES

In the ordinary course of its activities, the Bank transacts business with related parties as described in Note 1. The terms of these transactions are approved by the Bank's management. The net balances due from (to) IDB group entities at end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1424H		1423H	
	Assets	Liabilities	Assets	Liabilities
Awqaf Properties Investment Fund	-	(14)	-	(921)
Export Financing Scheme	-	(5,443)	-	(14,541)
Islamic Banks' Portfolio for Investment and Development	-	(1,105)	-	(216)
IDB - Unit Investment Fund	-	(2,219)	-	(2,808)
Islamic Corporation for the Insurance of Investment and Export Credit	2,158	-	535	-
Special Account Resources Waqf Fund	5,770	-	41,752	-
IDB Pension Fund	2,113	-	-	(1,340)
IDB Medical Fund	21	-	40	-
Organization of Islamic Conference Countries	-	-	-	-
Al-Aqsa and Al Quds Funds	317	-	253	-
Islamic Corporation for the Development of the Private Sector	-	(995)	1,319	-
Total	**10,379**	**(9,776)**	**43,899**	**(19,826)**

28. NET ASSETS IN FOREIGN CURRENCIES

The net assets in foreign currencies (in thousands of ID equivalent) at end of Dhul Hijjah are as follows:

	1424H	1423H
United States Dollar	1,328,940	972,320
Euro	520,044	516,184
Pound Sterling	234,174	200,366
Japanese Yen	107,479	142,586
Other currencies	172,382	170,950

29. ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE MATURITY PERIODS OR EXPECTED PERIODS TO CASH CONVERSION

	29 Dhul Hijjah 1424H					
	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Total assets	1,253,885	528,639	630,426	258,128	1,848,075	4,519,153
Total liabilities	-	184,986	264,898	-	-	449,884
	30 Dhul Hijjah 1423H					
Total assets	1,076,162	637,798	502,041	418,614	1,486,294	4,120,909
Total liabilities	-	221,963	-	-	-	221,963

(In Thousands of Islamic Dinars)

30. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

	29 Dhul Hijjah 1424H						
	Public utilities	Transport & telecom	Agriculture	Industry & mining	Social services	Others	Total
Total assets	630,344	387,222	233,421	520,342	528,624	2,219,200	4,519,153
	30 Dhul Hijjah 1423H						
Total assets	621,590	449,078	382,316	219,711	312,353	2,135,861	4,120,909

The geographical locations of assets are as follows:

	29 Dhul Hijjah 1424H				
	Member countries			Non member countries	Total
	Asia	Africa	Europe		
Total assets	3,145,833	985,388	79,368	308,564	4,519,153
	30 Dhul Hijjah 1423H				
Total assets	2,598,244	855,771	238,288	428,606	4,120,909

The geographical locations of assets reflect the countries in which the beneficiaries of the assets are located.

31. ZAKAT AND TAX TREATMENT

Since the Bank's equity is part of Baitul Mal (public money), it is not subject to Zakat or tax.

32. RISK MANAGEMENT

The Bank has a Risk Management and Control Office (RMCO) fully independent from all business departments as well as other entities of the Bank. The RMCO is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Bank through the identification, measurement and monitoring of all types of risks inherent in its activities. The Bank has also established a Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the bank's risk management framework and appetite, with a view to ensuring that there is an appropriate control on all major risks resulting from the bank's financial transactions.

(a) Credit risk

For all classes of financial assets held by the Bank, the maximum credit risk exposure to the bank is their carrying value as disclosed in the statement of financial position. The assets which subject the bank to credit risk, principally consist of bank balances, Commodity placements, Murabaha financing, Istisna'a assets, Instalment sales financing, Loans, and Ijarah Muntahia Bittamleek. The Bank's liquid fund investments portfolio is managed by the Treasury Department and comprises deals with reputable banks. Murabaha financing, Istisna'a assets, Instalment sales

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financing, Loans and Ijarah Muntahia Bittamleek are covered, in most cases, by commercial bank guarantees from banks whose ratings are acceptable to the Bank per its policies, or sovereign guarantees from Member Countries. The Bank benefits from preferred creditor status on sovereign financing, which gives it priority over other creditors in the event of default thus constituting a strong protection against credit losses. The Bank historically has a very low level of overdues. The management is of the opinion that, with the exception of what has been provided for, additional significant credit loss is unlikely to occur.

(b) Currency risk

The Bank does not trade in currencies. Therefore, it is not exposed to currency trading risk. The investment portfolio is held in major currencies in line with the composition of the Islamic Dinar basket, namely US Dollars, Sterling Pound, Euro and Japanese Yen. The Bank has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

(c) Liquidity risk

To guard against this risk, the Bank follows a conservative approach by maintaining high liquidity levels invested in cash, cash equivalents, commodity placements and Murabaha financing with short-term maturity of three to twelve months.

(d) Geographical risk

The Bank carries on business mainly with Member Countries in Asia and Africa. Due to the relatively high country risk of some of the countries in these continents, the Bank is exposed to potential loss arising from its exposure to these countries. The Bank's exposure to any member Country is diversified with a view to avoid excessive concentration of risk in any particular Member Countries by setting maximum exposure country limits.

33. COMPARATIVE AMOUNTS

Certain prior year amounts have been reclassified to conform to the current year's presentation.

ERNST & YOUNG

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AL JURAID & COMPANY
Member Firm of PricewaterhouseCoopers
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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

FINANCIAL STATEMENTS
29 Dhul Hijjah 1424H (20 February 2004)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

29 Dhul Hijjah 1424H (20 February 2004)

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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Special Account Resources Waqf Fund (the "Waqf Fund") as of 29 Dhul Hijjah 1424H (20 February 2004) and the related statements of activities, cash flows and changes in resources for the year then ended. These financial statements and the Waqf Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Waqf Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Special Account Resources Waqf Fund as of 29 Dhul Hijjah 1424H (20 February 2004), and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Waqf Fund has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdulla A. Baeshen
License No. 66

For AL JURAID & COMPANY

Omar M. Al Sagga
License No. 369

3 Jumad-ul-Awal 1425H
21 June 2004

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
29 Dhul Hijjah 1424H (20 February 2004)
(In Thousands of Islamic Dinars)

	Notes	1424H	1423H
ASSETS			
Cash at banks		37,484	27,380
Fixed deposits with banks		321,228	235,842
Loans - net	3	88,715	80,434
Murabaha and other funds - net	4	92,149	93,352
Managed investments	5	183,501	364,995
Investments in IDB - Unit Investment Fund:	6		
Specific deposit		3,295	9,964
Investments in units		60,925	65,202
Investment in Islamic Corporation for the Insurance of Investment and Export Credit (ICIIEC)	7	61,776	60,433
Investment in Islamic Ijarah Sukuk	8	29,183	13,232
Other investments	9	23,351	3,090
Accrued income and other assets		5,997	6,886
Property and equipment - net	10	24,321	25,452
TOTAL ASSETS		**931,925**	**986,262**
LIABILITIES AND RESOURCES LIABILITIES			
Payable to IDB - Ordinary Capital Resources	19	6,024	41,752
Accruals and other liabilities	16	25,104	22,973
Specific deposit from IDB - Unit Investment Fund	6	13,118	21,032
Total liabilities		**44,246**	**85,757**
RESOURCES			
Waqf Fund principal amount	11	730,729	728,769
Special assistance	12	59,030	76,430
Special account for least developed member countries	13	97,920	95,306
Total resources		**887,679**	**900,505**
TOTAL LIABILITIES AND RESOURCES		**931,925**	**986,262**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on Jumad-ul-Awal 3, 1425H (June 21, 2004).

The attached notes from 1 through 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF ACTIVITIES
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In Thousands of Islamic Dinars)

	Notes	1424H	1423H
Income (loss) from:			
Fixed deposits with banks		5,347	5,863
Murabaha and other funds	4	4,625	2,492
Profits on managed investments	5	2,207	43,583
Specific deposit with (from) IDB - Unit Investment Fund, net	6	(243)	(47)
IDB - Investments in units	6	1,521	1,863
Investment in ICIIEC	7	1,343	(1,366)
Investment in Islamic Ijarah Sukuk	8	166	203
Foreign currency exchange losses, net		(3,733)	(7,574)
Total income		11,233	45,017
Expenses:			
Staff costs		(465)	(452)
Other		(895)	(1,088)
Total expenses		(1,360)	(1,540)
Net income		**9,873**	**43,477**
Allocated to:			
Waqf Fund principal amount	2 (m)	1,480	15,216
Special assistance	2 (m)	6,418	19,565
Special account for least developed member countries	2 (m)	1,975	8,696
		9,873	**43,477**

The attached notes from 1 through 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In Thousands of Islamic Dinars)

	1424H	1423H
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	9,873	43,477
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,155	1,149
Gain on investment in ICIIEC	(1,343)	-
Change in operating assets and liabilities:		
Loans	(8,281)	(20,926)
Murabaha and other funds	1,203	44,053
Managed investments	181,494	(43,620)
Accrued income and other assets	889	5,014
Accruals and other liabilities	2,131	16,844
Net cash provided by operations	**187,121**	**45,991**
CASH FLOWS FROM INVESTING ACTIVITIES:		
IDB - Unit Investment Fund:		
Specific deposit	6,669	11,054
Investments in units	4,277	(26,556)
Investment in ICIIEC	-	1,366
Investment in Islamic Ijarah Sukuk	(15,951)	(13,232)
Other investments	(20,261)	(2,047)
Specific deposit from IDB - Unit Investment Fund	(7,914)	(13,300)
Additions to property and equipment	(24)	(706)
Special assistance program expenses	(9,667)	(7,579)
Net cash used in investing activities	**(42,871)**	**(51,000)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in payable to/receivable from IDB - Ordinary Capital Resources	(35,728)	45,929
Income transferred from IDB - Ordinary Capital Resources	3,197	3,511
Net grants for causes and contribution from Islamic Development Bank for technical assistance grants from Special Assistance Account	(16,229)	(20,535)
Net cash (used in) provided by financing activities	**(48,760)**	**28,905**
Net increase in cash and cash equivalents	**95,490**	**23,896**
Cash and cash equivalents at beginning of year (Note 15)	263,222	239,326
Cash and cash equivalents at end of year (Note 15)	**358,712**	**263,222**

The attached notes from 1 through 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CHANGES IN RESOURCES
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In Thousands of Islamic Dinars)

	Notes	1424H	1423H
Waqf Fund principal amount resources:			
Balance at beginning of year		728,769	712,332
Attributable net income for the year		1,480	15,216
Share of income transferred from IDB - Ordinary Capital			
Resources	14	480	1,221
Balance at end of year		**730,729**	**728,769**
Special assistance resources:			
Balance at beginning of year		**76,430**	**83,391**
Attributable net income for the year		6,418	19,565
Share of income transferred from IDB - Ordinary Capital			
Resources	14	2,078	1,588
Grants for causes, net	12	(19,574)	(24,182)
Program expenses		(9,667)	(7,579)
Contribution from Islamic Development Bank for technical			
assistance grants		3,345	3,647
Balance at end of year		**59,030**	**76,430**
Special account for least developed member countries			
resources:			
Balance at beginning of year		95,306	85,908
Attributable net income for the year		1,975	8,696
Share of income transferred from IDB - Ordinary Capital			
Resources	14	639	702
Balance at end of year		**97,920**	**95,306**
Total resources		**887,679**	**900,505**

The attached notes from 1 through 24 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)

1. INCORPORATION AND ACTIVITIES

The Islamic Development Bank (the "Bank") Special Account Resources Waqf Fund (the "Waqf Fund") was established on 1 Muharram 1418H based on the Board of Governors' Resolution No. BG/3-417. At that date, the entire uncommitted assets of the Special Account of the Bank were transferred to the Waqf Fund.

The Governors' Resolution, as subsequently amended by BG/4-420 and BED/28/12/(192)/195, also stated that a certain percentage of the income for the Waqf Fund resources and the same percentage of the banking returns from the Bank's investments in the international market shall be transferred to the principal amount of the Waqf Fund until it reaches one thousand million Islamic Dinars. At such time, the Board of Governors shall, upon recommendation of the Board of Executive Directors, determine the purpose for which the amounts in excess of one thousand million Islamic Dinars shall be used. Such percentage will be reviewed each year on the basis of annual income earned for that year (See Notes 2 (n) and 14).

In 1417H, the Special Accounts of the Islamic Development Bank - Ordinary Capital Resources ("IDB - OCR") consisted of the Special Reserve, Special Assistance and Special Account for Least Developed Member Countries. On 1 Muharram 1418H, the balances of these accounts in the books of IDB - OCR as of 29 Dhul Hijjah 1417H together with the related assets and liabilities were transferred to the Special Account Resources Waqf Fund. The balance of Special Reserve Account has been taken as the uncommitted resources of the Special Accounts and forms the balance of the Waqf Fund principal amount at 1 Muharram 1418H. The balances of the Special Assistance and Special Account for Least Developed Member Countries have been taken as committed resources of the Special Accounts and have been transferred to the Waqf Fund, but do not form part of the Waqf Fund principal amount. All assets of the Waqf Fund are comingled and are not distinguished between the Waqf Fund principal amount and the other committed resources of the Waqf Fund (see Note 22).

The Waqf Fund is managed in accordance with its regulations by the Bank through a Board of Trustees. The regulations provide that the Bank's Board of Executive Directors shall be the Board of Trustees. Its business activities are carried out through the Bank's headquarters in Jeddah, Saudi Arabia.

The financial statements of the Waqf Fund are expressed in thousands of Islamic Dinars. Islamic Dinar (ID) is the unit of account of the Waqf Fund and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

The title of assets recorded in the financial statements as Waqf Fund assets is held with the Bank.

As a fund of the Bank (an international institution), the Waqf Fund is not subject to an external regulatory authority.

The Waqf Fund's financial year is the lunar Hijra year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with the Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exists, the Waqf Fund uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

(b) Translation of currencies

Transactions in currencies other than the Islamic Dinar are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Islamic Dinars on the basis of SDR rates declared by International Monetary Fund at the date of the statement of financial position. Foreign currency exchange gains and losses are included in the statement of activities.

(c) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits with banks having maturity of three months or less at the date of acquisition.

(d) Revenue recognition

1. Fixed deposits with banks
   Return on deposits with banks is accrued evenly over the period of the deposits. The rate of return approximates the prevailing market rates.

2. Loans
   Loans, which are disbursed from the Waqf Fund resources, are income free, except for a service fee calculated to recover part of the administrative costs of the loans. The loans are administered by IDB - OCR and the service fees charged are included as part of its income.

3. Murabaha and other funds
   Income from investments in Murabaha and other funds is accrued on a time apportionment basis over the period from the date of actual disbursement of funds to the scheduled repayment date of instalment.

4. Managed investments
   Changes in the market value of managed investments are recorded as gains or losses in the statement of activities.

(e) Loans

Loans represent amounts disbursed in respect of projects plus loan service fees due, less repayments received relating to the outstanding capital portion of the loan as determined by the loan agreement. The accounting policy with regards to the provision for impairment is further discussed in Note 2 (o).

(f) Murabaha and other funds

Investments in Murabaha and other funds are stated at cost, less provision for impairment. The accounting policy with regards to the provision for impairment is further discussed in Note 2 (o).

(g) Managed investments

Managed investments are stated at market value with unrealized gain or loss included in income.

(h) Investments in IDB - Unit Investment Fund

Investments in IDB - Unit Investment Fund are recorded at market value with unrealized gain or loss included in income.

(i) Investment in ICIIEC

Investment in ICIIEC is not consolidated because the control of ICIIEC does not rest with the Waqf Fund. Accordingly, this investment is accounted for on the equity method.

(j) Investment in Islamic Ijarah Sukuk

The investment in Islamic Ijarah Sukuk is held to maturity and is carried at amortised cost, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition.

(k) Other investments

Other investments are held as available-for-sale and are initially recorded at cost and remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the statement of activities for the period.

(l) Property and equipment

The Waqf Fund is allocated 35% of the costs and depreciation of the IDB headquarters buildings and relevant furniture and equipment. Also, the Waqf Fund owns certain property and equipment through the Islamic Research and Training Institute (IRTI) and other programs. All these assets are depreciated using the straight-line method over the following periods:

Permanent headquarters buildings	40 years
Pre-fabricated buildings	6 2/3 years
Furniture and equipment	4 to 10 years

In the year of acquisition, additions are depreciated at 50% of the normal rate. Maintenance and repair costs are expensed as incurred.

(m) Income allocated by IDB - OCR

Income on IDB balances with banks (conventional investments) and other investments balances, which are considered by IDB management to be forbidden by Shari'ah, are not included in the income statement of IDB - OCR but are transferred by IDB to the Waqf Fund in accordance with the Board of Governors' Resolutions No. BG/3-417 and BG/4-420.

According to the Board of Governors' resolution No. BG/100/422, and the Board of Executive Directors' resolution No. BED120/422, US$ 5.0 million (ID 3.65 million) were allocated from the net income of 1422H for the financing of 1423H Technical Assistance Operations in the form of grants. A similar amount of US$ 5.0 million (ID 3.35 million) was allocated from the 1423H net income of IDB - OCR in accordance with the Board of Governors' resolution No. BG/3-424, and the Board of Executive Directors' resolution No. BED4-424 for the financing of 1424H Technical Assistance Operations in the form of grants.

(n) Allocation of Waqf Fund income

As stipulated in the Waqf Fund's regulations, the net income of the Waqf Fund is allocated to the Waqf Fund Resources as follows:

(In Thousands of Islamic Dinars)

	1424H	1423H
Waqf Fund principal	15%	35%
Special Assistance	65%	45%
Special Account for Least Developed Member Countries	20%	20%

The allocation of percentage of income from the Waqf Fund resources is reviewed each year on the basis of annual income earned for that year.

(o) Impairment of financial assets

Impairment of receivables from operations (loans and Murabaha and other funds):

The Waqf Fund determines the provision for operations based on an assessment of collectibility risks in the total receivable from operations portfolio. The provision is periodically adjusted based on a review of the prevailing circumstances. The portfolio impairment is based on country risk ratings and long-term historical experience of the Waqf Fund.

Adjustments to provision are recorded as a charge or addition to income. In determining the adequacy of provision, the Waqf Fund takes into account the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Impairment of other financial assets:

An assessment is made at the date of the statement of financial position to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortised cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets at amortised cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of activities.

3. LOANS, NET

Loans at the end of Dhul Hijjah comprise the following:

	1424H	1423H
Loans	94,865	86,584
Provision for impairment	(6,150)	(6,150)
Loans - net	**88,715**	**80,434**

4. MURABAHA AND OTHER FUNDS, NET

The Board of Executive Directors of the Bank approved the allocation of US$ 250 million (ID 185.3 million) from the Waqf Fund, to be invested in syndicated and co-financed Murabaha, instalment sale and leasing operations through Islamic Banks' Portfolio for Investment and Development (the "Portfolio"), a trust fund of the Bank. The Portfolio is acting as Mudarib for the Waqf Fund and is entitled to an agreed management fee. The amounts invested by the Waqf Fund at the end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1424H	1423H
Syndicated Murabaha and other funds	74,654	83,485
Murabaha and equity funds	18,189	10,561
	92,843	**94,046**
Less: Provision for impairment	(694)	(694)
Mudarabah and other funds - net	**92,149**	**93,352**

5. MANAGED INVESTMENTS, NET

The Fund placed funds with external portfolio managers. The portfolios are operated by investing in international bonds and security markets based on the guidelines agreed between the Fund and the portfolio managers. The movements of the portfolios at 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H are as follows:

	1424H	1423H
Balance at beginning of year	364,995	321,375
Withdrawals	(183,473)	-
Income from securities and deposits	11,259	14,400
Realized capital gains - net	7,179	2,559
Unrealized capital (losses) gains - net	(21,477)	28,951
Foreign currency exchange difference	5,018	(2,290)
Balance at end of year	**183,501**	**364,995**

The assets of the portfolios at 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H are represented by:

	1424H	1423H
Securities at market value	183,269	360,039
Brokers' balances - net	(2,546)	1,815
Call accounts	455	(1,299)
Accrued income	2,323	4,440
Total	**183,501**	**364,995**

6. IDB - UNIT INVESTMENT FUND

Investment in units

IDB - Unit Investment Fund ("UIF") is a trust fund established under Article 23 of the Articles of Agreement of the Bank. The purpose of the Fund is to participate in the economic development of member countries through the pooling of the savings of institutions and individual investors, and to invest these savings in producing projects in the said member countries. The units of UIF are quoted on the Bahrain stock exchange and the Bank supports the market in these units by agreeing to purchase units available for sale in the market.

(In Thousands of Islamic Dinars)

Specific deposit

The Bank had assigned in prior years certain of its lease and instalment sales contracts denominated in ID to the Waqf Fund. In order to mitigate any foreign currency risk on the Waqf Fund's receivables relating to these contracts, the Bank had placed in 1412H a deposit in ID and simultaneously the Waqf Fund invested with the Bank an equivalent value deposit in US Dollars. These deposits have been invested on a rollover basis for hedging against the Waqf Fund's ID assets. The rates of return on those deposits are negotiated on a six monthly basis.

7. INVESTMENT IN ICIIEC

ICIIEC was established on 1 August 1994 by the Bank. The objective of ICIIEC is to enlarge the scope of trade transactions and the flow of investments among member countries of the Organization of the Islamic Conference by providing: a) export credit insurance to cover the non-payment of export receivables; and b) investment insurance against country risks.

The authorized capital of ICIIEC is ID 100 million, divided into 100,000 shares of ID 1,000 each. The Bank has subscribed in and paid for 50,000 shares. The subscribed capital of ICIIEC at 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H is ID 96.9 million and ID 94.9, million respectively, with called-up instalments of ID 73.5 million and ID 72.5 million, of which ID 72.4 million and ID 70.4 million were paid, respectively.

The movements in the investment in ICIIEC for the years ended 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H are summarized as follows:

	1424H	1423H
Balance at beginning of year	60,433	61,799
Share of profit (loss) during the year	1,343	(1,366)
Balance at end of year	**61,776**	**60,433**

8. INVESTMENT IN ISLAMIC IJARAH SUKUK

This represents investments held to maturity. The fair values of the Islamic Ijara Sukuk approximates their carrying values at 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H.

9. OTHER INVESTMENTS

	1424H	1423H
Infrastructure Fund	21,972	2,047
OIC - Network SDN BHD	1,379	1,043
Total	**23,351**	**3,090**

Other investments at the end of Dhul Hijjah are summarized as follows:

Investment in the Infrastructure Fund is classified as available for sale and represents investment in IDB Infrastructure Fund LLP (the "Fund"), a limited liability partnership incorporated in the Kingdom of Bahrain, promoted by the Bank. The primary objective of the Fund is to promote the use of Islamic Finance in infrastructure projects and seek long-term capital appreciation through participation in such projects. The Fund has invested in several such long-term projects during 1424H. The total capital committed by the partners to the Fund is US$ 730.50 million (ID 490 million). The Bank has committed US$ 100 million (ID 67 million) of which US$ 32 million (ID 22 million) was paid as of 29 Dhul Hijjah 1424H. The investment is currently stated at cost, which approximates the fair value at 29 Dhul Hijjah 1424H.

(In Thousands of Islamic Dinars)

The investment in OIC - Network SDN BHD represents an investment in a Malaysia based Fund, which is still in the development stage.

10. PROPERTY AND EQUIPMENT, NET

The cost of the permanent headquarters buildings and other related furniture and equipment was financed out of the Bank's Ordinary Capital Resources and out of the Waqf Fund. The cost of the property and equipment and its

IDB - Ordinary Capital Resources	65%
Waqf Fund	35%

related depreciation were split according to the following proportions:

At 1 Muharram 1418H, the Bank transferred 35% of its share in the property and equipment to the Waqf Fund. Such assets, together with other assets owned by IRTI and other programs, at the end of Dhul Hijjah are comprised of the following:

	1423H	Additions/ transfers/ charge	1424H
Cost			
Buildings	34,436	-	34,436
Furniture and equipment	6,331	24	6,355
Total	**40,767**	**24**	**40,791**
Accumulated depreciation			
Buildings	10,007	796	10,803
Furniture and equipment	5,308	359	5,667
Total	**15,315**	**1,155**	**16,470**
Net book value at year end	**25,452**		**24,321**

11. WAQF FUND PRINCIPAL AMOUNT

Waqf Fund principal amount represents uncommitted resources of Special Assistance Accounts (represented by the Special Reserve of ID 623.7 million at 29 Dhul Hijjah 1417H) transferred at 1 Muharram 1418H from IDB - OCR. As per the Waqf Fund's Regulations, a certain percentage of the total income of the Waqf Fund is allocated every year until the principal amount reaches one thousand million Islamic Dinars. The principal amount shall be held and maintained in perpetuity and shall not be utilized.

12. SPECIAL ASSISTANCE

At 1 Muharram 1418H, the Special Assistance resources were transferred to the Waqf Fund from IDB - OCR, and are to be used for the purposes set out in the Board of Governors' Resolutions No. BG/14-99 and BG/3-402, as

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(In Thousands of Islamic Dinars)

follows:

(a) Training and research for member countries to re-orient their economies, financial and banking activities in conformity with the Islamic Shari'ah,

(b) Provision of relief for natural disasters and calamities,

(c) Provision to member countries for the promotion and furtherance of Islamic causes,

(d) Provision towards the special account for technical assistance.

The Board of Executive Directors of the Bank has made certain commitments to make disbursements to support the above-mentioned causes.

The Bank created IRTI, which is an international organization devoted to technical research and training. IRTI was formed pursuant to Article 2 of the Articles of Agreement of the Bank and became operational in 1403H. The President of the Bank is also the President of IRTI and the Board of Executive Directors of IDB is its supreme policy making body. Since 1 Muharram 1418H, the entire activities of IRTI are financed out of the Waqf Fund resources and are included as part of the program expenses of the Special Assistance accounts in these financial statements.

The following amounts were distributed as grants from the Waqf Fund during the years ended 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

	1424H	1423H
Relief against disasters and calamities	2,004	2,360
Assistance for Islamic causes	9,176	11,536
Technical assistance grants	5,242	5,296
Technical cooperative program	1,158	1,511
Scholarship program	3,464	3,430
Contribution to AAOIFI	351	225
	21,395	**24,358**
Less: net balance on activities relating to the Sacrificial Meat Program	(1,821)	(176)
Total	**19,574**	**24,182**

13. SPECIAL ACCOUNT FOR LEAST DEVELOPED MEMBER COUNTRIES

The Board of Governors, through their Resolution number BG/6-413, established a Special Account for the least developed member countries with an initial amount of US$ 100 million. Since 1 Muharram 1418H, the account has been included as part of the Waqf Fund. 20% of the total annual income of the Waqf Fund is required to be transferred to this Special Account.

14. SHARE OF INCOME TRANSFERRED FROM IDB-ORDINARY CAPITAL RESOURCES

Income from balances with banks and other assets recorded in the books of IDB - OCR, which are considered by management of the Bank as forbidden by Shari'ah, are not included in the income statement of the Bank but are transferred to the Waqf Fund and allocated in accordance with the Board of Governors' resolution number BG/3-417. The amounts transferred during the years ended 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H are as follows:

(In Thousands of Islamic Dinars)

	1424H	1423H
Return on deposits with other banks	2,666	2,820
Return on call accounts	531	691
Total	**3,197**	**3,511**

The Bank's Shari'ah advisers have ruled that the investment in companies that deal with interest-bearing methods of finance is not permissible under Shari'ah. The Bank's management is reviewing its equity participation portfolio and the cumulative income arising from such companies.

The allocation of the income transferred from IDB - OCR to the Waqf Fund's resources during the years ended 29 Dhul Hijjah 1424H and 30 Dhul Hijjah 1423H is as follows:

	1424H	1423H
Waqf Fund principal amount	480	1,221
Special Assistance	2,078	1,588
Special Account for Least Developed Member Countries	639	702
Total	**3,197**	**3,511**

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

	1424H	1423H
Cash at banks	37,484	27,380
Fixed deposits with banks	321,228	235,842
Total	**358,712**	**263,222**

16. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of Dhul Hijjah comprise the following:

	1424H	1423H
Accruals for sacrificial meat program expenses	18,171	15,082
Excess pilgrim contribution	3,792	3,793
Contribution for Bosnia Fund	1,821	2,768
Accrued staff-related expenses	1,320	1,330
Total	**25,104**	**22,973**

17. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1424H	1423H
(a) For disbursements to causes:		
Relief against natural disasters and calamities	9,261	11,325
Assistance for Islamic causes	53,298	70,743
Loans to Least Developed Member Countries ("LDMC")	70,827	61,005
Special loans	2,118	4,068
Technical assistance grants	20,677	18,459
Sacrificial Meat Project	-	13,265
Scholarship program	12,531	8,760
	168,712	**187,625**
b) Investments in funds through the Portfolio	122,387	111,729
Total	**291,099**	**299,354**

18. NET ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The net assets and liabilities of the Waqf Fund in foreign currencies (in thousands of ID equivalents) at the end of Dhul Hijjah are as follows:

	1424H	1423H
United States Dollar	286,828	314,553
Euro	272,359	255,870
Japanese Yen	49,993	87,570
Pound Sterling	98,549	85,197
Other currencies	47,563	41,107

19. RELATED PARTY TRANSACTIONS

During the ordinary course of its business, the Waqf Fund has certain transactions with IDB - OCR relating to investments and realization of investments made through the inter-fund account between the Waqf Fund and the Bank. The balance due to IDB - OCR at 29 Dhul Hijjah 1424H is ID 6 million (1423H - ID 41.7 million).

20. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

	29 Dhul Hijjah 1424H Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets	367,407	1,763	134,125	291,476	137,154	931,925
Liabilities	31,128	13,118	-	-	-	44,246
	30 Dhul Hijjah 1423H Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets	269,826	30,992	144,831	401,310	139,303	986,262
Liabilities	64,725	21,032	-	-	-	85,757

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21. CONCENTRATION OF ASSETS

(In Thousands of Islamic Dinars)

Economic sectors:

All operations of the Waqf Fund are receivable in respect of social sector financing. All investments are invested in accordance with criteria set out by management to ensure that the investee institutions have a credit rating acceptable to the management of the Waqf Fund or are in accordance with furthering the aims and objectives of the Bank.

The geographical locations of assets and liabilities of the Waqf Fund are as follows:

	29 Dhul Hijjah 1424H Member countries				Total
	Asia	Africa	Europe	Non-member countries	
Assets	424,547	102,553	41,715	363,110	931,925
Liabilities	44,246	-	-	-	44,246
	30 Dhul Hijjah 1423H Member countries				
	Asia	Africa	Europe	Non-member countries	Total
Assets	266,269	117,065	13,899	589,029	986,262
Liabilities	85,757	-	-	-	85,757

The geographical locations of assets and liabilities for 1424H and 1423H reflect the countries in which the beneficiaries of the assets are located.

22. COMINGLING OF ASSETS

The management of the Waqf Fund has reviewed the comingling of the assets of the Waqf Fund principal amount, Special Assistance and Special Account for LDMC as presented in these financial statements. The management has taken the advice of the Bank's legal counsel and is of the opinion that the presentation set out in these financial statements is in accordance with the requirements of the regulations of the Waqf Fund.

23. ZAKAT AND TAX TREATMENT

Since the Waqf Fund's resources are part of Baitul Mal (public money), the Waqf Fund is not subject to zakat or tax.

24. RECLASSIFICATION

Certain amounts in the 1423H financial statements have been reclassified to conform to the 1424H presentation.

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME

FINANCIAL STATEMENTS
29 Dhul Hijjah 1424H (20 February 2004)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
29 Dhul Hijjah 1424H (20 February 2004)

CONTENTS

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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank – Export Financing Scheme (the "Fund") as of 29 Dhul Hijjah 1424H (20 February 2004) and the related statements of income, cash flows and changes in participants' equity for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Export Financing Scheme as of 29 Dhul Hijjah 1424H (20 February 2004), and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Fund has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

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ترخيص
مهني رقم ٤٥
3 ٣
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

For AL JURAID & COMPANY

Omar M. Al Sagga
Registration No. 369

الجريد وشركاه
محاسبون قانونيون معتمدون
ترخيص رقم ٢٥
AL-JURAID & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
LICENCE NO 25

3 Jumad Awal 1425H
21 June 2004

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF FINANCIAL POSITION
29 Dhul Hijjah 1424H (20 February 2004)
(In thousands of Islamic Dinars)

	Notes	1424H	1423H
ASSETS			
Cash at banks	3	479	5,781
Commodity placements with banks	4	157,657	110,673
Receivable from operations:			
Murabaha financing	5	87,807	115,359
Less: Provision for operation risks	5	(7,457)	(7,457)
Receivable from operations, net		80,350	107,902
Receivable from Islamic Development Bank -			
Ordinary Capital Resources	6	5,428	14,541
Accrued income and other assets		318	427
TOTAL ASSETS		**244,232**	**239,324**
LIABILITIES AND PARTICIPANTS' EQUITY LIABILITIES:			
Accruals and other liabilities		1,469	1,167
Dividends payable		60	60
Total liabilities		**1,529**	**1,227**
PARTICIPANTS' EQUITY:			
Participants' contributions	7	133,998	133,748
Contribution bonus	8	18,023	18,023
General reserve	8	16,020	16,020
Retained earnings		74,662	70,306
Total participants' equity		**242,703**	**238,097**
TOTAL LIABILITIES AND PARTICIPANTS' EQUITY		**244,232**	**239,324**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 3 Jumad Awal 1425H (21 June 2004).

The attached notes from 1 through 14 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF INCOME
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In thousands of Islamic Dinars)

	Note	1424H	1423H
Income from:			
Commodity placements with banks	4	2,443	2,531
Murabaha financing		2,745	3,396
		5,188	**5,927**
Administrative expenses		(276)	(293)
Exchange loss		(556)	(4,288)
Net income		**4,356**	**1,346**

The attached notes from 1 through 14 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In thousands of Islamic Dinars)

	Note	1424H	1423H
CASH FLOWS FROM OPERATIONS			
Net income for the year		4,356	1,346
Adjustments to reconcile net income to net cash from operating activities:			
Changes in operating assets and liabilities:			
Murabaha financing Receivable from Islamic Development		27,552	30,206
Bank – Ordinary Capital Resources		9,113	27,924
Accrued income and other assets		109	(42)
Accruals and other liabilities		302	319
Net cash from operating activities		**41,432**	**59,753**
CASH FLOWS FROM INVESTING ACTIVITY			
Change in Commodity placements with banks		(9,227)	19,571
CASH FLOWS FROM FINANCING ACTIVITY			
Change in participants' contributions		250	248
Increase in cash and cash equivalents		**32,455**	**79,572**
Cash and cash equivalents at the beginning of the year	12	87,927	8,355
Cash and cash equivalents at the end of the year	**12**	**120,382**	**87,927**

The attached notes from 1 through 14 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF CHANGES IN PARTICIPANTS' EQUITY
For the Year Ended 29 Dhul Hijjah 1424H (20 February 2004)
(In thousands of Islamic Dinars)

	Participants' contributions	Contribution bonus	General reserve	Retained earnings	Total
Balance at 30 Dhul-Hijjah 1422H	133,500	18,023	16,020	68,960	236,503
Increase in participants' contributions	248	-	-	-	248
Net income for the year	-	-	-	1,346	1,346
Balance at 30 Dhul Hijjah 1423H	133,748	18,023	16,020	70,306	238,097
Increase in participants' contributions	250	-	-	-	250
Net income for the year	-	-	-	4,356	4,356
Balance at 29 Dhul Hijjah 1424H	**133,998**	**18,023**	**16,020**	**74,662**	**242,703**

The attached notes from 1 through 14 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
NOTES TO FINANCIAL STATEMENTS
29 Dhul Hijjah 1424H (20 February 2004)

1. INCORPORATION AND ACTIVITIES

The Islamic Development Bank - Export Financing Scheme (the “Fund”) is a special fund established under Article 22 of the Articles of Agreement of Islamic Development Bank (the “Bank”) and pursuant to the decision taken by the Board of Governors of the Bank in their annual meeting held in 1406H (1995-96). The objective of the Fund is to promote export of non-traditional goods, especially intra-trade of goods originating from the participating countries. The membership of the Fund is open to all member countries of the Organization of the Islamic Conference. The Bank manages the Fund according to the regulations governing the Fund. Administrative expenses of the Bank pertaining directly to the operations of the Fund are charged to the Fund. The Fund commenced its operations on 2 Muharram 1408H (26 August 1987).

As a special fund of the Bank, the Fund is not subject to an external regulatory authority.

The Fund, through the Bank, consults the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to provide it with Shari’ah advice. During 1422H, the Bank established its own Shari’ah Advisory Board.

The Fund carries out its business activities through the Bank’s headquarters in Jeddah, Saudi Arabia. The Fund’s financial year is the lunar Hijra year.

The financial statements of the Fund are expressed in thousands of Islamic Dinars. Islamic Dinar (ID) is the unit of account of the Fund and is equal to one Special Drawing Right (SDR) with the International Monetary Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in accordance with Article 16.2 of the Financial Regulations of the Fund and with the Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exists, the Fund uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available for sale investments.

(b) Translation of currencies

Transactions in currencies other than Islamic Dinars are recorded at the exchange rate between the Islamic Dinar and the underlying currency, derived from the SDR rates declared by the International Monetary Fund, at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Islamic Dinars on the basis of the exchange rate at the date of the statement of financial position. Foreign exchange gains and losses are charged to the statement of income.

(c) Revenue recognition

Income from Murabaha financing is accrued on a time apportionment basis over the period from actual disbursement of funds to the scheduled repayment of instalments.

Income from placements with Islamic and conventional banks is recognized on a time apportionment basis over the period from actual disbursement of the funds to the settlement date.

(In Thousands of Islamic Dinars)

(d) Impairment of financial assets

Impairment of receivable from operations:

The Fund determines the provision for operation risks based on an assessment of collectibility risks in the total receivable from Murabaha financing. The provision is periodically adjusted based on a review of the prevailing circumstances. The assessment of the impairment is based on country risk ratings and long-term historical experience of the Fund (also see Note 5).

Adjustments to the provision are recorded as a charge or addition to income. In order to determine the adequacy of the provision, the Fund considers the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Impairment of other financial assets:

An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortized cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of income.

(e) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements with banks having a maturity of three months or less at the date of acquisition.

3. CASH AT BANKS

Cash at banks at the end of Dhul Hijjah is comprised of the following:

	1424H	1423H
Call accounts with Islamic banks	194	919
Call accounts with conventional banks	285	4,862
Total	**479**	**5,781**

4. COMMODITY PLACEMENTS WITH BANKS

Commodity placements with banks at the end of Dhul Hijjah are comprised of the following:

	1424H	1423H
Placements with Islamic banks	5,179	10,171
Placements with conventional banks	152,478	100,502
Total	**157,657**	**110,673**

Income from placements for the years ended at the end of Dhul Hijjah represents the following:

(In Thousands of Islamic Dinars)

	1424H	1423H
Placements	2,452	1,868
Compensation (to) from Islamic Development Bank - Ordinary Capital Resources	(9)	663
Total	**2,443**	**2,531**

5. MURABAHA FINANCING

Murabaha financing at the end of Dhul Hijjah is comprised of the following:

	1424H	1423H
Gross amounts receivable	90,387	119,765
Less: Unearned income	(2,580)	(4,406)
Murabaha financing, net	**87,807**	**115,359**

All goods purchased for resale under Murabaha financing are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Fund as a result of default by the customer prior to the sale of goods would be made good by the customer.

The Fund considers the amounts due as impaired when, based on current information and events, it is probable that it will be unable to collect all amounts due according to the contractual terms.

The balance in the provision for operation risks at the end of Dhul Hijjah is as follows:

	1424H	1423H
Balance at beginning and at the end of the year	7,457	7,457

6. RECEIVABLE FROM ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

Investments and realization of investments made through the inter-fund account between the Fund and the Bank are considered as cash flows, with the corresponding amounts passed as advances or settlement of advances from the Bank.

7. PARTICIPANTS' CONTRIBUTIONS

Participants' contributions at the end of Dhul Hijjah are comprised of the following:

	1424H	1423H
Amount subscribed	318,500	317,000
Instalments not yet due	(159,750)	(158,500)
Called-up amount	158,750	158,500
Instalments due not yet paid	(25,788)	(25,788)
Instalments paid not yet due	1,036	1,036
Paid-up contributions	**133,998**	**133,748**

8. GENERAL RESERVE AND CONTRIBUTION BONUS

The Board of Governors decided at their annual meeting in 1416H to transfer ID 16,020 thousand from retained earnings to general reserve. It was also decided that a contribution bonus of ID 18,023 thousand be made. The contribution bonus was allocated to participants based on their annual portion of net earnings since joining the Fund to 29 Dhul Hijjah 1414H and forms part of participants' equity.

9. ASSETS AND (LIABILITIES) IN FOREIGN CURRENCIES

The net assets and (liabilities) of the Fund in foreign currencies (in thousands of ID equivalent) at the end of Dhul Hijjah are as follows:

	1424H	1423H
United States Dollar	81,480	125,568
Japanese Yen	13,288	4,537
Euro	78,350	38,735
Pound Sterling	32,426	23,923
Deutsche Mark	2,040	1,855
French Franc	982	1,757
Non-SDR constituent currencies	(105)	(4,411)

(In thousands of Islamic Dinars)

10. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at the end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1424H					
	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash at banks	479	-	-	-	-	479
Commodity placements with banks	143,584	14,073	-	-	-	157,657
Murabaha financing	34,913	18,940	33,257	697	-	87,807
Receivable from the Bank	5,428	-	-	-	-	5,428
Accrued income and other assets	318	-	-	-	-	318
	184,722	**33,013**	**33,257**	**697**	**-**	**251,689**
Less: Provision for operation risks						(7,457)
Total assets						**244,232**
Liabilities						
Accruals and other liabilities	-	-	-	-	1,469	1,469
Dividends payable	-	-	-	-	60	60
Total liabilities	**-**	**-**	**-**	**-**	**1,529**	**1,529**

	1423H					
	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash at banks	5,781	-	-	-	-	5,781
Commodity placements with banks	110,673	-	-	-	-	110,673
Murabaha financing	27,026	52,735	34,924	674	-	115,359
Receivable from the Bank	14,541	-	-	-	-	14,541
Accrued income and other assets	427	-	-	-	-	427
	158,448	**52,735**	**34,924**	**674**	**-**	**246,781**
Less: Provision for operation risks						(7,457)
Total assets						**239,324**
Liabilities						
Accruals and other liabilities	-	-	-	-	1,167	1,167
Dividends payable	-	-	-	-	60	60
Total liabilities	**-**	**-**	**-**	**-**	**1,227**	**1,227**

(In thousands of Islamic Dinars)

11. CONCENTRATION OF ASSETS

Economic sectors:

All operations of the Fund are concentrated in the trade and commerce sectors. All liquid assets are invested in accordance with criteria set out by management to ensure that the investee institutions have a credit rating acceptable to the management of the Fund.

The geographical locations of assets at the end of Dhul Hijjah are as follows:

	1424H			
	Member countries		Non-member countries	Total
	Asia	Africa		
Cash at banks	479	-	-	479
Commodity placements with banks	105,826	-	51,831	157,657
Murabaha financing	55,174	32,633	-	87,807
Receivable from the Bank	5,428	-	-	5,428
Accrued income and other assets	318	-	-	318
	167,225	**32,633**	**51,831**	**251,689**
Less: Provision for operation risks				(7,457)
Total assets				**244,232**

	1423H			
	Member countries		Non- member countries	Total
	Asia	Africa		
Cash at banks	1,230	-	4,551	5,781
Commodity placements with banks	82,001	-	28,672	110,673
Murabaha financing	83,130	32,229	-	115,359
Receivable from the Bank	14,541	-	-	14,541
Accrued income and other assets	427	-	-	427
	181,329	**32,229**	**33,223**	**246,781**
Less: Provision for operation risks				(7,457)
Total assets				**239,324**

(In Thousands of Islamic Dinars)

	1424H	1423H
Cash at banks	479	5,781
Commodity placements with banks	119,903	82,146
Total	**120,382**	**87,927**

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprises the following:

13. ZAKAT AND TAX TREATMENT

Any liability for zakat and income tax is the responsibility of the individual participant.

14. COMMITMENTS

The Fund's undisbursed commitments for Murabaha financing operations at 29 Dhul Hijjah 1424H amounted to ID 111.1 million (1423H - ID 151.6 million).

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Member Firm of PricewaterhouseCoopers
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ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT

FINANCIAL STATEMENTS
31 December 2003

WITH

AUDITORS' REPORT

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT

31 December 2003

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AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of net assets of Islamic Banks' Portfolio for Investment and Development (the "Portfolio") as of 31 December 2003, and the related statements of operations, cash flows, changes in net assets, portfolio investments, receivables and financing and of financial highlights for the year then ended. These financial statements and the Portfolio's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Portfolio's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Banks' Portfolio for Investment and Development as of 31 December 2003, and the results of its operations and its cash flows for the year then ended in accordance with the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

We also note that the Portfolio has followed other accounting standards with respect to accounting measurement, recognition, presentation and disclosure matters not covered by the AAOIFI standards, which are disclosed in Note 2 (a).

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

For AL JURAID & COMPANY

Omar M. Al Sagga
Registration No. 369

3 Jumad Awal 1425H
21 June 2004

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF NET ASSETS
31 December 2003
(In thousands of United States Dollars)

	Notes	2003	2002
ASSETS			
Cash and cash equivalents	3, 13	34,992	23,165
Investments:			
Islamic Ijarah Sukuk	4	15,625	10,000
IDB - Unit Investment Fund	5, 13	15,937	15,718
Mudaraba funds	13	2,127	2,000
Ijarah Muntahia Bittamleek, net	6	38,591	27,677
Receivables:			
Murabaha, net	7	12,876	30,106
Instalment sales		865	1,131
Istisna'a		1,964	-
Accrued income and other assets		3,431	1,082
Total Portfolio's assets		126,408	110,879
Net assets financed by variable capital	9	11	640
Total assets		**126,419**	**111,519**
LIABILITIES			
Payable to Islamic Development Bank - Ordinary Capital Resources	8, 13	17,822	534
Dividends payable	10	1,738	1,300
Accruals and other liabilities		786	238
Total liabilities		20,346	2,072
NET ASSETS		**106,073**	**109,447**
REPRESENTED BY			
FIXED CAPITAL FUNDS			
Paid-up capital	11	100,000	100,000
Reserve	10	6,062	5,875
Retained earnings		-	2,932
Total fixed capital funds		**106,062**	**108,807**
VARIABLE CAPITAL FUNDS			
Paid-up capital	11	-	-
Retained earnings		11	640
Total variable capital funds	**9**	**11**	**640**
		106,073	109,447
Number of shares outstanding, fixed capital funds		100,000	100,000
Net assets per share (USD), fixed capital funds		1,061	1,088

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 3 Jumad Awal 1425H (21 June 2004).

The attached notes from 1 through 19 form an integral part of these financial statements.

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ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF OPERATIONS
For the year ended 31 December 2003
(In thousands of United States Dollars)

	Note	2003	2002
INCOME			
Income from cash and cash equivalents		207	373
Income from investments, sales and financing:			
Investments:			
Islamic Ijarah Sukuk		367	242
IDB - Unit Investment Fund		503	1,789
Mudaraba funds		64	58
Ijarah Muntahia Bittamleek		7,704	4,658
Sales:			
Murabaha transactions		767	1,070
Instalment sales		76	95
Istisna'a		60	-
Financing:			
Musharaka financing		-	46
Mudaraba fees		288	334
Total income from investments, sales and financing		**9,829**	**8,292**
EXPENSES			
Depreciation expense	6	(6,192)	(3,598)
Provision for impairment		-	(72)
Other expenses		(109)	(159)
		(6,301)	**(3,829)**
Net income from investments, sales and financing		3,528	4,463
Net income before Mudarib's share		**3,735**	**4,836**
Less: Mudarib's share		(560)	(363)
INCREASE IN NET ASSETS AFTER MUDARIB'S SHARE		**3,175**	**4,473**

The attached notes from 1 through 19 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF CASH FLOWS
For the year ended 31 December 2003
(In thousands of United States Dollars)

	2003	2002
OPERATING ACTIVITIES		
Increase in net assets before Mudarib's share	3,735	4,836
Adjustments for:		
Depreciation	6,192	3,598
Amortization of deferred credit	-	(335)
Provision for impairment	-	72
	9,927	**8,171**
Changes in operating assets and liabilities:		
Murabaha receivable	17,230	(11,050)
Musharaka financing	-	4,208
Instalment sales receivable	266	(117)
Istisna'a receivables	(1,964)	-
Accrued income and other assets	(2,349)	1,474
Variable capital financed net assets	629	18,247
Payable to Islamic Development Bank – Ordinary Capital Resources	17,288	16
Accruals and other liabilities	548	201
Cash from operations	41,575	21,150
Mudarib's Fee	(560)	(363)
Net cash provided by operating activities	**41,015**	**20,787**
INVESTING ACTIVITIES		
Net (increase)/decrease in investment in IDB - Unit Investment Fund	(219)	20,000
Net increase in investment in Islamic Ijarah Sukuk	(5,625)	(10,000)
Net increase in Ijarah Muntahia Bittamleek	(17,106)	(14,894)
Net increase in Mudaraba funds investment	(127)	-
Net cash used in investing activities	**(23,077)**	**(4,894)**
FINANCING ACTIVITIES		
Change in variable capital funds	(629)	(18,247)
Dividends paid	(5,482)	(4,862)
Net cash used in financing activities	**(6,111)**	**(23,109)**
Net increase/(decrease) in cash and cash equivalents	**11,827**	**(7,216)**
Cash and cash equivalents at the beginning of the year	23,165	30,381
Cash and cash equivalents at the end of the year	**34,992**	**23,165**
Supplemental Schedule on Non-Cash Items		
Dividends payable	1,738	1,300

The attached notes from 1 through 19 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2003
(In thousands of United States Dollars)

	Paid-up capital		Reserve		Retained earnings		Total		Grand Total
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	
Balance at 31 December 2001	100,000	18,455	4,519	-	1,115	432	105,634	18,887	124,521
Decrease in paid-up capital	-	(18,455)	-	-	-	-	-	(18,455)	(18,455)
Net income for the year	-	-	-	-	-	225	-	225	225
Increase in net assets for the year	**-**	**-**	**-**	**-**	**4,473**	**-**	**4,473**	**-**	**4,473**
Appropriations:									
Transfer to reserve	-	-	1,356	-	(1,356)	-	-		-
Mudarib's share of profit	-	-	-	-	-	(17)	-	(17)	(17)
Dividends	-	-	-	-	(1,300)	-	(1,300)	-	(1,300)
Balance at 31 December 2002	**100,000**	**-**	**5,875**	**-**	**2,932**	**640**	**108,807**	**640**	**109,447**
Net income for the year	-	-	-	-	-	11	-	11	11
Increase in net assets for the year	-	-	-	-	3,175	-	3,175	-	3,175
Appropriations:									
Transfer to reserve	-	-	187	-	(187)	-	-	-	-
Dividends	-	-	-	-	(5,920)	(640)	(5,920)	(640)	(6,560)
Balance at 31 December 2003	**100,000**	**-**	**6,062**	**-**	**-**	**11**	**106,062**	**11**	**106,073**

The attached notes from 1 through 19 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF PORTFOLIO
INVESTMENTS, RECEIVABLES AND FINANCING
31 December 2003
(In thousands of United States Dollars)

	2003	Percentage of portfolio	2002	Percentage of portfolio
INVESTMENTS				
Islamic Ijarah Sukuk	15,625	18%	10,000	12%
IDB - Unit Investment Fund	15,937	18%	15,718	18%
Mudaraba funds	2,127	2%	2,000	2%
Ijarah Muntahia Bittamleek, net	38,591	44%	27,677	32%
RECEIVABLES				
Murabaha, net	12,876	15%	30,106	35%
Instalment sales	865	1%	1,131	1%
Istisna'a	1,964	2%	-	-
TOTAL INVESTMENTS, RECEIVABLES AND FINANCING	**87,985**	**100%**	**86,632**	**100%**

The attached notes from 1 through 19 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF FINANCIAL HIGHLIGHTS
31 December 2003

	2003	2002
Data per share (In United States Dollars)		
Net assets value (fixed capital funds) at the beginning of the year	1,088	1,056
Net income from investments, sales and financing before Mudarib's share	37	48
Less: Mubarib's share	(5)	(3)
Net income from investment, sales and financing after Mudarib's share	32	45
Distribution to shareholders:		
From net profits on investments, sales and financing	(59)	(13)
Total distributions	(59)	(13)
Net assets value (fixed capital funds) at the end of the year	1,061	1,088
Financial ratios/supplementary data (thousands of United States Dollars)		
Total net assets at the end of the year	106,062	108,807
Average net assets*	108,068	107,221
Ratio of expenses to average net assets	6%	4%
Turnover rate of portfolio investments, receivables and financing	11%	10%
Annual rate of return	3%	4%

*The average net assets is calculated on a simple average basis using quarter-end net asset balances.

The attached notes from 1 through 19 form an integral part of these financial statements.

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
31 December 2003

1. INCORPORATION AND ACTIVITIES

Islamic Banks' Portfolio for Investment and Development (the "Portfolio") is a trust fund established under Article 23 of the Articles of Agreement of Islamic Development Bank (the "Bank" or "IDB") and pursuant to the Memorandum of Understanding signed by the Islamic banks in 1407H (1987). The objective of the Portfolio is to mobilize the liquidity available with Islamic banks and financial institutions and the savings of individual investors and channel them to finance trade of Islamic countries in accordance with the principles of Shari'ah.

The Bank consults on behalf of the Portfolio, the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to obtain Shari'ah advice. During 1422H (2001), the Bank also established its own Shari'ah Advisory Board.

The Bank manages the Portfolio as a Mudarib based upon the regulations of the Portfolio. The Portfolio has a Participants' Committee chosen by the founding member banks of the Portfolio. This committee oversees the actions of the Mudarib and the general policies of the Portfolio.

The duration of the Portfolio is 25 years. This period may be extended by equal periods. The Portfolio may be liquidated at any time by the Bank and with approval of the Participants' Committee.

The Portfolio carries out its business activities through the Bank's headquarters in Jeddah, Saudi Arabia.

As a trust fund of the Bank, the Portfolio is not subject to an external regulatory authority.

The financial statements of the Portfolio are expressed in thousands of United States dollars. All disbursements on operations are made in United States dollars and all repayments are payable in United States dollars.

Any liability for zakat and income tax is the responsibility of the individual participants.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

(a) Basis of preparation

The financial statements are prepared in accordance with Article 12 of the Financial Regulations of the Portfolio and with the Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). For matters for which no AAOIFI standard exists, the Portfolio uses the relevant International Accounting Standard.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

(b) Foreign currencies

Transactions in foreign currencies are translated into United States dollars by applying exchange rates ruling at the dates of such transactions. Assets and liabilities denominated in foreign currencies are retranslated into United States dollars at the rate of exchange ruling at the statement of net assets date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of operations.

(c) Revenue recognition

1. Cash and cash equivalents

   Income from liquid funds is recognized when such income is earned. Income from short-term commodity transactions is accrued evenly over the period from the actual disbursement date of the funds to the repayment date.

2. Investments

   Income from investment in Islamic Ijarah Sukuk is recognized as declared by the investee banks.

   Income from investment in IDB - Unit Investment Fund is recognized when dividends are declared.

   Income from investment in Mudaraba funds is recognized when such income is earned.

   Income from Ijarah Muntahia Bittamleek is accrued based on the lease agreement.

3. Operations

   Income from Murabaha and instalment sales financing is accrued on a time apportionment basis over the period from the actual disbursement of the funds to the scheduled repayment of instalments.

   Income from Istisna'a is recognized using the percentage of completion method.

(d) Cash and cash equivalents

Cash and cash equivalents comprise balances with maturities of less than 90 days from the date of acquisition and represent short-term investments with banks.

(e) Financial contracts

Financial contracts consist of Murabaha, Instalment sales and Istisna'a receivable, Mudaraba financing and Musharaka financing. Balances relating to these contracts are stated at the cost of goods sold or disbursements made to the beneficiaries plus income recognized by the Portfolio to the statement of net assets date, less repayments received and unearned income.

(f) IDB - Unit Investment Fund

The investment in IDB - Unit Investment Fund is held as available-for-sale and is initially recorded at cost and remeasured at fair value. Unrealized gains and losses are reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the statement of operations for the year.

(g) Islamic Ijarah Sukuk

The investment in Islamic Ijarah Sukuk is held to maturity and is carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition.

(h) Ijarah Muntahia Bittamleek

This represents assets purchased by the Portfolio and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements whereby the ownership of the assets is transferred to the beneficiaries at the end of lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of net assets. The assets are depreciated using the straight-line method over the related lease period.

(i) Variable capital, net assets and income

The variable capital is subscribed and called to finance specific operations identified by the Portfolio. Net assets financed by variable capital represent the assets financed by the variable capital for these operations, net of specific liabilities. As the assets are realized, the proceeds will be used to redeem the variable capital contributed for their acquisition.

Income from assets financed by variable capital is recognized on the same basis as that applicable to various modes of financing as explained in these accounting policies and is included, net of expenses, as part of retained earnings of the variable capital to be distributed based on the Regulations of the Portfolio.

(j) Reserve

In accordance with the Regulations of the Portfolio, 5% of net income before Mudarib's share is transferred annually to a reserve account, which is not available for distribution. No transfer to reserve is made in respect of income arising from restricted assets financed by variable capital.

(k) Impairment of financial assets

Impairment of receivable from operations:

The Portfolio determines its provision for the receivable from operations based on an assessment of collectibility risks in the receivable from operations. The provision is periodically adjusted based on a review of the prevailing circumstances. The assessment of the impairment is made on a case-by-case basis and long-term historical experience of the Portfolio. In order to determine the adequacy of the provision, the Portfolio considers the net present value of the expected future cash flows discounted at the financial instruments' implicit rate of return.

Adjustments to the provision are recorded as a charge or addition to income.

Impairment of other financial assets:
An assessment is made at each statement of net assets date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortised cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortised cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of operations.

(In thousands of United States Dollars)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December 2003 comprise the following:

	2003	2002
Liquid funds with Islamic banks	34,992	23,165

Liquid funds maintained with Islamic banks are utilized by the respective banks in the purchase and sale of commodities. Such funds are maintained to meet approved investment operations.

4. ISLAMIC IJARAH SUKUK

This represents investments held to maturity. The fair value of Islamic Ijara Sukuk approximates their carrying value at 31 December 2003.

5. IDB - UNIT INVESTMENT FUND

The Portfolio has an investment in IDB - Unit Investment Fund (the "Fund"), which was established by the Bank as a trust fund. The Bank manages the Fund as a Mudarib in accordance with the regulations of the Fund.

The Portfolio was a founding member of the Fund and in 1413H (1993), it increased its holdings to a level of 28.6% of the issued units. At 31 December 2003, the Portfolio owned 4.9% of the issued units of the Fund (4.9% at 31 December 2002).

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(In thousands of United States Dollars)

6. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at 31 December 2003 comprises the following:

	2003	2002
Cost:		
Assets not in use:		
At the beginning of the year	13,979	8,780
Additions during the year	17,106	14,894
Transferred to assets in use during the year	(24,723)	(9,695)
At the end of the year	**6,362**	**13,979**
Assets in use:		
At the beginning of the year	19,623	19,836
Transferred from assets not in use during the year	24,723	9,695
Transferred to beneficiaries during the year	-	(9,908)
	44,346	**19,623**
Accumulated depreciation:		
At the beginning of the year	(5,925)	(12,235)
Charged during the year	(6,192)	(3,598)
Transferred during the year	-	9,908
At the end of the year	**(12,117)**	**(5,925)**
Balance at the end of the year	**38,591**	**27,677**

Future instalments receivable related to Ijarah Muntahia Bittamleek at 31 December 2003 are estimated as follows:

	2003	2002
Ijarah operations in Egypt	4,738	6,159
Ijarah operations in Saudi Arabia	8,608	9,075
Ijarah operations in Brunei	4,148	4,846
Ijarah operations in Algeria	889	485
Ijarah operations in Sudan	7,427	5,785
Ijarah operations in Lebanon	3,462	3,304
Ijarah operations in Iran	4,322	-
Ijarah operations in Pakistan	2,777	-
Ijarah operations in United Arab Emirates	4,792	-
Ijarah operations in Turkey	958	-
Total	**42,121**	**29,654**

The precise amount receivable for any year is only known prior to the commencement of the year, as the rentals are determined annually based on prevailing London Inter Bank Offered Rates (“LIBOR”). The above amounts are approximated based on estimated LIBOR.

(In thousands of United States Dollars)

7. MURABAHA RECEIVABLES, NET

Murabaha receivables at 31 December 2003 comprise the following:

	2003	2002
Gross amounts receivable	13,606	31,050
Less: Unearned income	(334)	(548)
Provision for impairment	(396)	(396)
Murabaha receivables, net	**12,876**	**30,106**

All goods purchased for resale under Murabaha contracts are made on the basis of specific purchase for resale to the subsequent customer. The promise of the customer is considered to be binding and any loss suffered by the Portfolio, as a result of default by the customer prior to the sale of goods, would be made good by the customer.

8. PAYABLE TO ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

Payable to the Bank at 31 December 2003 comprises the following:

	2003	2002
Mudarib's share of profit (see Note 10)	560	363
Short-term advances and inter-fund account	17,262	171
Total	**17,822**	**534**

From time to time, the Bank makes advances for operations on behalf of the Portfolio. If these advances are outstanding for more than five days, the Portfolio compensates the Bank with its earnings on investments in short-term commodity transactions for the period to repayment. The net charge to the Portfolio for the year ended 31 December 2003 was nominal.
(In thousands of United States Dollars)

9. NET ASSETS FINANCED BY VARIABLE CAPITAL

Net assets financed by variable capital at 31 December 2003 comprise the following:

	2003	2002
Cash and cash equivalents	30	677
Accrued income	-	51
Total assets	30	728
Less: Payable to the Bank	-	(67)
Accrued expenses and other liabilities	(19)	(21)
Net assets financed by variable capital	**11**	**640**

Net income for the year ended 31 December 2003, arising from the above investment of variable capital, and included as a part of retained earnings of the variable capital, is as follows:

(In thousands of United States Dollars)

	2003	2002
Income from Musharaka financing	-	203
Income from cash and cash equivalents	11	22
	11	**225**

10. DISTRIBUTION OF NET INCOME

In accordance with the Participants' Committee's resolution number IBP/PC/Spl/3/24 adopted in a special meeting held on 27 October 2003, the Regulations of the Portfolio were amended and the Mudarib fee was increased to 15% of the Portfolio's net income. Accordingly, the net income for each financial year will be distributed as follows:

Mudarib's share of profit (for managing the Portfolio)	15 %
Transfer to reserve (non-distributable)	5 %
Dividends	80 %

It was further resolved to introduce a stratified Mudarib fee over and above the 15% if the Portfolio's return on equity exceeds benchmarks based on the 12 months LIBOR, with a corresponding reduction in the rate of dividends.

Previously, the net income for each financial year was distributed as follows:

Mudarib's share of profit (for managing the Portfolio)	7½ %
Transfer to reserve (non-distributable)	5 %
Dividends	87½ %

Based on legal interpretation of its regulations, which was obtained from the Bank, the Portfolio makes no transfer to reserve in respect of profits arising from assets financed by variable capital.

(In thousands of United States Dollars)

11. CAPITAL

Capital at 31 December 2003 comprises the following:

	2003	2002
Fixed capital		
Authorized	200,000	200,000
Issued, subscribed, called and paid-up	100,000	100,000
Variable capital		
Authorized	280,000	280,000
Issued and subscribed	179,533	179,533
Capital not yet called	(132,089)	(132,089)
Capital called	47,444	47,444
Capital redeemed	(47,444)	(47,444)
Paid-up variable capital	-	-

At its meeting held on 10 Shaaban 1421H (6 November 2000), the Participants' Committee approved an increase in the authorized fixed capital from US$ 100 million to US$ 200 million.

12. THE PORTFOLIO'S ROLE AS A MUDARIB

The Portfolio, in its own name and as a Mudarib, makes investments which are co-financed by other institutions. The Portfolio is entitled to an agreed share of profit from such investments, which is reflected in the statement of operations as Mudaraba fees, in addition to any share of profit attributable to its own investments.

Such investments consist of Mudaraba, Ijarah and Murabaha agreements to finance operations in Islamic countries. The co-financiers are liable to risks in the proportion of their respective investments. Accordingly, these investments, which relate to co-financiers, are not included in the accompanying financial statements.

13. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Portfolio transacts business with certain participants and/or their affiliates. The terms of these transactions are approved by the Portfolio's management. The resulting balances from such transactions are included in the statement of net assets as follows:

	2003	2002
Cash and cash equivalents:		
Masraf Shamil	34,985	23,165
Investment:		
IDB - Unit Investment Fund	15,937	15,718
Al Baraka Group - Mudaraba funds	2,127	2,000
Payable to the Bank:		
Current account	(17,262)	(171)
As Mudarib's share of profit	(560)	(363)

(In thousands of United States Dollars)

|14. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Portfolio's assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at 31 December 2003 are as follows:

	2003				
	Less than 1 month	1 to 12 months	1 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	34,992	-	-	-	34,992
Investments	2,072	21,714	40,021	8,473	72,280
Receivables	273	12,960	1,244	1,228	15,705
Accrued income and other assets	-	3,431	-	-	3,431
Total Portfolio's assets	**37,337**	**38,105**	**41,265**	**9,701**	**126,408**
Liabilities					
Payable in cash:					
Payable to the Bank	-	17,822	-	-	17,822
Dividends payables	-	1,738	-	-	1,738
Accruals and other liabilities	-	786	-	-	786
Total Portfolio's liabilities	**-**	**20,346**	**-**	**-**	**20,346**

	2002				
	Less than 1 month	1 to 12 months	1 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	23,165	-	-	-	23,165
Investments	230	20,288	28,410	6,467	55,395
Receivables	350	29,925	962	-	31,237
Accrued income and other assets	-	1,082	-	-	1,082
Total Portfolio's assets	**23,745**	**51,295**	**29,372**	**6,467**	**110,879**
Liabilities					
Payable in cash:					
Payable to the Bank	-	534	-	-	534
Dividends payable	-	1,300	-	-	1,300
Accruals and other liabilities	-	238	-	-	238
Total Portfolio's liabilities	**-**	**2,072**	**-**	**-**	**2,072**

(In thousands of United States Dollars)

15. CONCENTRATION OF ASSETS

An analysis of the Portfolio's assets by industry at 31 December 2003 is as follows:

	2003					
	Public utilities	Transport	Industry and mining	Social services	Other	Total
Cash and cash equivalents	-	-	-	-	34,992	34,992
Investments	19,743	7,566	11,282	-	33,689	72,280
Receivables	-	-	-	2,828	12,877	15,705
Accrued income and other assets	-	-	-	-	3,431	3,431
Total assets	**19,743**	**7,566**	**11,282**	**2,828**	**84,989**	**126,408**

	2002					
	Public utilities	Transport	Industry and mining	Social services	Other	Total
Cash and cash equivalents	-	-	-	-	23,165	23,165
Investments	15,939	-	11,738	-	27,718	55,395
Receivables	-	-	-	1,131	30,106	31,237
Accrued income and other assets	-	-	-	-	1,082	1,082
Total assets	**15,939**	**-**	**11,738**	**1,131**	**82,071**	**110,879**

(In thousands of United States Dollars)

16. CONCENTRATION OF ASSETS (CONTINUED)

The geographical locations of the Portfolio's assets at 31 December 2003 are as follows:

	2003			
	Cash and cash equivalents	Investments	Receivables	Total
Saudi Arabia	-	23,250	5,773	29,023
Bahrain	34,992	5,625	-	40,617
Egypt	-	3,396	-	3,396
Bangladesh	-	-	491	491
Turkey	-	3,070	5,365	8,435
Lebanon	-	3,028	-	3,028
Iran	-	4,322	-	4,322
Morocco	-	-	(8)	(8)
Jordan	-	-	(2)	(2)
Malaysia	-	5,000	-	5,000
Kazakhistan	-	-	864	864
Algeria	-	2,041	-	2,041
Sudan	-	5,870	-	5,870
Brunei	-	4,112	-	4,112
Qatar	-	5,000	1,964	6,964
United Arab Emirates	-	4,789	-	4,789
Pakistan	-	2,777	-	2,777
Tunisia	-	-	1,258	1,258
	34,992	**72,280**	**15,705**	**122,977**
Accrued income and other assets				3,431
Total assets				**126,408**

(In thousands of United States Dollars)

17. CONCENTRATION OF ASSETS (CONTINUED)

	Cash and cash equivalents	Investments	Receivables	Total
Saudi Arabia	-	24,189	5,081	29,270
Bahrain	23,165	5,000	-	28,165
Pakistan	-	2,000	-	2,000
Turkey	-	-	1,182	1,182
Egypt	-	4,845	13,861	18,706
Lebanon	-	3,494	-	3,494
Sudan	-	5,786	-	5,786
Kazakhistan	-	-	1,131	1,131
Bangladesh	-	-	3,800	3,800
Morocco	-	-	1,531	1,531
Iran	-	-	4,652	4,652
Brunei	-	4,596	-	4,596
Jordan	-	-	(1)	(1)
Malaysia	-	5,000	-	5,000
Algeria	-	485	-	485
	23,165	**55,395**	**31,237**	**109,797**
Accrued income and other assets				1,082
Total assets				**110,879**

18. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The book values of all classes of financial assets and financial liabilities, as recorded in the statement of net assets, approximate the fair value of those assets and liabilities.

19. ZAKAT AND TAX

Any liability for zakat and income tax is the responsibility of the individual participants.

20. COMMITMENTS

At 31 December 2003, undisbursed commitments for investing in operations and other investments amount to US$ 57.1 million (US$ 23.8 million at 31 December 2002).

21. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

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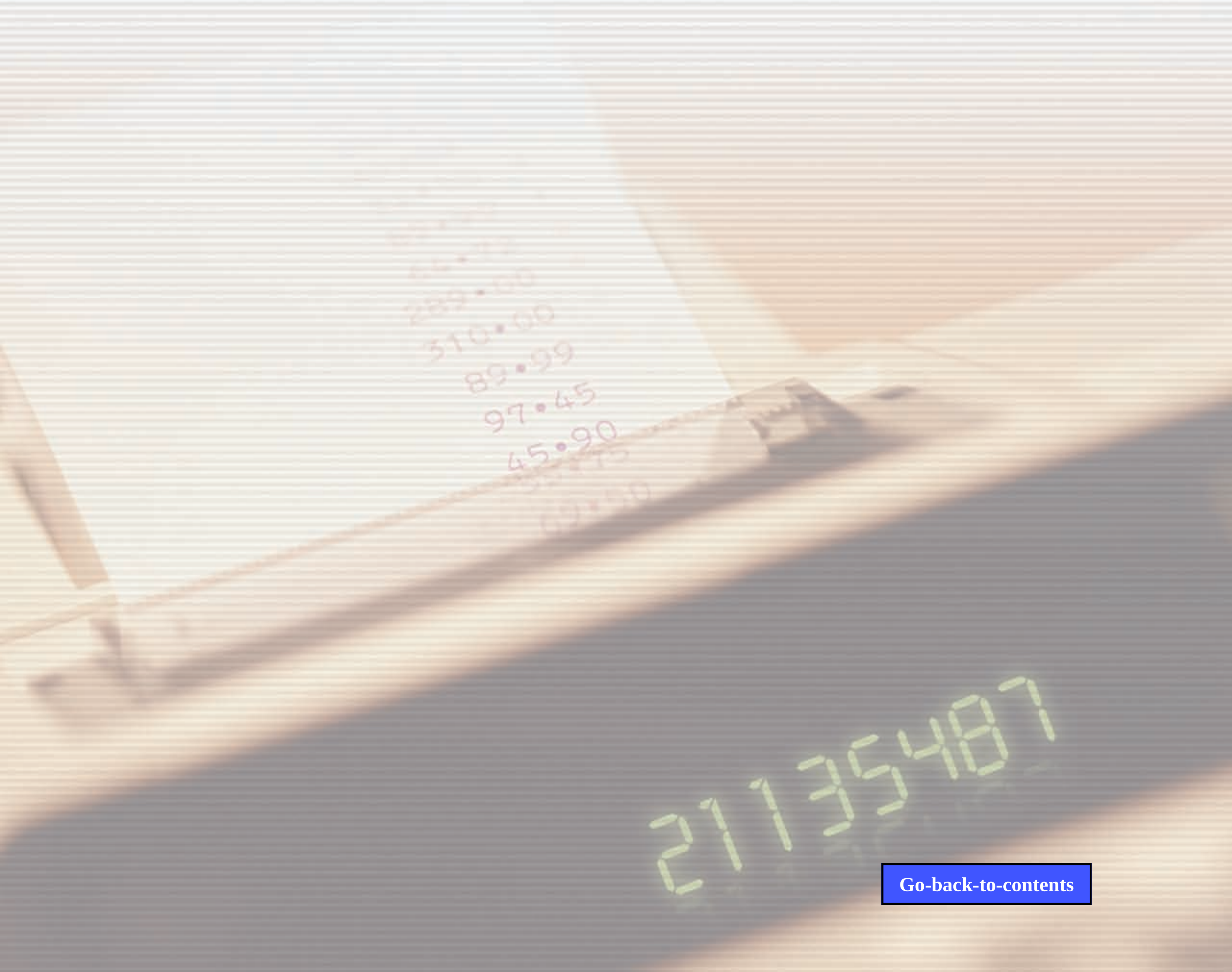
Appendices II-VII



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Appendix II

Comparative Statement Showing Actual Expenditure During 1423H and 1424H and Approved Budget for 1425H (2004-2005)

(ID thousand)

Sl. No.	Description		Actual Expenditure		Approved Budget
			1423H (2002-03)	1424H (2003-04)	1425H (2004-05)
1.	Annual Meeting & BED Expenses		2,556	2,469	2,660
	a.	Annual Meeting Expenses	1,230	1,401	1,300
	b.	Board of Executive Directors Expenses	1,326	1,068	1,360
2.	Personnel Cost		35,662	35,617	39,616
	a.	Salaries & Benefits	34,902	34,346	37,219
	b.	Other Personnel Cost	614	767	935
	c.	New Staff Cost	-	-	630
	d.	Young Professional Program	146	504	832
3.	Business Travel		1,886	1,945	2,298
4.	General Administrative Expenses		5,373	5,475	6,530
5.	Total Administrative Expenses (2+3+4)		42,921	43,037	48,444
6.	Contingencies		-	-	40
7.	Capital Expenditure		692	648	925
8.	Regional Offices		1,111	1,089	1,623
	a.	Regional Office – Morocco	498	513	560
	b.	Regional Office – Malaysia	269	247	633
	c.	Regional Office – Kazakhstan	344	329	430
9.	Implementation of Information Strategy Plan		1,442	209	-
10.	Management Development Program		353	327	339
11.	Records & Documents Management Project		227	433	225
12.	Distance Learning Project		278	227	202
13.	Knowledge Management Project		-	-	319
14.	Right Sizing Study		-	-	113
	Grand Total		49,580	48,439	54,890

Appendix III
Subscription to IDB Share Capital
as on 29 Dhul Hijjah 1424H (20 February 2004)

(in ID million)

Sl. No.	Country	Initial	1st Additional	2nd General Increase	3rd General Increase	Total Subs-cribed	%
1	Afghanistan	2.50	*	2.50	*	5.00	0.06
2	Albania	2.50	*	*	*	2.50	0.03
3	Algeria	25.00	38.10	61.16	122.41	246.67	3.10
4	Azerbaijan	2.50	*	2.42	4.84	9.76	0.12
5	Bahrain	5.00	2.00	*	6.89	13.89	0.17
6	Bangladesh	10.00	15.00	24.29	48.53	97.82	1.23
7	Benin	2.50	*	2.42	4.84	9.76	0.12
8	Brunei	6.30	*	6.11	12.22	24.63	0.31
9	Burkina Faso	2.50	3.80	6.11	12.22	24.63	0.31
10	Cameroon	2.50	3.80	6.11	12.22	24.63	0.31
11	Chad	2.50	*	2.42	4.84	9.76	0.12
12	Comoros	2.50	*	*	*	2.50	0.03
13	Cote d'Ivoire	2.50	*	*	*	2.50	0.03
14	Djibouti	2.50	*	*	*	2.50	0.03
15	Egypt	25.00	148.00	173.00	340.84	686.84	8.63
16	Gabon	3.00	4.50	7.27	14.55	29.32	0.37
17	Gambia	2.50	*	*	2.46	4.96	0.06
18	Guinea	2.50	3.80	6.11	12.22	24.63	0.31
19	Guinea-Bissau	2.50	*	*	2.46	4.96	0.06
20	Indonesia	25.00	38.10	61.16	61.21	185.47	2.33
21	Iran	2.50	175.00	172.47	344.54	694.51	8.72
22	Iraq	10.00	3.05	*	-	13.05	0.16
23	Jordan	4.00	6.10	9.79	19.58	39.47	0.50
24	Kazakhstan	2.50	*	*	2.46	4.96	0.06
25	Kuwait	100.00	152.20	244.44	489.24	985.88	12.38
26	Kyrghyz	2.50	*	*	2.46	4.96	0.06
27	Lebanon	2.50	*	2.42	4.84	9.76	0.12
28	Libya	125.00	190.30	84.70	393.79	793.79	9.97
29	Malaysia	16.00	24.40	39.16	78.33	157.89	1.98
30	Maldives	2.50	*	*	*	2.50	0.03
31	Mali	2.50	*	2.42	4.84	9.76	0.12
32	Mauritania	2.50	*	2.42	4.84	9.76	0.12
33	Morocco	5.00	7.60	12.21	24.43	49.24	0.62
34	Mozambique	2.50	*	*	2.46	4.96	0.06
35	Niger	2.50	3.80	6.11	12.22	24.63	0.31
36	Oman	5.00	2.00	6.78	13.57	27.35	0.34
37	Pakistan	25.00	38.10	61.16	122.33	246.59	3.10
38	Palestine	2.50	2.50	4.85	-	9.85	0.12
39	Qatar	25.00	-	24.23	48.47	97.70	1.23
40	Saudi Arabia	200.00	306.37	490.80	981.70	1,978.87	24.86
41	Senegal	2.50	3.80	6.12	12.23	24.65	0.31
42	Sierra Leone	2.50	*	*	2.46	4.96	0.06
43	Somalia	2.50	*	*	*	2.50	0.03
44	Sudan	10.00	*	9.69	19.38	39.07	0.49
45	Suriname	2.50	*	*	2.46	4.96	0.06
46	Syria	2.50	*	2.50	4.92	9.92	0.12
47	Tajikistan	2.50	*	*	2.46	4.96	0.06
48	Togo	2.50	*	*	2.46	4.96	0.06
49	Tunisia	2.50	2.50	4.85	9.70	19.55	0.25
50	Turkey	10.00	150.00	155.47	310.58	626.05	7.86
51	Turkmenistan	2.50	*	*	*	2.50	0.03
52	Uganda	2.50	3.80	6.11	12.22	24.63	0.31
53	UAE	110.00	33.72	139.31	278.64	561.67	7.06
54	Uzbekistan	2.50	*	*	*	2.50	0.03
55	Yemen	5.00	7.60	12.21	24.81	49.62	0.62
	Total	834.30	1369.94	1861.30	3895.17	7960.71	100.00

Note: (1) The Subscribed Capital of Albania, Cote D'Ivoire, Kazakhstan, Kyrgyz, Mozambique, Suriname, Tajikistan, Togo, Turkmenistan and Uzbekistan (ID 25.50 million) are adjusted against the uncommitted portion of the Second General Capital Increase of the Bank. As such, the net initial Subscribed Capital is (ID 834.30 – 25.50) = ID 809.30 million.

(2) 3rd General Increase: The Subscribed Capital of the Bank has been increased by ID 4 billion from ID 4.1 billion to ID 8.1 billion. Out of IDB's 55 member countries, 46 countries have so far confirmed their participation. To provide time to the member countries to complete the formalities, the date for subscription has been extended upto 24:04:2004.

* Countries in the process of completing the formalities or have not yet responded

** Countries that have expressed their inability to participate due to special circumstances.

Appendix IV
Channels of Communication

Sl. No.	Country	Channel of Communication
1.	Afghanistan	General Research Department Da Afghanistan Bank P.O.Box 1806 Kabul C/o Embassy of Afghanistan P. O. Box 93337 Riyadh 11693 Saudi Arabia
2.	Republic of Albania	H.E. The Minister of Economy Ministry of Economy Tirana Fax: 64658 / 28494
3.	Democratic and Popular Republic of Algeria	Ministry of Finance Ben Aknoun 16300 Algiers Fax: 595125
4.	Azerbaijan Republic	Ministry of Finance Baku, FAX: 98 53 81
5.	Kingdom of Bahrain	Director, Economic Relations Department Ministry of Finance and National Economy P. O. Box No.333 Manama Fax: 535515
6.	People's Republic of Bangladesh	H.E. The Secretary, Economic Relations Division Ministry of Finance Sher-e-Bangla Nagar Dhaka Fax: 8113088
7.	Republic of Benin	Ministry of in-charge of the Governmental Action Coordination, Prospective and Development P. O. Box. 432 Cotonou Fax: 301660

8.	Brunei Darussalam	H.E. The Director of Special Duties Ministry of Finance 18th Floor, Ministry of Finance Building, Simpang 295 Jalan Kebangsaan Bandar Seri Begawan BB 3910 Tel: (673) 2383819 Fax: (673) 2383816
9.	Burkina Faso	National Development Bank P. O. Box 148 Ouagadougou
10.	Republic of Cameroon	Ministry of Public Investments and Country Development - Yaounde Fax: 22 15 09
11.	Republic of Chad	Ministry of Economy and Finance P. O. Box 144 N'Djamena Fax: 524908
12.	Union of Comoros	Ministry of Finance, Budget and Privatisation P. O. Box 324 Moroni Fax: 744140
13.	Republic of Cote d'Ivoire	Office of H.E. The Prime Minister 01 B. P. 1533 Abidjan 01 Fax: 315000
14.	Republic of Djibouti	Ministry of Economy, Finance and Planning, Djibouti Fax: 356501
15.	Arab Republic of Egypt	Office of H.E. The Minister Ministry of Planning Avenue Salah Salem, Cairo Fax: (202) 4014733 Tel: (202) 4014615 - 4014719
16.	Republic of Gabon	Ministry of Economy, Finance, Budget and Privatization P. O. Box 165 Libreville Fax: 773509
17.	Republic of the Gambia	Department of State for Finance and Economic Affairs The Quadrangle, Banjul Fax: 227954 / 226969

18.	Republic of Guinea	H.E. The Governor, Central Bank of Guinea Republic of Guinea Conakry Fax: 414898
19.	Republic of Guinea Bissau	H.E. The Commissioner of State for Finance Ministry of Economy and Finance Bissau Fax: 201585
20.	Republic of Indonesia	Secretariat General Ministry of Finance P. O. Box 21 Jakarta Fax: 3451205
21.	Islamic Republic of Iran	H.E. The Vice Minister and President of OIETAI Alternate Governor, IDB Ministry of Economic Affairs and Finance Tehran Fax: 3901033
22.	Republic of Iraq	H.E. The Governor, Central Bank of Iraq P. O. Box 64 Baghdad - Republic of Iraq Fax: 8865171 / 8884115
23.	Hashemite Kingdom of Jordan	Ministry of Planning and International Cooperation P. O. Box 555 Amman-11118 Fax: 4649341
24.	Republic of Kazakhstan	H.E. The Minister of Industry and Trade Ministry of Industry and Trade Astana Fax: 718197
25.	State of Kuwait	H.E. The Assistant Undersecretary Ministry of Finance Ministries' Compound P. O. Box 9, Al Safa 13001 Kuwait Fax: 2418081
26.	Kyrghyz Republic	State Committee on Foreign Investments and Economic Development 58 Erkyndyk Ave. Bishkek 720874 Fax: 22 56 90 / 22 74 04

27.	Republic of Lebanon	Lebanese Council of Ministers Governmental Palace, Beirut Fax: 865630 / 746786
28.	The Great Socialist People's Libyan Arab Jamahiriyah	The Secretariat of the People's General Committee for Finance, Sert Fax: 3606197
29.	Malaysia	H.E. The Secretary General to the Treasury Ministry of Finance Malaysia 62592 PUTRAJAYA Fax: (603) 88824224
30.	Republic of Maldives	Ministry of Finance and Treasury Male 20-03 Fax: 324432
31.	Republic of Mali	Ministry of Economy and Finance P.O.Box 234 Bamako Fax: 220192
32.	Islamic Republic of Mauritania	Director of Finance Ministry of Economic Affairs and Development P. O. Box 238 Nouakchott Fax: 5253335
33.	Kingdom of Morocco	The Treasury Department Ministry of Finance and Privatization Rabat Fax: 37-764950 / 37-765036
34.	Republic of Mozambique	Ministry of Planning and Finance Maputo Fax : 428170
35.	Republic of Niger	H.E. The Secretary General Ministry of Planning P. O. Box 233, Niamey Fax: 735983
36.	Sultanate of Oman	General Director for Treasury and Accounts Ministry of Finance P. O. Box 506 Muscat 113 Fax: 737840

37.	Islamic Republic of Pakistan	H.E. The Secretary, Economic Affairs Division Ministry of Finance and Economic Affairs Islamabad Fax: 9205971
38.	State of Palestine	H.E. The Chairman of the General Audit Organisation, Palestinian National Authority P. O. Box 4059 Gaza Fax: 2821703 C/o Mr. Maher Gabour – Rafah Govenorate of North Sinai, Arab Republic of Egypt.
39.	State of Qatar	Ministry of Finance P. O. Box 83 Doha Fax: 4414418 - 4431177
40.	Kingdom of Saudi Arabia	Ministry of Finance Riyadh-11177 Fax: 4059441 / 4035422
41.	Republic of Senegal	Ministry of Economy and Finance B.P. 4017 Dakar Fax: 8224195 / 8229621
42.	Republic of Sierra Leone	Ministry of Finance Secretariat Building, George Street, Freetown Fax: 228472
43.	Republic of Somalia	The Embassy of the Republic of Somalia P. O. Box 94372 Riyadh 11693 Kingdom of Saudi Arabia Fax: 4649705
44.	Republic of Sudan	Ministry of Finance and National Economy (General Department For Foreign Financial Cooperation) P. O. Box 298 Khartoum Fax: 780351
45.	Republic of Suriname	H.E. The Governor Central Bank of Suriname P. O. Box 1801 Paramaribo Fax: 473741

46.	Syrian Arab Republic	H.E. The Minister of Economy and Trade Department of Economic and Monetary Affairs Damascus Fax: 2225695
47.	Republic of Tajikistan	Office of H.E. The Prime Minister Republic of Tajikistan 80, Rudaki Avenue Dushambe Fax: 2125022
48.	Republic of Togo	Ministry of Economy, Finance and Privatization B.P. 367 Lome Fax: 210905
49.	Republic of Tunisia	H.E. The Minister of Development and International Cooperation Ministry of Development and International Cooperation, Tunis Fax: 71351666
50.	Republic of Turkey	Undersecretariat of Treasury Prime Ministry - Ankara Fax: 2128550
51.	Republic of Turkmenistan	State Bank for Foreign Economic Affairs Ashgabat Fax : 510070 / 397982
52.	Republic of Uganda	H.E. The Permanent Secretary Ministry of Finance, Planning and Economic Development P. O. Box 7086 Kampala Fax: 230163
53.	United Arab Emirates	Ministry of Finance and Industry P. O. Box 433 Abu Dhabi Fax: 6724922 / 6773301
54.	Republic of Uzbekistan	Department for External Economic, Relations and Foreign Investments (Office of H.E. the IDB Governor) Cabinet of Ministers, Tashkent 700008 Fax: 1398222
55.	Republic of Yemen	Ministry of Planning and International Cooperation P. O. Box 175 Sanaa Fax: 250665 - 251503

Appendix V
Governors and Alternate Governors

	Country	Governor	Alternate Governor
1.	Afghanistan	H.E. Mr. Ashraf Ghani Ahmadzai Minister of Finance C/o Ministry of Foreign Affairs Ministry of Finance Kabul – Afghanistan Fax 873- 762321251 762498237	H.E. Dr. Anwar ul-Haq Ahady Alternate Governor, IDB C/o Ministry of Foreign Affairs Ministry of Finance Kabul – Afghanistan Fax 873- 761 614 713 762498237
2.	Republic of Albania	H.E. Dr. Prof. Anastas Angjeli Minister of Economy Ministry of Economy Bulvadrdi “Zhan d’Ark” No 3 Tirana Fax: (355 4) 264658 / 228494 Tel: (355 4) 228362 / 222652	H.E. Mr. Fatos Ibrahimi Deputy Governor Bank of Albania Tirana Tel: (355-4) 223558 Fax:(355-4) 223558 /27526
3.	Democratic and Popular Republic of Algeria	H.E. Mr. Abdellatif Benachenhou Minister of Finance Ministry of Finance Ben Aknoun, 16300 Algiers Tel: 733864 - 595120 Fax: 595125	H.E.the IDB, Alternate Governor Ministry of Finance Ben Aknoun , 16300 Algiers Tel: 733864 - 595120 Fax: 595125
4.	Azerbaijan Republic	H.E. Mr. Farhad Aliyev Minister of Economic Development Ministry of Economic Development 23 Niyazi Street 370066 Baku Fax: (994-12) 902404 Tel: (994-12) 902430 e.mail: office@economy.gov.az	H.E. Mr. Avaz Akbar Oglu Alekperov Minister of Finance Ministry of Finance 83 Vurgun Street 370022 Baku Fax: (994-12) 939648 / 985381 Tel: (994-12) 930562 / 939398
5.	Kingdom of Bahrain	H.E. Mr. Abdullah Bin Hassan Seif Minister of Finance and National Economy Ministry of Finance and National Economy P.O.Box No.333 Manama Fax: 533822 - 532900 – 533324	H.E. Dr. Zakaria Ahmed Hajras Assistant Undersecretary for Economic Affairs Ministry of Finance and National Economy P.O.Box No.333 Manama Tel : 526747 - 531900 Fax: 532850

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6.	People's Republic of Bangladesh	H.E.Mr. MD Saifur Rahman Minister of Finance Ministry of Finance Sher-e-Bangla Nagar Dhaka 1207 Fax: 8113088	H.E.Mr. Mirza Tasadduq Hussain Beg Secretary, Economic Relations Div. Ministry of Finance Sher-e-Bangla Nagar Dhaka 1207 Dhaka Fax: 8113088
7.	Republic of Benin	H.E. Mr. Bruno Amoussou Minister of State in-Charge of the Governmental Action Coordination, Prospective and Development Ministry in-charge of the Governmental Action Coordination, Prospective and Development B.P 342, Cotonou Fax: 301660	H.E. Mr. Sèmiou BAKARY Director General Caisse Autonome d'Amortissement, P. O. Box 302 Cotonou Fax: 301851 Tel : 300281 – 301621 - 301486
8.	Brunei Darussalam	HM. Sultan Haji Hassanal Bolkiah Prime Minister & Minister of Defence cum Minister of Finance Ministry of Finance Bandar Seri Begawan 1130 Fax: (673-2) 235816	H.E Dato Yakub Abu Bakar Deputy Minister of Finance Ministry of Finance 18th Floor Ministry of Finance Bldg. Simpang 295 Jalan Kebangsaan Bandar Seri Begawan BB 3910 Tel: (673) 2383819 Fax : (673) 2383816
9.	Burkina Faso	H.E. Mr. Seydou Bouda Minister of Economy and Development Ministry of Economy and Development 03 B.P. 7008 Ouagadougou 03 Fax: 226-50305508 Tel : 226- 50324320	H.E. Mr. Léné SEBGO Director General of Cooperation Ministry of Finance and Budget 03 BP 7067 Ouagadougou 03 Fax: 226-50315409 Tel :226 50312550 Lene.sebgo@finances.gv.bf
10.	Republic of Cameroon	H.E. Mr. Okouda Martin Minister of Public Investments and Country Development Ministry of Public Investments and Country Development Yaounde Tel : 2 233637 Fax: 2 221509	H.E. Mr. Mohamadou Labarang Embassador of the Republic of Cameroun Embassy of the Republic of Cameroun Riyadh - Saudi Arabia Tél : 4880203 Fax : 4881463

11.	Republic of Chad	H.E.M. Mahamat Ali Hassan Minister of planning, Development and Cooperation Ministry of Planning, Development and Cooperation, N'Djamena Fax : 515185	H.E. M. Idriss Ahmed Idriss Minister of Economy and Finance Ministry of Economy and Finance N'Djamena Fax : 524908
12.	Union of Comoros	H.E. Mr. Caabi El Yachroutu Mohamed Vice President, in-charge of Finance, Budget,Economy, Foreign Trade, Investments and Privatisation Ministry of Finance, Budget and Privatisation Presidence of the UNION P.O.Box: 324 - Moroni Fax: 744140 Tel : 744161	H.E. Mr. Ibrahim Ben Ali Governor Central Bank of Comoros Place de France B.P 405 Moroni Fax: (269) 730349 Tel : (269) 731814 /731002
13.	Republic of Cote d'Ivoire	H.E. Mr. Seydou Elimane Diarra Prime Minister 01 BP 1533 Abidjan Fax : 20 31 50 00	H.E. Mr. Bohoun BOUABRE State Minister, Minister of Economy and Finance Ministry of Economy and Finance Abidjan Fax: (225) 20200856 Tel: (225) 20200842 – 20200843
14.	Republic of Djibouti	H.E. Mr. Yacin Elmi Bouh Minister of Finance, National Economy, Planning In-charge of Privatisations Ministry of Finance and National Economy and Planning, Djibouti Fax: 356501 Tel : 253 . 350481	H.E. Mr. Djama Mahmoud Haid Governor National Bank of Djibouti Djibouti Fax: 356288
15.	Arab Republic of Egypt	H.E. Dr. Osman Mohamed Osman Minister of Planning Ministry of Planning Avenue Salah Salem, Cairo Tel : (202) 4014615 – 4014719 Fax : (202) 4014733	H.E. Dr. Hassan Khidr Minister of Supply and Internal Commerce Ministry of Supply and Internal Commerce 99 Kasr Al-Aini Street Cairo Fax: (202) 7944973 Tel: (202) 7949352

16.	Republic of Gabon	H.E. Mr. Paul Toungui State Minister, Minister of Economy, Finance, Budget and Privatization Ministry of Economy, Finance, Budget and Privatization Libreville Fax: 773509	H.E. Mr. Casimir OYEM MBA State Minister, Minister of Planning and Development Programming Ministry of Planning and Development Programming P.O.Box 747, Libreville Fax: 725522
17.	Republic of the Gambia	H.E. Mr. Mousa G. Bala-Gaye Secretary of State for Finance & Economic Affairs Department of State for Finance & Economic Affairs The Quadrangle Banjul Fax: 227954/226969	H.E. Mr. Dodou B. Jagne Permanent Secretary Department of State for Finance and Economic Affairs The Quadrangle, Banjul Fax: 227954-226969 Tel: 227221
18.	Republic of Guinea	H.E. Mr Alkaly Mohamed DAFFE Governor Central Bank of Guinea Central Bank of Guinea P. O. Box: 692 Conakry Fax: 414898 Tel: 412651	H.E. Mme Balde Hadja Fatoumata DIOP National Director, Public Investments Programming National Director for Public Investments Programming Ministry of Planning P. O. Box 221, Conakry Fax: 413059 Tel: 413495
19	Republic of Guinea Bissau	H.E. Dr. Aboubacar Demba DAHABA Minister of Economy and Finance Ministry of Economy and Finance P. O. Box 67, Bissau Fax :(245) 205156 / 205267 / 201626 Tel : (245) 20 32 11 – 20 32 08	H.E. Mr. Mamadu Sani Coordinator Ministry of Economy and Finance P. O. Box 67, Bissau Fax : (245) 204870 / 201626 Tel : (245) 204870 / 203208
20.	Republic of Indonesia	H.E. Dr Boediono Minister of Finance Ministry of Finance - Jakarta Tel: (6221) 3449230 Fax: (6221)3453710/3451205	H.E. Dr.Agus Haryanto Secretary General Ministry of Finance - Jakarta Tel: (6221) 345 1128 - 3449230 Fax: (6221) 345 1205

21.	Islamic Republic of Iran	H.E. Dr. Safdar Hosseini Minister of Economic Affairs and Finance Ministry of Economic Affairs and Finance Tehran Tel : (9821) 3911652 Fax : (9821) 3911165	H.E.Dr. Mohammad Khazaee Vice Minister for International Affairs and President, Organization for Investment, Economic and Technical Assistance of Iran (OIETAI) Ministry of Economic Affairs and Finance Tehran Tel : (9821) 3911655 Fax : (9821) 3901033
22.	Republic of Iraq	H.E. Dr. Sinan Al-Shabibi Governor, Central Bank of Iraq P. O. Box 64, Baghdad Republic of Iraq Tel: 8884115 Fax: 8865171	
23.	Hashemite Kingdom of Jordan	H.E. Mr. Basem Awad Allah Minister of Planning Ministry of Planning Amman Fax: 4649341 Tel : 4644466	H.E. Dr. Omaya Toqan Governor, Central Bank of Jordan Central Bank of Jordan P. O. Box 37 - Amman Tel: 4634511 Fax: 643121
24.	Republic of Kazakhstan	H.E. Mr. Adilbek Dzhaksybekov Ryskeldinovich Minister of Industry and Trade Astana city, 473000, Kabanbai Batyr Str. "Transport Tower" Ministry of Industry and Trade Astana Tel : (7-3172) 240474 Fax : (7-3172) 240231	H.E. Mr. Bakhyt Sultanov Vice Minister of Economy and Budget Planning 33 Pobedy Str. 473000 Astana Tel : (3172) 717555 Fax : (3172) 717166 - 717129
25.	State of Kuwait	H.E. Mr Mahmud Abdulkhaleq AL Nouri Minister of Finance Ministry of Finance Ministries' Compound P. O. Box 9 Al Safa 13001 Kuwait Tel: (965) 2420018/ 2420019/ Fax: 2446361 - 2434862	H.E. Mr. Abdul Mohsin El Hanif Undersecretary Ministry of Finance Ministries' Compound P. O.Box 9 Al Safa 13001 Kuwait Fax: 2418081 Tel: 2434774

26.	Kyrgyz Republic	H.E. Mr. Jeenbekov Ravshan Babyrbekovich Chairman State Committee on State Property and Direct Investments 57, Erkindik Str. 720002 Bishkek Fax (996312) 660236 Tel: (996312) 227706	H.E. Mr. Emirlan Toromyrzaev First Deputy Minister of Finance Ministry of Finance 58, Erkindik Str. 720040 Bishkek Kyrgyz Republic Tel: (996 312) 661350 Fax: (996 312) 661645
27.	Republic of Lebanon	H.E. Mr. Rafik Al Hariri Prime Minister Lebanese Council of Ministers Government Palace Beirut Fax : 865630	H.E. Mr. Hisham Ibrahim Al Shaar Advisor Lebanese Council of Ministers Government Palace Beirut Fax : 865630 / 867593
28.	Great Socialist People's Libyan Arab Jamahiriyah	H.E. Mr. Mohamed Ali El Huwej The Secretary of the Peoples' General Committee for Finance Sert, Fax: 3620138 - 466750	H.E. The Chairman and General Manager Libyan Arab Company for Foreign Investment Ave Al Thawrah - Gharyan Fax: 3600706 Tel: 3614890 Al Andalus District - Tripoli: Fax : 4781451 Tel: 4781457
29.	Malaysia	H.E. Dato' Seri Abdullah bin Hj. Ahmad Badawi Prime Minister and Minister of Finance Ministry of Finance Complex Precint 2, Federal Government Administration Center 62592 Putrajaya - Kuala Lumpur Tel : (603) 888 23567 /888 23000 Fax: (603) 888 23579 – 888 24286	H.E. Tan Sri Dr. Samsudin Hitam Secretary General to the Treasury Ministry of Finance Complex Precint 2, Federal Government Administration Center 62592 Putrajaya Kuala Lumpur Tel: (603) 88823000 Fax: (603) 88823579 – 88823578 88824286
30.	Republic of Maldives	H.E. Mr. Fathullah Jameel Minister of Foreign Affairs Ministry of Foreign Affairs Male Tel: (960)323400 Fax: (960) 323841	H.E. Mr. Mohamed Ahmed Director General Department of External Resources Ministry of Finance & Treasury Male Tel: (960)323400 - 317586 Fax: (960) 324432 / 323841

31.	Republic of Mali	H.E. The Minister of Economy and Finance Ministry of Economy and Finance B. P. 234 - Bamako Fax: (223) 230904 / 22 01 92 Tel : 22 57 26 /22 58 58 / 227798	H.E. Mr. Marimantia DIARRA Minister of State In-charge of Planning Ministry of Planning Bamako Fax : (223) 2295161 Tel : (223) 229 5158 / 2295162
32.	Islamic Republic of Mauritania	H.E. Mr. Mahfoud Ould Mohamed Aali Minister of Finance Ministry of Finance P. O. Box 197 Nouakchot Tel : 525 3335 Fax: 525 3114 – 525 3335	H.E. Mr Sidi Mohamed El Amin Ould Bakha Director of Financing Ministry of Economic Affairs & Development P. O. Box 238 Nouakchott Fax: 525 3335
33.	Kingdom of Morocco	H.E. Dr. Fathullah Oualalou Minister of Finance and Privatization Ministry of Finance and Privatization Rabat Tel: 37762570 - 37764818 Fax:37760825-37762508 - 37764950	H.E. Mr. Abdeltif Loudyi Secretary General Ministry of Finance and Privatization Rabat Fax: 37765036/37764950 Tel: 37764918 – 37760324 E.mail: a.loudyi@finances.gov.ma
34.	Republic of Mozambique	H.E. Luisa Dias Diogo Minister of Planning & Finance Ministry of Planning & Finance Maputo Fax: (2581) 428170 Tel: (2581) 420648	H.E. Dr. Ernesto Goveia Gove Vice Governor Bank of Mozambique P. O. Box 423 Maputo Fax: (2581) 429721 Tel: (2581) 429102
35.	Republic of Niger	H.E. Mr. Ali Mahaman Lamine Zeine Minister of Economy and Finance Ministry of Economy and Finance Niamey Tel /Fax 227 724020 Fax : 227 735934	H.E. Mr Hamida Arzake Secretary of State for Economic Reforms Ministry of Economy and Finance Niamey Fax: 227 724020

36	Sultanate of Oman	H.E.Mr. Darwish Bin Ismail Bin Ali Albloushi Undersecretary for financial affairs Ministry of Finance P. O. Box 506, Muscat - Postal Code 113 Tel: 738201 Fax: 737840 - 738140	H.E.Mr. Mohamed Jawad Bin Hassan bin Soleiman General Director of Treasury and Accounts Ministry of Finance, P.O.Box 506 , Muscat 113 Tel : 738201 Fax: 737840 – 739863
37.	Islamic Republic of Pakistan	H.E. Mr. Shaukat Aziz Minister of Finance and Economic Affairs Ministry of Finance and Economic Affairs, Islamabad, Fax: (92-51) 920 5971 Tel: (92-51) 920 2894	H.E. The Secretary, Economic Affaires Division (EAD) Ministry of Finance and Economic Affairs, Islamabad, Fax: (92-51) 920 5971 / 9206029 Tel: (92-51) 9210629 / 9212769
38.	State of Palestine	H.E. Mr. Jerar Noaman Al Kodwa Chairman of The General Audit Authority Palestinian National Authority P. O. Box 4059, Gaza Fax: 972 72 821 703 Tel : 972 7 2827327 Office 972 7 2825771 Home	H.E. The Alternate Governor C/o H.E. Mr. Jerar N. Al Kodwa Chairman of The General Audit Authority Palestinian National Authority P. O. Box 4059, Gaza Fax: 972 7 821703 Tel : 972 7 2827327 Office 972 7 2825771 Home
39.	State of Qatar	H.E. Mr. Yussouf Hussein Kamal Minister of Finance Ministry of Finance P.O.Box 3322 - Doha Tel : 4461444 Fax: 4431177	H.E.Mr. Nassir Ben M. Al Fuhaid Al-Hajri Economic Adviser to The Deputy Prime Minister Office of His Highness The Deputy Prime Minister P. O. Box 83 - Doha Fax: 413617 – 434045 - 351185 Tel : 414432
40.	Kingdom of Saudi Arabia	H.E.Dr. Ibrahim Bin Abdel Aziz Al Assaf Minister of Finance Ministry of Finance Riyadh Tel : 4014423 Fax: 4059441/4059202	H.E. Mr. Hamad Saud Al Sayyari Governor Saudi Arabian Monetary Agency Riyadh Fax: 4633703

41.	Republic of Senegal	H.E. M. Abdoulaye Diop Minister of Economy and Finance Ministry of Economy and Finance P. O. Box 4017 Dakar Fax: 8224195/8229621	H.E. M. Daouda Diop Director of Economic and Financial Cooperation Ministry of Economy, Finance Dakar Fax:8221267
42.	Republic of Sierra Leone	H.E. Mr. Joseph Bandabla Dauda Minister of Finance Ministry of Finance Freetown Fax: (232-22) 228472 - 225826 Tel: (232-22) 227720 - 222211	H.E. the Financial Secretary Ministry of Finance Freetown Fax: (232-22) 228472 Tel: (232-22) 227720
43.	Republic of Somalia	H.E. Mr. Hussein Mahmoud Al Sheikh Hussein Minister of Finance Ministry of Finance Mogadishu Through The Somalian Embassy in Riyadh	H.E. Mahmoud Mohammad Aluso Governor, Central Bank Mogadishu Through The Somalian Embassy in Riyadh Fax in Mogdishu: 2521 222555
44.	Republic of Sudan	H.E.Mr. Al Zubair Ahmed Al Hassan Minister of Finance and National Economy Ministry of Finance and National Economy P. O. Box 2092, Khartoum Tel : (249) 777563 - 784378 Fax: (249) 776081 - 772600	H.E. Dr Saber Mohammad Al Hassan Governor, Bank of Sudan Bank of Sudan - Khartoum Republic of Sudan Fax : 249 11 780273 / 778547 781561
45.	Republic of Suriname	H.E. Mr. André Telting President, Centrale Bank Van Suriname Waterkant 20 P. O. Box 1801 Paramaribo Fax: (597) 476444 Tel: (597) 473741 – 474788	H.E. Mr. Hendrik Asgarali Alimahomed Ambassador and Permanent Secretary Ministry of Foreign Affairs Paramaribo
46.	Syrian Arab Republic	H.E. Dr. Ghassan Al Refai Minister of Economy and External Trade Ministry of Economy and External Trade Damascus Fax: (963-11) 2323050 – 2225695 Tel: (963-11) 2213514- 2213513- 2324684	H.E. Mr Abdullah Al Dardari Head, State Planning Authority Council of Ministers State Planning Authority Damascus Fax: 2235689 / 5121415 Tel : (963 11) 5111540

47.	Republic of Tajikistan	H.E. Mr. Soliev Hakim Minister of Economy and Trade Ministry of Economy and Trade 37, Str. Bokhtar, Dushanbe Tel / Fax (992 3772) 215132-273434	H.E. Mr. Shirinov Abdujabbor First Deputy Chairman of National Bank of Tajikistan Rudaki av. 23/2 P. O. Box734025 Dushanbe Tel: (9923772) 21 26 28 – 21 30 09 Fax: 2126 38 / 21 25 02 - 21 57 27
48.	Republic of Togo	H.E. Mr. Débaba BALE Minister of Economy, Finance and Privatisation. Ministry of Economy, Finance and Privatisation. LOME Fax: (228) 2210905/ 2213753	H.E. Mr. M'Ba Legzim Undersercretary, Ministry of Economy, Finance and Privatization In-charge of the Budget LOME Fax: (228) 2210905 – 213753
49.	Republic of Tunisia	H.E. Mr. Mohamed Ennouri El Jouini Minister of Development and International Cooperation Ministry of Development and International Cooperation Tunis Fax: 71351666 Tel : 71798522	H.E. Mr. Moncef Bouallagui General Director of Regional Cooperation Ministry of International Cooperation and External Investment 100 Avenue Mohamed V – 1002 Tunis Tel: 796616 – 798522 Fax : 799069
50.	Republic of Turkey	H.E. Mr. Ibrahim H. çanakci Undersecretary of Treasury The Prime Ministry Ankara Fax: 90 (312) 212 8550 / 210905 Tel: 90 (312) 212 8737	H.E. Mr.Burhaneddin Aktas Deputy Undersecretary of Treasury, The Prime Ministry Ankara Fax: 90 (312) 212 8550 /210905 Tel: 90 (312) 212 8737
51.	Republic of Turkmenistan	H.E.Mr.Guvanchmurad Geoklenov Chairman of the Board of State Bank for Foreign Economic Affairs 22 Asudalyk Str. 744000 Ashgabat Fax: (993-12) 510070 /510270 Tel: (993-12) 350036 /350252	H.E. Mr. Serdar Bayriev First Deputy Minister of Economy and Finance 2 Nurberdi Pomma Str. 744000 Ashgabat Fax: (993-12) 511823 Tel: (993-12) 511537

52.	Republic of Uganda	H.E. Mr. Gerald Ssendaula Minister of Finance, Planning and Economic Development Ministry of Finance, Planning and Economic Development P. O. Box 8147 Kampala Fax: (256-41)230163 Tel: (256-41)234700	H.E. Chris M. Kassami Permanent Secretary Secretary to the Treasury Ministry of Finance, Planning and Economic Development Kampala Fax: (256-41)230163 Tel: (256-41)234700
53.	United Arab Emirates	H.H. Shaikh Hamdan bin Rashid Al Maktoom Deputy Ruler, Dubai Emirate and Minister of Finance & Industry Ministry of Finance & Industry P. O. Box 433, Abu Dhabi Tel : 6726000 Abu Dhabi Fax: 6773301	H.E. Dr. Mohamed Bin Khalfan Bin Khirbash Minister of State for Finance & Industry Ministry of Finance & Industry P. O. Box 433 Abu Dhabi Tel : 6744222 Fax: 6773301 - 6793255
54	Republic of Uzbekistan	H.E. Mr. Elyor M. Ganiev Vice Prime Minister Chairman, Agency for Foreign Economic Relations 1, Taras Shevshenko str. 700029, Tashkent Fax: (99871) 138 51 00 / 139 82 22	H.E. Mr. Zainutdin S. Mirkhodzhayev Chairman, Board of the National Bank of Foreign Economic Activities 101, Amir Timur str. 700084, Tashkent Fax: (99871) 133 32 00
55.	Republic of Yemen	H.E.Mr. Ahmed Mohamed Sofan Deputy Prime Minister and Minister of Planning and International Cooperation Ministry of Planning and International Cooperation P.O.Box 175 Sanaa Fax: 250665 Tel: : 250118	H.E. Eng. Abdullah Hassan AL Shater Undersecretary , Projects Programming sector Ministry of Planning and International Cooperation P.O.Box 175, Sanaa Fax: 250665 Tel: : 250118

Appendix VI
Board of Executive Directors

Sl. No.	Executive Director*	Countries Represented**	Votes***	Total
1.	Mr. Ibrahim Mohamed Al-Mofleh (Saudi Arabia)	Saudi Arabia	164,031	164,031
2.	Mr. Abu Salihu Hj. Mohamed Shariff (Malaysia)	Brunei Darussalam	2,535	
		Indonesia	14,760	
		Malaysia	13,548	
		Suriname	996	31,839
3.	Mr. Ilgar Veysal Oglu Isayev (Azerbaijan)	Albania	750	
		Azerbaijan	1,270	
		Kazakhstan	996	
		Kyrgyz Republic	996	
		Tajikistan	996	
		Turkmenistan	750	5,758
4.	Mr. Jamal Nasser Rashid Lootah (U.A.E.)	U.A.E.	46,914	46,914
5.	Dr. Zul-Kifl Salami (Benin)	Algeria	20,885	
		Benin	1,319	
		Cote d'Ivoire	750	
		Mozambique	996	
		Palestine	1,011	
		Syria	1,317	
		Yemen	4,607	30,885
6.	Mr. Zeinhom Zahran (Egypt)	Egypt	54,842	54,842
7.	Dr. Salim Cafer Karatas (Turkey)	Turkey	52,222	52,222
8.	Mr. Abdulaziz Nur Hersi (Somalia)	Comoros	750	
		Guinea	2,536	
		Guinea Bissau	996	
		Morocco	4,569	
		Sierra Leone	996	
		Somalia	750	
		Sudan	3,711	
		Tunisia	2,115	
		Uganda	2,503	18,926
9.	Mr. Faisal Abdul Aziz Al-Zamil (Kuwait)	Kuwait	81,977	81,977
10.	Mr. Mohamed Azzaroog Rajab (Libya)	Libya	73,697	73,697
11.	Mr. Mohamed Ali Taleb (Bahrain)	Bahrain	1,889	
		Djibouti	750	
		Iraq	1,805	
		Jordan	3,762	
		Lebanon	1,307	
		Maldives	750	
		Oman	2,760	13,023
12.	12. Dr. Mehdi Ahmad Karbasian (Iran)	Iran	57,878	57,878
13.	13. Mr. Ould Samba Achour (Mauritania)	Burkina Faso	2,535	
		Cameroon	2,536	
		Chad	1,234	
		Gabon	2,923	
		Gambia	996	
		Mali	1,307	
		Mauritania	1,307	
		Niger	2,401	
		Senegal	2,540	
		Togo	996	18,775
14.	Dr. Waqar Masood Khan (Pakistan)	Afghanistan	757	
		Bangladesh	8,582	
		Pakistan	20,878	30,217

*In Arabic alphabetical order. **The following countries are not yet represented on the Board of Executive Directors – Uzbekistan and the State of Qatar. ***As on 24.04.1425H (12.06.2004)

Appendix VII
Senior Officials

MANAGEMENT		
	Dr. Ahmad Mohamed Ali	President, Islamic Development Bank
	Dr. Syed Jaafar Aznan	Vice President (Trade and Policy)
	Mr. Muzafar Al Haj Muzafar	Vice President (Corporate Resources and Services)
	Dr. Amadou Boubacar Cisse	Vice President (Operations)
OFFICE OF THE PRESIDENT		
	Dr. Jamal Mohammad Salah	Adviser to the Bank
	Mr. Dost Mohamed Qureshi	Adviser to the President, Islamic Banks and Institutions
	Dr. Abdullah Abed Faleh	Director, Office of the President
OPERATIONS EVALUATION AND AUDIT OFFICE		
	Mr. Bader Eddine Nouioua	Adviser, Operations Evaluation and Audit
	Dr. Abdul Razzaq Lababidi	Head, Internal Audit Office
	Dr. Djelloul Abdelkader Al-Saci	Head, Operations Evaluation Office
SPECIAL ASSISTANCE AND SCHOLARSHIP OFFICE		
	Dr. Suleiman M. Shamsaldeen	Director
	Dr. Mohamed Hassan Salim	Head, Special Assistance Office
	Dr.Mohamed Ghazali M. Nur	Head, Scholarship Programme
OFFICE OF KINGDOM OF SAUDI ARABIA'S PROJECT FOR UTILIZATION OF SACRIFICIAL ANIMALS		
	Eng. Ahmed Arif	Acting Supervisor
COOPERATION OFFICE		
	Mr. Abdul Aziz M. Al-Kelaibi	Director
OFFICE OF THE VICE PRESIDENT (TRADE & POLICY)		
	Mr. Nabie Musa Turay	Senior Technical Assistant to the Vice-President (T&P)
OFFICE OF THE VICE PRESIDENT (CORPORATE RESOURCES AND SERVICES)		
	Dr. Abdul Aziz Mustapha	Adviser (Human Resources and Knowledge Management)
	Mr. Mighdad Hamid El Rasheed	Adviser (Finance)
	Mr. Radwan Yousef Ghanimeh	Technical Assistant
OFFICE OF THE VICE PRESIDENT (OPERATIONS)		
	Dr. Bashir Omar Fadlallah	Adviser, Policy
	Br. Moustafa Amadou Diouf	Deputy Director, Special Assignment
BANK SECRETARIAT DEPARTMENT		
	Dr. Abderrahim Omrana	Bank Secretary & Director
	Mr. Oumar Sarr	Assistant Bank Secretary In-charge of Languages Division
	Mr. Khaled A. Nazer	Information and External Relations Division Chief
	Mr. Mohamed Ibrahim Mohamed	Conferences and Board Services Acting Division Chief

LEGAL DEPARTMENT		
	Dr. Hamza Kunna	Director
	Dr. Essamaldine I. Al-Kalyoubi	Deputy Director
OPERATIONS PLANNING & SERVICES DEPARTMENT		
	Mr. Mohammed Ennifar	Director
	Mr. Faruk uz Zaman	Adviser (Operations) and Head, NDFIs Unit
	Mr. Moulaye Hassan Al-Mahdi	Procurement Acting Division Chief
	Mr. Walid Addas	Program and Portfolio Monitoring Division Chief
	Mr. Abdullah Kiliaki	Procedure and Coordination Acting Division Chief
COUNTRY OPERATIONS DEPARTMENT-1		
	Mr. Anwar Khanani	Acting Director
	Dr. Waleed Abdul Wahab	Infrastructure and Finance Division Chief
	Mr. Yousef Khan	Program Acting Division Chief
	Dr. Najad Alsubaie	Poverty Reduction Acting Division Chief
COUNTRY OPERATIONS DEPARTMENT-2		
	Dr. Tareq El-Reedy	Director
	Mr. Alpha Bocar Nafo	Program Division Chief
	Mr. Saidou Barry	Infrastructure and Finance Division Chief
	Mr. Sangore Amar	Poverty Reduction Division Chief
COUNTRY OPERATIONS DEPARTMENT-3		
	Mr. Sulaiman Ahmed Salem	Director
	Mr. El Mansour Feten	Deputy Director and Coordinator , Al Aqsa Fund
	Dr. Rami M. Saeed	Infrastructure and Finance Division Chief
	Eng. Waleed Faqih	Poverty Reduction Division Chief
	Mr. Salam M. Sassi	Program Acting Division Chief
AL AQSA FUND		
	Mr. Mahmoud Khalid Ezzedin	Assistant Coordinator, Al Aqsa Fund
ASSETS MANAGEMENT DEPARTMENT		
	Mr. Nabil A. Naseef	Adviser-in-charge
	Dr. Mohamed H. Djarraya	Deputy Director
TRADE FINANCE AND PROMOTION DEPARTMENT		
	Mr. Abdul Aziz Khalaf	Adviser-in-charge
	Mr. Nik Najib Husain	Deputy Director
	Mr. Ali Essa Sulais	Credit and Resource Mobilization Division Chief
	Mr. Mohamed Abdel Kader Al Sayed	Trade Finance Division Chief
TREASURY DEPARTMENT		
	Mr. Mohamed Tariq	Director
	Mr. Zainol Mohamud	Treasury Operations Division Chief
	Mr. Abdulmonem Jamil Addas	Resource Mobilisation Division Chief

FINANCE DEPARTMENT		
	Mr. Muhammad Abdus Sattar	Adviser-in-charge
	Mr. Adel Abdullah Abu Al Khair	Assistant Director in-charge of Budget and Accounting
	Mr. Khalifa Taha Hamoud	Disbursement Division Chief
	Mr. Alieu Badarr Koroma	Operations Financing Division Chief
ADMINISTRATIVE SERVICES DEPARTMENT		
	Eng. Essam Shatta	Deputy Director
	Eng. Mohamed Essam Shangiti	Engineering and Maintenance Division Chief
	Mr. Ahmad Salem Nejaim	Property, Communications and Documents Management Division Chief
HUMAN RESOURCES MANAGEMENT DEPARTMENT		
	Mr. Fareed Zaki Al Sayed	Director
	Mr. Fuad Ashram	Assistant Director
	Mr. Jalal Muslet	Human Resources Planning and Development Acting Division Chief
	Mr. Abdullah M. Saeed Matbouly	Personnel Management Division Chief
ECONOMIC POLICY AND STRATEGIC PLANNING DEPARTMENT		
	Dr. Faiz Mohammed	Acting Director
	Dr. Lamine Doghri	Strategic Planning Division Chief
	Dr. Siddig Abdelmageed Salih	Economic Policy Division Chief
INFORMATION TECHNOLOGY DEPARTMENT		
	Dr. Nabeel Al Madani	Director
	Mr. Mohamed Hadi Khairallah	Deputy Director
ORGANISATION AND MANAGEMENT DEVELOPMENT OFFICE		
	Mr. Mohamed Kada	Director
	Mr. Farid Abuzeid	Records and Documents Management Acting Division Chief
TECHNICAL COOPERATION OFFICE		
	Mr. Mohammed M. Awad	Director
	Mr. Mansour Sy	Deputy Director
SCIENCE AND TECHNOLOGY OFFICE		
	Mr. Muhammad Baghdadi	Director
ISLAMIC BANKS OFFICE		
	Dr. Omar Zuhair Hafez	Director
BANK LIBRARY		
	Mr. Tijani Ben Dhia	Chief Librarian
RISK MANAGEMENT AND CONTROL OFFICE		
	Mr. Hassine Jeddah	Head

IDB REGIONAL OFFICES		
Rabat Office – Morocco		
	Eng. Hani Salim Sunbul	Director
Kuala Lumpur Office – Malaysia		
	Mr. Ahmed Hariri	Director
Almaty Office – Kazakhstan		
	Mr. Nik Zeinal Abidin	Director
INTERNATIONAL CENTER FOR BIOSALINE AGRICULTURE, (ICBA) DUBAI, UAE		
	Dr. Mohammed H. Al Attar	Director General
ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)		
	Mr. Bashir Ali Khallat	Deputy Director
	Dr. Mohamed Fahim Khan	Islamic Economics and Cooperation, Division Chief
	Dr. Munawar Iqbal	Islamic Banking and Finance, Division Chief
	Dr. Ahmad Ibrahim Iskanderani	Chief, Information Center (IRTIC)
WORLD WAQF FOUNDATION		
	Mr. Abdul Mohsen M. Abdul Aziz Al-Othman	Adviser
ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT		
	Dr. Abdel Rahman A. Ali Taha	General Manager
	Mr. Thiendella Fall	Assistant to the General Manager for Governing Bodies of External Relations
	Mr. Rahimi A. Rahimi	Manager, Human Resources Management & Services Department
	Mr. Khemais Gazzah	Manager, Underwriting Department
	Mr. Muhammad Azam	Manager, Accounting & Finance Department
	Mr. Irfan Bukhari	Manager, Marketing Department
THE ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)		
	Dr. Ali Abdul Aziz Soliman	CEO & General Manager
	Mr. Khaled M. Al Aboudi	Deputy CEO & Deputy General Manager
	Dr. Marwan Seifeddine	Director, Investment Operations and Marketing Department
	Mr. Abdelmajeed Bannan	Director, Portfolio Follow-up Department
	Mr. Essam El-Sanie	Acting Director, Corporate Support Department

STATISTICAL ANNEX

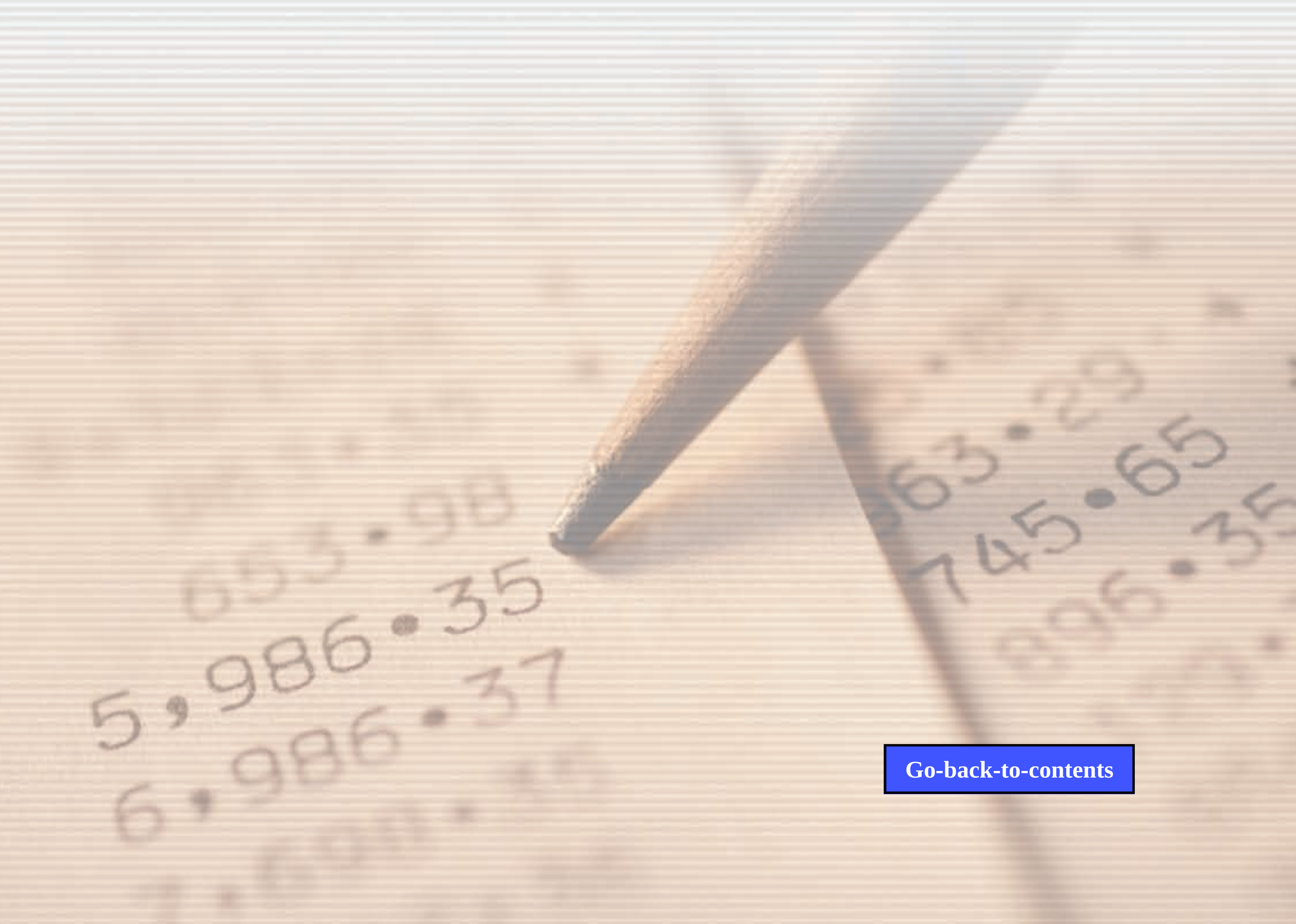

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Table 1
Selected Basic Indicators

Sl. No.	Country	Total Population (million) 2002	Annual Growth Rate of Population (%) 2001-2002	Life Expectancy at Birth (Years) 2002	GNI per Capita (current) (US$) 2002	GNI per Capita Purchasing Power Parity (PPP) (US$) 2002	Growth Rate of GNI Per Capita (%) 2002	Exchange Rate (National Currency Per US$) End 2003
1	Afghanistan	28.0	2.7	43	..	..	..	3,000.00
2	Albania	3.2	0.6	74	1,450	4,960	3.6	106.58
3	Algeria	31.3	1.6	71	1,720	5,530	3.6	72.61
4	Azerbaijan	8.2	0.7	65	710	3,010	7.6	4,923.00
5	Bahrain	0.7	2.0	73	10,500	16,190	0.9	0.38
6	Bangladesh	135.7	1.7	62	380	1,770	0.0	58.78
7	Benin	6.6	2.6	53	380	1,060	0.0	519.36
8	Brunei	0.4	2.0	77	..	..	..	1.70
9	Burkina Faso	11.8	2.4	43	250	1,090	4.2	519.36
10	Cameroon	15.8	2.1	48	550	1,910	-3.5	519.36
11	Chad	8.3	2.9	48	210	1,010	5.0	519.36
12	Comoros	0.6	2.4	61	390	1,690	2.6	389.52
13	Cote D'Ivoire	16.5	2.1	45	620	1,450	-3.1	519.36
14	Djibouti	0.7	1.9	44	850	2,040	1.2	177.72
15	Egypt	66.4	1.8	69	1,470	3,810	-3.9	6.15
16	Gabon	1.3	2.2	53	3,060	5,530	-1.3	519.36
17	Gambia	1.4	2.7	53	270	1,660	-15.6	..
18	Guinea	7.7	2.1	46	410	2,060	-2.4	..
19	Guinea-Bissau	1.4	2.9	45	130	680	-7.1	519.36
20	Indonesia	211.7	1.3	67	710	3,070	4.4	8,465.00
21	Iran	65.5	1.6	69	1,720	6,690	1.8	8,272.11
22	Iraq	24.2	2.1	63	..	..	..	..
23	Jordan	5.2	2.7	72	1,760	4,180	0.6	0.71
24	Kazakhstan	14.9	-0.2	62	1,520	5,630	12.6	144.22
25	Kuwait	2.3	2.3	77	16,340	17,780	-2.2	0.29
26	Kyrgyz Rep.	5.0	1.0	65	290	1,560	3.6	44.19
27	Lebanon	4.4	1.3	71	3,990	4,600	-0.3	1,507.50
28	Libya	5.4	2.0	72	..	..	..	1.30
29	Malaysia	24.3	2.1	73	3,540	8,500	3.8	3.80
30	Maldives	0.3	2.5	69	2,170	..	1.9	12.80
31	Mali	11.4	2.4	41	240	860	4.3	519.36
32	Mauritania	2.8	2.5	51	280	1,790	-22.2	265.60
33	Morocco	29.6	1.6	68	1,170	3,730	-1.7	8.75
34	Mozambique	18.4	2.0	41	200	990	0.0	23,856.70
35	Niger	11.4	3.0	46	180	800	0.0	519.36
36	Oman	2.5	2.4	74	7,830	13,000	1.4	0.38
37	Pakistan	144.9	2.4	64	420	1,960	0.0	57.22
38	Palestine*	3.2	4.3	73	1,110	..	-19.0	..
39	Qatar	0.6	2.0	75	..	..	..	3.64
40	Saudi Arabia	21.9	2.8	73	8,530	12,660	0.8	3.75
41	Senegal	10.0	2.3	52	470	1,540	-4.1	519.36
42	Sierra Leone	5.2	2.0	37	140	500	7.7	2,562.18
43	Somalia	9.3	3.3	47	..	..	..	..
44	Sudan	32.8	2.2	58	370	1,740	8.8	260.16
45	Suriname	0.4	0.9	70	1,940	..	7.8	2.63
46	Syria	17.0	2.4	70	1,130	3,470	5.6	11.23
47	Tajikistan	6.3	0.6	67	180	930	5.9	2.96
48	Togo	4.8	2.1	50	270	1,450	0.0	519.36
49	Tunisia	9.8	1.1	73	1,990	6,440	-3.4	1.21
50	Turkey	69.6	1.6	70	2,490	6,300	2.9	1,396,640.00
51	Turkmenistan	4.8	1.6	65	..	4,780	..	..
52	Uganda	24.6	2.8	43	240	1,360	-4.0	1,935.32
53	U.A. Emirates	3.2	6.9	75	..	24,030	..	3.67
54	Uzbekistan	25.3	1.2	67	310	1,640	-3.1	..
55	Yemen Rep.	18.6	3.0	57	490	800	4.3	184.31
	IDB MCs	**1,197.7**	**1.9**	**63**	**1,088**	**3,450**	**4.6**	**--**

* Refers to Gaza and West Bank

GNI = Gross National Income (formally called GNP) .. Data not available.

Sources : 1. IMF, International Financial Statistics Online, May 2004.

2. World Bank, World Development Indicators Online, May 2004.

Table 2
Consumer Price Indices (1995=100)

Sl. No.	Country	1998	1999	2000	2001	2002	2003
1	Afghanistan	..	..	..	..	..	..
2	Albania	181	182	182	188	202	203
3	Algeria	132	135	136	141	143	147
4	Azerbaijan	..	..	..	..	..	..
5	Bahrain	102	100	100	100	101	..
6	Bangladesh	119	126	129	131	136	142
7	Benin	115	115	120	125	128	130
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	114	113	113	118	121	123
10	Cameroon	112	114	112	117	120	..
11	Chad	133	124	129	145	152	149
12	Comoros	..	..	..	..	..	..
13	Cote D'Ivore	112	112	115	120	124	128
14	Djibouti	..	..	..	..	..	..
15	Egypt	117	120	124	126	130	135
16	Gabon	106	104	105	..	..	..
17	Gambia	108	110	110	119	125	..
18	Guinea	..	..	..	..	..	..
19	Guinea-Bissau	239	235	255	263	265	..
20	Indonesia	182	219	228	256	285	302
21	Iran	178	214	245	273	312	363
22	Iraq	..	..	..	..	..	..
23	Jordan	113	114	115	117	119	122
24	Kazakhstan	175	190	215	233	246	262
25	Kuwait	104	108	109	111	113	114
26	Kyrgyz Rep.	180	244	290	310	317	328
27	Lebanon	..	..	..	..	..	..
28	Libya	..	..	..	..	..	..
29	Malaysia	112	115	117	118	120	122
30	Maldives	113	116	115	115	116	113
31	Mali	111	109	109	114	120	118
32	Mauritania	118	123	127	133	138	..
33	Morocco	107	108	110	110	113	..
34	Mozambique	162	166	188	205	239	271
35	Niger	113	111	114	118	122	120
36	Oman	99	100	99	98	97	97
37	Pakistan	131	136	142	146	151	156
38	Palestine	..	..	..	..	..	..
39	Qatar	113	116	118	119	121	..
40	Saudi Arabia	101	100	98	97	98	98
41	Senegal	106	106	107	111	113	113
42	Sierra Leone	192	257	255	260	252	271
43	Somalia	..	..	..	..	..	..
44	Sudan	400	464	..	525	..	..
45	Suriname	127	252	401	556	643	790
46	Syria	109	105	101	104	105	..
47	Tajikistan	..	..	..	..	..	..
48	Togo	114	114	117	121	125	124
49	Tunisia	111	114	117	120	123	126
50	Turkey	618	1020	1580	2439	3536	4430
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	115	122	125	128	127	137
53	U.A. Emirates	..	..	..	..	..	..
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Rep.	142	154	161	180	202	224
	IDB MCs	**135**	**145**	**148**	**163**	**165**	**--**

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Table 3
Value of Merchandise Trade

(US$ million)

Sl. No.	Country	Exports (f.o.b)					Imports (c.i.f)				
		1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
1	Afghanistan	166	135	151	140	140	415	417	584	423	420
2	Albania	205	264	262	305	330	829	1,140	1,091	1,331	1,504
3	Algeria	14,144	14,844	15,100	15,003	18,635	8,861	9,301	9,550	11,071	10,791
4	Azerbaijan	606	929	1,800	2,000	2,200	1,077	1,036	1,200	1,100	1,500
5	Bahrain	3,270	4,140	5,704	5,545	5,369	3,566	3,698	4,634	4,306	4,632
6	Bangladesh	5,141	5,458	6,399	6,085	6,147	6,974	7,694	8,360	8,350	7,914
7	Benin	408	417	392	374	375	736	749	516	553	560
8	Brunei	2,058	2,616	2,586	2,411	2,482	1,552	2,147	2,010	2,157	2,696
9	Burkina Faso	319	216	205	222	235	732	568	517	509	547
10	Cameroon	1,676	1,595	1,881	1,951	1,804	1,503	1,314	1,416	1,573	1,451
11	Chad	262	202	183	189	196	356	316	317	620	775
12	Comoros	4	5	7	13	10	47	80	72	95	80
13	Cote D'Ivoire	4,607	4,662	3,888	3,943	5,167	2,991	3,252	2,785	2,633	2,650
14	Djibouti	12	12	9	40	40	158	153	151	141	130
15	Egypt	3,130	3,559	4,689	4,128	4,381	16,166	16,022	14,010	12,756	12,552
16	Gabon	1,916	2,394	2,462	2,260	2,100	1,103	841	994	1,035	1,010
17	Gambia	27	7	16	10	9	245	192	189	203	204
18	Guinea	693	636	666	731	628	537	556	612	601	576
19	Guinea-Bissau	26	51	62	63	54	68	69	62	62	81
20	Indonesia	48,848	48,666	62,124	56,447	38,354	27,337	24,003	33,515	31,010	25,388
21	Iran	13,118	21,030	28,345	23,716	24,440	14,323	12,683	14,296	17,938	22,190
22	Iraq	5,500	12,800	20,603	15,905	13,520	4,400	6,900	11,153	11,000	12,000
23	Jordan	1,802	1,832	1,899	2,293	2,778	3,829	3,717	4,597	4,844	4,945
24	Kazakhstan	5,334	5,872	8,812	8,639	9,709	4,314	3,655	5,040	6,446	6,491
25	Kuwait	9,554	12,164	19,436	16,203	15,426	8,619	7,617	7,157	7,869	8,960
26	Kyrgyz Rep.	514	463	511	480	486	842	615	559	472	588
27	Lebanon	662	677	715	870	1,046	7,070	6,207	6,230	7,294	6,447
28	Libya	6,659	7,374	10,247	5,662	5,519	5,466	3,861	3,751	5,104	4,593
29	Malaysia	73,255	84,621	98,229	88,005	93,265	58,272	65,389	81,963	73,866	79,869
30	Maldives	74	64	76	76	90	354	402	389	395	392
31	Mali	561	566	545	724	947	761	824	806	976	928
32	Mauritania	350	373	358	348	314	359	306	324	374	381
33	Morocco	7,153	7,367	6,956	7,116	7,930	10,290	9,925	11,534	11,038	11,644
34	Mozambique	230	263	364	703	703	790	1,139	1,158	1,063	701
35	Niger	334	287	283	270	303	471	394	393	370	427
36	Oman	5,509	12,052	19,529	17,082	15,459	5,682	4,674	5,040	5,798	6,005
37	Pakistan	8,514	8,491	9,028	9,238	9,913	9,330	10,297	10,864	10,191	11,233
38	Palestine	..	..	..	..	..	..	..	..	..	..
39	Qatar	5,030	7,214	11,594	10,870	11,032	3,409	2,500	3,252	3,758	4,800
40	Saudi Arabia	38,822	50,761	77,583	68,064	67,160	30,013	28,011	30,238	31,223	32,272
41	Senegal	968	1,027	920	1,003	1,108	1,455	1,564	1,519	1,428	1,557
42	Sierra Leone	7	6	13	29	49	95	81	149	182	264
43	Somalia	102	95	117	126	112	148	150	196	206	123
44	Sudan	596	780	1,807	1,699	1,974	1,925	1,415	1,553	1,586	2,329
45	Suriname	435	520	526	521	530	551	543	540	535	540
46	Syria	2,890	3,464	4,653	5,401	5,768	3,895	3,832	3,692	4,394	4,769
47	Tajikistan	602	689	780	652	650	771	664	696	711	724
48	Togo	968	391	362	357	422	588	597	541	590	650
49	Tunisia	5,738	5,872	5,850	6,621	6,799	8,350	8,475	8,567	9,502	9,527
50	Turkey	26,974	26,587	27,775	31,334	34,561	45,935	40,687	54,503	41,399	49,663
51	Turkmenistan	2,186	2,289	2,333	1,850	2,016	932	1,001	1,014	1,150	1,037
52	Uganda	501	519	460	457	443	1,416	1,342	1,536	1,594	1,111
53	U. A. Emirates	33,835	36,474	49,835	47,572	47,275	24,728	24,972	26,717	30,075	32,180
54	Uzbekistan	3,528	3,302	3,217	3,255	2,965	3,289	3,028	3,247	3,287	2,899
55	Yemen Rep.	1,498	2,440	4,079	3,216	3,057	2,167	2,008	2,324	2,310	2,587
	IDB MCs	**351,317**	**409,530**	**526,427**	**482,214**	**476,423**	**340,087**	**333,018**	**388,120**	**379,496**	**400,285**

.. Data not available. c.i.f. means "cost, insurance, & freight" f.o.b. means "free on board"

Source: UNCTAD, Handbook of Statistics CD ROM 2003.

Table 4
Selected Indicators on Merchandise Trade

Sl. No.	Country	Trade Balance (US$ million)			Average Annual Growth Rate* (%) Exports		Imports		Terms of Trade (1995 = 100)	
		2000	2001	2002	1983-1992	1993-2002	1983-1992	1993-2002	1992	2001
1	Afghanistan	-432	-283	-280	-17.2	1.5	-9.6	2.2	..	..
2	Albania	-829	-1,026	-1,174	..	10.6	..	11.2	..	..
3	Algeria	5,550	3,932	7,844	-0.4	7.2	-2.2	1.8	120	174
4	Azerbaijan	600	900	700	..	13.8	..	8.6	..	..
5	Bahrain	1,070	1,239	737	2.1	4.5	3.2	1.9	..	..
6	Bangladesh	-1,961	-2,265	-1,767	11.3	10.7	5.7	7.6	89	92
7	Benin	-124	-179	-185	15.9	-1.4	0.7	0.1	80	82
8	Brunei	576	254	-214	-3.3	1.3	9.2	2.2	..	..
9	Burkina Faso	-312	-287	-312	4.4	9.3	7.4	2.3	88	83
10	Cameroon	465	378	353	11.7	1.1	-0.2	3.9	71	95
11	Chad	-134	-432	-579	9.5	2.1	5.7	13.0	110	110
12	Comoros	-65	-81	-70	6.7	-5.6	6.5	5.2	91	118
13	Cote D'ivoire	1,103	1,310	2,517	1.4	5.8	3.4	2.7	93	103
14	Djibouti	-142	-101	-90	5.3	10.8	0.1	-4.7	..	..
15	Egypt	-9,321	-8,628	-8,171	-0.8	5.3	0.0	4.4	106	85
16	Gabon	1,468	1,225	1,090	1.4	-1.7	0.8	2.5	108	113
17	Gambia	-173	-194	-195	-1.4	-16.6	9.9	-1.7	100	100
18	Guinea	54	130	52	3.2	-0.1	13.2	-3.1	103	100
19	Guinea-Bissau	0	1	-27	0.7	4.0	6.8	-5.4	102	70
20	Indonesia	28,609	25,437	12,966	5.7	2.6	8.9	-2.6	..	..
21	Iran	14,049	5,778	2,250	4.1	3.5	6.9	1.0	..	..
22	Iraq	9,450	4,905	1,520	-24.7	66.0	-24.2	49.0	..	..
23	Jordan	-2,698	-2,551	-2,167	7.8	6.8	-0.5	3.8	91	85
24	Kazakhstan	3,772	2,193	3,219	..	12.2	..	6.1	..	..
25	Kuwait	12,279	8,334	6,467	-12.9	4.5	-2.6	1.6	..	..
26	Kyrgyz Rep.	-48	9	-102	..	3.9	..	3.2	..	..
27	Lebanon	-5,515	-6,423	-5,401	-2.6	7.6	2.4	3.1	..	..
28	Libya	6,496	557	926	-1.0	-4.7	-0.3	-3.1	..	..
29	Malaysia	16,266	14,139	13,396	12.8	6.6	15.3	3.7	..	..
30	Maldives	-313	-319	-301	15.6	9.0	17.2	8.4	..	..
31	Mali	-260	-253	19	11.9	11.1	8.9	4.6	103	95
32	Mauritania	34	-26	-67	4.9	-3.8	6.9	-2.1	108	96
33	Morocco	-4,577	-3,922	-3,715	9.9	5.5	9.2	4.8	103	115
34	Mozambique	-794	-360	2	4.7	20.0	7.0	0.8	94	79
35	Niger	-110	-100	-124	1.1	0.9	3.3	1.3	118	..
36	Oman	14,490	11,284	9,454	7.9	15.9	2.4	4.5	..	..
37	Pakistan	-1,836	-953	-1,320	12.2	3.3	6.1	0.8	88	83
38	Palestine	0	0	0	..	..	..	..	..	..
39	Qatar	8,342	7,112	6,232	-0.8	17.4	5.2	7.8	..	..
40	Saudi Arabia	47,346	36,841	34,888	3.7	5.4	-1.2	2.3	..	..
41	Senegal	-599	-425	-449	2.0	3.4	2.5	3.9	104	91
42	Sierra Leone	-136	-153	-216	1.5	-16.9	0.3	2.6	62	..
43	Somalia	-79	-80	-11	5.1	-2.8	-13.8	-4.2	..	..
44	Sudan	254	113	-355	-5.3	19.1	-3.9	7.3	..	..
45	Suriname	-14	-14	-10	2.6	3.7	4.8	1.0	..	..
46	Syria	961	1,007	999	10.0	6.3	-5.1	-1.5	91	..
47	Tajikistan	84	-59	-74	..	4.8	..	2.7	..	..
48	Togo	-179	-233	-228	5.5	6.9	7.1	11.2	128	107
49	Tunisia	-2,717	-2,881	-2,728	11.0	5.1	9.4	4.4	101	99
50	Turkey	-26,728	-10,065	-15,101	10.8	8.1	11.1	6.6	109	93
51	Turkmenistan	1,319	700	979	..	4.1	..	7.2	..	..
52	Uganda	-1,076	-1,138	-669	-11.2	5.3	-0.6	7.5	62	78
53	U. A. Emirates	23,118	17,497	15,095	7.6	9.4	9.9	5.2	..	..
54	Uzbekistan	-30	-32	66	..	5.0	..	6.6	..	..
55	Yemen Rep.	1,755	906	470	0.7	17.1	0.3	1.1	..	..
	IDB MCs	**138,307**	**102,718**	**76,137**	**4.2**	**6.6**	**4.4**	**3.4**	**--**	**--**

.. Data not available

-- Data not computed if more than one-third of the observations in the series are missing in a given year.

Source: UNCTAD, Handbook of Statistics CD ROM 2003 * Computed by IDB Staff.

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Table 5
Current Account Balances

(US $ million)

Sl. No.	Country	1997	1998	1999	2000	2001	2002
1	Afghanistan	..	..	..	..	..	..
2	Albania	-272	-65	-155	-156	-217	-408
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	-916	-1,365	-600	-168	-52	-768
5	Bahrain	-31	-778	-37	782	147	-516
6	Bangladesh	-286	-35	-364	-306	-535	739
7	Benin	-170	-151	-191	-111	-160	..
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	..	..	..	..	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote D'Ivoire	-155	-290	-120	-241	-60	767
14	Djibouti	..	..	..	..	..	..
15	Egypt	-711	-2,566	-1,635	-971	-388	622
16	Gabon	531	-596	390	..	..	..
17	Gambia	-24	..	..	..	..	..
18	Guinea	-91	-184	-215	-155	-102	-46
19	Guinea-Bissau	-30	..	..	..	..	..
20	Indonesia	-4,889	4,096	5,785	7,985	6,899	7,823
21	Iran	2,213	-2,139	6,589	12,645	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	29	14	405	59	-4	468
24	Kazakhstan	-799	-1,225	-171	676	-1,109	-696
25	Kuwait	7,935	2,215	5,010	14,672	8,324	4,192
26	Kyrgyz Rep.	-139	-413	-252	-126	-52	-85
27	Lebanon	..	..	..	..	..	..
28	Libya	1,550	-351	2,136	..	..	..
29	Malaysia	-5,935	9,529	12,604	8,488	7,287	7,190
30	Maldives	-35	-22	-79	-51	-57	-44
31	Mali	-178	-208	-252	-255	-310	..
32	Mauritania	48	77	..	..	..	..
33	Morocco	-169	-146	-171	-501	1,606	1,472
34	Mozambique	-296	-429	-912	-764	-657	..
35	Niger	..	..	..	..	..	..
36	Oman	-78	-2,950	-291	3,423	2,315	..
37	Pakistan	-1,712	-2,248	-920	-85	1,878	3,854
38	Palestine	-1,548	-1,213	-1,327	-1,023	-641	..
39	Qatar	..	..	..	..	..	..
40	Saudi Arabia	306	-13,150	412	14,336	9,366	11,889
41	Senegal	-185	-247	-320	..	..	..
42	Sierra Leone	..	..	..	..	..	..
43	Somalia	..	..	..	..	..	..
44	Sudan	-828	-957	-465	-557	-618	-1,008
45	Suriname	-68	-155	-29	32	-84	-131
46	Syria	461	58	201	1,061	1,221	1,440
47	Tajikistan	..	..	..	..	..	-15
48	Togo	-117	-140	-127	-140	-169	..
49	Tunisia	-595	-675	-442	-821	-863	-746
50	Turkey	-2,638	1,984	-1,344	-9,819	3,390	-1,521
51	Turkmenistan	-580.18	..	..	..	..	..
52	Uganda	-367	-503	-711	-825	-802	-421
53	U. A. Emirates	..	..	..	..	..	..
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Rep.	-69	-472	358	1,337	667	538
	IDB MCs	**-10,836**	**--**	**--**	**--**	**--**	**--**

.. Data not available.
-- Data not computed if more than one-third of the observations in the series are missing in a given year.

Source: IMF, International Financial Statistics Online, May 2004.

Table 6
Net Resource Flows*

(US$ million)

Sl. No.	Country	1997	1998	1999	2000	2001	2002
1	Afghanistan	219.2	148.1	148.5	161.9	389.5	1,284.9
2	Albania	174.3	255.0	511.9	232.3	345.4	322.2
3	Algeria	-391.1	229.7	-884.9	-400.3	92.5	-270.4
4	Azerbaijan	624.8	532.2	689.0	682.2	490.4	686.3
5	Bahrain	658.8	952.5	-620.1	1,479.5	2,601.8	143.2
6	Bangladesh	1,058.0	1,320.1	1,190.2	1,229.2	985.1	894.5
7	Benin	270.5	167.4	224.7	226.7	291.2	234.7
8	Brunei	-12.8	780.0	-81.7	-92.6	22.0	-123.6
9	Burkina Faso	387.7	391.5	435.5	343.5	391.3	489.7
10	Cameroon	431.8	376.2	577.0	222.3	305.7	1,089.4
11	Chad	264.7	234.9	206.7	-225.4	200.7	247.2
12	Comoros	26.5	99.4	138.9	-1.9	15.5	-105.4
13	Cote D'Ivoire	412.4	-193.9	555.3	729.6	-100.9	884.0
14	Djibouti	108.7	100.5	271.5	91.4	70.7	94.4
15	Egypt	2,915.8	4,118.7	1,771.3	3,221.6	3,163.4	1,541.1
16	Gabon	220.4	149.8	227.7	76.7	46.0	-165.7
17	Gambia	38.9	36.8	33.3	44.7	45.9	47.3
18	Guinea	424.4	316.7	235.4	331.9	229.9	231.7
19	Guinea-Bissau	133.9	96.3	53.2	84.3	58.8	60.3
20	Indonesia	8,019.4	6,734.3	9,020.3	2,345.5	104.3	-60.7
21	Iran	-2,544.5	-230.8	1,040.0	18.3	1,620.5	3,177.6
22	Iraq	209.4	-5.6	74.0	107.5	137.2	84.7
23	Jordan	503.1	610.5	510.8	573.9	445.8	750.4
24	Kazakstan	676.2	2,012.7	944.5	750.1	1,865.5	1,434.6
25	Kuwait	-702.8	-330.3	25.6	122.7	380.0	178.0
26	Kyrgyz Rep.	266.9	258.9	317.0	222.7	157.3	121.5
27	Lebanon	131.2	611.5	309.3	49.0	-539.0	486.5
28	Libya	51.7	64.2	-271.9	-929.1	-18.6	82.5
29	Malaysia	2,188.6	-831.7	1,378.8	-307.2	383.2	2,872.6
30	Maldives	42.3	33.0	31.8	10.9	37.5	51.6
31	Mali	439.4	408.3	470.4	385.3	332.7	328.5
32	Mauritania	249.4	118.9	263.5	211.1	259.7	305.7
33	Morocco	549.1	894.8	587.4	603.4	273.5	250.6
34	Mozambique	1,065.3	1,280.2	1,150.1	1,146.7	1,057.2	1,942.1
35	Niger	304.0	245.3	189.2	185.5	229.2	194.3
36	Oman	830.5	527.7	239.9	167.9	-414.2	-33.1
37	Pakistan	1,850.0	1,687.4	719.4	166.6	1,763.9	1,675.7
38	Palestine	612.9	620.7	561.9	507.2	812.1	1,579.9
39	Qatar	339.8	521.5	272.0	-169.9	-258.6	-141.2
40	Saudi Arabia	1,558.4	2,801.7	380.2	-971.3	540.2	-614.1
41	Senegal	566.1	555.4	656.9	473.9	456.4	540.7
42	Sierra Leone	130.1	70.1	76.1	186.9	343.0	352.9
43	Somalia	80.7	84.5	119.6	103.0	153.2	197.1
44	Sudan	87.8	211.3	230.5	320.5	173.0	422.6
45	Suriname	135.8	-68.5	35.9	23.5	12.1	61.5
46	Syria	-36.8	165.9	283.0	210.9	-23.9	8.1
47	Tajikistan	93.6	170.3	132.2	117.7	166.6	165.3
48	Togo	115.9	268.0	-31.4	60.5	43.5	59.5
49	Tunisia	523.4	499.5	622.1	660.6	1,020.1	621.9
50	Turkey	4,657.6	3,780.9	3,432.6	8,722.5	1,415.9	-1,233.7
51	Turkmenistan	312.2	401.0	457.3	286.2	42.7	-241.8
52	Uganda	763.6	699.3	591.9	804.7	756.8	606.1
53	U. A. Emirates	842.4	181.1	166.8	-1,189.8	832.3	1,805.6
54	Uzbekistan	306.7	825.9	205.9	448.0	238.8	101.6
55	Yemen Rep.	317.7	353.4	770.6	289.2	495.7	759.2
	IDB MCs	**33,503.8**	**36,342.9**	**31,647.3**	**25,152.4**	**24,940.3**	**26,480.2**

* (also called "Total Net Receipt") is the sum of the Net Official Development Assistance (ODA). Net Other Official Flows (OOF), and Net Private Sector Flows.
Source: OECD, Development Assistance Committee (DAC) Statistics Online, May 2004.

Table 7
Overall Balance of the Balance of Payments

(US$ million)

Sl. No.	Country	1997	1998	1999	2000	2001	2002
1	Afghanistan	..	..	..	..	..	..
2	Albania	40	52	107	120	147	36
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	139	-59	133	326	73	34
5	Bahrain	103	-17	25	200	123	35
6	Bangladesh	-135	288	-189	-31	-144	497
7	Benin	-100	-87	-89	-20	-46	..
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	..	..	..	..	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote D'Ivore	-477	-650	-708	-608	-86	-356
14	Djibouti	..	..	..	..	..	..
15	Egypt	-635	-1,387	-4,614	-2,030	-1,345	-804
16	Gabon	-197	-667	-398	..	..	..
17	Gambia	7	..	..	..	..	..
18	Guinea	-131	-158	-76	-63	-117	-24
19	Guinea-Bissau	-15	..	..	..	..	..
20	Indonesia	-8,137	-3,693	1,972	3,726	-15	4,958
21	Iran	-3,697	-991	451	1,083	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	275	-536	1,249	1,827	625	1,163
24	Kazakhstan	548	-443	253	570	385	535
25	Kuwait	6	258	918	2,268	2,905	-973
26	Kyrgyz Rep.	46	-73	-50	-70	-32	-11
27	Lebanon	..	..	..	..	..	..
28	Libya	1,553	-426	688	..	..	..
29	Malaysia	-3,875	10,018	4,711	-1,009	999	3,657
30	Maldives	22	20	9	-4	-30	8
31	Mali	57	-144	-129	-16	-160	..
32	Mauritania	28	43	..	..	..	..
33	Morocco	-988	-640	-69	-1,166	861	-52
34	Mozambique	-478	-393	-326	-416	-485	..
35	Niger	..	..	..	..	..	..
36	Oman	531	-765	215	2,262	1,034	..
37	Pakistan	538	-3,110	-2,516	-2,627	2,197	4,084
38	Palestine	158	-53	-35	84	-39	..
39	Qatar	..	..	..	..	..	..
40	Saudi Arabia	648	-719	2,815	2,665	-1,909	2,736
41	Senegal	-95	-248	-268	..	..	..
42	Sierra Leone	..	..	..	..	..	..
43	Somalia	..	..	..	..	..	..
44	Sudan	18	73	115	124	-151	245
45	Suriname	19	8	-4	10	78	-19
46	Syria	449	434	259	814	1,020	1,050
47	Tajikistan	..	..	..	..	..	2
48	Togo	13	-17	32	37	-2	..
49	Tunisia	386	-138	738	-205	288	139
50	Turkey	3,343	441	5,354	-3,934	-12,888	-214
51	Turkmenistan	398	..	..	..	..	..
52	Uganda	-41	-41	-455	-464	-239	-147
53	U. A. Emirates	..	..	..	..	..	..
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Rep.	4,018	-581	74	1,594	553	425
	IDB MCs	**-5,658**	**--**	**--**	**--**	**--**	**--**

.. Data not available.
-- Data not computed if more than one-third of the observations in the series are missing in a given year.
Source: IMF, International Financial Statistics Online, May 2004.

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Table 8
Gross International Reserves in Months of Imports

Sl. No.	Country	1997	1998	1999	2000	2001	2002
1	Afghanistan	..	..	..	..	..	..
2	Albania	..	..	..	..	..	..
3	Algeria	11.0	9.1	5.8	14.9	18.2	26.2
4	Azerbaijan	6.0	5.1	7.2	6.3	10.2	4.9
5	Bahrain	4.1	3.6	3.9	3.6	4.9	4.3
6	Bangladesh	2.7	3.1	2.4	2.0	1.8	2.6
7	Benin	4.3	4.2	7.6	12.6	12.1	13.1
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	6.3	6.9	6.5	5.9	6.2	6.6
10	Cameroon	0.0	0.0	0.0	1.7	2.4	5.4
11	Chad	4.7	4.3	3.6	4.2	1.6	3.0
12	Comoros	9.5	7.4	5.9	7.6	6.8	13.0
13	Cote D'Ivoire	2.6	3.3	2.5	3.1	4.8	8.4
14	Djibouti	5.2	5.1	5.6	5.4	6.2	7.1
15	Egypt	15.3	13.5	11.6	12.0	12.7	12.8
16	Gabon	3.1	0.2	0.2	2.1	0.1	1.7
17	Gambia	5.5	5.8	7.0	7.0	6.0	6.3
18	Guinea	2.5	5.2	4.1	2.8	4.0	3.7
19	Guinea-Bissau	5.2	6.3	6.5	13.5	13.5	13.2
20	Indonesia	5.8	10.6	11.0	8.5	11.0	16.1
21	Iran	..	..	..	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	6.7	5.6	7.6	7.8	7.4	9.6
24	Kazakhstan	4.7	4.4	4.1	3.2	3.3	4.7
25	Kuwait	4.9	5.8	7.8	12.2	14.4	11.5
26	Kyrgyz Rep.	2.6	2.7	4.7	5.4	7.3	5.3
27	Lebanon	9.9	11.9	15.0	11.4	7.6	14.3
28	Libya	..	18.7	23.0	40.4	29.5	40.6
29	Malaysia	3.6	5.0	5.0	3.8	5.2	4.9
30	Maldives	3.4	3.8	3.9	3.9	2.8	4.1
31	Mali	6.6	6.1	5.2	5.7	3.9	7.9
32	Mauritania	6.1	7.3	8.6	10.0	8.5	12.4
33	Morocco	4.8	5.3	6.4	4.6	9.4	10.2
34	Mozambique	8.1	7.6	6.8	7.5	8.4	16.9
35	Niger	1.5	1.5	1.2	2.5	3.6	3.5
36	Oman	3.5	2.5	6.8	5.5	4.6	6.2
37	Pakistan	1.4	1.3	1.7	1.6	4.4	8.2
38	Palestine	..	..	..	..	..	..
39	Qatar	2.9	4.2	5.4	3.7	3.9	3.4
40	Saudi Arabia	6.1	5.9	7.0	7.5	6.7	7.5
41	Senegal	3.3	3.4	3.1	3.1	3.9	4.7
42	Sierra Leone	4.9	6.0	4.1	2.8	3.1	3.1
43	Somalia	..	..	..	..	..	..
44	Sudan	0.6	0.7	1.5	1.8	0.9	1.8
45	Suriname	2.2	2.3	0.9	1.4	2.7	2.4
46	Syria	..	..	..	..	..	..
47	Tajikistan	0.6	0.9	1.0	1.6	1.6	1.5
48	Togo	2.3	2.4	2.6	3.6	2.5	3.6
49	Tunisia	2.9	2.6	3.2	2.5	2.4	2.9
50	Turkey	4.7	5.4	5.9	4.2	6.2	6.0
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	5.6	6.3	6.4	5.9	7.3	11.9
53	U. A. Emirates	3.7	4.4	5.0	5.9	5.3	5.5
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Rep.	6.9	5.7	8.2	13.9	19.1	19.3
	IDB MCs	5.0	6.0	6.3	6.6	7.1	8.2

.. Data not available.

Source: UNCTAD, Handbook of Statistics CD ROM 2003.

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Table 9
Indicators on External Debt for the Year 2002

Sl. No.	Country	Total Debt Stock (US$ mn)	Interest Payments (US$ mn)	Total Debt Service (US$ mn)	Net Transfers (US$ mn)	Total Debt		Interest Payment As % of XGS	Total Debt Service As % of XGS	Concessional Debt As % of Total Debt
						As % of XGS	As % of GNI			
1	Afghanistan	..	..	..	..	..	..	..	..	..
2	Albania	1,312	23	58	99	76.9	26.4	1.4	3.4	65.9
3	Algeria	22,800	1,218	4,166	-2,722	..	42.5	..	..	12.1
4	Azerbaijan	1,398	28	187	13	48.8	24.5	1.0	6.5	48.5
5	Bahrain	..	..	..	..	..	..	..	..	..
6	Bangladesh	17,037	172	722	245	172.5	34.3	1.7	7.3	92.9
7	Benin	1,843	26	63	4	281.5	69.2	4.0	9.7	86.0
8	Brunei	..	..	..	..	..	..	..	..	..
9	Burkina Faso	1,580	17	53	89	480.1	50.6	5.3	16.1	85.1
10	Cameroon	8,503	156	358	-409	..	98.1	..	..	52.9
11	Chad	1,281	10	29	86	..	65.0	..	..	82.1
12	Comoros	270	1	5	10	..	105.8	..	..	85.6
13	Cote D'Ivoire	11,816	309	832	-671	200.5	106.1	5.3	14.1	38.3
14	Djibouti	335	3	12	24	..	55.0	..	..	87.9
15	Egypt	30,750	825	2,066	-1,472	153.5	34.2	4.1	10.3	68.9
16	Gabon	3,534	170	410	-418	100.9	84.8	4.9	11.7	37.1
17	Gambia	573	6	19	47	..	163.8	..	..	85.8
18	Guinea	3,401	37	136	-68	340.9	107.9	3.7	13.6	76.9
19	Guinea-Bissau	699	5	15	-13	..	337.8	..	..	86.8
20	Indonesia	132,208	4,047	16,971	-11,044	194.6	80.3	6.0	25.0	24.0
21	Iran	9,154	357	1,460	804	25.4	8.5	1.0	4.1	5.7
22	Iraq	..	..	..	..	..	..	..	..	..
23	Jordan	8,094	195	585	-63	121.0	87.8	2.9	8.8	42.0
24	Kazakhstan	17,538	725	4,115	1,456	146.7	74.3	6.1	34.4	2.8
25	Kuwait	..	..	..	..	..	..	..	..	..
26	Kyrgyz Rep.	1,797	26	173	-56	263.3	116.4	3.8	25.3	64.0
27	Lebanon	17,077	1,073	2,188	3,351	334.5	93.7	21.0	42.9	3.2
28	Libya	..	..	..	..	..	..	..	..	..
29	Malaysia	48,557	1,965	8,082	1,762	44.0	54.9	1.8	7.3	6.6
30	Maldives	270	6	22	14	54.8	44.8	1.2	4.5	60.3
31	Mali	2,803	25	90	160	218.4	98.6	1.9	7.0	87.6
32	Mauritania	2,309	20	64	31	..	241.6	..	..	78.7
33	Morocco	18,601	1,107	3,691	-2,221	120.4	52.6	7.2	23.9	31.2
34	Mozambique	4,609	23	76	41	362.8	135.2	1.8	6.0	51.6
35	Niger	1,797	9	28	109	..	83.3	..	..	80.2
36	Oman	4,639	214	1,748	-1,536	..	23.4	..	..	23.8
37	Pakistan	33,672	825	2,844	-303	211.2	56.5	5.2	17.8	64.2
38	Palestine	..	..	..	..	..	..	..	..	..
39	Qatar	..	..	..	..	..	..	..	..	..
40	Saudi Arabia	..	..	..	..	..	..	..	..	..
41	Senegal	3,918	72	219	126	231.1	80.0	4.2	12.9	76.2
42	Sierra Leone	1,448	9	23	74	..	191.0	..	..	73.6
43	Somalia	2,688	..	..	9	..	..	..	..	56.3
44	Sudan	16,389	1	23	-27	548.9	124.7	0.0	0.8	28.3
45	Suriname	..	..	..	..	..	..	..	..	..
46	Syria	21,504	149	258	-258	253.6	107.9	1.8	3.1	68.5
47	Tajikistan	1,153	12	79	-46	149.2	99.9	1.6	10.3	32.5
48	Togo	1,581	3	13	19	296.5	116.7	0.5	2.5	69.0
49	Tunisia	12,625	510	1,438	273	118.2	63.0	4.8	13.5	22.8
50	Turkey	131,556	5,543	27,604	6,580	222.8	72.7	9.4	46.8	3.5
51	Turkmenistan	..	..	..	..	..	..	..	..	..
52	Uganda	4,100	29	79	93	369.7	71.4	2.6	7.1	83.5
53	U.A. Emirates	..	..	..	..	..	..	..	..	..
54	Uzbekistan	4,568	175	733	-576	152	59	6	24	23
55	Yemen, Rep.	5,290	61	171	-119	101.4	57.4	1.2	3.3	84.2
	IDB MCs	617,076	20,185	81,909	-6,501	138.1	58.9	4.5	18.3	29.3

XGS = Exports of Goods and Services GNI = Gross National Income mn = million
Net Tranfers = Disbursements less Total Debt Service.
.. Data not available.

Source : World Bank, Global Development Finance Online, May 2004.

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Table 10
Total ODA* Commitments

(US$ million)

Sl. No.	Country	1997	1998	1999	2000	2001	2002
1	Afghanistan	162.3	129.8	160.8	121.3	430.9	1,718.7
2	Albania	244.7	249.9	707.9	324.9	222.9	302.3
3	Algeria	251.9	250.4	200.1	260.0	192.4	273.6
4	Azerbaijan	169.7	316.9	341.0	172.9	136.7	201.7
5	Bahrain	2.0	20.5	60.8	117.1	11.1	50.5
6	Bangladesh	1,775.0	1,677.1	2,175.7	1,167.0	1,455.5	1,490.0
7	Benin	187.3	235.4	336.7	318.1	186.1	201.8
8	Brunei	0.4	0.3	0.2	0.4	0.3	1.2
9	Burkina Faso	375.4	349.3	504.6	370.9	548.8	504.8
10	Cameroon	394.0	988.9	529.0	366.0	653.5	630.9
11	Chad	171.6	182.1	245.5	322.0	219.7	180.5
12	Comoros	48.6	41.4	16.4	18.9	28.1	11.8
13	Cote D'Ivoire	497.3	1,358.3	582.2	385.5	198.1	1,448.1
14	Djibouti	85.9	68.9	106.6	72.0	75.7	84.0
15	Egypt	2,157.1	2,483.0	1,467.8	1,779.4	1,193.2	1,530.0
16	Gabon	143.0	127.1	88.6	78.9	99.9	131.7
17	Gambia	26.7	89.2	92.4	38.6	80.9	51.5
18	Guinea	431.6	287.3	347.9	199.7	397.5	254.6
19	Guinea-Bissau	90.8	87.6	97.4	88.0	59.1	91.8
20	Indonesia	713.3	3,646.5	2,117.7	1,986.3	3,227.1	1,785.7
21	Iran	120.1	118.2	118.2	152.8	68.4	72.5
22	Iraq	113.2	104.6	63.8	83.1	107.0	68.4
23	Jordan	609.2	569.6	654.7	574.2	409.4	541.4
24	Kazakstan	325.6	284.1	117.3	302.8	157.5	154.3
25	Kuwait	0.4	6.0	5.5	1.9	3.0	3.1
26	Kyrgyz Rep.	281.1	295.5	263.4	276.1	196.2	160.4
27	Lebanon	503.3	180.2	265.6	161.5	175.0	267.8
28	Libya	7.0	7.2	7.6	12.1	8.8	5.1
29	Malaysia	86.8	88.8	1,107.0	1,189.9	71.7	98.5
30	Maldives	18.3	38.2	33.8	35.0	33.9	14.9
31	Mali	398.9	433.0	438.3	458.8	495.5	375.5
32	Mauritania	196.9	263.9	270.5	240.1	296.5	294.3
33	Morocco	1,101.5	1,070.0	753.0	693.1	630.9	621.0
34	Mozambique	995.7	877.9	1,288.4	1,117.6	1,104.3	2,157.5
35	Niger	275.8	370.4	142.5	304.4	345.1	244.4
36	Oman	29.8	72.6	14.3	151.2	9.6	3.8
37	Pakistan	1,173.0	871.0	462.8	1,188.1	2,428.5	2,771.8
38	Palestine	728.6	591.1	625.9	680.6	562.7	643.6
39	Qatar	0.9	1.3	2.3	1.1	0.8	2.1
40	Saudi Arabia	22.4	25.6	28.8	18.3	11.1	14.0
41	Senegal	546.1	556.5	871.8	560.8	526.2	441.8
42	Sierra Leone	56.4	101.9	72.6	311.0	275.4	263.8
43	Somalia	68.2	74.2	102.0	79.5	94.2	139.2
44	Sudan	126.2	281.9	274.1	284.7	177.5	354.3
45	Suriname	52.2	24.2	34.6	22.4	187.8	51.1
46	Syria	173.7	242.2	318.0	122.9	231.1	119.3
47	Tajikistan	93.1	142.8	158.6	152.4	181.7	298.8
48	Togo	152.3	145.0	93.9	53.2	35.5	58.8
49	Tunisia	545.7	468.1	512.9	578.2	516.7	487.2
50	Turkey	660.1	397.9	1,131.9	688.3	410.1	830.7
51	Turkmenistan	65.9	12.1	84.0	20.3	13.4	16.0
52	Uganda	690.8	911.8	790.8	848.2	1,063.8	936.5
53	U. A. Emirates	1.7	3.5	2.4	2.6	2.7	3.6
54	Uzbekistan	99.9	100.6	253.6	94.6	166.4	454.1
55	Yemen	417.4	237.2	399.5	428.7	332.5	407.0
	IDB MCs	**18,666.5**	**22,558.9**	**21,943.3**	**20,078.1**	**20,748.0**	**24,321.4**

* ODA refers to Official Development Assistance.

Source: OECD, Development Assistance Committee (DAC) Statistics Online, May 2004

GLOSSARY

1. **Accounting and Audit Organization for Islamic Financial Institutions (AAOIFI)**: It is a Bahrain-based institution which issues Islamic Shari'ah and governance standards to be followed by Islamic financial institutions.

2. **Awqaf Properties Investment Fund (APIF)**: A fund established by Awqaf ministries, Awqaf directorate, and Islamic banks including IDB for the development of Awqaf properties around the globe.

3. **Cancellation**: A project or operation or any part thereof which is cancelled by the Board of Executive Directors or the IDB President.

4. **Co-Financing**: A financing arrangement in which more than one lender contributes to funding a project under the same or different terms and conditions.

5. **Concessional Financing**: Financing extended by IDB under soft terms for Ordinary Loan (including Technical Assistance) or LDMC Loan facility.

6. **Direct Financing**: A non-equity term loan financing in which a financial institution provides financing from its own resources.

7. **Disbursement**: A payment made by IDB Group at the request of a beneficiary, as per the guidelines and terms and conditions under a financing agreement.

8. **Equity Participation**: A mode of financing used by the IDB whereby the Bank participates in the share capital of enterprises on a long-term basis.

9. **Export Finance Scheme (EFS)**: A trade financing scheme used by IDB to export goods from one OIC country to another. The Scheme was initiated by the OIC Standing Committee on Economic and Commercial Cooperation (COMCEC) and launched by IDB in 1408(1987) as a special fund to promote export trade of OIC member countries participating in the Scheme.

10. **Hijra Year (H)**: An Islamic lunar calendar system comprising 12 months: Muharram, Safar, Rabi al-Awal, Rabi al-Thani, Jumadal-Awal, Jumada al-Thani, Rajab, Sha'ban, Ramadan, Shawal, Dhul Qa'da, and Dhul Hijjah. It contains 354 days which is about 11 days less than the Gregorian calendar system.

11. **Islamic Corporation for the Development of the Private Sector (ICD)**: A private sector entity of the IDB group whose mandate is to address the development needs of its members through private sector interventions.

12. **Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)**: An autonomous corporation that supports private sector activities in member countries through provision of insurance protection cover to exporters and investors against political and commercial risks associated with export credits and investment flows.

13. **IDB Unit Investment Fund (UIF)**: A trust fund managed by IDB and established in 1409H (1989). It is a resource mobilization vehicle that allows IDB to sell completed operations and projects to the UIF which in turn, sells them, in the form of units (shares), to investors.

14. **Import Trade Financing Operations (ITFO)**: A short term trade financing scheme for import of commodities of developmental nature required by member countries while promoting the flow of trade among them.

15. **Infrastructure Fund**: A fund established by IDB and other Islamic banks for infrastructure development in the Islamic world.

16. **Installment sale**: A mode of financing whereby IDB purchases machinery and equipment, then sells them to the beneficiary at a higher price, repayment being in installments. The ownership of the asset is transferred to the purchaser on delivery.

17. **Intra-trade**: Trade among the OIC member countries in commodities originating from one member country to another.

18. **Investment Deposit Scheme**: An investment scheme of the IDB whereby the IDB accepts deposits from investors and uses such deposits to make short-term investment through participation in the foreign trade financing operations of the bank in conformity with the principles of Shari'ah.

19. **Islamic Research and Training Institute (IRTI)**:

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It was established in 1981 (1401H) and undertakes research, training and information activities on Islamic economic, financial and banking issues.

20. **Islamic Banks Portfolio (IBP)**: A trust fund managed by IDB which was established in 1407H (1987) by 20 Islamic banks and financial institutions (IBFI). Its objective is to mobilize the resources available with Islamic Banks and Financial Institutions (IBFI) and the savings of individuals and channel them to finance trade & projects.

21. **Islamic Dinar**: A unit of account of IDB which is equivalent to one Special Drawing Rights (SDR) of the International Monetary Fund (IMF).

22. **Istisna'a**: A medium-term mode of financing. It is a contract for manufacturing (or construction) whereby the manufacturer (seller) agrees to provide the buyer with goods identified by description after they have been manufactured/constructed in conformity with that description within a pre-determined time-frame and price.

23. **Leasing or Ijara**: A medium-term mode of financing, which involves purchasing and subsequently transferring of the right of use of the equipment and machinery to the beneficiary for a specific period of time, during which the IDB retains the ownership of the asset.

24. **Line of Financing**: A financing facility made available to financial institutions in member countries to finance projects and trade operations of small and medium enterprises.

25. **Loan**: A mode of financing used by the IDB to finance projects in member countries, particularly its least developed countries. It is interest-free and carries only a service fee intended to cover the actual costs of administering the loan. The repayment period ranges from 15 to 25 years including a grace period of 3 - 7 years.

26. **Mark-up**: A profit margin which IDB earns on its operations.

27. **Member Country**: A country that has subscribed to the capital of IDB, accepted the terms and conditions setup by the Board of Governors, and is a member of the Organization of Islamic Conference (OIC).

28. **Mode of Financing**: A Shari'ah-compatible instrument which is used by IDB to extend financing depending on the nature of the underlying project or operation and the party to which the financing is extended. E.g. Murabaha, loan, leasing, installment sale, equity participation, etc.

29. **Mudaraba**: A form of partnership where 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.

30. **Murabaha**: A contract of sale 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 installments) are specified in an initial contract.

31. **Operation**: A developmental activity, programme, or transaction approved for financing, in a given country or region, by a designated authority in IDB.

32. **Ordinary Capital Resources (OCR)**: Comprises (i) the capital subscribed in accordance with Article 5, (ii) deposits placed with the Bank pursuant to Article 8, (iii) amounts received in repayment of loans, from the sale of its equity holdings, (iii) amounts received in repayment of loans, from the sale of its equity holdings and as income from investments related to its ordinary operations, and (iv) any other funds raised or received by the Bank or placed at its disposal, or income received by it, which do not form part of IDB Waqf Fund Resources and Trust Fund Resources.

33. **Ordinary Operations**: Projects or operations financed from the Bank's Ordinary Capital Resources (OCR).

34. **Paid-up Capital**: An amount of Share Capital actually paid by IDB Member Countries as shareholders of the Bank.

35. **Profit-Sharing**: A financing technique that involves pooling of funds by two or more parties in order to finance a particular venture. Each partner obtains, in accordance with the terms and conditions of partnership, a percentage of (net) profit accruing from the venture. The profit accrued or loss incurred is shared proportional to each partner's contribution in the capital of the venture.

36. **Project**: A tangible or intangible developmental activity with a defined scope, specific end results (or deliverables) and assigned resources approved by a designated authority in IDB for a given country or region.

37. **Resource Mobilization**: A process of generating resources either from member countries or from the capital market.

38. **Scholarship**: A programme of IDB used for offering scholarships to citizens of member countries and Muslim communities in non-member countries. The programme has been in existence since 1404H.

39. **Share Capital**: Shares of Member countries in the capital of the Bank or its affiliates.

40. **Shari'ah**: Islamic law, governing the life of Muslims, which is derived from the Holy Qur'an and Sunnah.

41. **Subscribed Capital**: Amount of issued capital that has been subscribed by the IDB member counties.

42. **Sukuk**: An asset-backed bond which is designed or structured in accordance with Shari'ah and may be traded in the market.

43. **Technical Cooperation Program (TCP)**: A collaborative instrument established by IDB to sufficiently exploit the abundant potential resources available in the Muslim Ummah through enhancing the exchange of experts, skills and knowledge and adoption of appropriate technologies suited to the resources endowments of the member countries.

44. **Technical Assistance (TA)**: This mode of financing is provided by the IDB for conducting feasibility studies, detailed design and preparation of tender documents, as well as consultancy services for the supervision of projects.

45. **Two-Step Murabaha Financing**: A financing mode used by IDB to provide funding to other banks/financial institutions for financing their trade financing operations and/or IDB mobilizes funds from the banks and financial institutions for its trade financing operations.

46. **Voting Power**: Number of votes allocated to each member country based on its contribution to the Share Capital of the Bank.

47. **Waqf**: An endowment or a charitable trust devoted exclusively for Islamic purposes.

48. **Waqf Fund**: A trust fund set up in 1399H for financing Special Assistance operations, Scholarship Programme, Technical Cooperation Programme (TCP), the Islamic Research and Training Institute (IRTI), Technical Assistance, LDMCs Special Account, and Adahi Sacrificial Meat Utilization Project.

49. **World Waqf Foundation**: A foundation set up in Jumada-II 1422H (September 2001) by the IDB's Board of Executive Directors and entrusted with the management of Waqf properties, safekeeping and investment, and using the proceeds in accordance with Shari'ah.

50. **Zakah**: A religious levy ordained on Muslims and payable annually at a rate of 2.5% net assets to certain beneficiaries prescribed by Shari'ah.

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