ISLAMIC DEVELOPMENT BANK

ANNUAL REPORT 1425H (2004 - 2005)

30 YEARS IN THE SERVICE OF HUMAN DEVELOPMENT

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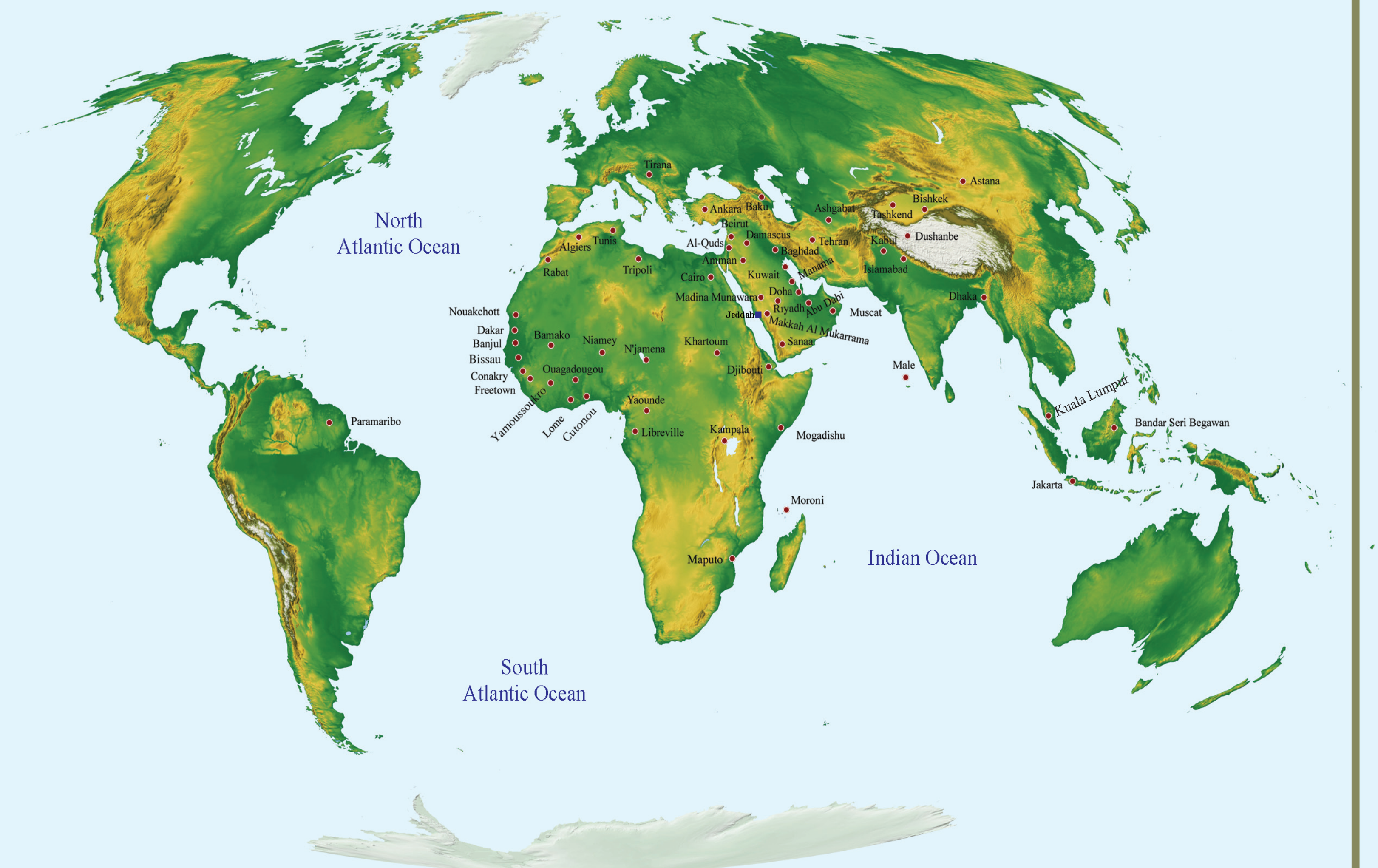
Capital Cities of IDB Member Countries



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In the Name of Allah,
the Beneficent, the Merciful

17 Rabi Awwal 1426H
26 April 2005

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 1425H (2004-2005).

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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Meeting of the IDB Board of Executive Directors in Headquarters Building, Jeddah, Kingdom of Saudi Arabia

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IDB BOARD OF EXECUTIVE DIRECTORS

Hon. Ibrahim Mohamed Al-Mofleh

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

Hon. Abu Salihu Hj. Mohamed Shariff

Hon. Ilgar Veysal Oglu Isayev

Hon. Jamal Nasser Rashid Lootah

H.E. Dr. Zul-Kifl Salami

Hon. Zeinhom Zahran

Hon. Dr. Selim C. Karatas

Hon. Abdulaziz Nur Hersi

Hon. Faisal Abdul Aziz Al-Zamil

H.E. M. Mohammad Azzaroog Rajab

Hon. Mohamed Ali Taleb

Hon. Dr. Mehdi Karbasian

Hon. Dr. Waqar Masood Khan

Hon. Ould Samba Achour

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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 provide financing for development projects and enterprises besides providing financial assistance to member countries in other forms for their 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 Islamic Dinar (ID) 2 billion. The value of the ID 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, the Authorized Capital increased to ID6 billion divided into 600,000 shares having a par value of 10,000 Islamic Dinars each. Its Subscribed Capital also increased to ID4 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 further increase the Authorized Capital of the Bank to ID15 billion and the Issued 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 the Central Asian Republics. The Regional Office at Almaty is fully operational since July 1997. In addition, the Bank has field representatives in the following ten member countries: Bangladesh, Guinea, Guinea Bissau, Indonesia, Libya, Mauritania, Pakistan, Senegal, Sierra Leone, and Sudan.

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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LIST OF ABBREVIATIONS		
AAOIFI	-	Accounting and Audit Organisation for Islamic Financial Institutions
ADB	-	Asian Development Bank
ADFIM	-	Association of Development Finance Institutions of Malaysia
ADFIMI	-	Association of National Development Financing Institutions in IDB Member Countries
AfDB	-	African Development Bank
AFESD	-	Arab Fund for Economic and Social Development
AFTAAC	-	Arab Fund for Technical Assistance to African Countries
ASEAN	-	Association of the South East Asian Nations
AUDI	-	Arab Urban Development Institute
APIF	-	Awqaf Properties Investment Fund
BADEA	-	Arab Bank for Economic Development in Africa
BED	-	Board of Executive Directors of IDB
BITs	-	Bilateral Investment Treaties
BOG	-	Board of Governors of IDB
CAE	-	Country Assistance Evaluation
CARSICM	-	Centre of Advanced Research and Studies on Islamic Common Market
CILSS	-	Comite Intergouvernemental de lutte Contre la Secheresse au Sahel (Inter-State Committee for Drought Control in the Sahel)
CIS	-	Commonwealth of Independent States
COMCEC	-	OIC Standing Committee for Economic and Commercial Cooperation
COMIAC	-	OIC Standing Committee for Information and Cultural Affairs
COMSEA	-	Common Market for Eastern and Southern Africa
COMSTECH	-	OIC Standing Committee for Scientific and Technological Cooperation
DAC	-	Development Assistance Committee
DTTs	-	Double Taxation Treaties
EC(EEC)/EU	-	European (Economic) Community/Union
ECA	-	Export Credit Agency
ECA	-	Economic Commission for Africa
EMTN	-	Euro Medium-Term Note
ESCWA	-	Economic and Social Commission for Western Asia
ECOWAS	-	Economic Community for West African States
EFS	-	Export Financing Scheme of IDB
FAO	-	Food and Agricultural Organisation of the United Nations
FCIC	-	Federation of Consultants from Islamic Countries
FDI	-	Foreign Direct Investment
FIDIC	-	International Federation of Consulting Engineers
FOCIC	-	Federation of Contractors of Islamic Countries

GCC	-	Gulf Cooperation Council
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
HIPCs	-	Heavily Indebted Poor Countries
IAS	-	Islamic Academy of Sciences
IBP	-	Islamic Banks Portfolio
IBRD	-	International Bank for Reconstruction and Development (World Bank)
ICBA	-	International Centre for Biosaline Agriculture
ICCI	-	Islamic Chamber of Commerce and Industry
ICD	-	Islamic Corporation for the Development of Private Sector
ICDT	-	Islamic Centre for Development of Trade
ICIEC	-	Islamic Corporation for the Insurance of Investment and Export Credit
ID	-	Islamic Dinar, which is equivalent to one Special Drawing Right of International Monetary Fund
IDB	-	Islamic Development Bank
IFAD	-	International Fund for Agricultural Development
IFC	-	International Finance Corporation/World Bank
IFSB	-	Islamic Financial Services Board
IFSTAD	-	Islamic Foundation for Science, Technology and Development
IIFM	-	International Islamic Financial Market
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 of IDB
ISESCO	-	Islamic Educational, Scientific and Cultural Organisation
ISTU	-	Islamic States Telecommunications Union
ITFO	-	Import Trade Financing Operations of IDB
IUT	-	Islamic University of Technology
KF	-	Kuwait Fund for Arab Economic Development
KFW	-	German Aid Organisation
LDCs	-	Least Developed Countries
LDMCs	-	Least Developed Member Countries of IDB
MDBs	-	Multilateral Development Banks
MDGs	-	Millennium Development Goal
MENA	-	Middle East and North Africa Region

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MFA	-	Multi Fibre Arrangement
MFIs	-	Multilateral Financing Institutions
MFN	-	Most Favoured Nation
NDFIs	-	National Development Financing Institutions
NGOs	-	Non-Governmental Organisations
OCR	-	Ordinary Capital Resources of IDB
ODA	-	Official Development Assistance
OECD	-	Organisation for Economic Cooperation and Development
OIC	-	Organisation of the Islamic Conference
OICIS-NET	-	OIC Information System Network
OPEC	-	Organisation of Petroleum Exporting Countries
PRGF	-	Poverty Reduction and Growth Facility of IMF
R&D	-	Research and Development
SAARC	-	South Asian Association for Regional Cooperation
SDR	-	Special Drawing Right
SAPUHM	-	Saudi Arabian Project for the Utilisation of Hajj Meat
SESRTCIC	-	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SFD	-	Saudi Fund for Development
SME	-	Small and Medium Enterprises
S&T	-	Science and Technology
TA	-	Technical Assistance of IDB
TCP	-	Technical Cooperation Programme of IDB
TINIC	-	Trade Information Network for Islamic Countries
TNC	-	Trade Negotiating Committee of OIC-TPS
OIC-TPS	-	OIC Trade Preferential System
UAE	-	United Arab Emirates
UIF	-	Unit Investment Fund of IDB
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
UNICEF	-	United Nations Children's Fund
WHO	-	World Health Organisation
WTO	-	World Trade Organization
WWF	-	World Waqf Foundation

SYMBOLS

- Negligible or Not Available
$ United States Dollar

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TABLE 0.1
SUMMARY RECORD OF THE IDB GROUP FOR THE PERIOD 1396H-1425H (1 JAN. 1976 - 9 FEB. 2005)

(in million)[1]

ITEM[2]	1396H –1422H		1423H		1424H		1425H		1396H-1425H	
	No.	ID / $	No.	ID / $	No.	ID / $	No.	ID / $	No.	ID / $
PROJECT FINANCING[3]										
Loan	474	2,038.59	48	220.99	52	230.01	44	228.23	618	2,717.82
		2,627.23		*286.88*		*313.36*		*330.79*		*3,558.25*
(Of which: LDMCs Loans)	95	140.36	9	17.49	15	22.21	8	13.29	127	193.35
		192.11		*22.42*		*30.16*		*19.04*		*263.73*
Equity	113	349.91	9	139.37	4	35.17	15	130.25	141	654.69
		450.16		*190.85*		*52.39*		*195.49*		*888.89*
(Of which: Infrastructure Fund)			4	116.79	1	32.11	3	82.45	8	231.34
				160.00		*48.00*		*124.00*		*332.00*
Leasing	176	2,129.65	11	179.18	35	369.87	39	500.18	261	3,178.88
		2,847.97		*241.65*		*533.22*		*742.57*		*4,365.41*
(Of which: Sukuk)			1	51.93	5	106.24	8	192.32	14	350.49
				69.80		*153.46*		*285.29*		*508.56*
Instalment Sale	152	1,341.25	22	220.95	12	84.34	13	110.08	199	1,756.62
		1,780.82		*290.59*		*118.26*		*160.41*		*2,350.09*
Combined Lines of Financing	27	232.06	2	30.98	6	14.72	2	17.20	37	294.95
		298.80		*42.50*		*22.00*		*25.00*		*388.30*
Profit Sharing/Musharaka	8	93.35	0	0.00	0	0.00	1	6.74	9	100.09
		124.55		*0.00*		*0.00*		*10.14*		*134.69*
Istisna'a	50	714.83	7	147.02	22	371.03	16	334.71	95	1,567.59
		944.67		*185.53*		*507.70*		*487.65*		*2,125.54*
Others[4]	20	121.37	7	71.62	5	67.22	5	43.39	37	303.61
		164.00		*98.13*		*100.50*		*65.26*		*427.88*
Total Project Financing	**1,020**	**7,021.00**	**106**	**1,010.00**	**136**	**1,172.00**	**135**	**1,371.00**	**1,397**	**10,574.27**
		9,238	**0**	**1,336**	**0**	**1,647**	**0**	**2,017**		**14,239.06**
Technical Assistance (TA)	377	116.05	29	7.70	25	8.13	55	13.58	486	145.46
		148.22		*9.88*		*11.24*		*19.63*		*188.96*
TOTAL PROJECT FINANCING + TA	**1,397**	**7,137.06**	**135**	**1,017.82**	**161**	**1,180.49**	**190**	**1,384.36**	**1,883**	**10,719.73**
		9,386.42		**1,346.01**		**1,658.67**		**2,036.93**		**14,428.02**
TRADE FINANCING OPERATIONS[5]										
Import Trade Financing Operations (ITFO)	1,060	10,892.63	65	810.24	81	1,101.31	83	1,336.03	1,289	14,140.21
		13,813.63		*1,071.00*		*1,563.54*		*1,974.76*		*18,422.93*
Export Financing Scheme (EFS)	188	673.75	13	86.58	11	89.53	18	181.30	230	1,031.16
		906.01		*113.76*		*124.80*		*270.00*		*1,414.57*
Islamic Banks Portfolio (IBP)	118	1,281.59	14	189.96	14	114.55	15	204.79	161	1,790.89
		1,763.78		*260.25*		*171.25*		*308.00*		*2,503.28*
Unit Investment Fund (UIF)	45	245.02	10	70.80	14	67.89	14	110.38	83	494.09
		328.95		*97.00*		*101.50*		*166.00*		*693.45*
Awqaf Properties Investment Fund (APIF)	0	0.00	1	1.46	6	8.86	3	3.32	10	13.65
		0.00		*2.00*		*13.25*		*5.00*		*20.25*
Islamic Corporation for Developmnt (ICD)[6]	0	0.36	0	0.00	0	0.91	5	13.30	5	14.57
		0.46		*0.00*		*1.36*		*20.00*		*21.82*
Treasury Operations	3	70.22	0	0.00	2	10.03	4	62.66	9	142.91
		88.55		*0.00*		*15.00*		*94.24*		*197.79*
TOTAL TRADE FINANCING OPERATIONS	**1,414**	**13,163.56**	**103**	**1,159.04**	**128**	**1,393.09**	**142**	**1,911.78**	**1,787**	17,627.48
		16,901.39		***1,544.01***		***1,990.70***		***2,838.00***		***23,274.09***
Special Assistance Operations	934	424.75	38	9.34	45	16.70	67	13.82	1,084	464.61
		529.47		*12.54*		*23.47*		*20.51*		*586.00*
NET APPROVED OPERATIONS	**3,745**	**20,725.36**	**276**	**2,186.20**	**334**	**2,590.28**	**399**	**3,309.97**	**4,754**	**28,811.81**
		26,817.27		***2,902.56***		***3,672.83***		***4,895.44***		***38,288.11***
GROSS APPROVED OPERATIONS	**4,325**	**24,271.94**	**306**	**2,656.78**	**345**	**2,680.23**	**399**	**3,309.97**	**5,375**	**32,918.91**
		31,521.40		**3,521.63**		**3,801.16**		**4,895.44**		**43,739.64**
DISBURSEMENTS		15,395.14		1,375.19		1,556.09		2,113.90		20,440.32
		19,855.91		*1,882.95*		*2,325.18*		*3,178.65*		*27,242.69*
REPAYMENTS		11,942.58		989.45		1,040.87		1,215.35		15,188.27
		15,332.15		*1,355.37*		*1,555.86*		*1,827.89*		*20,071.27*
MEMORANDUM ITEM (in ID million)										
GROSS INCOME				160.58		222.22		207.91		
NET INCOME				73.45		58.62		69.31		
RESERVES: Capital				26.27		26.27		26.27		
General				1,117.42		1,187.23		1,242.42		
BALANCE ON INVESTMENT DEPOSIT SCHEME				94.94		95.69		92.10		
SUBSCRIBED CAPITAL				8,100.00		8,100.00		8,100.00		
NUMBER OF MEMBER COUNTRIES			54		55		55			
ADMINISTRATIVE BUDGET: Approved				52.28		53.96		54.89		
Actual				48.81		48.30		47.61		
NUMBER OF STAFF AT END OF YEAR			881		881		887			

(1) $ 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 investment in Sukuk (1423H-1425H) and in Financial Institutions (mainly IBP, 1408H-1422H.
(5) Mainly through Murabaha mode of financing
(6) Where two or more modes are used to finance a project, only the amounts are shown here, to avoid double counting the project. The mode with the largest amount is assigned the project.

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TABLE 0.2
CUMMULATIVE IDB GROUP[1] OPERATIONS BY MAJOR MODES OF FINANCING
(1396H TO THE END OF 1425H) (1 JANUARY 1976 - 09 FEBRUARY 2005)

Country	Total Project Financing		Technical Assistance		Total Trade Financing		Special Assistance Operations		Grand Total	
	No.	Amount (in million)	No.	Amount (in million)	No.	Amount (in million)	No.	Amount (in million)	No.	Amount (in million)
Afghanistan	2	20.00	1	0.29			18	10.72	21	31.01
		30.04		*0.42*				*14.38*		*44.84*
Albania	11	44.52	3	0.38			2	0.96	16	45.86
		61.57		*0.54*				*1.30*		*63.41*
Algeria	43	491.58	8	4.22	199	1,605.93	7	4.49	257	2,106.22
		653.90		*5.47*		*2,047.21*		*5.65*		*2,712.23*
Azerbaijan	15	101.77	7	1.30			4	1.51	26	104.58
		140.89		*1.79*				*1.99*		*144.67*
Bahrain	54	443.44	5	0.85	13	147.00			72	591.29
		610.55		*1.17*		*202.00*				*813.72*
Bangladesh	54	330.75	3	0.80	127	2,183.13	10	28.55	194	2,543.22
		451.96		*1.08*		*2,901.26*		*35.25*		*3,389.55*
Benin	25	107.25	12	4.30	5	18.99	1	1.29	43	131.83
		145.71		*5.01*		*23.55*		*1.40*		*175.67*
Brunei	3	35.75							3	35.75
		45.17								*45.17*
Burkina Faso	39	167.37	16	8.90	3	10.31	8	8.13	66	194.71
		222.36		*10.96*		*13.80*		*8.64*		*255.76*
Cameroon	17	98.93	7	2.54			3	1.34	27	102.82
		126.79		*3.11*				*1.74*		*131.64*
Chad	27	103.67	16	3.41	1	2.15	10	9.86	54	119.09
		141.13		*4.43*		*3.20*		*10.75*		*159.51*
Comoros			1	0.10	3	5.93	2	0.73	6	6.76
				0.10		*7.50*		*0.88*		*8.48*
Cote D’Ivoire	6	42.81					6	0.95	12	43.76
		57.23						*1.25*		*58.48*
Djibouti	21	39.38	7	1.44			8	1.42	36	42.24
		51.54		*1.79*				*1.87*		*55.20*
Egypt	35	421.50	8	2.41	101	1,064.35	3	0.93	147	1,489.19
		576.61		*3.19*		*1,462.46*		*1.20*		*2,043.45*
Gabon	14	147.97	4	2.06					18	150.04
		204.76		*2.73*						*207.48*
Gambia	19	46.72	13	2.71	7	11.87	4	1.65	43	62.95
		62.08		*3.52*		*14.04*		*1.83*		*81.48*
Guinea	42	175.18	18	7.04	6	37.93	5	5.99	71	226.13
		227.31		*9.03*		*48.80*		*7.59*		*292.74*
Guinea Bissau	1	1.40	7	1.47	2	11.59	3	1.12	13	15.57
		1.54		*1.80*		*15.00*		*1.25*		*19.59*
Indonesia	60	461.22	4	0.38	21	436.49	2	2.10	87	900.20
		632.68		*0.53*		*585.00*		*3.22*		*1,221.43*
Iran	46	696.32	5	1.72	118	1,008.34	6	9.95	175	1,716.33
		958.78		*2.30*		*1,390.96*		*13.20*		*2,365.24*
Iraq	6	36.83	1	0.10	35	264.92	7	3.63	49	305.48
		43.56		*0.15*		*301.27*		*4.85*		*349.83*
Jordan	49	418.40	15	3.90	58	573.60	1	0.20	123	996.10
		554.40		*5.14*		*689.83*		*0.25*		*1,249.62*
Kazakhstan	15	83.05	7	1.20	8	43.40	5	0.69	35	128.34
		114.63		*1.64*		*64.00*		*0.94*		*181.21*
Kuwait	12	130.42	5	1.11	23	241.40	4	6.47	44	379.40
		180.39		*1.55*		*352.48*		*7.51*		*541.93*
Kyrgyz Rep	7	34.51	6	1.02			4	1.19	17	36.72
		47.63		*1.39*				*1.67*		*50.69*
Lebanon	40	432.14	5	0.68	9	90.54	17	5.26	71	528.62
		586.46		*0.88*		*119.77*		*7.29*		*714.41*
Libya	15	253.94	2	2.18	10	230.00	2	2.90	29	489.02
		343.03		*2.91*		*299.76*		*3.75*		*649.44*
Malaysia	29	428.06	6	0.68	44	263.99	5	8.81	84	701.54
		566.98		*0.95*		*364.49*		*11.45*		*943.88*

[1]Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.
[2]Rows in italic are $ amounts.

TABLE 0.2 (CONTINUED)
CUMMULATIVE IDB GROUP[1] OPERATIONS BY MAJOR MODES OF FINANCING
(1396H TO THE END OF 1425H) (1 JANUARY 1976 - 09 FEBRUARY 2005)

Country	Total Project Financing		Technical Assistance		Total Trade Financing		Special Assistance Operations		Grand Total	
	No.	Amount (in million)	No.	Amount (in million)	No.	Amount (in million)	No.	Amount (in million)	No.	Amount (in million)
Maldives	15	41.99	7	0.98			1	0.32	23	43.29
		56.61		*1.27*				*0.50*		*58.38*
Mali	37	156.42	19	7.50	2	45.73	7	13.56	65	223.21
		204.33		*9.60*		*69.22*		*14.62*		*297.77*
Mauritania	31	123.19	25	12.38	3	20.42	6	9.61	65	165.60
		159.00		*16.45*		*24.50*		*10.94*		*210.88*
Morocco	42	482.59	12	2.49	103	1,090.23	4	1.17	161	1,576.49
		655.01		*3.33*		*1,401.56*		*1.50*		*2,061.41*
Mozambique	11	48.27	3	0.46			5	1.77	19	50.50
		65.27		*0.63*				*2.23*		*68.12*
Niger	26	88.83	21	7.69	17	99.35	13	8.56	77	204.42
		113.56		*9.73*		*123.35*		*9.82*		*256.46*
Oman	34	459.56	6	1.80	2	17.12	2	0.38	44	478.86
		610.41		*2.36*		*22.00*		*0.50*		*635.27*
Pakistan	49	488.78	4	0.71	233	3,460.49	6	7.66	292	3,957.64
		664.68		*0.94*		*4,631.04*		*10.47*		*5,307.14*
Palestine	16	38.98	8	2.69			38	39.15	62	80.82
		52.90		*3.74*				*50.14*		*106.77*
Qatar	18	189.04	1	0.08	1	3.34			20	192.46
		268.14		*0.11*		*5.00*				*273.25*
Saudi Arabia	23	291.31	13	1.82	85	750.87	2	0.11	123	1,044.11
		409.63		*2.50*		*1,039.84*		*0.13*		*1,452.10*
Senegal	42	218.00	19	7.31	18	107.64	7	12.86	86	345.81
		287.88		*8.93*		*142.14*		*14.21*		*453.16*
Sierra Leone	15	39.24	13	3.50			3	2.37	31	45.12
		51.24		*4.08*				*3.00*		*58.32*
Somalia	6	20.00	6	1.54	4	36.06	22	5.78	38	63.38
		24.86		*1.90*		*46.20*		*7.88*		*80.83*
Sudan	51	253.18	13	2.14	21	147.98	17	18.57	102	421.88
		339.66		*2.86*		*194.36*		*22.21*		*559.09*
Suriname	3	8.22			1	7.39	2	0.13	6	15.74
		11.35				*10.00*		*0.19*		*21.54*
Syria	26	226.64	2	0.26	12	86.34	1	0.20	41	313.44
		299.70		*0.36*		*95.79*		*0.25*		*396.10*
Tajikistan	11	62.26	9	1.64			4	0.43	24	64.32
		84.29		*2.22*				*0.59*		*87.10*
Togo	8	34.33	3	0.89			2	1.37	13	36.58
		46.71		*1.20*				*1.70*		*49.60*
Tunisia	47	338.39	4	0.64	153	709.59	4	3.27	208	1,051.89
		438.91		*0.86*		*933.44*		*4.20*		*1,377.41*
Turkey	84	590.68	3	3.26	279	2,251.84	5	17.02	371	2,862.81
		767.03		*4.20*		*2,957.58*		*20.38*		*3,749.20*
Turkmenistan	8	61.74	2	0.39			2	0.23	12	62.36
		83.85		*0.55*				*0.33*		*84.73*
U.A.E	20	136.89	5	0.62	15	141.09		40		278.60
		189.69		*0.81*		*184.70*				*375.20*
Uganda	10	35.25	7	2.01	5	11.34	7	3.07	29	51.66
		45.01		*2.34*		*13.89*		*4.01*		*65.25*
Uzbekistan	9	70.53	2	0.27			8	1.44	19	72.25
		104.04		*0.38*				*1.87*		*106.29*
Yemen Rep.	33	160.54	17	5.38	38	346.40	7	6.99	95	519.30
		209.53		*6.78*		*411.62*		*8.45*		*636.38*
Regional	7	36.61	69	19.79			84	30.71	160	87.10
		49.10		*27.18*				*41.06*		*117.34*
Special Programmes	4	62.45			1	14.85			5	77.30
		85.00				*20.00*				*105.00*
Non Member Countries	4	15.47	1	0.07	1	27.58	678	157.06	684	200.18
		21.99		*0.10*		*41.48*		*203.77*		*267.33*
NET APPROVALS	**1,397**	**10,574.27**	**486**	**145.46**	**1,787**	**17,627.48**	**1,084**	**464.61**	**4,754**	**28,811.81**
		14,239.06		*188.96*		*23,274.09*		*586.00*		*38,288.11*
GROSS APPROVALS	**1,598**	**12,243.82**	**523**	**153.27**	**2,170**	**20,057.23**	**1,084**	**464.61**	**5,375**	**32,918.91**
		16,403.44		*198.91*		*26,551.29*		*586.00*		*43,739.64*

[1]Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.
[2]Rows in italic are $ amounts.

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In the presence of a group of women and children affected by the Tsunami disaster, the President, IDB Group laid foundation stone of the IDB Orphanage Centre in Aceh, Indonesia on 30th March 2005

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OVERVIEW

Under articles 32(i), 32(iii), and 41(1) of the Articles of Agreement establishing the Islamic Development Bank (IDB), the Board of Executive Directors is required to submit an Annual Report on the activities of the IDB for each Hijra (H) year to the IDB Board of Governors. This is the 30th Annual Report of the IDB which covers the period from 1st Muharram 1425H (22 February 2004) to 29th Dhul Hijjah 1425H (9 February 2005).

The Annual Report is primarily intended to present an annual review of the operational and financial performance of the Bank and to highlight new policy initiatives launched by the Bank to fulfill its mission as stated in the IDB Group Strategic Framework, which was adopted in 1424H. In this regard, it is important to provide a perspective on major trends in the world economy and recent economic performance in member countries within which the IDB conducted its development activities during the year. These major economic developments set the stage for the Bank to achieve the Group's strategic objectives; namely, poverty alleviation, promotion of cooperation, and promotion of Islamic banking and finance.

The Annual Report, 1425H is divided into three parts: Part I covers Economic Overview and Prospects, Part II presents Operations of the Bank and a brief account of the activities of different entities and funds in the IDB Group; and Part III covers Corporate Affairs and the Financial Accounts of the Bank.

Major Global Developmental Issues

The global GDP growth estimated at 5 percent in 2004 was the highest in decades and is likely to slowdown to 4.5 percent during 2005. Global output growth was widespread across different regions but was mostly contributed by the strong growth in the U.S.A. and China. Inflationary pressures remained subdued throughout the different regions of the world.

It is likely that China could replace Japan in the near future as the world's second largest economy, if it sustains high growth performance. Consequently, economic developments in China have many international dimensions. For instance, China attracted an unprecedented volume of foreign direct investment, intensified competition in export markets, and its import surge contributed to more or less permanent increases in key commodity prices like oil and steel. On the downside, major vulnerabilities are the fragility of the banking system in China and international pressure to revalue the yuan, which could affect its otherwise robust growth performance. Also, the emergence of other emerging growth nodes in the Asian region provides the developing countries with an expanded scope to forge new international economic relations and to restructure their economies to new realities.

Current global payments imbalances are potentially a matter of great concern to the developing countries. These imbalances are contributing to volatility in the exchange rates of international currencies, as a result of rising deficits in budget and current account balance in the U.S.A. as well as the persistent laggard growth performance of both the Euro area and the Japanese economy. The dependence of the global economy on the U.S.A. as the primary driver of global growth is in itself a source of vulnerability. This is manifest in the fact that, to stem frequent depreciation of the U.S. dollar against the other major currencies, U.S. monetary authorities appear to be resorting to a higher interest rate policy. Consequently, money market interest rates have again started to move up, which will further aggravate the debt burden of developing countries.

The growth in global trade remained buoyant increasing at almost twice the rate of global GDP growth. On the international trade policy front, concessions by the EU in the summer of 2004 on the question of reforming trade-distorting export subsidies revived the stalled WTO Doha development round. Moreover, two recent developments have removed doubts about the efficacy of WTO principles of multilateralism and the rule-based international trade system. First, the judgment of a WTO panel in March 2005 on a complaint by Brazil about the illegality of domestic subsidies given to U.S. cotton farmers, because it results in depressed international cotton prices, demonstrated the strength of WTO dispute resolution system. Secondly, the inviolability of WTO agreements was established when the final phase of the Agreement on Textiles and Clothing, negotiated in 1994, was implemented and the global trade in textiles and clothing became quota-free effective from 1st January 2005.

In the Monterrey Conference, the international donors community pledged to provide adequate resources to fund poverty alleviation programmes and assist the least developed countries to achieve the MDGs. Whereas the trend in the official development assistance (ODA) flows is upwards current ODA flows are spent less on meeting the incremental costs of implementing the MDGs programmes; in fact, it is largely devoted to funding the debt relief for the poorest countries. In the official donors community, keen discussion is taking place on innovative resource mobilization mechanisms with a view to supporting the implementation of MDGs programmes in the least developed countries. Three alternative innovative mechanisms are currently on the table: an international finance facility under which immediate resources can be mobilized from the capital market against the donors commitment to make annual payments; an international tax on airline passengers; and a complete write-off of debts owed by the least developed countries. Given the current position of the sponsors of innovative proposals, there is a concern that differences on the merits of proposals could undermine the consensus amongst the official donors, which might result in a decline of official development assistance.

In the development community, it is now widely recognized that the process of economic development and governance issues are inseparable. Conflicts and societal tensions in many developing countries appear to clearly indicate that years of implementing structural reforms is alone not sufficient to sustain economic growth. In fact, a greater participatory approach of all stakeholders is necessary in order to ensure that economic growth and distribution policies are interwoven. Implementing such an approach will require that pro-poor fiscal policies further create economic and social opportunities, which in turn can be expected to yield greater societal harmony. A stable and growing society is critical to alleviating poverty, which in fact means creating a vibrant market economy based on rule of law that, in turn, will attract greater investment activities and thereby result in higher economic growth.

Economic Performance and Cooperation amongst the Member Countries

IDB member countries as a group sustained economic growth that reached 5.6 percent in 2004, which is slightly below growth recorded in 2003. The least developed member countries (LDMCs) of IDB continued to maintain a rising economic growth performance, by attaining a rate of 6 percent in 2004, against 5.6 percent in 2003. Inflation in IDB member countries as a group and LDMCs further declined to about 7 percent in 2004.

The national savings rate of IDB member countries improved from 24.4 percent in 2003 to 25.1 percent in 2004 while the investment rate remained almost unchanged at about 20 percent. In this context, it may be noted that the net foreign direct investment (FDI) in IDB member countries declined from $29.2 billion in 2003 to $25.7 billion in 2004, but it was still higher than net FDI in 2002. In LDMCs, the investment rate was 22.7 percent in 2004 while the national savings rate was 18.1 percent. It is noteworthy that the LDMCs sustained net FDI of a little over $5 billion both in 2003 and in 2004. Clearly, the challenge for the LDMCs is to keep the investment-savings gap within manageable limits, especially by seeking non-debt creating flows so as to ensure their external debt sustainability.

The current account surplus of IDB member countries reached 5.7 percent of GDP in 2004, which mainly reflects the higher export earnings of the oil-exporting member countries. On the other hand, the current account deficit of LDMCs remained unchanged at about 5 percent of GDP in 2004, which was partly due to a 1 percentage point reduction in the trade deficit. Despite the current account surplus, the external debt stock of IDB member countries increased from $882.8 billion in 2003 to $888.4 billion in 2004. For LDMCs, the external debt stock in 2004 increased by about $5 billion. The debt service ratio of LDMCs continued to show gradual improvement.

On the trade front, the total exports of IDB member countries increased by about 20 percent to $586 billion in 2003. The total exports of IDB member countries to industrial, developing, and intra-IDB member countries grew in each case by almost 20 percent in 2003, which appears to reflect higher oil prices during the period. The intra-exports ratio amongst IDB member countries remained unchanged at 12.2 percent in 2003. Twelve member countries accounted for 78 percent of the total intra-exports, which reflects a high concentration of the export performance on few large economies with diversified exports. A noteworthy feature is that, from 2001 to 2003, intra-exports recorded its highest growth rate at 31 percent, which reflects the growing economic cooperation amongst IDB member countries.

Economic cooperation amongst IDB member countries is expected to gain further impetus from the successful conclusion of the first round of tariff reductions

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agreed by the fourteen member countries of the Trade Negotiating Committee (TNC), which was established under the OIC Framework Agreement on the Trade Preferential System. The intra-imports amongst the TNC members is estimated at 4.1 percent of their total imports. Given the relatively low degree of intra-trade amongst the TNC members, there is need to systematically map the preferential tariffs and the sector-level trade complementarities, and for other member countries to ratify the Framework Agreement and join the TNC process.

Forging greater economic cooperation among the IDB member countries is one of the three strategic objectives of IDB Group. In support of this strategic objective, the IDB launched a new set of intra-investment promotion initiatives. At the initiative of IDB, a first ever OIC Economic Conference was held in Istanbul from 23-27 November 2004. Some relevant ideas emanating from the Conference are being actively pursued by IDB. Another initiative launched by IDB is to forge greater linkages amongst the leading financial markets in member countries. An expert meeting comprising officials from securities commissions, stock exchanges, and Islamic financial institutions was held in June 2004 to explore ways to promote institutional linkages and Shari'ah convergence. Recommendations of this meeting are being operationalized at IDB and OIC levels.

Operational Policy Initiatives

The Board of Executive Directors held eight meetings and considered 67 policy items during 1425H. Some of the major operational policy initiatives approved by the Board are briefly presented below.

The Asian Tsunami, which struck on 26 December 2004, was the most catastrophic natural disaster in recent history. In response to the widespread loss of life and destruction, the Board approved a $500 million package of financing for 'Emergency Assistance to the Countries Affected by the Tsunami'. The package was designed to provide short-term urgent assistance and to finance long-term reconstruction programmes in Indonesia, Maldives, and Somalia while providing grant-based relief support to survivors in Sri Lanka, Thailand, and India. Besides, the Board supported the initiative of the 'OIC Alliance to Assist the Child Victims of Tsunami', which is jointly sponsored by Islamic relief organizations, the OIC, and IDB, with the aim of developing orphan sponsorship and foster a family scheme, vocational training, rehabilitation of land soiled by sea water, and establishing counseling centers for the survivors.

The resource requirement for OCR operations, under the Strategic Plan of the IDB Group, was estimated at $1 billion for the years 1425H and 1426H. The Board approved a 'Euro Medium-term Note' (EMTN) Programme of $1 billion. Compared to the Sukuk structure, the EMTN Programme is based on a relatively more flexible structure under which the IDB "benchmark issue" of $500 million is being offered during the second quarter of 2005. The remaining tranches of smaller amounts are expected to be mobilized depending on the financing and liquidity requirements.

The IDB Board of Governors had adopted *the Declaration on IDB Group Cooperation with Africa* in 1423H (2002), which is also known as the Ouagadougou Declaration. Under the implementation plan of the Ouagadougou Declaration which is intended to assist Sub-Saharan African member countries, the Board approved an allocation of $449 million for 1425H operations. The cumulative approvals for 1424H and 1425H amounted to about $850 million of the $2 billion earmarked under the Ouagadougou Declaration. In order to overcome practical difficulties in implementing the Action Plan, the Board approved specific steps to garner more concessional funds, further increase IDB's field presence in the region, develop better implementation capabilities of the beneficiaries, and to amend some procedural requirements.

The Board approved to give an option to beneficiaries in member countries to switch between fixed and floating rates on the lease/Ijara mode of project financing. This option will also help to mitigate the potential impact of adverse market movements on IDB's balance sheet as both the Sukuk structure and the underlying leased-based assets will be on a floating rate basis.

The Board approved Shari'ah compatible options that will further increase the utilization of IDB financing facilities. These options provide a structured system of administrative procedures and financial incentives to encourage beneficiaries in member countries for speedy utilization of approved IDB project financing facilities. Besides reducing the level of committed funds, the new policy is also likely to encourage beneficiaries to expedite timely completion of projects, which will further enhance the developmental effectiveness of IDB assistance.

Financing Operations

IDB Group approved a total of 399 operations with net financing of ID3,310 million ($4,895 million) in 1425H, which represent a 27.8 percent increase over the net approvals in 1424H. Cumulative net approvals of the IDB Group reached ID28,812 million ($38,288 million) for the period 1396H-1425H. Of these, 36.7 percent were for project financing, 61.2 percent were for trade financing, 0.5 percent were for technical assistance, and 1.6 percent are for Waqf Fund (Special Assistance) operations.

Total net approvals for ordinary operations (excluding projects financed from Sukuk resources) stood at ID838 million ($1,219 million) in 1425H, which represents an increase of 6 percent over 1424H. Including the projects financed from Sukuk resources, approvals for ordinary operations in 1425H totaled ID1,030 million ($1,504 million), showing a growth of 15 percent over 1424H. The sectoral distribution of total ordinary operations approved during 1425H, excluding projects financed from Sukuk resources, is as follows: public utilities - 37 percent; transport and communication - 31 percent; education and health sector - 17 percent; agriculture/ agro-industry - 7 percent; industry - 2 percent; and other sectors - 6 percent.

During 1425H, the Bank approved ordinary operations for forty-three member countries and seven regional/ international institutions. The share of total ordinary financing operations for member countries in the Asian region was 51.6 percent while the share of concessional financing for member countries in the African region was 54.7 percent. Under the Ouagadougou Declaration, the IDB Group is committed to approve $2 billion for operations in the Sub-Saharan member countries over a five-year period. The total ordinary operations approved under this initiative during 1425H totaled $326 million as compared to $309 million in 1424H.

Net trade approvals under ITFO, EFS, IBP, and UIF amounted to ID1,833 million ($2,756 million) in 1425H, which is 33 percent higher than the net approvals recorded in 1424H, and their aggregate disbursements increased by over 52 percent to ID1,401 million in 1425H. There are a number of noteworthy features of the IDB's trade finance operations conducted during 1425H: ITFO allocation from ordinary capital resources (OCR) increased by 38 percent to $1,870 million; trade financing under Two-Step Murabaha Financing and Syndication increased by 28 percent; 70 percent of the ITFO approvals financed intra-trade operations; four more Sub-Saharan member countries joined the list of ITFO beneficiary countries; total EFS operations of $270 million financed intra-trade transactions among member countries as compared to $125 million in 1424H; and a number of trade promotion activities were carried out such as sponsoring trade fairs, seminars, and training courses.

Activities of Affiliated Entities and Funds

Since the establishment of the Bank in 1395H (1975), IDB has evolved into a Group comprising the IDB (the flagship), Islamic Corporation for Development of the Private Sector (ICD), the Islamic Research and Training Institute (IRTI), and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC). Within IDB, special purpose funds have been set-up to serve the niche developmental needs of member countries as well as to act as a vehicle for resource mobilization. Specialized funds include the following: the Islamic Banks Portfolio for Investment and Development (IBP), IDB Unit Investment Fund (UIF), IDB Infrastructure Fund, Awqaf Properties Investment Fund (APIF), and World Waqf Foundation (WWF).

During 1425H, ICD approved 18 operations totaling about $105 million as compared to about $47 million in 1424H. Projects approved by the ICD were mostly in the following sectors: telecommunications, construction, education, healthcare, and trade. IRTI prepared six research studies, conducted sixteen seminars, and scholars presented twelve research papers on topics related to Islamic economics, banking and finance, and project financing. Besides research, IRTI organized twenty-five training programmes, conducted a distance learning course, and continued with its information generation activities such as building a resource database on experts and Awqaf stakeholders.

ICIEC's current insurance commitments reached $451 million in 1425H. During 1425H, IBP approved twenty-one operations totaling $400 million, of which fifteen operations were for trade finance. UIF conducted twenty operations during 1425H totaling about $229 million. So far, the IDB Infrastructure Fund has made equity investments as well as committed funds amounting to about $332 million for eight operations in five member countries. During 1425H, APIF approved seven operations amounting to $42 million in the area of Awqaf property development and liquidity management.

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Amongst the other affiliated entities of the IDB Group, the International Centre for Biosaline Agriculture (ICBA) mobilized donor commitments to fund nine projects while thirteen collaborative R&D and capacity building projects were carried out during 1425H. Under the Saudi Arabian Project for the Utilization of Hajj Meat, the Bank organized the sacrifices of 503,954 animals, of which carcass of 272,000 sheep were distributed to refugees and poor communities in twenty-three countries.

Financial Performance

The total cumulative approvals, net of cancellations, of the IDB Group reached $38 billion up to the end-1425H. The Bank approved a sum of $4 billion during 1425H, which consisted of $2 billion for project operations from OCR and Entities/Specialised Funds, and $2 billion for ITFO.

For the financial year ending 1425H (2004-05), the Bank's gross income stood at $313 million, which is a decline of 6.2 percent over 1424H. However, the net income of the Bank increased by 18.9 percent and stood at $104 million, which is primarily due to a substantial reduction in the foreign exchange losses during 1425H. The total expenses and provisions decreased by 1.9 percent in 1425H from the previous year, which is a testimony to the successful efforts by the Bank to rationalize its operating costs.

The total disbursements from OCR during 1425H were $2,694 million, representing an increase of 32 percent from the last year. The total cumulative disbursements by the IDB Group up to the end of 1425H totaled $27,243 million. The total repayments against the OCR financing during 1425H were $1,623 million, an increase of 16.3 percent from last year. Repayments against entities and specialised funds of the Bank during 1425H were $205 million. The overdues on IDB operations, excluding Iraq and Somalia, stood at $13.3 million, which was mainly on account of concessional financing to the least developed member countries. The Bank has adopted policies which are likely to minimize exposure to operational risks.

The Special Assistance Programme (Waqf Fund) of IDB extends grant-based assistance for a variety of activities, such as the Scholarship Programme, Technical Cooperation Programme, support to Non-governmental Organization, Women-in-Development projects, OIC-Vaccine and Illiteracy Eradication Programmes. The net assets of the Waqf Fund decreased by 0.3 percent to $1,323 in 1425H. Total income and total expenses of the Waqf Fund at the end of 1425H increased by 82 percent to $31 million and decreased by 12.8 percent to $2 million, respectively. Disbursements from the Waqf Fund increased by 7.2 percent to $47 million in 1425H.

At the IDB Group level, new operational risk control and mitigation guidelines continued to be developed and implemented. Such operational guidelines cover a number of areas such as portfolio duration, market exposure limits, acceptable guarantees, capital adequacy, risk provisioning, and portfolio concentration limits. As a result of a strong balance sheet and the high quality of assets, the Standard and Poor's Rating Agency, in December 2004, reaffirmed its long- and short-term risk assignment of IDB at AAA and A-1+, respectively.

Arrival of IDB emergency relief for the victims of Tsunami in Sri Lanka

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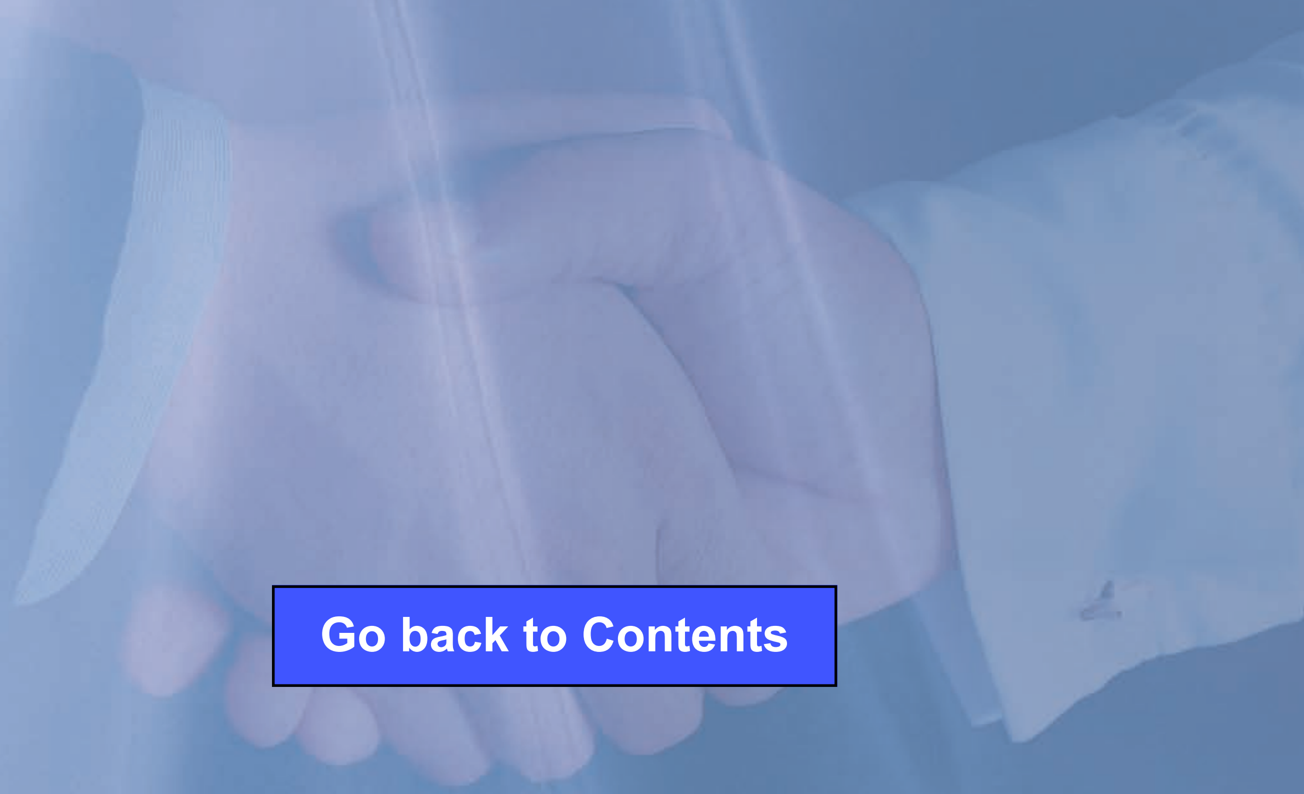
PART ONE

ECONOMIC OVERVIEW AND PROSPECTS



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CHAPTER 1

WORLD ECONOMY, MAJOR DEVELOPMENTS AND MEMBER COUNTRIES

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Construction of Phase-II of the IDB Financed Khanark Canal Project in Azerbaijan

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HIGHLIGHTS 1425H

World Economy

- Continued rising trend in world economic growth
- Highest output growth rate in emerging Asia in 2004
- Rising trend of interest rates in money market and volatility of foreign exchange markets
- Concerns over volatility in oil prices, twin deficits in U.S.A., and Tsunami disaster in Asia

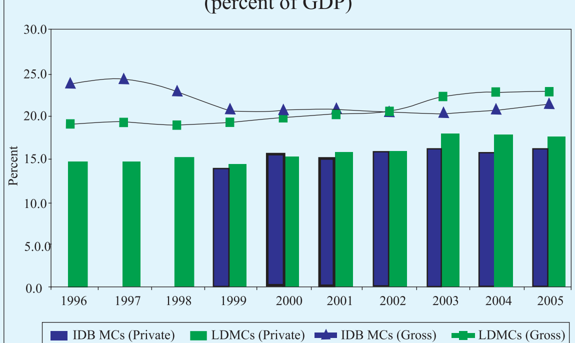
IDB Member Countries

- Overall GDP growth rate of 5.6 percent in 2004
- Falling inflation averaging at 7.4 percent in 2004
- Flat trends in savings and investment rates
- Gradual rise of external indebtedness starting from 2002

Major Developmental Issues

- Positive prospects for FDI in future but a decline in 2004
- Deviation from achieving MDGs targets still likely
- Challenges for external debt sustainability
- Need to bring down cost of doing business in member countries
- Developing statistical tools for monitoring development effectiveness
- Coping with water resource scarcity and its efficient management

Investment Trends
(percent of GDP)



I. PERFORMANCE OF THE WORLD ECONOMY[1]

This chapter examines the main developments in the world economy, with a special focus on economic performance, key challenges faced during 1425H, macroeconomic developments in IDB member countries, their short term prospects, and recent developmental changes faced by member countries. Section I reviews global economic developments such as output growth, trade flows, commodity prices, inflation rates, and concludes by highlighting some of the major challenges and events that could significantly affect the future prospects of the global economy. Section II reviews the major macroeconomic developments in IDB member countries during 2004 and highlights their short-term prospects. Finally, section III discusses some of the recent topical developmental challenges that could have a significant impact on the economic prospects of IDB member countries.

1. World Output and Growth

The recovery of the global economy has kept its momentum. After three years of a low performance, world economic growth began to improve in 2003 and continued to do so in 2004, with global output growth averaging 5 percent, well above the 4 percent in 2003. From a regional perspective, the recovery has become increasingly broad-based, though some regions continue to grow more vigorously than others. Overall, global growth continues to be led by the USA, followed by China and India, and to a certain extent by Latin America and other emerging markets. There are, however, some looming downside risks, notably those arising from higher oil prices, a slow down in growth of the economy in China, higher U.S. interest rates, and a renewed yen appreciation.

Amongst the major economies, the U.S. economy grew from 3 percent in 2003 to 4.3 percent in 2004. Output growth in the Euro area rose to 2.2 percent in 2004 compared to 0.5 percent in 2003, but the growth momentum is likely to remain moderate, mainly owing to the weak performance of the German economy. The economic recovery in Japan was rather stronger than expected. After abating concerns regarding deflation and financial and corporate sector deficiencies in Japan, output growth almost doubled from 2.4 percent in 2003

[1] Data and projections used in this section are based on the IMF's World Economic Outlook, September 2004

to 4.4 percent in 2004. Exports, especially to Asia, were among the key driving forces in a strong output growth in Japan.

In emerging Asia, output grew by 7.6 percent in 2004, which was mainly supported by sustainable growth in China, India, and major ASEAN countries. There is, however, a concern that China may not be able to sustain its growth momentum, mainly because of huge investment spending (more than 40 percent) which could lead to excess capacity in the economy. In Latin America, output growth increased to 4.6 percent in 2004 as compared to 1.8 percent in 2003, which was largely underpinned by rising commodity prices, higher export demand and a pickup in domestic demand. In contrast, in the Middle East region, output growth declined from 6 percent in 2003 to 5.1 percent in 2004. However, growth forecasts for the Middle East region may be adjusted upward in response to higher oil production.

Emerging economies of Central and Eastern Europe were also able to sustain the pace of their growth. In Central and Eastern Europe, output growth increased by one percentage point to reach 5.5 percent in 2004. The accession of eight emerging economies to join the European Union (EU) is expected to be an important stimulus to sustained future growth in Central and Eastern Europe, and the Baltic States. Meanwhile, in the Commonwealth of Independent States (CIS), output growth increased slightly to 8 percent in 2004 as compared to 7.8 percent in 2003.

In Sub-Saharan Africa (SSA) region, output growth rose from 3.7 percent in 2003 to 4.6 percent in 2004, largely because of improvement in prices and production of primary commodities, including oil. However, the improvement in output growth remains far short of what is necessary to reduce poverty. Moreover, some SSA countries could not offset the impact of higher oil prices by rising prices of non-fuel commodities. This adverse movement in terms of trade could potentially impair the macroeconomic stability, which was assiduously achieved by the SSA countries.

2. World Trade and Commodity Prices

Growth volume of world trade in goods and services increased from 5.1 percent in 2003 to 8.8 percent in 2004, but remained well below the level of 12.5 percent recorded in 2000. The ratio of trade volume growth to world GDP growth rose to 1.75 in 2004 from 1.31 in 2003, which indicates that world trade continued to grow faster than the global GDP.

In emerging and developing countries, trade volume continued to grow faster than in advanced economies. Growth of export volume in advanced economies jumped from 2.6 percent in 2003 to 8.1 percent in 2004, while it remained almost unchanged at about 10.8 percent in 2004 in emerging and developing countries. On the other hand, growth of import volume more than doubled from 3.7 percent in 2003 to 7.6 percent in 2004 in advanced economies, but increased from 11.1 percent to 12.8 percent in developing and emerging countries, respectively.

Despite the decline of its relative contribution in total world exports from 14 percent in 2000 to 11.4 percent in 2004, the U.S. remained the world largest exporter of goods and services. The US share in total world imports stagnated at around 5.5 percent over the same period. Overall, U.S. imports continued to exceed exports substantially, thus widening the current account deficit from 4.8 percent in 2003 to 5.4 percent of GDP in 2004.

Meanwhile, current account surpluses in Japan, emerging Asia, and to a lesser extent the Euro area, have remained high. In emerging Asia, surpluses reflected in part, strong external demand growth, depreciating exchange rates, and in the case of South Asia and China, increased remittances. In contrast, current account deficits in emerging Central and Eastern Europe remained high as most countries in the region are vulnerable to higher oil prices. In Turkey, the current account deficit increased slightly from 2.9 percent in 2003 to 3.1 percent in 2004. Amid a period of volatility in the international price oil, the widening of the current account deficit could pose a threat to macroeconomic stability in Turkey, especially at a time when it is facing difficult challenges posed by its accession to the EU[2].

The terms of trade for advanced economies worsened in 2004, after three years of continuous improvement, whereas it continued to improve for developing and emerging countries. In Africa, the terms of trade improved most notably for oil and metal ore producers. For the majority of CIS countries, gains originated mainly from higher price of non-fuel commodity exports including cotton and aluminium (Tajikistan),

[2]Following the meeting of the European Union (EU) on 17 December 2004, Turkey was set on the path to negotiate its full membership of the EU. Accession to the EU would likely help Turkey enhance the resilience of its economy, mainly through greater economic convergence with other EU members, and the creation of enabling conditions for stability and greater investor confidence.

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and gold (Kyrgyz Republic). Overall, the IMF has estimated terms of trade losses for the CIS and the SSA economies at less than 1 percent of their nominal GDP.

Rising global demand, coupled with supply constraints, have contributed to the recent surge in world prices of primary commodities. The IMF index of overall primary commodity prices increased by about 27 percent in value terms in 2004. Naturally, the rise in global commodity prices has generated windfall gains for many primary commodity exporting countries. Similarly, oil prices have risen sharply, underpinned by a combination of rising demand and supply disruptions in several major oil-exporting countries, including Iraq, Russia and Venezuela. The price of oil rose by more than 70 percent, reaching a high of $52 per barrel for Brent in late 2004 and further peaked at $59 per barrel during early 2005. Speculative activity in future markets exacerbated the rise in oil prices, especially under the conditions of tight inventories and greater geopolitical uncertainty. The surge in oil prices remains a source of concern as it may adversely affect the ongoing expansion and worsen the trade balance of the poorest oil importing countries, particularly among the CIS and the SSA countries.

3. Inflation, Interest Rates, and Exchange Rates

After reaching low levels in 2002, inflationary pressures tended to vary across regions and countries. In advanced economies, inflation, as measured by the annual percent change in consumer prices, edged up from 1.8 percent in 2003 to 2.1 percent in 2004. Specifically, inflation in the U.S. increased from 2.3 percent in 2003 to 3.0 percent in 2004, whereas in the Euro zone, it remained subdued at 2.1 percent in 2004. In Japan, the rate of deflation remained unchanged at -0.2 percent in 2004.

On the other hand, inflation in emerging and developing countries remained almost unchanged at 6 percent in 2004. However, in emerging Asia, it rose from 2.6 percent in 2003 to 4.5 percent in 2004. In emerging Europe, inflation continued to decline from 9.2 percent in 2003 to 6.9 percent in 2004. In Latin America, inflation decreased to 6.5 percent in 2004 from 10.6 percent in 2003, mainly owing to subdued inflation in Argentina and Brazil.

In CIS countries, despite easy monetary policy and rising producer prices for intermediate goods and raw material, inflation declined from 12 percent in 2003 to 9.9 percent in 2004, except for net energy importers, where it recorded a one percentage point decrease, to reach 9.7 percent in 2004.

In Africa, inflationary pressures were slightly easing, even for oil importers. For the region as a whole, inflation declined from 10.3 percent in 2003 to 8.4 percent in 2004. For the SSA countries, it went down from 12.9 percent in 2003 to 9.9 percent in 2004. By contrast, in the Middle East region, inflation continued its rising trend from 7.5 percent in 2002 to 8 percent in 2003, and then to 9.2 percent in 2004.

Meanwhile, short term interest rates in advanced economies followed a downward trend, which was reversed in 2004, as it declined from 4.4 percent in 2000 to 1.6 percent in 2003, but rose to about 2 percent in 2004. In the U.S., the yield on three-month treasury bills followed a similar pattern. It went down from 6 percent in 2000 to 1 percent in 2003 before rising to about 1.5 percent in 2004. In the Euro area, short-term interest rates[3] continued to decline from 4.4 percent in 2000 to about 2.4 percent in 2003 and then to about 2.1 percent in 2004. In contrast, the Japanese short-term interest rates[4] remained almost flat (close to zero percent) until 2004. Short term interest rates in the newly industrialized Asian economies increased from their low level of 0.6 percent in 2002 to 3.1 percent in 2003, and then to about 3.3 percent in 2004.

Furthermore, the six-month London interbank offered rate (LIBOR) on U.S. dollar deposits rose slightly from 1.2 percent in 2003 to about 1.6 percent in 2004, whereas it remained steady at 0.1 percent on Japanese yen deposits. Meanwhile, long-term interest rates in the U.S., the Euro area and Japan increased to 4.5 percent, 4.1 percent and 1.4 percent respectively, in 2004[5].

The euro has greatly appreciated against the currencies of the fastest growing economies, namely China, the U.S., and, to a lesser extent, the U.K. Some analysts have suggested that the euro, valued at $1.32, might be overvalued by around 10 percent against the U.S. dollar. China has kept its currency pegged to the U.S. dollar, and continues to support the dollar to protect its export market share. In contrast, Russia's attempts to reduce its dollar reserves in favour of the euro have created downward pressures on the U.S. dollar. Japan

[3]Measured as weighted average of national three-month money market interest rate and the three-month EURIBOR.
[4]Measured as three-month bond yield with repurchase agreement.
[5]Long-term interest rates are: for the US, 10-year treasury bond yield at constant maturity; for Japan, 10-year government bond yield; and for the Euro area, a weighted average of national 10-year government bond yield.

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has rather shown a greater tolerance for a stronger yen, mostly because it has been moving out of deflation.

There was, however, a concern that if these currency volatility particularly the euro/dollar parity, continue without any coordinated intervention, they might adversely affect growth, inflation, and asset returns. In particular, the euro appreciation was seen as a drag on the Euro area economy, especially at a time when the Euro area was also experiencing the lowest growth among the world's major economies.

The upshot of above analysis suggest that recent economic developments, including the U.S. fiscal and current account deficits, volatility in currency markets, and the pressure to revalue the Chinese currency could have important implications for the world economy and its growth momentum.

4. Major Developments Affecting the World Economy

Although the recovery of the global economy has gained momentum, it remains vulnerable to a number of unfavourable developments and unforeseen events. First, the surge in oil prices could impair the momentum of global economic recovery, especially if it persists for an extended period of time. Second, the falling value of US dollar along with the large U.S. twin deficits have become a source of serious concern. Third, China and, to a lesser degree India, which have emerged as engines of global growth, are not without posing certain problems, particularly if they fail to sustain their dynamism. Finally, unforeseen events during 2004 such as the Tsunami devastation in Asia and the locust threat in Africa caused severe economic losses, both at the national and regional levels.

The rising trend of oil prices during 2004 was underpinned by a combination of surging demand and supply-side uncertainties in several major oil-producers, including Iraq, Russia, and Venezuela, and exacerbated by speculative behaviour in futures markets. Amid volatility, oil prices peaked at $52 per barrel in October 2004 and ended up averaging $40 per barrel in 2004, well above the $22 to $28 target band set by the Organization of the Petroleum Exporting Countries (OPEC) in 2000. Global economic growth may be slightly slowed down if oil prices remain at or above the levels reached in mid-2004 for an extended period of time[6]. However, the inflationary impact of higher oil prices depends, in part, on the degree of monetary tightening.

From a regional perspective, the impact of higher oil prices varies significantly. The impact would be larger in the United States and the Euro area than in Japan and the United Kingdom. Unlike advanced countries, oil importing developing countries have limited ability to mitigate the adverse balance of payments implications that could also impair macroeconomic stability. The adverse balance of payments impact could be potentially experienced in emerging Asia and Europe, but relatively mild in Latin America, oil importing SSA and CIS countries.

Similarly, the volatility in the value of the U.S. dollar particularly against the euro has implications for the stability of the world economy. The dollar fell to about $1.32 to the euro, a decline of more than 30 percent since 2000, with predictions that it could even reach $1.50 in 2005. No agreement for coordinated intervention by the G7 central banks has emerged although many countries view the volatility of the U.S. dollar against major international currencies as a threat to exports and consequently to their growth.

However, some Asian central banks have intervened extensively in order to maintain the peg of their currencies to the U.S. dollar and thereby protect their export competitiveness. The risk is that these central banks could incur huge losses on their holdings of U.S. financial assets if any currency revaluation occurs. According to the New York Federal Reserve, if the Chinese yuan were to appreciate by 10 percent against the U.S. dollar, China would suffer a capital loss equivalent to almost 3 percent of its GDP. Similarly, South Korea could experience an equal loss if the won were to appreciate by 10 percent.

Meanwhile, many developed countries, including Japan are concerned by an excessive dependence on the U.S. dollar denominated assets. Currently, a large number of countries undertook portfolio adjustment in favour of euro denominated foreign exchange reserves. However, it is likely that markets would regain confidence in the dollar if the U.S. reduces its current account and budget deficit.

The U.S. current account deficit widened further in 2004, and reached $631 billion, or about 5.4 percent of GDP. As a result, the U.S. has become heavily dependent on external sources to finance its rising

[6]IMF estimates suggest that a rise in oil price equal to $5 per barrel reduces 0.3 percent from world growth with a lag of one year, and deteriorates the trade balances of advanced countries by 0.1 percent of GDP.

deficit, most notably the Asian central banks, which hold over $1.8 trillion in foreign currency reserves. Although the twin deficits is seen as a drag on the U.S. economy, any narrowing would depend in part, on the growth prospects of the U.S. trading partners. A loss in confidence in the U.S. economy along with the huge U.S. debt could make the world financial system even more vulnerable. In particular, stemming the investors' potential shift out of dollar-based assets, which in turn, could lead to a further decline of the U.S. dollar, necessitating policy induced higher interest rates, and eventually a fall in share prices and significant wealth loss.

Meanwhile, the emergence of China as an engine of growth is another salient feature in today's world economy. China's economy has grown at an impressive pace (an annual average of more than 8 percent); and its trade in goods and services with the rest of the world represented more than 5 percent of the world trade in 2003. In addition, China has also become the second largest foreign holder of U.S. dollar assets ($174 billion) after Japan ($720 billion). The concern, however, is that China may not be able to sustain future growth, mainly owing to overcapacity in some sectors of the economy.

The massive Tsunami earthquake, which struck Asia on 26th December 2004, was devastating in terms of loss of life and property damage. However, its economic impact will vary across the region. The reconstruction costs in Indonesia is estimated at $4 to $5 billion over the next five years. In Maldives, preliminary estimates suggest a damage of $400 million from Tsunami earthquake while reconstruction costs to be borne by public sector is estimated at 13 percent of GDP in 2005.

On the other hand, swarms of locusts that began devouring crops remain an extremely serious threat in many IDB member countries in Africa (e.g., Algeria, Morocco, Mauritania, Senegal, Mali, Niger, Gambia, Sudan etc.). The locust problem has deepened poverty in many member countries in Sub-Saharan Africa region. According to the Food and Agriculture Organization, a total of 7.2 million hectares have been treated with pesticides. International assistance for combating locusts in affected areas has reached $65.4 million.

II. ECONOMIC PERFORMANCE OF IDB MEMBER COUNTRIES

Recent macroeconomic performance and future growth prospects of IDB member countries are largely influenced by developments in the rest of the world, particularly the ongoing recovery of the world economy. However, the impact is likely to be uneven across member countries, mainly due to diversity in their economic structures and policy choices. This section attempts to review the recent economic performance of IDB member countries in terms of real GDP growth, inflation and money growth, saving and investment, fiscal and trade balances, and external debt. Data on selected macroeconomic indicators are given in Table 1.1.

1. Real GDP Growth Rates

While growth has accelerated in a large number of developing countries, its momentum continues to differ across and within regions. For example, real GDP growth in developing countries has been slightly higher than in IDB member countries, including the LDMCs[7]. In other words, real GDP growth in IDB member countries was 5.6 percent in 2004 as compared to 5.7 percent in 2003, but still below the level attained by developing countries (Table 1.1). LDMCs' real GDP growth rate increased to 6 percent in 2004 compared to 5.6 percent in 2003.

2. Inflation and Monetary Expansion

As noted earlier, global inflation was largely subdued, most notably in the major advanced economies and developing Asia. But there are concerns that rising inflationary trend might return after reaching low levels in 2002. Unlike emerging and developing countries where inflation remained almost unchanged at about 6 percent over the 2002-2004 period, inflation in IDB member countries declined persistently from its double digit rate of 17.3 percent in 1999 to 8.2 percent in 2003, and then to 7.4 percent in 2004. In contrast, inflation in LDMCs edged up slightly to 7.3 percent in 2004 compared with nearly 7 percent in 2003.

Meanwhile, the relatively high monetary growth rates experienced by many IDB member countries during the 2000-2004 period are a clear evidence of expansionary monetary policy. More specifically, twelve IDB member

[7] The LDMCs include 24 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, Yemen, Kyrgyzstan Republic, and Tajikistan. As a special case, the State of Palestine is treated as an LDMC while Albania, Azerbaijan, and Uzbekistan are treated as such.

Table 1.1
Highlights of the Economic Performance of IDB Member Countries

						Estimated	Projections
	1999	2000	2001	2002	2003	2004	2005
Real GDP Growth Rates (Annual percent change)							
IDB Member countries	2.2	5.4	2.9	4.8	5.7	5.6	5.3
LDMCs	5.3	5.1	5.8	5.3	5.6	6.0	6.0
Developing Countries	4.0	5.9	4.0	4.8	6.1	6.6	5.9
Inflation (Annual percent change)							
IDB Member Countries	17.3	12.2	12.0	11.3	8.2	7.4	7.1
LDMCs	9.7	8.3	7.6	8.6	7.0	7.3	6.9
Developing Countries	10.4	7.3	6.8	6.0	6.1	6.0	5.5
Gross National Savings (percent of GDP)							
IDB Member Countries	22.3	24.8	23.8	23.5	24.4	25.1	25.2
LDMCs	14.5	16.4	16.0	16.5	17.3	18.1	18.5
Developing Countries	25.6	26.9	26.7	28.0	29.9	30.7	30.5
Gross Capital Formation (percent of GDP)							
IDB Member Countries	20.7	20.6	20.7	20.3	20.2	20.7	21.3
LDMCs	19.2	19.7	20.1	20.5	22.1	22.7	22.7
Developing Countries	24.2	24.5	25.0	25.5	27.0	27.9	28.1
Gross Private Capital Formation (percent of GDP)							
IDB Member Countries	13.6	15.3	14.7	15.6	15.9	15.4	15.9
LDMCs	14.1	15.0	15.5	15.6	17.7	17.6	17.3
Developing Countries	16.2	16.9	17.2	17.2	18.0	18.4	18.7
Fiscal Balance (percent of GDP)							
IDB Member Countries	-3.5	-1.6	-3.5	-3.5	-2.1	-0.9	-0.2
LDMCs	-2.9	-3.4	-3.3	-2.9	-2.4	-2.8	-2.7
Developing Countries	-3.8	-2.9	-3.2	-3.4	-2.8	-2.2	-1.9
Current Account Balance (percent of GDP)							
IDB Member Countries	1.4	5.5	4.1	3.0	4.5	5.7	5.4
LDMCs	-5.1	-4.1	-5.0	-4.7	-5.1	-5.0	-5.0
Developing Countries	-0.3	1.4	0.6	1.3	2.1	2.5	2.1
Trade Balance (percent of GDP)							
IDB Member Countries	4.9	9.6	8.1	7.4	8.5	9.8	8.8
LDMCs	-4.9	-2.9	-3.6	-4.0	-3.9	-2.8	-2.7
Developing Countries	1.6	3.3	2.4	2.9	3.4	3.8	3.3
Net Foreign Direct Investment ($ billion)							
IDB Member Countries	15.32	14.62	21.84	22.83	29.16	25.70	27.58
LDMCs	1.72	1.42	2.54	3.91	5.17	5.13	4.16
Developing Countries	158.55	158.54	178.12	152.27	135.45	147.61	157.75
External Debt ($ billion)							
IDB Member Countries	819.56	820.16	807.34	835.63	882.82	888.38	895.06
LDMCs	94.48	92.84	95.58	102.22	108.70	114.42	121.01
Developing Countries	2562.46	2503.34	2471.35	2533.31	2724.31	2763.02	2830.13
Debt Service /Total Exports (percent)							
IDB Member Countries	19.3	16.6	18.3	16.5	14.7	12.7	11.7
LDMCs	13.1	13.1	13.0	11.9	11.0	10.1	9.5
Developing Countries	25.9	21.8	22.4	19.7	17.9	14.9	13.8

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

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countries recorded a monetary growth rate above 14.9 percent in 2004; 11 member countries recorded growth rates between 11.7 and 14.5 percent; 4 member countries reported single-digit growth rates ranging between 4.7 percent and 9 percent; one member country reported a growth rate of 1.3 percent, whereas 2 other member countries experienced negative growth rates[8].

3. Saving and Investment Rates

Savings are crucially important for increasing domestic investment and achieving sustainable economic growth. However, owing to low per capita incomes in developing countries, most notably low income countries, savings may fall short of financing domestic investment. Historical data on national savings in the IDB member countries show that, on average, national savings as a ratio of GDP declined from 34 percent in 1980 to 24 percent in 1990, and then to about 22 percent in 1999. However, recent data reveal some improvement in national savings rates, which rose to 25.1 percent of GDP in 2004 compared with 23.5 percent in 2002 and 24.4 percent in 2003. However, savings rates tended to differ across regions and countries. They were lower in IDB member countries than in developing countries, but significantly higher than in LDMCs. Saving disparities can be largely explained by differences in income levels, growth rates, economic policies, institutional development, and demographic factors.

Gross fixed capital formation in IDB member countries, defined as a ratio of GDP, (investment rates hereafter) remained almost unchanged at about 20 percent, over the 2000-2004 period. In the LDMCs, it edged up from 22.1 percent in 2003 to 22.7 percent in 2004. It needs to be noted that investment rates in IDB member countries, including LDMCs, were below the levels recorded in developing countries, over the 2000-2004 period.

Meanwhile, in IDB member countries, resource surpluses (measured as the difference between national savings rates and investment rates), ranged from 3.2 percent of GDP in 2002 to 4.4 percent of GDP in 2004. These surpluses resulted largely from windfall gains in oil exporting member countries. In contrast, national savings of LDMCs fell short of covering investment needs, and the resulting financing gaps averaged 4.2 percent of GDP over the 2000-2004. The main challenge facing LDMCs is to keep their financing gaps within manageable limits, otherwise their external debt sustainability and growth prospects would be severely constrained. Nevertheless, under the prevailing resource gap, investment cannot be financed by national savings alone. Additional external sources of financing, whether in the form of official development assistance (ODA), foreign direct investment (FDI), or loans from commercial banks, are needed to bridge financing gaps.

Debt relief and ODA have indeed, become important sources of financing in many LDMCs. For instance ODA flows to the IDB member countries amounted to $35.5 billion in 2003, or about 42 percent of ODA flows to developing countries. In contrast, recent IMF data show that net inflows of FDI to IDB member countries represented only 1.3 percent of GDP in 2004 compared with an annual average of 1.7 percent for the previous decade. As a proportion of net inflows of FDI to developing countries, these FDI inflows represented 17.4 percent in 2004, as compared to 21.5 percent in 2003. The LDMCs share of net inflows of FDI to IDB member countries averaged 20 percent over the 2002-2004 period. It is also worth noting that only a few IDB member countries are active recipients of these FDI inflows. The analytical issues related to FDI are further discussed in Chapter Two.

4. Fiscal Policy

Fiscal consolidation remains a priority in most IDB member countries, including the LDMCs. During the 1990s, more than half of the IDB member countries experienced, on average, budget deficits well above the benchmark of 3 percent of GDP. As a result, most of countries accumulated sizeable public debts. However, lately, the fiscal position of IDB member countries has improved significantly. Fiscal deficits of IDB member countries narrowed to less than 1 percent in 2004, as compared to 2.1 percent of GDP in 2003, well below the 3 percent threshold. In the meantime, most oil-exporting member countries are running budget surpluses, largely due to higher oil revenues.

As far as the LDMCs are concerned, fiscal deficits began to decline in 2002 and it reached 2.8 percent in 2004, well below the 3 percent benchmark. The recent improvement in fiscal performance is due, among other things, to a number of positive developments affecting LDMCs, most notably, the rise in prices of primary commodities as well as the implementation of adjustment programs under the PRGF scheme and the debt relief initiative (HIPC). The related issues are further discussed in Section III.4 of this Chapter.

[8] IMF data on money growth are available up to the third quarter of 2004.

Notwithstanding the recent improved fiscal performance of IDB member countries, there is still a scope for better fiscal management to achieve macroeconomic stability and enhance domestic resource mobilization. The focus should, therefore, be on fiscal reforms aimed at improving governance, delivering social services more efficiently, and finding innovative ways to boost tax revenues.

5. Current Account and Trade Balances

Since 1999, the IDB member countries have been experiencing current account surpluses, mainly due to persistent surpluses in their trade balance of goods and services. As a share of GDP, the current account surplus of IDB member countries increased to 5.7 percent in 2004 as compared to 4.5 percent in 2003, well above the low levels recorded in developing countries as a group. In the meantime, the trade balance surplus of the IDB member countries increased from 8.5 percent of GDP in 2003 to 9.8 percent of GDP in 2004, mainly owing to higher oil and other non-fuel commodities.

In contrast, the current account balance of LDMCs remained in deficit, primarily because of the persistent deficits in their trade balance. In recent years, the current account deficit remained unchanged at almost 5 percent of GDP despite the narrowing of the trade balance deficit in 2004. It needs to be noted that the trade deficit of the LDMCs stagnated at about 4 percent for three consecutive years before declining to 2.8 percent in 2004.

6. External Debt

From 2002, a gradual increase in the stock of external debt of the IDB member countries can be observed (Table 1.1). In 2003, external indebtedness rose by $47.19 billion over the previous year. For the nine months of 2004, the foreign debt rose only by $5.56 billion over 2003, to reach a stock level of $888.38 billion. This paltry increase in the external indebtedness of IDB member countries during 2004 appears to be, in part related to the current account surplus and the relatively stagnant trend of the overall investment rate. Consequently, the share of IDB member countries in the total external debt of developing countries declined from about 33 percent in 2002 to 32.2 percent in 2004.

The external indebtedness of the LDMCs started to resume its upward trend from $95.58 billion in 2001 to reach $114.42 billion for the nine months of 2004. It needs to be noted that, in recent years, there appears to be a slowdown in incremental foreign indebtedness of LDMCs. LDMCs increased their net indebtedness by $6.64 billion in 2002, which increased by $6.48 billion in 2003 and in nine months of 2004, net indebtedness increased by $5.72 billion compared to 2003. Viewed in the context of a gradual rise in the overall investment rate of the LDMCs, the deceleration in net external indebtedness appears to be a move towards attaining a sustainable external debt position.

IDB member countries' composition of external debt is provided in Table 1.2, which is extracted from a separate database that includes 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. The IDB member countries contracted additional bank borrowings amounting to $23.22 billion in December 2003 over the same period of the previous year. However, by June 2004, IDB member countries decelerated their incremental bank borrowing by an amount of $21.15 billion to reach an aggregate level of $249.54 billion. Taking advantage of a low interest rate environment, many prime borrowers from IDB member countries continued to mobilize resources by directly issuing international securities.

Debt securities issued abroad by IDB member countries increased from $72.33 billion in December 2002 to $79.84 billion in December 2003, which further increased to $85.92 billion in June 2004. The stock of multilateral claims on all IDB member countries declined from $141.86 billion in December 2003 to $136.48 billion in June 2004. The IDB member countries increased their stock of borrowings from official DAC bilateral creditors from $86.67 billion in December 2002 to $94.29 billion in December 2003. Foreign exchange reserves of all IDB member countries (excluding gold holdings) increased by $57.49 billion in December 2003, over the same period of the previous year, which further increased to the level of $315.36 billion in June 2004. Aggregate holdings of foreign exchange reserves by all IDB member countries is expected to cover debt servicing liabilities due within a year.

Major sources of financial flows for LDMCs are loans extended by multilateral institutions and by official DAC bilateral creditors. For the first six months of 2004, multilateral claims on LDMCs increased by a mere $346 million. In contrast, multilateral claims on LDMCs increased by a substantial sum amounting to $4.66 billion in twelve months of 2003. Therefore, it is vital that the LDMCs examine the reasons for

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Table 1.2
Statistics on External Debt by Type for IDB Member Countries

Stocks (end of period, $ million)

	2002	2003	2004
	December	December	June
All IDB Member Countries			
Bank loans	205,173	228,394	249,542
Debt Securities Issued Abroad	72,327	79,838	85,917
Brady Bonds	2,831	2,684	2,661
Non-Bank trade Credits	78,407	86,417	n.a.
Multilateral Claims	133,553	141,860	136,477
Official Bilateral Loans (DAC Creditors)	86,671	94,286	n.a.
Debt due within a year			
Liabilities to banks	89,469	104,330	121,508
Debt Securities Issued Abroad	8,275	9,371	9,630
Non-Bank Trade Credits	16,359	20,533	n.a.
International Reserve Assets (excluding Gold)	245,662	303,154	315,355
IDB Least Developed Member Countries			
Bank Loans	5,488	6,041	6,296
Non-Bank Trade Credits	6,778	7,087	n.a.
Multilateral Claims	37,303	41,960	42,306
Official Bilateral Loans (DAC Creditors)	11,257	12,680	n.a.
Debt due within a year			
Liabilities to Banks	2,810	2,216	2,500
Non-Bank Trade Credits	588	618	n.a.
International Reserve Assets (Excluding Gold)	14,095	16,929	17,165

Source: Joint BIS-IMF-OECD-World Bank Statistics (See htttp://www.oecd.org/document/5/0,2865,en_21571361_31596493_ 1_1_1_1_1,00.html).

Note: The above data pertains to fifty-three member countries, excluding the State of Palestine and Iraq. Of this, the data for the LDMCs pertain to twenty nine member countries.

slower disbursements of multilateral (both programme and project) assistance during the first six months of 2004, which, if left unaddressed, could have adverse implications for sustaining growth rates and attaining the MDG-related targets. The stock of LDMCs debt owed to the official DAC bilateral creditors increased from $11.26 billion in December 2002 to $12.68 billion in December 2003. Foreign exchange reserves of LDMCs (excluding gold holdings) increased by $2.83 billion during 2003 and reached an aggregate level of $17.16 billion in June 2004. This level of foreign exchange reserves held by LDMCs adequately covers the expected debt servicing obligations falling due within a year.

7. Short Term Prospects

According to IMF projections, the growth momentum in advanced countries, emerging, and developing economies is expected to decelerate in 2005. For instance, real GDP growth of advanced economies is expected to decrease from 3.6 percent in 2004 to 2.9 percent in 2005. In emerging and developing countries, it is likely to fall from 6.6 percent in 2004 to 5.9 percent in 2005. In contrast, real GDP growth in Sub-Saharan Africa region is projected to rise from 4.6 percent in 2004 to 5.8 percent in 2005. The IMF projections of selected macroeconomic indicators for IDB member countries, LDMCs, and developing countries are given in Table 1.1 in column 8.

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For IDB member countries, real GDP growth is projected to slightly decelerate from 5.6 percent in 2004 to 5.3 percent in 2005. Similarly, inflation is expected to decline modestly to 7.1 percent. The fiscal deficit will also continue declining to reach its lowest level of 0.2 percent of GDP in 2005. The trade surplus as a ratio of GDP is expected to decline by almost one percentage point to reach 8.8 percent and the current account surplus as a ratio of GDP is projected at 5.4 percent in 2005.

Furthermore, owing to the projected near stagnation of the national savings rate and the increase in investment rate, the resource balance in IDB member countries is projected to decrease by one half percentage point to 3.9 percent of GDP in 2005. In addition, the debt burden as proxied by the debt service to exports ratio, is expected to fall further to 11.7 percent in 2005, whereas net inflows of FDI are projected to increase by about $2 and reach $27.58 billion in 2005.

Turning to LDMCs, real GDP growth is projected to remain unchanged at 6 percent in 2005, whereas inflation is likely to fall to 6.9 percent. Fiscal and current account deficits projected at 2.7 and 5 percent of GDP in 2005, respectively. Unlike the rest of IDB member countries, the resource gap for LDMCs is projected to remain high at 4.2 percent of GDP and the net inflows of FDI flows to LDMCs to decrease by nearly $1 billion to $4.16 billion in 2005. However, the debt service ratio is expected to decline further by a little more than half a percentage point to 9.5 percent of GDP.

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

1. Current Trends in International Capital Flows to Developing Countries

Foreign resource flows can leverage and enhance productivity, create jobs, and more importantly transfer global competitive technologies and business practices into developing countries. Among many different forms of foreign flows, private capital flows remains the most important source with the highest growth impact. It is less volatile than debt and forms a better risk-sharing between originating and recipient countries. Their effectiveness, however, depends largely on how the capital flows are utilized by different sectors of the recipient country and how well the legal, policy making and institutional environments of the developing economies are operating.

The figures show that in line with the sign of global recovery in 2003, the net long-term resource flows to developing countries has reversed its trend and started to rise in 2003, after years of steady decline. The amount of net resource flows to developing countries has risen from $68.5 billion in 2002 to $94 billion in 2003. Moreover, the trend of net private capital inflows which was slowing down until 2002, also started to rise in 2003. The actual amount of net private flows, including debt and equity, has risen to $200 billion, an increase of almost 30 percent compared with 2002. In contrast, net official flows continued to decrease from $54 billion in 2001 to $28 billion in 2003.

Net resource flows to IDB member countries has also increased from $24.9 billion in 2001 to $32.6 billion in 2003. The amount of net resource flows varies significantly across member countries. In 2003, twelve IDB member countries received a total of $21.4 billion or 65 percent of total flows with the highest amount equivalent to $3.9 billion going to Iran. The share of resource flow of IDB member countries with respect to total flows of developing countries has declined from 42 percent in 2002 to 34.7 percent in 2003. Algeria, Azerbaijan, Indonesia, Iraq, Lebanon, Morocco, and Turkey experienced an amount as high as twice of increase in resource flows compared with 2002. Cameroon, Cote d'Ivoire, Malaysia, Pakistan and UAE appeared among those that experienced a decline in net resource flows.

Net Foreign Direct Investment (FDI) with its enormous potential development impact on developing countries, declined from a peak of $181.7 billion in 1999 to $135.2 billion in 2003. The current problem in attracting FDI flows to developing countries is its highly concentrated destination of flows. Ten countries are having a share of almost 70 percent of FDI flows, while Sub-Saharan African countries could only get a share of 6.5 percent in 2003. Half of the 6.5 percent share of FDI flows in Sub-Saharan countries has gone to only three oil exporter countries in this region. With an optimistic forecast of the world economy along with easing monetary and fiscal policies of advanced economies, it is expected that FDI will increase in developing countries in the years ahead. Furthermore, implementation of liberalization policies, especially in the service sector, along with reducing other risks to investors' confidence will greatly help the recovery and facilitates further FDI flows to developing world in the near future.

The potential for expanding ODA flows is encouraging

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given its recent developments. The ODA flows increased from $53.7 billion in 2000 to $58.3 billion in 2002 and then to $68.5 billion in 2003, an increase of 17 percent compared to the previous year. The increase in real terms in 2003 is much smaller - around $60.5 billion - at 2002 prices and exchange rates. Eight countries of the 22 DAC countries did not increase their ODAs in 2003. The major contributors which also happened to have the largest increase in ODA in 2003 were: (i) the US ($2.5 billion), (ii) Germany ($2.39 billion), (iii) France ($1.83 billion), and (iv) Netherlands ($1.75 billion). Of the total $68.5 billion ODA in 2003, 53 percent was contributed by EU member countries and the rest by seven non-EU countries. The current figures show that on average, ODA level of EU countries accounts for 0.35 percent of their GNI while the other countries accounted for only 0.25 percent.

So far eleven of the 22 DAC countries have either met the target of 0.7 percent of GNI set by the UN or have announced a date by which they aim to do so. If the current trend and longer term commitments are met, a further $15 billion of ODA would be available by 2010, taking the total ODA to over $100 billion. The fact is that increases in ODA flows is directed less toward the financing the incremental cost of meeting MDGs; it is largely devoted to debt relief initiatives, and the amount of additional finance needed by countries to help them reach MDGs is still far below what is required if MDGs are to be met in 2015. IMF estimates show that at least a magnitude of $40 to $60 billion of additional ODA is needed per year to support adequate progress toward the MDGs through 2015.

ODA flows to developing countries increased considerably from $67.5 billion in 2002 to $84.4 billion in 2003, which is an increase of 25 percent. About $23.7 billion or 28 percent of this assistance has been devoted to least developed countries alone. The share of IDB member countries in total ODA flows stands at 42 percent in 2003. The amount of ODA flows to IDB member countries increased from $23.9 billion in 2002 to $35.4 billion in 2003, an increase of 48 percent. A sharp decline in ODA flows has occurred for Cote d'Ivoire, Mozambique, Uzbekistan, Djibouti, and Uganda in 2003, while most other countries benefited from an increase in ODA flows. Turkey, Pakistan, Jordan, Indonesia, and Cameroon had the highest increase in ODA flows in 2003.

Expatriates regularly sent remittances to their country origin. Although some believe that these remittances mainly increase domestic family consumption and are not invested in productive assets - with the exception of meeting their housing needs - others hold that if they are invested properly, it creates the multiplier effect especially in the short-run. Nevertheless, it is considered to be one of the major sources of foreign earnings and most often it is much more important than ODA flows. The amount of workers' remittances has risen steadily since 1995 to a peak of $93 billion in 2003, an increase of more than 20 percent from 2001 and more than 200 percent from 1990. Many factors have contributed to the sharp surge in remittances especially in the past two years. Redirecting remittances from informal channels to formal channel, fear from deportation thus sending a larger share of saving and a better data collection are among the most important ones. The largest share of workers' remittances belongs to Latin America and Caribbean region with 31 percent followed by South and East Asia with 20 percent each. At about $4 billion, remittances to SSA countries were relatively flat in 2001-2003 and the region received only a small fraction, under 5 percent, of total remittances. In 2003, the largest amount of workers' remittances belong to Mexico ($13 billion) followed by India ($8.4 billion) and Philippines ($8 billion).

As is well known, accelerating economic growth is essential for member countries to generate resources for coping with poverty alleviation and meeting MDGs. Also, the international donors are committed to assisting the LDCs in achieving MDGs and integrating in the world economy. In this context, IDB supports building of consensus on new resource mobilization mechanisms that will adequately fund the implementation of MDGs programmes. Based on its Strategic Framework, IDB extends development assistance through various modes of financing and entities within IDB Group. To this end, IDB actively seeks to promote private sector investment activities as well as to facilitate trade integration of member countries into the world economy.

In the area of resource transfer, the Bank made a debut Sukuk offering of $400 million in 1424H from the international capital market. In 1426H, the Bank launched its second Sukuk amounting to $1 billion under the Euro Medium Term Note (EMTN), and the 'benchmark issue' of $500 million is being raised during the second quarter of 2005. As discussed in Chapters Three and Seven, the Sukuk resources mobilized thus far has enhanced the ability of the Bank to increase its overall financing.

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2. State of Negotiations in the Doha Work Programme

Developments during the summer of 2004 has raised the hope that the Doha Development Agenda, as enunciated in 2001, will now reach fruition. The lack of consensus during the WTO Ministerial Meeting, held in Cancun in 2003, galvanized the international community to soften their negotiating positions and to strive to achieve consensus on the implementation of the Doha Development Agenda. Broadly, the Agenda consists of three key areas: further trade liberalization that will assist in poverty reduction goals; improved market access for the exports of the least developed countries; and to gradually eliminate agricultural export subsidies provided by the developed countries. Concessions offered by the European Union on the issue of agricultural export subsidies also elicited a matching response by the United States. A momentum developed to realize developmental gains from the Doha Round that led to the formulation of WTO's July Package in 2004, which provided a roadmap for addressing unresolved and contentious Cancun issues

The achievements in the July Package are numerous, but only the most important ones are briefly discussed below. Attention was paid to the WTO's mandate for converting existing special and differential treatment into a precise, effective and operational procedures. These issues and other related subjects raised by developing countries were spread throughout the various provisions in the July Package. The Package clearly indicates that LDCs are not obliged to make commitments, and developed countries are expected to provide duty-free and quota-free market access for LDCs exports. On development issues, special consideration is given to negotiations of trade and development related subjects of concerns to developing countries.

As part of the July Package, WTO members agreed to eliminate some forms of subsidies by a date which will be determined through negotiation. The negotiated date will mark the end of export subsidies, export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days; and trade-distorting practices of state trading enterprises that are considered to be subsidized and food aid that does not conform with various disciplines. The reductions will be applied through annual instalments and with parallel treatment for different forms of export subsidy, though the details still have to be negotiated. A tiered formula will be used for tariff reduction and further cuts of higher tariffs so that enhanced market access is ensured.

Regarding the cotton initiative in the July Package, WTO members considered it to be important from two standpoints, namely the trade and development issues. As far as the developmental aspect of the cotton initiative is concerned, the main part of the text instructs the WTO Secretariat to work with the development community and international organizations and to report regularly on the outcome to the WTO General Council. In particular, developed countries "should" engage themselves in a similar work. Concerning the trade, the agriculture negotiators are instructed to ensure that the cotton initiative is given "appropriate" priority and is independent of other sectoral initiatives.

With respect to non-agricultural market access, the guidelines and templates for the reduction or elimination of tariff and elimination of non-tariff barriers were agreed but the specifics need to be further negotiated. On the so called "Singapore Issues" - trade facilitation, trade and investment, competition policy and transparency in government procurement - agreement was finally reached that trade facilitation negotiations should be part of the current Round while the treatment of other three remaining issues are yet to be decided.

The July Package also provides for lowering the eligibility of preferential tariff treatment enjoyed by the least developed countries, including the LDMCs. However, the downside of this provision is that the least developed countries duty-free exports to the developed markets could be potentially hurt as a result of more competition from other developing countries. According to a recent IMF study[9], it has been projected that as a result of a hypothetical 40 percent reduction in MFN tariffs in Canada, EU, Japan and the US, ten least developed countries are likely to experience a reduction in their average export unit values. Among the LDMCs, this reduction is expected to range from 2 percent for Comoros to 4.8 percent for Mauritania. Thus, some least developed countries are expected to earn lower export revenues as a result of their preference erosion in industrialized countries.

Other WTO agreements may also affect the trade patterns of developing countries, including IDB member countries, and the expected gains and losses

[9]Fund Support for Trade-Related Balance of Payments Adjustments, IMF dated February 27, 2004.

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from further trade liberalization. In terms of trade in services, WTO members decided to work to ensure high quality offers and those members who have not yet submitted initial offers were committed to do so at the earliest. A deadline of May 2005 was set for the submission of revised offers. With this decision, the prospects of completing the Doha agenda have considerably improved.

With the dismantling of the Multi Fibre Arrangement (MFA) from January 2005, some IDB countries are expected to experience considerable reduction of textile export. It appears that, in the post textile quota-free world, IDB member countries such as Turkey, Egypt, Bangladesh, Tunisia and Morocco could potentially experience a reduction of their textile and clothing exports to the EU and the U.S. market. To mitigate adverse impact of WTO agreements on the economies of the least developed countries, the July Package stressed the role of multilateral and developmental organizations and reaffirmed that a greater cooperation in the area of trade facilitation, and the related technical and capacity building assistance is needed to minimize the adverse effects of agreement to developing countries, especially the net food importing countries[10].

The IDB Group has specific programmes aimed at mitigating the adverse impact emanating from the implementation of various WTO agreements on the economies of member countries. Such programmes on WTO-related matters aims to disseminate information and strengthen capacity building through workshops, seminars, and technical assistance funds, initiative to assist the implementation of the OIC trade preferential system, role of IDB's export financing scheme to promote member countries exports, and the role of IDB's import financing scheme to mitigate adverse balance of payments impact are discussed further in Chapters Two and Four, respectively.

3. Update on the Progress in Implementing MDGs, Poverty-Reducing Growth Strategies, and New Related Initiatives

The overall prospect for achieving MDGs by 2015 is not promising according to the Global Monitoring Report. However, so far the progress toward achieving MDGs has been mixed across regions and countries. Some regions such as East Asia and the Pacific stand out as being on track for meeting some of the goals. Other regions, particularly Sub Saharan African (SSA) countries are not likely to achieve the MDGs by 2015. A summary of the MDGs progress with particular attention to IDB member countries is presented below[11].

Eradicating extreme poverty and hunger concern many countries and remains a major challenge in the world. Regional performances show that Asia and Northern Africa have actually reduced extreme poverty and will likely meet the goal by 2015, according to the U.N. report for the progress of MDGs from 1990-2004. Others are seriously off-track and have experienced little or no progress in this regard. In SSA countries, the proportion of population struggling to survive on $1 per day or less has not changed since 1990. As far as IDB member countries are concerned, there are four countries where more than 50 percent of their population live on less than a dollar a day (Uganda, Sierra Leone, Niger, and Mali). In twelve member countries, the figure lies somewhere between 10 percent and 50 percent of their population and there are only ten countries where less than 10 percent of their population live on less than a dollar a day. In terms of the prevalence of child malnutrition, the incidence is above 40 percent in five IDB member countries. In twenty other member countries, child malnutrition is reported to be in the range of 20 to 40 percent.

With current trends, several regions will achieve or approach the goal of providing universal primary education, but again shortfalls are likely in SSA countries, and possibly in South Asia and the MENA region as well. Almost half of the 121 million children out of school are girls, most are in Africa and South Asia. The available data for IDB member countries show that there are eleven member countries where less than 70 percent of their primary school age children are enrolled in primary education. Guinea, Mauritania, Kuwait, Chad, Morocco and Gambia made impressive progress with an over 50 percent increase in primary school enrollment between 1990 and 2002. On the youth literacy rate index, the youth literacy rate for the ages between 15 and 24 is estimated to be above 50 percent for 31 member countries. The substantial improvement

[10]As a result of gradual elimination of agriculture export subsidies, potentially higher international food prices and some deterioration of the terms of trade of net food-importing IDB countries is expected. The burden of higher food prices will most likely be passed to consumers and, therefore, countries might be faced with more financial constraints to continue with their domestic subsidy programmes on food items. Currently, the number of potentially vulnerable IDB member countries are seventeen whose net food imports exceeded at least 20 percent of their total imports in 2001.

[11]The analysis for IDB member countries is based on the available data from the World Bank database.

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in the net primary school enrollment ratio and youth literacy demonstrates the fact that with greater effort and devoting additional resources, success is possible in achieving the goal of universal primary education in member countries.

The role of women in economic growth and development and their contribution to households and communities is well recognized in the third MDG. Globally, the progress in achieving gender equality in education, literacy, and in access to employment opportunities is very slow and if the current trend continues the goal will not be met in most regions. There are nine IDB member countries where their ratio of girls to boys in primary and secondary school is less than 75 percent in year 2001/2002. In terms of employment equality, the women's share of the labour market in non-agricultural employment remains well below 50 percent in over 95 percent of IDB member countries.

Substantial progress toward achieving the fourth MDG of reducing child mortality suggests that the goal will be met in North Africa, Latin America and Caribbean and South Eastern Asia. South Asian countries progressed less significantly and, in SSA countries, a negligible progress was witnessed where the highest level of under-five mortality was observed. Levels of under five mortality varies widely across countries - from 4 to over 280 deaths per 100 live births. There are 14 IDB member countries where their under-five mortality rate is greater than 150 per 1000 live births with Sierra Leone having the highest rate among member countries. Eighteen countries have a rate between 50 and 150 deaths per 1000 live birth. If the past trend continues at the same rate to 2015, the reduction in child mortality will be about 42 percent and far from the goal of two-thirds reduction of the 1990 trend.

The target of a 75 percent reduction in the maternal mortality ratio between 1990 and 2015 as the fifth MDG is not likely to be achieved in SSA countries and only a small proportion of countries (15 to 20 percent) appear to be on track. Based on 1990s trends, SSA countries, which is the region with the highest level of maternal mortality, is almost making no progress toward the target. In other regions, there has been significant progress. Ten IDB member countries have a maternal mortality ratio of more than 1000 per 100,000 live births and 19 countries fall in a ratio between 200 and 1000. Seven member countries have made significant progress and lowered their maternal mortality rate to less than 50 in the last decade.

The incidence of Tuberculos is in thirty member countries have a rate of more than the world's average of 142 per 100,000 people. Only four member countries show a rate less than the high-income countries' average of 18 in 2002. However, for other types of communicable diseases, the important goal is to halt and reverse the spread of such diseases; otherwise, its incidence will continue to rise, further aggravating conditions affecting child and maternal mortality and entailing broad and serious economic and social consequences. The risks of failure to halt the spread of communicable diseases are especially high in SSA countries, but are substantial in other regions as well.

Achieving health related MDG are rendered more difficult due to large gaps in access to safe drinking water and basic sanitation. The gaps are largest in SSA countries for water and in South Asia for sanitation. The goal of cutting in half, by 2015, the proportion of the population without access to safe water and sanitation means providing an additional 1.5 billion people with water and 2 billion with sanitation. With current rates of progress at about half what is needed, most regions will fall well short. At these rates, only about one-fifth of the countries will achieve the access target. Among low-income countries, only half as many will make it. As far as sanitation is concerned, fifteen IDB member countries could provide improved sanitation facilities for more than 90 percent of their population. Less than forty percent of the population have access to these facilities in eight member countries. A large number of the population in member countries are also at severe risk of not achieving the millennium goal of access to safe drinking water. Issues and challenges of water management is discussed in Section III.8 below.

The implication of the slow progress towards attaining MDGs is to heighten efforts beyond the current trends for developing strong and sustainable economic growth and to expand the delivery of services to poor through sustained reform efforts by developing countries as well as increased support from developed countries and multilateral agencies. IDB's initiatives in the past has been to assist in reducing the significant gaps in achieving MDGs, particularly in SSA and CIS countries. IDB works closely with the international donor community to develop a framework for monitoring policies and actions aimed at achieving the MDGs target in member countries. IDB support robust implementation of macroeconomic reforms in member countries in order to accelerate economic growth, improve the regulatory environment for more active participation by the private sector, higher public sector investment in infrastructure, and delivery of more effective services to poor people. Besides IDB's current financing operations, two initiatives have been proposed to assist member countries progress toward achieving MDGs (see Box 1.1).

Currently, IDB's operations in the least developed member countries are mainly focused in the MDGs related sectors such as health, education, agriculture and water supply. During 1425H, the IDB approved \$835.5 million for project and trade operations along with special and technical assistance in least developed member countries. The resources provided by IDB are directed in such a way to have the highest impact on the economic growth and institutional capacity building of member countries. Under the *Declaration on IDB Group Cooperation with Africa*, IDB increased its volume of financing, trade, and technical assistance from \$401 million in 1424H to \$448.8 million in 1425H, which cumulatively represent 42.5 percent of \$2 billion earmarked under the Declaration over the five-year period from 1424H to 1428H (2003-2007).

4. Recent Debt Relief Initiatives

Unsustainable external debt remains one of the most challenging issues facing low income developing countries and the international donor community. Since its inception in 1996, Heavily Indebted Poor Countries (HIPCs) debt relief initiative sought to reduce the excessive debt burdens faced by poorest nations. So far, it has provided thirty seven countries with debt relief which is estimated to be \$54.5 billion in 2003 in NPV terms. As of September 2004, twenty seven countries received debt relief under the HIPCs initiative. Fourteen of these countries have reached the completion point and are receiving irrevocable debt relief. Thirteen countries that are between the decision point and completion point (interim period) have received interim debt service relief. There are currently eleven pre-decision point countries potentially eligible for the HIPCs initiative, who face persistent social difficulties such as civil war, cross-border armed conflict, governance challenges, and substantial external debt arrears problems.

HIPC debt relief committed to the twenty seven countries that have reached their decision or completion point, together with other relief initiatives, represent a two-thirds reduction in the overall debt stock of these countries. Debt service-to-export ratio has also substantially decreased to an average of ten percent in these countries. This will enable authorities in HIPCs an opportunity to allocate greater resources to public expenditures. Poverty reducing government expenditure in HIPCs is projected to increase from less than twice of debt service payment to almost four times with a 7.9 percent share of GDP in 2003.

The HIPC debt initiative currently identifies nineteen IDB member countries as potentially eligible to receive debt relief. Of these, eight countries (Benin, Burkina Faso, Mali, Mauritania, Mozambique, Niger, Senegal, and Uganda) have reached the completion point, six countries (Cameroon, Chad, Guinea, Guinea Bissau, Gambia and Sierra Leone) are in the decision point stage and five countries (Cote d'Ivoire, Comoros, Somalia, Sudan and Togo) are in the pre-decision stage. IDB member countries that have reached the completion point have either received or are in the process of receiving all debt relief under the HIPC debt initiative. Of the nineteen IDB member countries eligible for debt relief under the enhanced HIPC initiative, five are classified as moderately indebted (Cameroon, Mali, Senegal, Uganda, and Yemen), thirteen countries as severely indebted (Benin, Burkina Faso, Chad, Cote d'Ivoire, Comoros, Gambia, Guinea, Guinea-Bissau, Mauritania, Niger, Sierra Leone, Somalia and Sudan) and one country (Mozambique) as less indebted in 2003.

In order to achieve external debt sustainability, IDB member countries face variety of challenges. Macroeconomic instability is considered to be the most important impeding factor especially for those in the interim period. External shocks such as decline in commodity prices and drought along with internal conflicts, war, and security problems are the other major challenges. Some of the countries in the interim period, such as Sierra Leone, have been very successful in implementing PRGF supported programmes and others such as Cameroon, Chad, Guinea, and the Gambia have made considerable progress in the area of fiscal policy and public expenditure management. There are a few other countries that are in the process of their macroeconomic stability reform agenda. Of the five countries that have not yet reached their decision point, nearly all have been affected by conflicts and some have significant external arrears to various creditors. These problems have complicated the design and implementation of viable policy adjustment and reform programmes in these countries.

The HIPC initiative continues to provide substantial savings in terms of debt-service payments by IDB member countries. According to the IMF's report of July 2004 (Annexes 1.1 and 1.2) total debt service paid has declined from \$1,270 million in 1999 to \$1,220

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Box 1.1
Innovative Solutions for Achieving MDGs in Member Countries

A. Role of Zakat and Awqaf in Poverty Alleviation.

The objective of the 1425H IRTI's occasional paper was to investigate the role of Zakat and waqf to alleviate poverty issues in Muslim societies. Zakat requires Muslims to distribute a part of their wealth among specified groups in order to achieve economic emancipation of the poor. Similarly, waqf is a voluntary charitable act that has wide economic implications. These institutions were able to solve the problems of poverty and extend social services in the classical times. Having clearly explained the causes and possible solutions of poverty, the paper discusses how zakat and awqaf can be structured to play their role both at the micro as well as the macro level. The findings of the paper were further enriched by taking into account the experience of two IDB member countries (Malaysia and Pakistan) and a non-member country with a Muslim minority (South Africa).

The results of the paper show that at the macro level the potential of zakat to alleviate poverty has a direct relationship with socioeconomic characteristics of member countries, especially the degree of poverty and GDP per capita. The micro examination of institutional framework of zakat and awaqf in the paper also suggests that these two Islamic instruments should be integrated in the overall development process of member countries. There is a need for zakat and awqaf institutions to coordinate their activities with various similar organizations (other government agencies, non-government organizations, civil organizations, etc.) to produce an impact on the poor. Furthermore, there is a need for laws and regulations to create incentives for the proper functioning of zakat and awqaf institutions in order to ensure their operational efficiency and transparency.

Successful organizational structures would be those which build trust among people to maximize the collections/revenue. Results from the survey indicate that a corporate structure for zakat collection can raise the awareness of the concept among people and increase the funds raised in an efficient way. Awqaf institutions for social development purposes are effective if operated as nonprofit institutions. There is a need to operate zakat and awqaf using contemporary organizational structures and instruments to reinforce poverty alleviation endeavours.

B. Financing Basic Education in IDB Member Countries

The objective of the 1425H IDB's occasional paper was to take stock of the state of education in IDB member countries in terms of access and attainment with a view to assess the financial resources required to achieve the education millennium development goal in IDB member countries.

The findings of the paper show that educational reforms are necessary pre-requisites of establishing the institutional and physical structure for supporting the education MDG in member countries. In this respect, partnership with various stakeholders and mobilizing domestic resources to finance substantial cost of reforms are highlighted in the paper. There is also a potential role of the private sector in providing and funding basic education. The experience of Malaysia and Tunisia in financing education and achieving full coverage provide valuable lessons for IDB member countries and several financing mechanisms are discussed. Finally, the paper recommends that IDB may consider the following issues in its education sector financing:

- Financing priority should be accorded to countries that have not made progress towards achieving the MDG in education given the disparities between member countries.
- Support for primary education financing should focus on both quantity and quality, and to pay greater attention to disadvantage groups (i.e. girls, children with disabilities, and the poor).
- Policies such as increasing the project's ownership by the member countries, engaging community-based organizations at different stages of the project cycles, and formulating partnerships with all stakeholders, may promote support and participation in project implementation.
- Matching-grant and co-financing schemes may increase community involvement in the running of schools and thereby create a sense of ownership.
- Formulating partnerships with other international agencies and non-government organizations with a view to developing innovative strategies for education financing.
- Given the increasing demand for private education, the Bank could make a significant impact in this area by designing co-financing arrangements with the private sector in financing investment in the education sector.

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million in 2003 and it is projected to go further down to $957 million in 2005. Compared to the 1999 average, debt service payments relative to export and fiscal revenue in heavily indebted IDB member countries (fourteen countries) that have reached their decision or completion points has declined from an average of about 16 and 24 to 10 and 14.8 percent in 2003, respectively. The debt service ratio to GDP has also shown some signs of improvement. In 2003, this ratio is estimated to be around 2.4 percent compared to 3.4 percent in 1999 and is expected to go further down to 1.57 percent in 2005.

The cost of debt relief assistance is roughly divided between multilateral and bilateral creditors. IDB along with IMF, IDA and AfDB account for nearly 40 percent of the total cost, with Paris club creditors accounting for as much, while commercial creditors account for about 5 percent of the total cost. In 2003, four IDB member countries - Cameroon, the Gambia, Guinea and Guinea-Bissau - had external debts in excess of the HIPC initiative threshold which aggregate around $418 million in NPV terms. Fortunately, the sunset clause which has been extended three times since 1996, has been again extended for another two years to the end of 2006 for the countries that are assessed to exceed the HIPC initiative debt thresholds. It is expected that the extension would provide countries with more time to meet the HIPC eligibility requirements.

Implementation of the debt sustainability framework is another area of critical importance for HIPCs. The framework aims at guiding low-income countries on how to make decisions for borrowing and how to devote enough resources toward achieving the MDGs while staying within their means to repay the loans. In other words, the sustainability framework links a country's borrowing potential to its current and prospective ability to service debt. Strengthening policies, institutions and capacity to manage debt while reducing their vulnerability to exogenous shocks ranging from international trading conditions to natural disasters, export diversification and foreign exchange reserves accumulation are some examples of the type of policies that HIPCs need to implement in their debt sustainability programmes. Creditors and donors will also review long-term projections incorporating forward-looking analysis and accounting for possible shocks.

As far as the IDB's share of debt relief is concerned, a total debt relief of $144 million in 2003 NPV terms has been contributed. The breakdown of IDB's debt relief to the fourteen eligible member countries is shown in Table 1.3.

Table 1.3
Estimated NPV of Debt Relief By IDB to Member Countries as of June 2004

Country	Date at which NPV of debt relief is estimated	IDB's share of debt relief in NPV terms (million $)	Board of Executive Approval
Benin	Dec 1998	4.7	Yes
Burkina Faso	Dec 1999	16.7	Yes
	Dec 2001	4.5	Yes
Cameroon	June 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	11.1	Dialogue
Mali	Dec 1998	10.7	Yes
Mauritania	Dec 1998	15.5	Yes
Mozambique			No exposure at decision point date
Niger	Dec 1999	21.0	Yes
	Dec 2002	5.4	Under study
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 decision point dates.

As of 1425H, the IDB's debt relief packages have been implemented for Benin, Burkina Faso, Chad, Uganda, Mauritania, and Niger. The implementation of the IDB's debt relief package for Mali is currently in progress.

5. Improving the Investment Climate for the Growth of Business Activities in Member Countries

The role of private sector in spurring the economic growth and more broadly economic development is now well established. An efficient private sector makes effective use of resources, promotes investment mobilization, and brings technological progress with its development. It helps reduce poverty by creating jobs, increasing productivity and expanding opportunities for the poor. It can also complement government efforts to empower the poor by facilitating their access to basic infrastructure and social services through private

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participation and many other instruments.

To create a vibrant private sector, a number of appropriately sequenced reforms need to be implemented particularly by low income countries. Macroeconomic stabilization policies are necessary but not a sufficient condition for promoting the private sector role in the economy. Despite implementing structural reforms in developing countries many problems, such as creating productive jobs, alleviating poverty and increasing productivity, still persists. Development experience suggests that it is the SME sector that typically demonstrates both the entrepreneurial vibrancy and strong poverty alleviation impact.

New insights are emerging that suggest micro-initiatives can further spur private sector investment activities. Recently, the World Bank Group outlined a new initiative for tapping private initiative to reduce poverty, which is called "Doing Business" project. "Understanding Regulation" is the first in a series of annual reports published in 2004 investigating the scope and manner of regulations that enhances business activities in five areas - starting a business, hiring and firing workers, enforcing a contract, getting credit and closing a business - for 130 countries. The following is a summary of the main findings and an analysis of the IDB member countries' performance in this context using the available data in the World Bank database[12] (Annex 1.3).

On average, it takes a business in developed countries six procedures, 8 percent of income per-capita, and 27 days to get started whereas in a poor or lower-middle-income economy, the same process takes 11 procedures, 122 percent of income per-capita, and 59 days. In more than a dozen poor countries, registering a new business takes more than 100 days. Investors in most developing countries have hardly any access to the ownership and financial information of publicly listed companies while potential investors in developed countries have full access to them. The results of doing business also reveals that poor countries impose higher costs on businesses to fire workers, enforcing contracts, or filing for registration; they impose more delays in going through insolvency procedures, registering property, and starting a business; and they afford fewer protections in terms of legal rights for borrowers and lenders, contract enforcement, and disclosure requirements. In administrative costs alone, there is a threefold difference between poor and rich nations.

[12]The Doing Business database of the World Bank is used to extract the information for IDB member countries.

The results for IDB member countries clearly show a need to formulate appropriate policies to strengthen private sector. The bureaucratic and legal procedures to register new firms are the first impediments in starting a business in IDB member countries. The challenge of launching a business in IDB member countries is measured through three indices: procedures required to establish a business, the associated time cost, and the minimum capital requirement. Entrepreneurs in IDB member countries can expect to go through 11 steps to launch a business over 51 days on average. The average number of procedures and the days required to establish a business in IDB member countries are comparable to the world's average and are almost twice as high as the OECD countries. They must deposit on average 581 percent of their GNI per capita in a bank to obtain a business registration number, compared with the world average of 177 percent of GNI and OECD average of 44.1 Percent. The maximum and minimum figure related to each index refers to the following member countries: Chad and Morocco with 19 and 5 procedures to register new firms; Mozambique and Turkey with 153 and 9 days for establishing a business; and Syria and Kyrgyzstan with capital deposit equivalent to 5053 percent and 0.6 percent of their GNI, respectively.

The ability to enforce a contract is the second major factor considered. To measure the differences in contract enforcement, the number of procedures required to get lawsuits settled, the time till actual payment, and associated cost are presented for IDB member countries in Annex Table 1.3. It takes, on average, 38 procedures to settle a lawsuit from the moment the plaintiff files it until the actual payment is made. The maximum number of procedures are in Cameroon and Sierra Leone (58 procedures) and lowest in Tunisia (14 procedures). The world average for this indicator is 30 while the average for OECD countries is equal to 19 procedures. As far as the number of days to get a lawsuit settled is concerned, the average for IDB member countries is around 415 days, almost twice as high as OECD figure and slightly above the world's figure in this regard. The cost of lawsuits in IDB member countries is around 29 percent of their debt on average, while the same figure for OECD countries stands at 10.7 percent. The highest and lowest cost of court figures refer to Indonesia and Kazakhstan with 127 percent and 8.5 percent of their debt, respectively.

The third major factor is the ability to obtain credit for private businesses. This factor has always been

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identified as one of the critical constraints facing small and medium enterprises. Two sets of issues are studied in this regard - credit information registries and the effectiveness of collateral and bankruptcy laws in facilitating lending. The first set of indicators measures the coverage, scope, quality and accessibility of credit information available through public and private registries in IDB member countries. The index ranges from 0-6, with higher values indicating that more credit information is available. The IDB member countries score for those reporting data (26 countries) is 2.7, compared with the world average of 2 and OECD average of 5. A second set of factors measures how well collateral and bankruptcy laws facilitate lending. It ranges from 0-10, with higher scores indicating that those laws are better designed to expand access to credit. The IDB members score of 4 is similar to the world average and less than the OECD figure of six.

The labour laws for hiring and firing which are designed to protect the interest of workers and assuring them of a minimum standard of living is the fourth issue of concern. The difficulty that employers in IDB member countries face in hiring and firing workers is shown through three indices: how difficult is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assign values between 0 and 100, with higher values representing more rigid regulation. For the difficulty in hiring index, the average figure for 27 IDB reported countries stands at 62 compared with the world average of 35 and OECD figure of 26. The difficulty in rigidity of hours index is also higher than the world and OECD average and it stands at 60 for 34 reported countries. And finally the index related to difficulty in firing is 51 which is as high as twice of the OECD countries and higher than the world average of 37.

And finally the last issue was the closing businesses in different countries. Existing bankruptcy laws and the main procedural and administrative bottlenecks in the bankruptcy process is a critical challenge for private sector to let exit unviable companies from business environment. The time required to resolve bankruptcy for IDB member countries is 4 years for those reporting information, as compared to the world average of 3.3 years and OECD average of 1.6 years. The cost needed to resolve bankruptcy including courts cost as well as fees of insolvency practitioners, lawyers, accountants etc. is 15.5 percent of the estate value of bankrupt business for IDB members, whereas for the OECD countries and the world is 6.8 percent and 16 percent, respectively. The recovery rate is also another indicator which shows the efficiency of foreclosure or bankruptcy procedures, expressed in terms of the amount in cents on the dollar claimants from the insolvent firm. The recovery rate for the reporting IDB member countries is 21.6 cents on the dollar as compared to 72.6 cents in OECD countries.

The implications of the above analysis are many for IDB member countries. The member countries as a whole are performing less than the world average and are well below OECD countries. An enabling business environment in IDB member countries has the potential to provide a wide range of employment and self-employment opportunities, thus empowering large segments of population, in particular the unemployed, underemployed and other marginal groups. The above analysis shows that IDB member countries need to focus more on regulatory reforms aimed at removing obstacles especially in the area of business start-ups and regulatory simplifications, as well as measuring regulatory costs aimed at identifying the areas of improvement.

IDB reaffirms its commitments to assist member countries in designing a sound business environment. Such an environment can be characterized by implementing business-friendly macro and micro policies; encouraging an efficient legal and governance system; promoting a regulatory framework that is facilitative of sustainable business growth; and a culture that supports and rewards entrepreneurial endeavours. In recent years, IDB Group supported the various private sector initiatives and activities in member countries through ICD, ICEIC and the related intra-investment promotion efforts, as explained in Chapters Two and Five. IDB seeks to collaborate with all stakeholders in designing appropriate regulatory policies that will remove barriers which impede the growth of the private sector.

6. Issues Related to Monitoring Development Effectiveness

Development effectiveness is about assessing the impact of aid on economic growth and bringing about a range of social, economic and political changes. From the viewpoint of international development agencies, however, it refers to the extent that its intervention brings about some targeted changes in a country or in the lives of its beneficiaries.

Since the start of a new global partnership, following the Monterrey Conference, many countries have initiated

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remarkable efforts to strengthen their commitments to policies and actions for reducing poverty and stimulating growth. These efforts are directed toward managed strategies focused on performance and the achievements of output, outcomes and impacts - or in short, management for development results. Managing for development results requires thorough investigation of national goals and strategies. Assessing results must be reviewed and accompanied by practical knowledge that leads to results. Access to practical knowledge as well as public expenditure management are powerful policy instruments especially when they are used with result-based monitoring and evaluation systems as the backbone linking desired country action and outcome. Although the definition and identification of indicators are key elements in each of these actions, the quality of the statistics and data used to verify the indicators as well as the analytical ability to evaluate and use the information are equally important.

Statistics are crucial for evaluating the development process but the challenge lies in human, institutional, and financial constraints that countries face in collecting, analyzing, and publishing them in a timely manner. Global development and poverty reduction require an assessment based on common grounds and harmonized data. Development needs for good statistics are vast and MDGs alone place great responsibility on all countries to monitor and report on their progress. Managing for results also requires timely and reliable statistics at the country and global level. In this way, many countries need greater capacity to produce reliable statistics to use them for effective decision-making.

The need for improved statistics to better measure development outcomes has also been emphasized on different occasions such as: the *First Round Table on Better Measurement, Monitoring, and Managing Results* in Washington in 2002, the Development Committee meeting in September 2003, as well as the *Second International Round Table on Managing for Development Results* in Morocco in 2004. Even before the Millennium Summit, the PRSPs introduced in 1999 emphasized the need for quantitative measures to monitor development goals. These initiatives and evidence-based approaches to development represent major challenges for national and international statistical capacities of developing countries. The statistical capacities of developing countries, especially poor ones, are far less than the current demand. Efficiency improvement and financing are needed to accommodate the ever growing demand of updating their statistical systems.

The international statistical community has responded to the growing needs in a variety of ways. The achievements are basically demand- driven with a clear link to policy work. The first major achievement was the setting up of PARIS21 (Partnership on Statistics for Development in 21st Century) Consortium in 1999. The PARIS21 partners agreed that a new approach is needed to build and strengthen the statistical systems, both nationally and internationally, for setting the development policies and monitoring the outcomes. The fundamental principle is the partnership of developed and developing countries as well as users and providers of statistical data. The contribution of UN MDG Indicators Expert Group is also another move forward. A significant achievement of this group has been the development of a cadre of data producers and experts with a vision of what to be done and the way they can meet the needs of the global agenda. Country MDG Reports supported by UNDP have also been useful in raising the profile of statistics, focusing on the measurement of results and highlighting the specific issues.

Furthermore, joint initiatives of international organizations such as WHO and UNICEF on infant and child mortality and immunization rates, the World Bank's LSMS programme on new methods for measuring the household standards, the DHS surveys sponsored by US AID, and the UNICEF's MICS surveys are regarded as important achievements of the international statistical community. IMF's General Data Dissemination System (GDDS) as a tool for developing countries to evaluate their macroeconomic, financial, and social sector data is also noteworthy. Many developing countries have subscribed to GDDS and many others are in the process of learning to apply it. The role of UN Statistical Commission (UNSC) and UN Coordination Committee on Statistical Activities (CCSA) have addressed major issues related to technical aspects such as collecting PPP data, harmonizing the indicators, and data dissemination as well as coordination issues. Finally, the World Bank's new lending programme for statistics, STATCAP, is of special importance. It was designed to provide the resources necessary for building a long-term sustainable statistical system in support of countries' statistical capacity projects.

The need for improvement in member countries' statistical systems, through both national actions and international assistance, is well recognized. In order to have a good and consistent plan, countries are encouraged to focus on designing a strategic statistical plan which contains guidelines on the development of their systems, identifying their investment needs

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and ensuring that nations will be able to produce the data necessary for monitoring MDGs and their own development plans.

Investing sufficient resources for building a strong statistical system is another challenge for IDB member countries, who are particularly in need of compiling relevant and necessary data to make themselves ready for the final evaluation of progress toward the MDGs. Their priority areas for investment as well as raising the required funds need to be clearly defined. In addition, the household-based economic and social data that has been emphasized in many different forums is necessary in IDB member countries, too. IDB realizes the fact that its member countries are faced with constraints related to proper design and administration, skilled staff and hardware requirements and the need for foreign assistance to accomplish the task.

IDB recognizes the importance of statistical capacity building in member countries and emphasizes the need for improvement in the functioning of both national and international statistical systems. IDB is ready to support statistical technical assistance programme, to help build, strengthen and improve statistical systems in member countries. IDB's technical assistance programme will enable member countries to improve international statistical accountability, prepare for monitoring and evaluation of progress toward achieving the MDGs. IDB also welcomes cooperation with PARIS21 and other international statistical communities to promote the role of statistics in evaluating development effectiveness in member countries.

7. Managing Water Resources and Enhancing Cooperation in IDB Member Countries

Water has risen to the top of the global development agenda in the last decade (Dublin International Conference on water and the Environment, 1991; Rio Earth Summit, 1992; Johannesburg World Summit on Sustainable Development, WSSD-2002; World Water Forum, Marrakech, 1997) to name a few. The global concern over water is also reflected in the United Nations' Millennium Development Goals (MDGs) adopted in 2000, where 189 countries had pledged to cut in half the proportion of people without sustainable access to safe drinking water by 2015. It was further agreed during the WSSD in Johannesburg to reduce by half the proportion of people without access to basic sanitation by 2015. Since then, the developing countries located in arid and semi-arid areas, including IDB member countries, are seeking new plans and new strategies to counteract the looming global water crisis.

In recognition of the importance of water resources for the development of member countries, the IDB has made many interventions in the water sector in its member countries. The Bank's commitment to water-related operations clearly reflects the growing share of water-related projects in the Bank's portfolio, which historically accounts for around 20 percent of IDB's total commitments in project finance and technical assistance operations. Moreover, the recently approved *IDB Group Strategic Framework* suggests, albeit implicitly, renewed focus on the water sector. In particular, the *Strategic Framework's* two major *Priority Areas* (Infrastructure Development, Agricultural Development and Food Security) are important tools for *Poverty Alleviation*; one of the three *Strategic Objectives* of the Bank Group. Indeed, access to water, and properly managing and protecting sources of water flows are important to any success in the priority areas mentioned above. Furthermore, despite being potentially contentious, trans-boundary water resources do offer opportunities for strengthening regional cooperation and partnership between IDB member countries.

An IDB Occasional Paper, published in 1426H, on *Managing Water Resources and Enhancing Cooperation in IDB Member Countries* seeks to explore three issues. First, it is intended to bring into sharp focus the major water issues facing the member countries, and their broad implications on the socioeconomic development of the concerned member countries. Second, it highlights the current state of affairs in relation to member countries' responses to this formidable challenge. Third, it recommends measures, especially collaborative ones, while identifying the role the Bank (and its partners) could play in that context, with particular emphasis on enhancing cooperation in the management of shared (trans-boundary) water resources and integrated water resources management (IWRM), including demand management.

8. Development of Islamic Capital Markets: Problems and Prospects

A well functioning capital market has the potential for efficient allocation of financial resources and channelling them to finance long term public sector projects and business enterprises in member countries. As a result, vibrant capital markets play an important

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role in mitigating risks and stimulating economic growth.

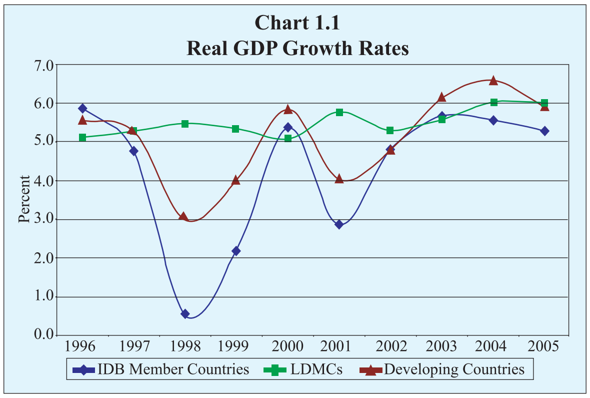
Capital markets in some IDB member countries are emerging as a significant segment in financial intermediation whilst, in other member countries, such markets are still at an nascent stage of development. Recently, a number of new asset-based or Shariah financial instruments with medium term maturity, known as Sukuk, have been issued internationally by sovereigns and corporate entities. The Sukuk papers have the additional advantage of competitive pricing as a result of a robust risk mitigation structure. As a result of the widespread issuance of Sukuk papers, it is now likely that a niche Islamic capital market will emerge in the near future. Despite promising prospects, a future Islamic capital market is likely to face a number of institutional, market, regulatory, and technological challenges. The IRTI Occasional Paper, prepared during 1426H, examined the prospects and nature of challenges in the development of vibrant and well functioning Islamic capital markets in selected member countries.

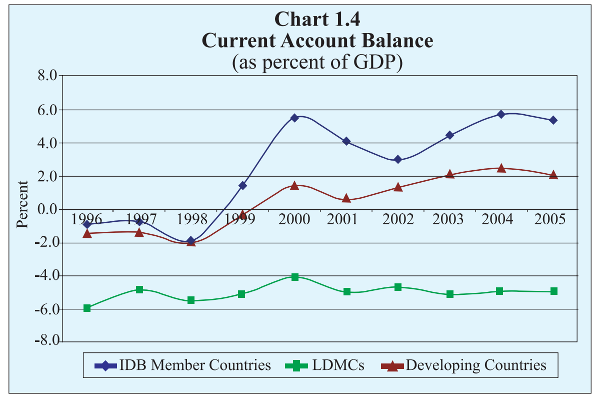
The study provides an explanation of the positive relationship between increasing product diversity of Shariah compatible products with medium term maturity and economic growth. The private sector in IDB member countries is hindered by a scarcity of financial intermediation of medium and long term funds. This is mainly due to the fact that risk mitigation structure in such capital markets are not sufficiently robust. Transformation of risk structures through securitization of underlying assets can potentially spur the development of financial intermediation based on Shariah principles in many member countries.

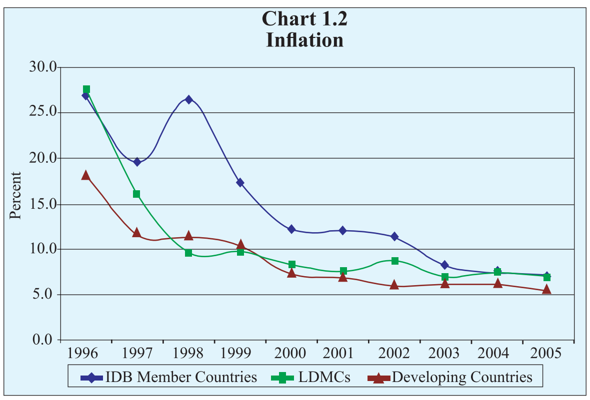
Political and macroeconomic stability in member countries is a critical prerequisite for the future prospects of capital markets, including the ones based on Shariah principles. The relative performance and credibility of risk mitigation structures in asset-based papers, such as Ijarah Sukuk and Salam Sukuk, crucially hinge on the track record of overall systemic stability. The future supply and demand drivers of Shariah compatible instruments also depend on how the market liquidity evolves, pricing responsiveness, and the market appetite for varying degrees of riskiness of issuers.

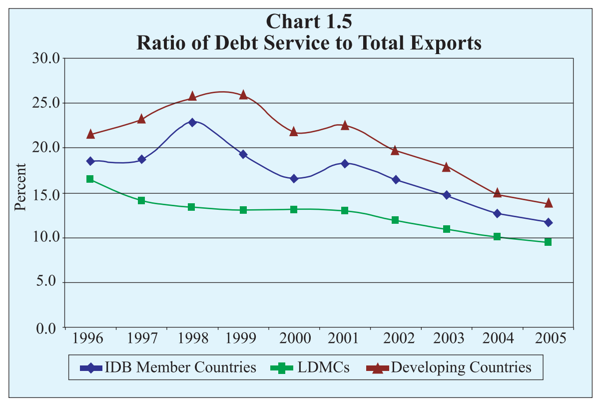
The issues in the development of capital markets, including the Shariah products, were also examined in the paper. After systematically examining the landscape of capital markets in member countries, various issues connected to market, regulatory, and product developments were examined. In particular, the study analyses practices in the area of market trading in various segments of capital markets. The study also examined a number of other inter-related issues such as the key characteristics of the market players and issues related to Shariah convergence pertaining to cross-border listings of equities.

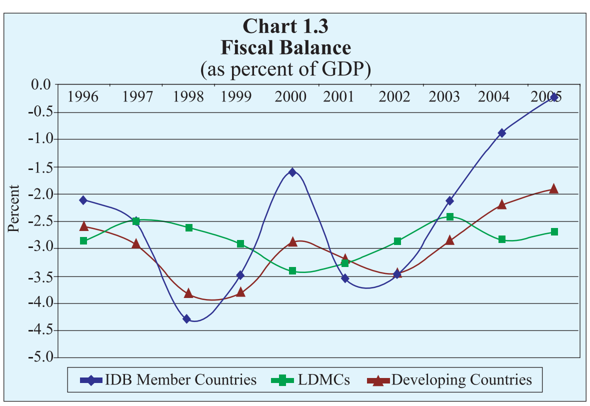
An aerial view of IDB financed under construction Jaghin Main Dam, Islamic Republic of Iran











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Annex 1.1
Committed HIPC Relief for IDB Member Countries[1]
(As of July 2004; $ million; in NPV terms in the year of the decision or completion point)

	Reduction in NPV Terms			Nominal Debt Service Relief			Date of Completion/ Decision Point
	Original HIPC Initiative	Enhanced HIPC Initiative	Total	Original HIPC Initiative	Enhanced HIPC Initiative	Total	
Countries that have reached their Completion Point (8)							
Total	**2,414**	**3,742**	**6,157**	**4,970**	**6,705**	**11,675**	
Benin	0	265	265	0	460	460	Mar-2003
Burkina Faso[2]	229	324	553	400	530	930	Apr-2002
Mali	121	417	539	220	675	895	Mar-2003
Mauritania	0	622	622	0	1,100	1,100	Jun-2002
Mozambique	1,717	306	2,023	3,700	600	4,300	Sep-2001
Niger[2]	0	664	664	0	1,190	1,190	Apr-2004
Senegal	0	488	488	0	850	850	Apr-2004
Uganda	347	656	1,003	650	1,300	1,950	May-2000
Countries that have reached their Decision Point (6)							
Total	**0**	**3,058**	**3,058**	**0**	**5,690**	**5,690**	
Cameroon	0	1,260	1,260	0	2,800	2,800	Oct-2000
Chad	0	170	170	0	260	260	May-2001
Gambia, The	0	67	67	0	90	90	Dec-2000
Guinea	0	545	545	0	800	800	Dec-2000
Guinea-Bissau	0	416	416	0	790	790	Dec-2002
Sierra Leone	0	600	600	0	950	950	May-2002
Countries still to be considered (5)							
Cote d'Ivoire[3]	345	…	345	800	…	800	
Comoros	…	…	…	…	…	…	
Somalia	…	…	…	…	…	…	
Sudan	…	…	…	…	…	…	
Togo							
Memorandum item:							
Debt relief committed	2,414	6,800	9,215	4,970	12,395	17,365	

Source : Heavily Indebted Poor Countries (HIPC) Initiative, Status of Implementation. IMF and International Development Association, August 2004.
1. Committed debt relief under the assumption of full participation of the creditors.
2. The assistance under the enhanced HIPC Initiative includes the topping up with the NPV calculated in the year of the completion point.
3. Cote d'Ivoire reached its decision point under the original HIPC Initiative in 1998, but did not reach its completion point under the original HIPC Initiative, nor did it reach its decision point under the enhanced HIPC Initiative. The amounts of debt relief shown are only indicative, based on a preliminary document issued, and are not included in the totals.

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Annex 1.2
Debt Service of IDB HIPCs after Decision Points
($ million, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005
	Actual					Projections	
Benin							
Debt Service paid	66.0	54.5	36.2	33.0	30.9		
Debt Service due after enhanced HIPC Initiative relief [1]						30.3	33.5
Debt service/exports (in percent)	17.1	15.8	10.1	8.9	6.3	5.5	5.6
Debt service/government revenue (in percent)	17.3	14.6	9.4	7.2	5.2	4.7	4.8
Debt service/GDP (in percent)	2.8	2.4	1.5	1.2	0.9	0.7	0.8
Burkina Faso							
Debt Service paid	60.6	57.4	35.3	42.5	51.2		
Debt Service due after enhanced HIPC Initiative relief [1]						44.1	43.4
Debt service/exports (in percent)	23.9	22.9	12.8	13.7	12.5	8.8	7.6
Debt service/government revenue (in percent)	15.8	18.6	11.4	11.4	9.2	6.9	6.0
Debt service/GDP (in percent)	2.2	2.2	1.3	1.3	1.1	0.9	0.8
Cameroon[2, 3]							
Debt Service paid	401.0	437.2	260.9	223.1	279.5		
Debt Service due after enhanced HIPC Initiative relief [1]						283.5	313.1
Debt service/exports (in percent)	14.6	16.1	9.6	8.2	8.7	8.2	8.9
Debt service/government revenue (in percent)	24.1	26.3	14.9	11.7	12.3	10.5	10.9
Debt service/GDP (in percent)	4.4	4.9	3.1	2.3	2.2	2.0	2.0
Chad[3]							
Debt Service paid	29.6	33.5	14.3	32.3	33.7		
Debt Service due after enhanced HIPC Initiative relief [1]						48.0	45.3
Debt service/exports (in percent)	12.3	14.0	5.6	13.2	5.4	2.2	2.3
Debt service/government revenue (in percent)	24.0	29.4	11.4	20.4	13.6	12.5	11.4
Debt service/GDP (in percent)	1.9	2.4	0.9	1.6	1.3	1.1	0.9
The Gambia[3, 4]							
Debt Service paid	19.6	20.7	17.9	11.3	14.0		
Debt Service due after enhanced HIPC Initiative relief [1]						18.3	12.3
Debt service/exports (in percent)	15.0	19.5	19.2	10.8	14.0	12.9	8.2
Debt service/government revenue (in percent)	25.5	26.6	28.4	18.7	25.0	26.0	17.6
Debt service/GDP (in percent)	4.5	4.9	4.3	3.1	3.9	4.9	3.1
Guinea[3]							
Debt Service paid	131.5	143.8	72.5	88.0	85.8		
Debt Service due after enhanced HIPC Initiative relief [1]						88.0	82.2
Debt service/exports (in percent)	17.6	19.6	9.0	11.2	10.7	10.9	9.3
Debt service/government revenue (in percent)	35.3	45.5	21.3	22.8	22.8	23.2	19.9
Debt service/GDP (in percent)	3.8	4.6	2.4	2.7	2.4	2.5	2.3
Guinea Bissau[3]							
Debt Service paid	6.0	13.1	0.4	2.2	4.8		
Debt Service due after enhanced HIPC Initiative relief [1]						5.8	4.0
Debt service/exports (in percent)	10.7	21.1	0.9	4.3	9.4	10.5	6.7
Debt service/government revenue (in percent)	15.5	35.8	1.0	6.4	15.1	14.6	8.5
Debt service/GDP (in percent)	2.7	9.4	0.3	1.7	3.1	1.6	2.2
Mali							
Debt Service paid	83.6	77.3	54.6	66.5	65.9		
Debt Service due after enhanced HIPC Initiative relief [1]						73.3	73.1
Debt service/exports (in percent)	12.3	12.0	6.2	6.2	5.8	5.4	5.1
Debt service/government revenue (in percent)	19.6	20.8	13.1	11.2	8.1	8.7	7.8
Debt service/GDP (in percent)	3.1	2.9	1.8	2.0	1.5	1.5	1.3
Mauritania[5]							
Debt Service paid	81.4	87.2	74.2	74.1	55.2		
Debt Service due after enhanced HIPC Initiative relief [1]						56.3	55.4
Debt service/exports (in percent)	22.4	23.0	19.2	19.4	15.7	13.4	12.8
Debt service/government revenue (in percent)	30.4	36.1	40.1	20.9	18.0	16.1	15.2
Debt service/GDP (in percent)	8.5	9.1	7.5	7.5	4.9	4.5	4.1

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Annex 1.2 (Continued)
Debt Service of IDB HIPCs after Decision Points
($ million, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005
	Actual					Projections	
Mozambique							
Debt Service paid	60.2	18.0	27.1	42.0	49.7		
Debt Service due after enhanced HIPC Initiative relief[1]						62.2	68.5
Debt service/exports (in percent)	9.4	2.3	2.7	3.8	3.9	3.7	4.0
Debt service/government revenue (in percent)	12.3	4.1	6.7	8.3	8.1	8.4	8.3
Debt service/GDP (in percent)	1.5	0.5	0.8	1.2	1.2	1.2	1.2
Niger[3]							
Debt Service paid	18.9	22.4	34.1	53.0	24.8		
Debt Service due after enhanced HIPC Initiative relief[1]						23.1	25.6
Debt service/exports (in percent)	5.9	7.9	12.2	17.5	6.4	5.3	5.4
Debt service/government revenue (in percent)	10.6	14.5	18.8	23.0	9.2	7.2	7.1
Debt service/GDP (in percent)	0.9	1.2	1.8	2.4	0.9	0.7	0.8
Senegal							
Debt Service paid	178.0	253.4	242.1	311.8	444.6		
Debt Service due after enhanced HIPC Initiative relief[1]						203.6	88.5
Debt service/exports (in percent)	12.0	19.4	17.3	20.4	23.4	9.1	3.7
Debt service/government revenue (in percent)	22.0	32.0	29.4	32.6	35.8	13.7	5.4
Debt service/GDP (in percent)	4.0	5.8	5.2	6.2	6.8	2.6	1.1
Sierra Leone							
Debt Service paid	36.5	52.7	94.7	21.0	19.9		
Debt Service due after enhanced HIPC Initiative relief[1]						23.6	13.7
Debt service/exports (in percent)	39.6	48.1	82.1	14.7	10.9	10.3	4.7
Debt service/government revenue (in percent)	77.4	72.7	90.6	18.4	16.3	17.9	9.1
Debt service/GDP (in percent)	5.5	8.3	12.6	2.7	2.5	2.9	1.5
Uganda[2]							
Debt Service paid	98.0	103.3	60.6	56.3	60.6		
Debt Service due after enhanced HIPC Initiative relief[1]						93.0	99.1
Debt service/exports (in percent)	11.8	15.6	8.8	8.1	7.8	10.0	10.2
Debt service/government revenue (in percent)	12.9	16.1	9.7	8.1	8.5	10.7	10.8
Debt service/GDP (in percent)	1.7	1.8	1.0	1.0	1.0	1.4	1.4
Total debt service paid[3]	1,270.9	1,374.5	1,024.9	1,057.1	1,220.6		
Total debt service due[1]						1,053.1	957.7
Average Ratio of debt service to exports (in percent)	16.1	18.3	15.4	11.1	10.0	8.3	6.3
Average Ratio of debt service to							
government revenue (in percent)	24.4	28.0	21.8	15.8	14.8	12.9	10.1
Average Ratio of debt service to GDP (in percent)	3.4	4.3	3.2	2.6	2.4	1.93	1.57

Source : IMF and International Development Association, Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation, August 2004.

1. Debt service due after the full use of traditional debt relief mechanims and assistance under the enhanced HIPC initiative.
2. On fiscal year basis, i.e. 2000 column shows FY 1999/2000.
3. The debt service figures for 2000 largely reflect pre-HIPC relief debt service because these countries did not reach their decision point until late in 2000 or
later. Thus, the ful impact of relief for did not take effect until 2001 and threreafter.
4. Debt service is higher than anticipated at the decision point due to higher new borrowing than previouosly projected.
5. Debt service reflects some payments to commercial creditors and payments on moratorium interest not reflected in the completion point document.

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Annex 1.3
Business Environment in IDB Member Countries: Indicators of Regulatory Burden in 2004

Country	Economic Characteristics		Starting a Business			Hiring and Firing Workers			Getting Credit	
	GNI per capita (US$)	Informal Economy (% GNI, 2003)	Number of Procedures	No. of days	Min. Capital (% of income per capita)	Difficulty of Hiring Index (1)	Rigidity of Hours Index (2)	Difficulty of Firing Index (3)	Legal Rights Index (4)	Credit Information Index (5)
Albania	1,740	34.1	11	47	41.3	11	60	20	9	0
Algeria	1,890	33.4	14	26	65.5	56	60	50	3	0
Azerbaijan	810	60.6	14	123	0	33	40	40	6	0
Bangladesh	400	35.6	8	35	0	11	40	20	..	3
Benin	440	45.2	8	32	333.4	72	60	50	4	2
Burkina Faso	300	38.4	13	135	498.6	100	100	70	4	2
Cameroon	640	32.8	12	37	232	61	80	80	4	2
Chad	250	..	19	75	610.4	100	80	60	3	3
Cote d'Ivoire	660	39.9	11	58	222.3	78	100	30	2	2
Egypt	1,390	35.1	13	43	815.6	0	80	80	0	3
Guinea	430	..	13	49	475.4	67	80	30	2	2
Indonesia	810	19.4	12	151	125.6	61	40	70	5	3
Iran	2,000	18.9	9	48	2.1	0	60	60	5	2
Jordan	1,850	19.4	11	36	1,147.70	11	40	50	6	3
Kazakhstan	1,780	43.2	9	25	32.7	0	60	20	5	0
Kuwait	16,340	..	13	35	148.5	0	60	0	5	4
.Kyrgyz Rep	330	39.8	8	21	0.6	33	40	40	8	0
Lebanon	4,040	34.1	6	46	82.3	44	0	40	4	4
Malaysia	3,780	31.1	9	30	0	0	0	10	8	6
Maldives	..	..	..	..	..	..	..	..	..	0
Mali	290	41	13	42	482.3	78	60	60	3	2
Mauritania	430	..	11	82	858.1	89	60	60	7	1
Morocco	1,320	36.4	5	11	718.6	100	40	70	2	2
Mozambique	210	40.3	14	153	14.5	72	80	40	4	4
Niger	200	41.9	11	27	744.7	100	100	70	4	3
Oman	7,830	..	9	34	100.1	44	60	0	3	0
Pakistan	470	36.8	11	24	0	78	40	30	4	4
Saudi Arabia	8,530	18.4	12	64	1,549.50	0	40	0	..	2
Senegal	550	43.2	9	57	270.4	61	60	70	3	2
Sierra Leone	150	..	9	26	0	78	80	70	5	0
Syria	1,160	19.3	12	47	5,053.90	0	60	50	5	0
Togo	310	..	13	53	485.7	89	80	60	2	2
Tunisia	2,240	38.4	9	14	327.3	61	0	100	4	2
Turkey	2,790	32.1	8	9	0	44	80	40	1	4
Uganda	240	43.1	17	36	0	0	20	0	5	0
.U.A.E	20,217	26.4	12	54	416.9	0	80	20	4	2
Uzbekistan	420	34.1	9	35	21.9	33	40	100	5	0
Yemen	520	27.4	12	63	1,561.10	0	80	30	2	1

Annex 1.3 (Continued)
Business Environment in IDB Member Countries: Indicators of Regulatory Burden in 2004

Country	Enforcing Contracts			Closing a Business		
	Number of Court Procedures	No. of Days	Cost (% of debt) (6)	No. of Years (7)	Insolvency Cost (% of estate) (8)	Recovery Rate (cents on the dollar) (9)
Albania	39	390	28.6	4	38	24.6
Algeria	49	407	28.7	3.5	4	37.1
Azerbaijan	25	267	19.8	2.7	8	33.2
Bangladesh	29	365	21.3	4	8	23.2
Benin	49	570	29.6	3.1	18	8.8
Burkina Faso	41	458	92.5	4	8	6.4
Cameroon	58	585	36.4	3.2	18	21.4
Chad	52	526	54.9	10	76	0
Cote d'Ivoire	25	525	47.6	2.2	18	14.8
Egypt	55	410	18.4	4.2	18	18.4
Guinea	44	306	27.6	3.8	8	22.2
Indonesia	34	570	126.5	6	18	10.6
Iran	23	545	12	4.5	8	19.1
Jordan	43	342	8.8	4.3	8	26.7
Kazakhstan	41	400	8.5	3.3	18	13.4
Kuwait	52	390	13.3	4.2	1	38.7
Kyrgyz Republic	46	492	47.9	3.5	4	24.4
Lebanon	39	721	26.7	4	18	19.3
Malaysia	31	300	20.2	2.3	18	35.4
Maldives	28	194	8.7	6.7	4	17.1
Mali	28	340	34.6	3.6	18	6.3
Mauritania	28	410	29.3	8	8	6.1
Morocco	17	240	17.7	1.8	18	34.8
Mozambique	38	580	16	5	8	12.3
Niger	33	330	42	5	18	2.6
Oman	41	455	10	7	4	23.6
Pakistan	46	395	35.2	2.8	4	38.1
Saudi Arabia	44	360	20	2.8	18	31.7
Senegal	36	485	23.8	3	8	18.8
Sierra Leone	58	305	31	2.5	38	12.1
Syria	48	672	34.3	4.1	8	29.2
Togo	37	535	24.3	3	18	14.6
Tunisia	14	27	12	1.3	8	50.1
Turkey	22	330	12.5	2.9	8	25.7
Uganda	15	209	22.3	2.1	38	35.5
UAE	53	614	16	5.1	38	4.7
Uzbekistan	35	368	18.1	4	4	12.5
Yemen	37	360	10.5	3	8	28.6

1. The index measures three components; contracts for temporary tasks, duration of term contracts, and the ratio of minimum wage to average value added per worker.
2. The index has five components: night work restrictions, weekend work restrictions, working five-and-a-half days or more, workdays of 12 hour or more, and vacation days of 21 or less.
3. The index has eight components of which the following are three important ones: employer notification requirement for firing a redundant worker, approval requirements by authorities to fire a worker, whether priority rules apply for re-employment.
4. The index measures the degree to which collateral and bankruptcy laws facilitate lending. The index ranges from 0 to 10, with higher scores indicating that collateral and bankruptcy laws are better designed to expand access to credit.
5. This index measures rules affecting the scope, access and quality of credit information available through either public or private bureaus. The index ranges from 0 to 6, with higher values indicating that more credit information is available from either a public registry or a private bureau to facilitate lending decisions.
6. The indicator measures the official cost of going through court procedures or the costs of an administrative debt recovery procedure, expressed as a percentage of the debt value.
7. Average time to complete a procedure as estimated by insolvency lawyers.
8. Includes court costs, lawyers fees etc. as an average percentage of the estate/land value of the bankrupt business.
9. The recovery rate measures the efficiency of foreclosure or bankruptcy procedures. It estimates how many cents on the dollar claimants—creditors, tax authorities, and employees—recover from an insolvent firm.

CHAPTER 2

ECONOMIC COOPERATION AMONG MEMBER COUNTRIES

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H.E Dato Seri Abdullah Haji Ahmad Badawi, Prime Minister and IDB Governor for Malaysia and the President, IDB share a light moment on the occasion of signing the Memorandum of Understanding between Malaysia and IDB on 30 June 2004 at IDB Headquarters, Jeddah

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HIGHLIGHTS

Intra-Trade of IDB Member Countries (MCs)

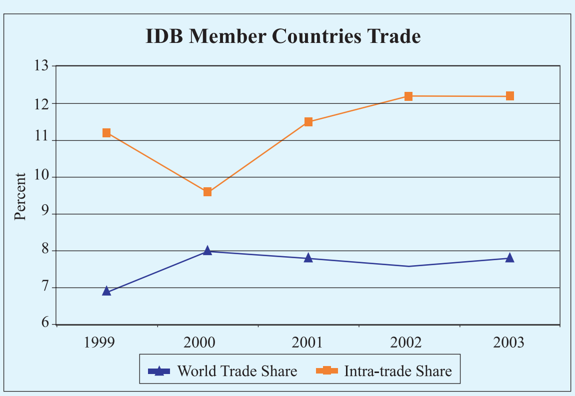
- Exports of MCs grew by 19.8% to $586 billion in 2003.
- Intra-exports of MCs increased by 20.3% to $71.8 billion in 2003.
- Intra-export of MCs stand at 12.2% in 2003.
- 1st Round on OIC-TPS was successfully concluded in March 2005.

FDI Flows to IDB MCs

- FDI inflows to MCs in 2003 grow by 23%.
- Five MCs received inflows of over $1.5 billion in 2003.
- MCs signed six Bilateral Investment and eight Double Taxation treaties in 2003.

Cooperation Activities

- First ever OIC Economic Ministers Conference agreed on framework for promotion of intra-trade and intra-investment.
- Expert Group Meeting recommended steps to enhance integration capacity of financial markets.



I. INTRODUCTION

The IDB Group has pursued a policy for promotion of economic cooperation among its member countries as a primary objective since its inception. This commitment is reaffirmed as one of the three strategic objectives in the recently adopted IDB Group Strategic Framework. The aim has been to facilitate closer economic and financial relations among member countries, while continuing to provide support and assistance for their overall growth and socioeconomic development. Towards this end, the Group has developed a range of activities that include promotion of intra-trade and investment among member countries, enhancement of technical cooperation, support for private sector involvement in national development, including active cooperation with national financing institutions, and forging close links and working relationships with other sub-regional, regional and international organizations where IDB member countries also participate.

Following an overview, of the overall structure and direction of trade among member countries, this Chapter analyses intra-trade among member countries at the national and regional levels, briefly highlighting IDB's role in promoting such trade. In the next section on intra-investment among member countries, the FDI inflows and outflows of member countries are reviewed in global context, together with their performance and potentials in this regard, as well as the existing legal arrangements to facilitate intra-investment.

In the remainder of the Chapter, activities of the Group in promoting economic cooperation with the member countries and Muslim communities are covered, followed by its active participation in and support for the economic cooperation activities of the Organization of the Islamic Conference (OIC). In this connection, the outcome of the OIC Economic Conference, organized in collaboration with the COMCEC is placed in focus as an important new development of 1425H. After briefly reviewing IDB's collaboration with the national development financing institutions and Islamic banks, the Chapter concludes with a discussion of cooperation among other relevant sub-regional, regional and international organizations adhered to by the IDB member countries, as an additional means through which development efforts of member countries and promotion of economic cooperation among them is supported.

II. INTRA-TRADE AND ECONOMIC COOPERATION

Growth in the world economy is mainly driven, in part, by international trade. World trade has been increasing at a pace twice that of the growth in output over the past two decades due to technological advancement and reduced tariff and non-tariff barriers. Increasing levels of trade have benefited all countries, and the dynamic and mutually advantageous nature of enhanced trade volumes and their associated benefits is in the interest of IDB member countries to forge increasing cooperation and economic integration.

IDB Group assigns a high priority to promotion of intra-trade among its member countries for triggering higher levels of economic cooperation. Such trade among member countries is an important gauge to measure the extent to which the level of economic cooperation among them has succeeded. Special emphasis is being placed by the IDB on increasing intra-trade through various financing and promotion activities. In reviewing the overall intra-trade performance of IDB member countries, particular focus has been on evaluating the current state of affairs and exploring the potentials for future trade enhancement.

1. Structure and Direction of Trade of IDB Member Countries

International trade has benefited developing countries by inducing considerable economic growth during the past two decades. Table 2.1 provides the relevant figures on exports of IDB member countries for the past three years (2001 to 2003) in comparison with those of the developing countries, developed/industrialized countries and the World. Total world exports have recorded an overall increase of 16.4 percent, as the total trade expanded from $6,439 billion in 2002 to $7,498 billion in 2003.

Exports of developing countries, including the IDB member countries, to the industrialized countries decreased from 56.9 percent in 2001 to 54.1 percent in 2003, although the value of exports reached $1,553 billion in 2003. The annual changes in the export of the developing countries was 16.9 percent in 2003, while it was 4.8 percent in 2002 and -6 percent in 2001. The overall share of exports of developing countries directed towards the other developing partners rose marginally from 41.3 percent in 2001 to 44.2 percent in 2003, showing a growing trend in south-south cooperation. In terms of value, the figures were $1,270 billion in 2003 as compared to $921 billion in 2001.

Exports of IDB member countries as a group are seen to have recorded substantive growth in 2003 in terms of their intra-exports, as well as their exports to the developing countries (19 percent), industrial countries (20 percent) and to the World (19.8 percent). The relatively high increase in 2003 was contributed by increases in export revenues recorded for oil-exporting IDB member countries.

The rates of increase in intra-exports of IDB member countries for 2001, 2002 and 2003 were 6.9, 8.9 and 20.3 percent, respectively. The intra-export of the IDB countries has expanded to a level of $71.8 billion in 2003, as compared to $54.7 billion in 2001, whereas their total intra-export shares were 11.5 percent in 2001 and 12.2 percent in 2003.

Exports of IDB member countries to the World has shown a rising trend. While there was a decrease by 5.7 percent in 2001, the growth rates in 2002 and 2003 were 2.4 percent and 19.8 percent, respectively. World exports of IDB member countries in value terms were $478 billion in 2001 which rose to $586 billion in 2003, although it represented a stationary share of 7.8 percent in 2003.

IDB member countries exports to the industrial countries increased by a sizeable 20 percent in 2003, as compared to decreases of 1.4 percent in 2002 and 8.1 percent in 2001. The share of total exports of IDB member countries to the industrialized countries has decreased from 53.6 percent in 2001 to 51.8 percent in 2003, whereas the value of their exports has increased from $256 billion to $304 billion during the past three years. The fact remains that the substantial portion of the exports of the IDB member countries (51.8 percent) is still destined toward the industrialized countries, their major export partners. High dependency of IDB member countries on industrialized countries for their exports will keep them reliant on the extent of market access they can achieve vis-à-vis these countries for enhancing their export revenues.

Exports of IDB member countries to the developing countries have increased by 19 percent in 2003 in comparison to 6.7 percent in 2002 and the decrease of -3.5 percent in 2001. Overall share of IDB member countries exports to the developing countries has increased marginally to 43.6 percent in 2003 from 42.1 percent in 2001, whereas, the total value of exports in

Table 2.1
World Exports, Inter- and Intra-Exports of Industrial, Developing and IDB Member Countries

From ----------> To	World			Industrial Countries			Developing Countries			IDB Member Countries		
Exporter \ Partner	**2001**	**2002**	**2003**	**2001**	**2002**	**2003**	**2001**	**2002**	**2003**	**2001**	**2002**	**2003**
World												
Exports ($ billion)	6,145	6,439	7,498	4,078	4,207	4,842	2,003	2,163	2,582	376	413	493
Percent Share	100.0	100.0	100.0	66.4	65.3	64.6	32.6	33.6	34.4	6.1	6.4	6.6
Annual Percent Change	-3.6	4.8	16.4	-3.9	3.2	15.1	-3.6	8.0	19.4	-2.0	10.0	19.2
Percent Share in World Exports	100	100	100									
Industrial Countries												
Exports ($ billion)	3,914	4,034	4,624	2,809	2,877	3,288	1,080	1,131	1,311	200	217	253
Percent Share	100.0	100.0	100.0	71.8	71.3	71.1	27.6	28.0	28.4	5.1	5.4	5.5
Annual Percent Change	-2.8	3.1	14.6	-2.9	2.4	14.3	-3.4	4.7	15.9	-2.9	8.4	16.4
Percent Share in World Exports	63.7	62.6	61.7									
Developing Countries												
Exports ($ billion)	2,228	2,403	2,872	1,268	1,329	1,553	921	1,031	1,270	175	196	240
Percent Share	100.0	100.0	100.0	56.9	55.3	54.1	41.3	42.9	44.2	7.9	8.2	8.4
Annual Percent Change	-5.0	7.9	19.5	-6.0	4.8	16.9	-3.9	11.9	23.2	-0.9	11.8	22.4
Percent Share in World Exports	36.3	37.3	38.3									
IDB Member Countries												
Exports ($ billion)	478	490	586	256	253	304	201	215	255	55	60	72
Percent Share	100.0	100.0	100.0	53.6	51.7	51.8	42.1	43.9	43.6	11.5	12.2	12.2
Annual Percent Change	-5.7	2.4	19.8	-8.1	-1.4	20.0	-3.5	6.7	19.0	6.9	8.9	20.3
Percent Share in World Exports	7.8	7.6	7.8									

1: IMF classifies countries in three main categories: industrial countries, developing countries, and a group of countries classified as other countries not included elsewhere (n.i.e.).
The total world exports sums these three categories. However, the category n.i.e. is not included in industrial and developing countries.
Source: IMF, Direction of Trade Statistics, CD-ROM of November, 2004.

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2003 was $255 billion as compared to $201 billion in 2001.

While considering the overall changes in the exports of IDB member countries for the past three years (2001-03), they seem to have expanded by 23 percent to the world, 18 percent to industrial countries and 27 percent to developing countries, and the highest increase was recorded for intra-exports at 31 percent. The increasing trend in intra-exports of IDB member countries and their exports to developing countries reflect their growing cooperation with other IDB member countries and with the other developing countries.

Despite these improvements, the fact remains that, though the group of IDB member countries includes some of the major energy producers and a few newly industrialized countries with high global export performances, their intra-trade remained quite low (12.2 percent). In order to increase this share to higher levels comparable to that of developing countries, sustained increases in such trade is needed over a long period of time. This low share is mainly due to the fact that large numbers of IDB member countries are producers of traditional, basic commodities with limited diversity based on their natural resource endowments. Improved market access, enhanced levels of cooperation with relatively advanced partners and diversification of their output mixes will help in increasing intra-exports.

2. Intra-Trade Among the IDB Member Countries

Exports

Despite the sizeable increase of 20.3 percent in intra-exports in 2003, their share in total exports of the IDB countries remained at 12.2 percent due to proportional increase that has occurred in their total world exports. Similar increases were recorded in exports to other groups as well. The share of exports to the industrialized countries was 51.8 percent and to developing countries 43.6 percent, with no sign of a change in the structure of exports to these major groups during the past three years.

Table 2.2 provides an insight into the performance of individual IDB member countries in terms of the size and direction of change in both intra-exports and intra-imports. Analysis shows that progress in all IDB member countries has not been balanced, as some economies have achieved a high level of growth in exports in comparison with others. Forty five IDB member countries have shown a positive growth in their exports for 2003, eleven of them have recorded sizeable increases of over 50 percent whereas exports of nine countries have decreased.

On the average, size of intra-export for IDB member countries was $1.33 billion in 2003 as compared to $1.15 billion for 2002. In terms of the size of intra-exports, only twelve countries were above average, namely Saudi Arabia, UAE, Turkey, Malaysia, Indonesia, Pakistan, Iran, Oman, Kuwait, Syria, Algeria and Libya. A high degree of variation has also been observed in the size of intra-exports among the IDB members. The total amount of exports for these twelve above average IDB member countries was over $56 billion, which amounted to 78 percent of the total intra-exports, reflecting a high degree of dependency on the performance of a few relatively large economies with diversified exports. Only two small economies, i.e. Djibouti and Somalia, recorded the highest share of intra-exports in their total exports which were 89 percent and 74 percent, respectively. The intra-export shares of fourteen other IDB member countries were in the range of 22 percent to 53 percent and the shares of the remaining thirty nine countries were less than 20 percent.

Increasing intra-exports remains a challenge as the above analysis indicates that although the size of intra-exports has increased but overall, the share remained stable in 2003. Furthermore, there was no change in the shares of their exports to the major groups. In order to realize higher export revenues for their growing development needs the IDB member countries have to achieve greater access to markets of the industrialized countries, who remained their major partners. Although, IDB member countries may face further difficulties due to the recent EU expansion, certain positive developments and the proper implementation of WTO agreements may help in achieving this objective for them.

Imports

Intra-imports of IDB member countries in 2003 have risen by 30 percent, which accounted for 14.4 percent of their total imports. In terms of value, total intra-imports of IDB member countries in 2003 were $76.3 billion as compared to $58.7 billion in 2002. Fifty IDB member countries have shown increases in their imports in 2003; seven of them had sizeable increases of over 50 percent, whereas, intra-imports of four member countries have decreased. The average size of intra-imports for the IDB member countries was $1.4 billion in 2003 as compared to $1.09 billion in 2002. In

Table 2.2
Intra-Trade and World Shares of IDB Member Countries

($ million)

Countries	Exports 2003		Percent of World	Percent Change in 2003[1]	Imports 2003		Percent of World	Percent Change in 2003[1]
	IDB MCs	World			IDB MCs	World		
Afghanistan	46.1	208.7	22.1	26.8	685.7	1599.4	42.9	83.7
Albania	4.6	446.3	1	19.3	153.6	1845.6	8.3	38
Algeria	1787.9	25077.2	7.1	11.1	1446.5	15417.4	9.4	27.8
Azerbaijan	275.7	1875.3	14.7	52.5	685.8	2887.3	23.8	33.1
Bahrain	1057.8	10214.7	10.4	23.1	2010.6	4907.3	41	25.8
Bangladesh	235.1	6229.4	3.8	1.7	1327.8	9672.3	13.7	53.1
Benin	61.3	278.7	22	-11.9	261.5	1799.0	14.5	79
Brunei	277.6	4422.2	6.3	607.3	306.7	1340.9	22.9	-5.7
Burkina Faso	38.9	244.8	15.9	60.1	283.4	861.4	32.9	16
Cameroon	192.9	2240.0	8.6	41.6	185.1	1788.5	10.3	22
Chad	6.4	91.6	7	47.2	78.5	346.4	22.7	17.7
Comoros	0.1	32.7	0.2	-22.2	12.0	119.9	10	17
Côte d'Ivoire	953.2	5486.1	17.4	8.2	241.0	3515.9	6.9	8.8
Djibouti	170.5	191.6	89	23.3	240.5	827.8	29	32.5
Egypt	1467.3	8256.6	17.8	33.1	2883.6	21444.2	13.4	9.4
Gabon	60.4	3666.9	1.6	9.3	108.3	1319.2	8.2	33.4
Gambia	2.4	18.4	12.8	-44.1	118.1	506.7	23.3	23.2
Guinea	46.7	796.9	5.9	55.9	132.9	898.4	14.8	15.5
Guinea-Bissau	1.3	69.6	1.9	-33	29.8	126.7	23.5	22
Indonesia	5464.9	60995.1	9	5.8	4344.2	32544.3	13.3	17.4
Iran	2919.4	30495.7	9.6	41.4	6005.3	30739.5	19.5	51.4
Iraq	467.6	8177.7	5.7	-55.1	1882.1	4900.2	38.4	47.7
Jordan	1350.5	3081.1	43.8	1	1911.5	5743.2	33.3	22
Kazakhstan	1413.9	12926.7	10.9	1.2	519.6	8408.6	6.2	10.4
Kuwait	2222.8	18883.3	11.8	10.6	2033.6	11414.6	17.8	13.2
Kyrgyz Republic	261.0	581.7	44.9	46.9	255.2	711.8	35.8	15.1
Lebanon	620.9	1175.8	52.8	15	1329.5	7634.1	17.4	12.4
Libya	1589.9	13766.4	11.5	30.9	1099.1	6221.2	17.7	24.6
Malaysia	7131.3	104966.0	6.8	27.1	4955.7	82726.3	6	20.8
Maldives	5.9	112.4	5.2	550	88.1	470.7	18.7	33.9
Mali	34.0	217.9	15.6	92.3	308.2	1540.9	20	-8.9
Mauritania	72.7	576.6	12.6	39.8	131.3	989.4	13.3	8.8
Morocco	586.5	9359.3	6.3	7.6	1753.7	14199.6	12.4	-11.5
Mozambique	7.6	1067.4	0.7	482.4	77.7	1798.8	4.3	205.4
Niger	7.7	180.1	4.3	-35.4	144.9	494.3	29.3	14.5
Oman	2328.4	10361.7	22.5	-0.9	2165.8	6572.2	33	-5.3
Pakistan	3081.6	11928.8	25.8	32.2	5270.4	13048.5	40.4	8.5
Qatar	806.7	13380.1	6	-25.5	1004.3	4897.2	20.5	13
Saudi Arabia	12257.0	85804.6	14.3	26.3	5036.5	54208.7	9.3	21.2
Senegal	401.0	1130.3	35.5	42.2	229.5	2357.8	9.7	39.6
Sierra Leone	2.1	139.4	1.5	31.3	72.5	593.1	12.2	44.5
Somalia	80.3	108.1	74.2	16.2	195.4	421.3	46.4	17.3
Sudan	872.7	2606.0	33.5	267.5	943.7	2697.9	35	81.6
Suriname	0.3	576.7	0	-62.5	5.3	679.7	0.8	13.2
Syria	2026.8	6297.3	32.2	7.1	1424.5	8517.4	16.7	38.7
Tajikistan	329.9	790.8	41.7	34.6	453.8	880.8	51.5	34.4
Togo	192.4	415.6	46.3	92	109.0	563.3	19.4	28.6
Tunisia	1011.3	9558.7	10.6	8.6	1279.3	12995.0	9.8	21.5
Turkey	7136.5	47255.5	15.1	53.1	7971.7	69458.4	11.5	35.3
Turkmenistan	951.2	3449.1	27.6	47.9	728.9	2510.7	29	18.8
Uganda	31.8	531.9	6	89.5	172.6	1371.7	12.6	38.9
U.A.E.	8263.5	49912.5	16.6	11.3	8907.7	59925.0	14.9	121.2
Uzbekistan	531.1	1980.6	26.8	14.7	421.8	2482.1	17	19.2
Yemen	621.7	3773.7	16.5	2.1	1888.0	4408.8	42.8	36.3
Total	**71768.7**	**586412.5**	**12.2**	**20.3**	**76311.4**	**530351.0**	**14.4**	**30**

1: These columns represent annual percent change of exports (imports) to (from) all other member countries.
Source: IMF, Direction of Trade Statistics, CD-ROM of November, 2004.

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terms of size, seventeen countries were above average, namely UAE, Turkey, Iran, Pakistan, Saudi Arabia, Malaysia, Indonesia, Egypt, Oman, Kuwait, Bahrain, Jordon, Yemen, Iraq, Morocco, Algeria and Syria. These leading importers have high degrees of global integration in trade, reflecting also major performances in both imports and exports at the world scale and also within the group of IDB member countries. There is a high degree of variation in the size of intra-imports within the group of IDB member countries. Imports of the above average seventeen countries amount to over $62 billion, which is 81 percent of the group total. Only Tajikistan has intra-imports of over 50 percent, whereas, nineteen member countries are in the range of 20 percent to 50 percent and the shares of the remaining thirty five counties are less than 20 percent.

3. Intra-trade Among IDB Member Countries of Major Regional Economic Organizations

IDB member countries are also members of other regional economic groups, all of which aim at promoting economic cooperation in general and intra-trade in particular among their own members. Thus, although these organizations differ in term of their mandates, operational schemes and composition, they all pursue the common objective of expanding economic cooperation through increasing intra-trade for the mutual benefit of all. Consequently, the intra-trade performance of such member countries with respect to their regional partners is also of interest to IDB as an avenue to further enhance economic cooperation.

IDB member countries are participating in 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). The Arab League, AMU, CIS, ECO, GCC and UEMO are composed of IDB member countries only, whereas in other organizations IDB members are partners with non-member countries.

Table 2.3 covers the intra-export performance of IDB member countries represented in the above mentioned regional organizations, as well as their exports to developing countries (excluding IDB members), the industrial countries and their total exports. In the year 2003, the shares of intra-regional exports for the IDB members of respective groupings were below 5 percent of their total exports for six groups, namely AMU, ASEAN, COMESA, GCC, SAARC and UDEAC, while it was 13.5 percent for ECOWAS, 12.6 percent for UEMO, 8.3 percent for Arab League, 6.8 percent for ECO and 5.3 percent for CIS. These two sets of figures are far below the 12.2 percent of intra-exports share recorded for the whole of the IDB member countries as a group in 2003, except for the two leading regional groupings, namely ECOWAS and UEMOA, which have largely overlapping memberships. As indicated by the analysis, the IDB member countries in other regional groupings are seen to be less active in intra-trade among themselves than the IDB member countries experience as a group.

Regarding the underlying trends in intra-regional export, the shares of eight regions have been rising recently at marginal rates (in Arab League, ASEAN, COMESA, ECO, ECOWAS, SAARC, UDEAC and UEMO), whereas for the remaining three regions (AMU, CIS & GCC), it has marginally declined.

In 2003, intra-regional shares of exports of IDB members were the smallest for all eleven regional organizations, followed by the share of their exports to IDB member countries outside their respective groupings. The second largest export share went to the developing countries, excluding the IDB group of member countries. Finally, the greatest proportion of exports of the regional groups (more than 50 percent, except in CIS, ASEAN and GCC) went to the industrialized countries. This confirms the dependence of IDB countries on industrialized countries for their exports, even when viewed in the context of their respective memberships in regional groupings.

Another important information derived from Table 2.3 is that in the case of the great majority of the regional groups, two to three countries contribute most to the intra-trade. In fact, in five regional groups (SAARC, UDEAC, COMESA, ASEAN and UEMOA) the share of the top 3 performers is in the range of 92-100 percent of the total intra-regional exports. In the other four groups (AMU, ECOWAS, GCC and CIS) the share of 3 top performing countries is between 70 to 90 percent and of the remaining two groups (ECO and Arab League) between 50 to 70 percent. In the majority of the cases, these top performers are the relatively developed countries in their respective regions, which are in a

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Table 2.3
Export Shares of IDB Member Countries in Regional Organizations

Regional Organizations	No of IDB Member Countries/ Total Membership	Intra-Exports[1] among Regional IDB MCs: (Average Percent Share 2000-02)	2003						
			Percent Share of Regional IDB Member Countries Exports to: [2]				Total Reg'l MCs Exports ($ million)	Top Intra-Regional Exporters and their Share among Regional IDB Member Countries	
			Regional IDB MCs [1]	Non-Regional IDB MCs	Non-IDB Developing Countries	Industrial Countries		Countries	Percentage Share [3]
Arab League	22/22	8	8.3	5.9	26.5	53	280,596	Saudi Arabia & UAE	52
AMU	5/5	2.72	2.6	6	6.9	83.6	58,338	Tunisia, Libya & Algeria	89.1
ASEAN	3/10	2.5	3	4.6	44.1	48.3	170,383	Indonesia & Malaysia	94.6
CIS	6/6	5.8	5.3	12.1	48.1	30.4	21,604	Kazakhstan & Uzbekistan	70
COMESA	5/20	1.2	1.6	20.3	22	46.2	11,619	Egypt & Sudan	91.1
ECO	10/10	6	6.8	8.4	26.9	51	7,539	Turkey, Iran & Kazakhstan	63.7
ECOWAS	12/15	13.1	13.5	5.5	24.3	54.2	9,554	Cote D'ivoire & Senegal	79.5
GCC	6/6	5.3	4.9	9.4	33.3	44.1	188,557	S. Arabia & UAE	71.7
SAARC	3/7	1	1.2	17	14.1	62.4	18,271	Pakistan & Bangladesh	100
UDEAC	3/11	0.8	1.5	2.8	18.8	71.1	5,999	Cameroon	97.6
UEMOA	8/8	12.6	13	8.1	23.8	52.3	8,023	Cote D'ivoire, Senegal & Togo	94.2

Above exports figures are based on only IDB member Countries in the above organizations, not for all the members.
1. Share of intra-exports among IDB member countries in their total world exports.
2. Except ASEAN, exports of above mentioned regional organizations to industrial and developing countries (columns 4 to 7) does not add to their world total (i.e. 100 percent). The world total, in column 8 above, includes three IMF categories (see footnote to Table 2.1). However, the category n.i.e. is not included in industrial and developing countries.
3. Top performers in term of their combined shares in intra-trade amongst the IDB member countries in the regional organization.
Source: IMF, Direction of Trade Statistics, CD-Rom of November, 2004.

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position to contribute most to intra-regional trade by increasing their exports to their regional partners. Some of these regional organizations representing IDB member countries have recently evolved i.e. the Customs Union by GCC and regional trade agreements by ECO and SAARC which are expected to contribute to the development of intra-trade in these regions.

4. Forging Sector-Level Trade Complementarities Among Member Countries

Since the establishment of the OIC, member states have sought to forge greater economic and trade cooperation. The OIC Action Plan to Strengthen Economic and Commercial Cooperation, adopted during the 7th OIC Summit in 1994, urged member states to adopt a step-by-step approach towards economic integration. However, the 8th OIC Summit, held in Iran in 1997, adopted for the first time a specific resolution urging member states to explore ways for establishing an Islamic common market. In 1998, OIC set a medium-term target for the share of intra-trade amongst the member states to increase from 10 per cent to 13 per cent. However, the eventual goal of establishing an Islamic common market requires that initial steps for implementing a preferential trade system must be successfully concluded. Subsequently, new OIC initiatives can be launched that lead to gradual elimination of tariff and non-tariff barriers as well as financial barriers amongst member states.

The 6th COMCEC Session, held in 1990, adopted an OIC Framework Agreement on a Trade Preferential System (OIC-TPS), which became effective in September 2002 after its ratification by 14 member states. Negotiation modalities, agreed to by the fourteen member countries of the Trade Negotiating Committee (TNC), is presented in Box 2.1. The first round of bilateral agreements on the preferential tariff rates by the TNC members were successfully concluded in March 2005. It is still early to quantitatively assess the results of the preferential tariff rates in terms of potentially raising the intra-trade share of TNC members. Nevertheless, initial calculations suggest that the degree of trade complementarities amongst TNC members will eventually affect growth in intra-trade resulting from the preferential tariff system.

During 2003, export share of fourteen TNC members, in the total exports of all IDB member countries, is estimated at 38 per cent. The first round of TNC preferential tariff rates will apply only on the intra-imports of the fourteen TNC countries. Such intra-imports amongst the TNC members, during 2003, is estimated at 4.1 per cent of their total imports. A relatively low degree of intra-trade amongst the TNC members suggest the need for a systematic mapping between the OIC-TPS preferential tariff rates and the sector-level trade complementarities.

In to 2.3, a summary measure of complementarity indices are presented amongst the IDB member countries, including the TNC members. Complementarity index (CI) measures the potential for cooperation in trade rather than competition. The CI estimates the degree of similarity of one country's export with its trade partner's imports as compared with imports from the rest of the world. The CI values have been calculated between member countries' exports and partner countries' imports at the three-digit SITC rev. 3 classification system. The trade data consists of the average values of goods and commodities traded amongst the partner countries for the period 1988 to 2002. In calculating the CI values, the three-digit SITC data is aggregated to the level of three sectors viz. agriculture; manufacturing; and minerals, metals, and fuels. These three sector-level CI values are respectively presented, up to the four highest ranked partner countries, in Annex 2.1 to 2.3. The value of CI lies between zero and infinity; if it is more than unity then it indicates the existence of trade complementarity, otherwise CI values less than unity shows an absence of trade complementarity between the two partner countries.

In Annex 2.1, the agriculture sector CI values is distributed as follows: of forty-two member countries, there are five countries whose trade complementarity with over 30 partner countries is indicated while the trade complementarities of twenty countries falls in the range of 10 to 30 partner countries. Amongst the TNC members, only Cameroon, Senegal, Lebanon, Malaysia, Pakistan, and Uganda appear to have significant trade complementarities in the agriculture sector with other TNC members. This result suggests that applying the OIC-TPS by these countries in the agriculture sector can potentially increase their intra-trade.

In Annex 2.2, the CI values in the manufacturing sector are rather extensive across member countries: of the forty-one countries, the trade complementarity of twenty-two countries with over 30 partner countries is indicated while the trade complementarity of sixteen countries falls in the range of 10 to 30 partner countries. However, amongst TNC members, it appears that trade complementarities in the manufacturing sector are not as extensive with the other TNC partner countries. This aspect of existing trade relations amongst TNC

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Box 2.1
Tariff Reductions under the OIC Trade Preferential System - A Milestone Towards Forging Greater Intra-Trade Among Member Countries

The Framework Agreement of the OIC Trade Preferential System (OIC-TPS) resulted from the OIC Makkah Declaration on the occasion of the 3rd OIC Summit Conference held in 1981. Upon the effectiveness of the Framework Agreement, after achieving ten minimum ratifications, COMCEC was empowered to establish a Trade Negotiations Committee (TNC). The Framework Agreement was deposited in 1990 in the OIC General Secretariat for ratification. So far, 28 countries have signed the Framework Agreement. Of these, the following 14 countries have ratified the Agreement: Bangladesh, Cameroon, Egypt, Guinea, Iran, Jordan, Lebanon, Libya, Malaysia, Pakistan, Senegal, Tunisia, Turkey and Uganda. As a result, the Framework Agreement became effective in September 2002.

Under the Framework Agreement, the TNC is entrusted with organizing different rounds of tariff reduction related negotiations. Each round of negotiations is required to be completed within 12 months. The Framework Agreement offered Member States various negotiation methods such as product-by-product negotiations, general tariff reductions, sector-based negotiations, and direct trade measures. The multilateralization of negotiated concessions at the bilateral level among the Member States is to be implemented on the basis of the Most Favoured Nation (MFM) clause.

The 19th Session of the COMCEC adopted a Ministerial Declaration to launch the first round of trade negotiations. The Declaration also called upon participating Member States to complete the first round of preferential system within a year starting from April 2004. As a result, the TNC was established as an executive organ of COMCEC while the COMCEC Coordination Office in Turkey and the Islamic Centre for Development of Trade in Casablanca were nominated to act as the Secretariat of TNC. The first session of TNC was held in Antalya (Turkey) from 6-9 April 2004.

In the 1st Session of the TNC, participants elected Turkey as the Chairman of the Bureau while Iran, Tunisia, and Senegal were elected as the Vice Chairman of the Bureau. Participating Member States of the TNC also considered the choice of the negotiation modality. In general, some least developed and middle income Member States favoured a product-by-product approach. However, many of the relatively developed Member States preferred to adopt a 'linear' approach, which is based on custom tariff reduction negotiations, on the whole tariff lines, with the possibility of having a negative list. In the end, the TNC reached a compromise solution by adopting a 'negotiations strategy for the OIC-TPS', which is in fact a cocktail approach which combines the product-by-product approach with the linear approach. The guidelines of the negotiations strategy, which also defines the work programme of the TNC for the period April 2004 to March 2005, states the following:

1st stage:

Immediate and autonomous liberalization, by 20 percent, of the total tariff lines at the six digit level HS Code. The tariff reductions will be fixed product-by-product and unilaterally.

2nd stage:

Product-by-product approach in order to expand by 30 percent tariff listings submitted to a preferential scheme to reach 50 percent of tariff lines.

3rd stage:

Product-by-product negotiations to expand by 40 percent tariff listings submitted to a preferential scheme to reach 90 percent of tariff lines. Participating States are entitled to exclude 10 percent of their tariff lines (negative list).

During the 2nd Session of the TNC, held in September 2004, the main agenda item was the choice between two modalities of tariff reduction for industrial products:

Option A: To fix a minimum rate of reduction of applied MFN tariffs, which Participating States must observe.

Option B: To agree on a (target) maximum tariff ceiling that must not be exceeded at each stage of liberalization.

After deliberations the TNC decided to submit a "Revised Proposed Tariff Reduction Modality under the TPS-OIC" to their respective national authorities because some Participating States made technical remarks on the need to provide a special and differential treatment for the least developed Member States.

The Mid-term Review of the TNC activities was presented during the 20th session of COMCEC held in November 2004. During this Session, the COMCEC called upon the Participating States to actively take part in the remaining TNC meetings and to empower their representatives in the TNC, so as to enable them to take the necessary decisions.

During the 4th Session of the TNC, held from 30th March to 2nd April 2005, Participating States of the TNC finalized the draft "Protocol on the Preferential Tariff Scheme for the OIC-TPS" (PRETAS). Broadly, the draft PRETAS proposes tariff reductions for each Participating State to cover 7 percent of HS level of National Tariff Codes whereby tariff rates above 25 percent shall be reduced to 25 percent; tariff rates above 15 percent and up to 25 percent shall be reduced to 15 percent; and tariff rates above 10 percent and up to 15 percent shall be reduced to 10 percent.

Upon coming into force, tariff rates are to be reduced in six annual steps by the least developed Participating States and four annual steps by other Participating States. Interestingly, the draft PRETAS also provides an opportunity to Participating States to voluntarily fast track tariff reductions. The draft PRETAS is expected to be signed by the Participating States during the 21st COMCEC Ministerial Meeting, which is scheduled to be held in mid-September 2005.

Source: Islamic Center for Trade and Development, Casablanca, Morocco.

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members indicate that applying the OIC-TPS in the manufacturing sector is likely to yield a limited increase in intra-trade.

In Annex 2.3, the CI values in the minerals, metals, & fuels sector indicate that, of the thirty-nine member countries, ten countries have trade complementarity with over 30 partner countries while trade complementarity of thirteen countries falls in the range of 10 to 30 partner countries. Amongst TNC members, Jordan and Senegal appear to have significant trade complementarities in minerals, metals, & fuels sector with other TNC members. Again, the potential to increase intra-trade by applying the OIC-TPS in this sector appears to be limited.

Broadly, the above results indicate that TNC members need to carefully select offerings of bilateral preferential MFN tariffs in those sectors and product categories that have significant trade complementarities. In the long run, adopting such an approach is likely to increase intra-trade amongst the TNC members. It is important to stress that successful completion of the first OIC-TNC round in terms of actually increasing the intra-trade volume will not only provide an incentive for expanding product coverage but also attract other signatories of the Framework Agreement to ratify it and participate in the OIC trade preferential system.

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

The Bank's Strategic Plan emphasizes promotion of intra-trade as an important instrument for promoting co-operation and forging closer economic cooperation for accelerated development in member countries. IDB has since its inception been expanding its trade financing operations and trade promotion activities to help member countries to increase intra-trade, as a powerful catalyst for fostering economic co-operation. To this end, several financing schemes and windows have been developed over time to help member countries in their development needs. Bank also extends its support to member countries for gradual diversification of exports from non-traditional commodities to capital goods. Furthermore, IDB's trade financing operations have provided temporary relief to the member countries against foreign exchange shortages.

Trade financing operations are mainly conducted through two specific schemes, Import Trade Financing Operations (ITFO), which is mainly used to finance development related imports, while the Export Financing Scheme (EFS) exclusively aims to promote exports of member countries through short term financing. In addition, trade financing operations are also been supported through other windows which includes Islamic Bank Portfolio (IBP), Unit Investment Fund (UIF), Islamic Corporation for Development of Private Sector (ICD) and Awqaf Properties Investment Fund (APIF). Treasury Department of the Bank also provide resources for trade financing and the Islamic Corporation for investment and Export Credit (ICIEC) extend insurance for the exports of member countries.

Total net cumulative approvals for trade financing by IDB under its core financing schemes i.e. ITFO, EFS, IBP, UIF at the end of 1425H has reached $23.02 billion with predominant share of ITFO of $18.42 billion. In addition a total of $239.86 million was approved by the ICD, APIF and the Treasury Department for trade financing. Total net approvals in 1425H for all trade-related financing schemes amounted to $2.84 billion, a 43 percent increase over 1424H.

In addition, IDB, through its Trade Cooperation and Promotion Programme (TCPP), facilitates exchange of information on potential trade opportunities and provide support for capacity building of the trade promotion organizations of member countries. Under this programme in 1425H, Trade Finance and Promotion Department has undertaken several activities, which included organization of four exhibitions, one trade fair, four seminars/workshops, two training courses and a study with the cooperation of member countries.

IDB's technical assistance in the area of trade promotion has also been focusing on facilitating gradual removal of tariff and non-tariff barriers, building institutional capacity, human resource capabilities and to prepare member countries to face the emerging challenge of WTO related issues.

III. INTRA-INVESTMENT AND ECONOMIC COOPERATION AMONG MEMBER COUNTRIES

1. Overview of FDI in IDB Member Countries

Foreign Direct Investment (FDI) is an important tool of economic growth and long term development and has the potential for creating employment, increasing productivity, attracting new technology and expanding capacity for trade. It is the largest source of foreign private capital reaching developing countries and at present account for 72 percent of all resource flows to these countries. Promotion of intra-investments is an important vehicle for forging greater economic cooperation, its significance is manifold, especially considering the inadequacy of present FDI flows amongst IDB member countries.

FDI inflows[1] on a world wide basis declined by 18 percent to $560 billion in 2003 compared to the 17 percent decline in 2002 to $679 billion, this has followed an even larger decline of 41 percent in 2001 from $1.4 trillion in 2000 to $818 billion. The developing countries as a group have made positive gains with a 2 percent increase in their share of FDI inflows during 2003, whereas developed countries' share fell 25 percent. Regionally, African FDI inflows recorded a net gain of 28 percent in 2003; Asia has also performed well, recording a net gain of 13 percent. Future prospects are also considered positive for these regions, except for a limited setback due to the recent Tsunami disaster. Recent global trends reflect a recovery and an improved economic climate on a world wide scale, which will have a positive impact on FDI inflows for IDB member countries.

FDI inflows attained a peak in 2000 of $1,388 billion and since then they have been on a decline. FDI inflows to IDB countries increased overall by 23 percent in 2003. The share of IDB member countries in global FDI inflows remained marginal, at 4.1 percent for the world and 11.9 percent for developing countries in 2003. On the sub-regional basis, IDB member countries in North Africa have shown an overall increase of 52 percent, Sub-Saharan African countries 25 percent, the GCC countries 65 percent and Middle Eastern countries 14 percent. The increase for CIS was 33 percent and for Asian countries 3 percent. The average size of annual FDI inflows to IDB member countries was only $416 million as compared to $1,142 million for developing countries and $2,855 million for the World.

Annex 2.4 indicates that the thirty-five IDB member countries recorded improvements in their FDI inflows in 2003, whereas seventeen countries experienced decreased inflows and two countries were at the same level in 2002. High performing IDB member countries that experienced sizeable increases are: Libya, Morocco, Somalia, Niger, Djibouti, Kuwait, Oman, Jordan, Kyrgyzstan, Azerbaijan, and Albania. Nine IDB countries experienced decreases in FDI inflows: Indonesia, Yemen, Gabon, Guinea, Egypt, Togo, Iran, Turkey, and Suriname.

In terms of the size of FDI inflows, five IDB countries member namely Azerbaijan, Malaysia, Morocco, Kazakhstan and Brunei, received inflows of over $1.5 billion in 2003, as compared to only two countries in 2002. Eight countries, namely Pakistan, Sudan, Chad, Libya, Algeria, Tunisia, Turkey and Bahrain, showed inflows of over $500 million, whereas 39 countries were in the range of zero to $500 million. Two countries had negative inflows (disinvestment). Chart 2.1 depicts a clear pattern of inflows for 2003 for IDB members, wherein only 14 countries are above the group average ($416.7 million), as compared to 41 which are below average. There is also a high variation in size of FDI inflows to individual IDB member countries.

It is also observed that thirty-two member countries had as their major partners other IDB members of the same region, whereas the remaining countries had non-IDB members as their partners, also within the same region. This pattern indicates that countries prefer to invest in neighbouring countries with comparatively equal or lower levels of development.

FDI outflows[2] on a world wide scale rose by 3 percent in 2003 to $612 billion, while total outflows to developing economies fell by 13 percent, as compared to a 4 percent rise in the share of developed countries (see Annex 2.5). In terms of the overall distribution of absolute shares of FDI outflows, developed countries have dominated it with a massive 93-94 percent share which they have maintained at a constant level for over three decades. FDI outflows attained a peak in 2000 at $1,187 billion and have been on a decline since then, except for its mild recovery in 2003. Annex 2.5 shows that the total FDI outflows of IDB member countries were reduced by 72 percent from $5.3 billion in 2002 to $1.5 billion in 2003. The share of IDB member countries in global FDI in 2003 was a negligible 0.2 percent of the World and 3.5 percent of the developing countries, as compared to 0.9 percent and 10.9 percent respectively in 2002. Average of the FDI outflows from

[1]Inflows of FDI in the reporting economy comprise capital provided by a foreign direct investor to an enterprise resident in the economy. FDI flows are recorded on a net basis and negative inflows means related payments to outside in the form of repatriation exceeded the total inflow for that year (disinvestment).

[2]Outflows of FDI in the reporting economy comprise capital provided by a company resident in the economy to an enterprise resident in another country. FDI flows are recorded on a net basis and negative outflows means that the related receipt on the prior investment made outside in the form of repatriation exceeded the total outflow for that year.

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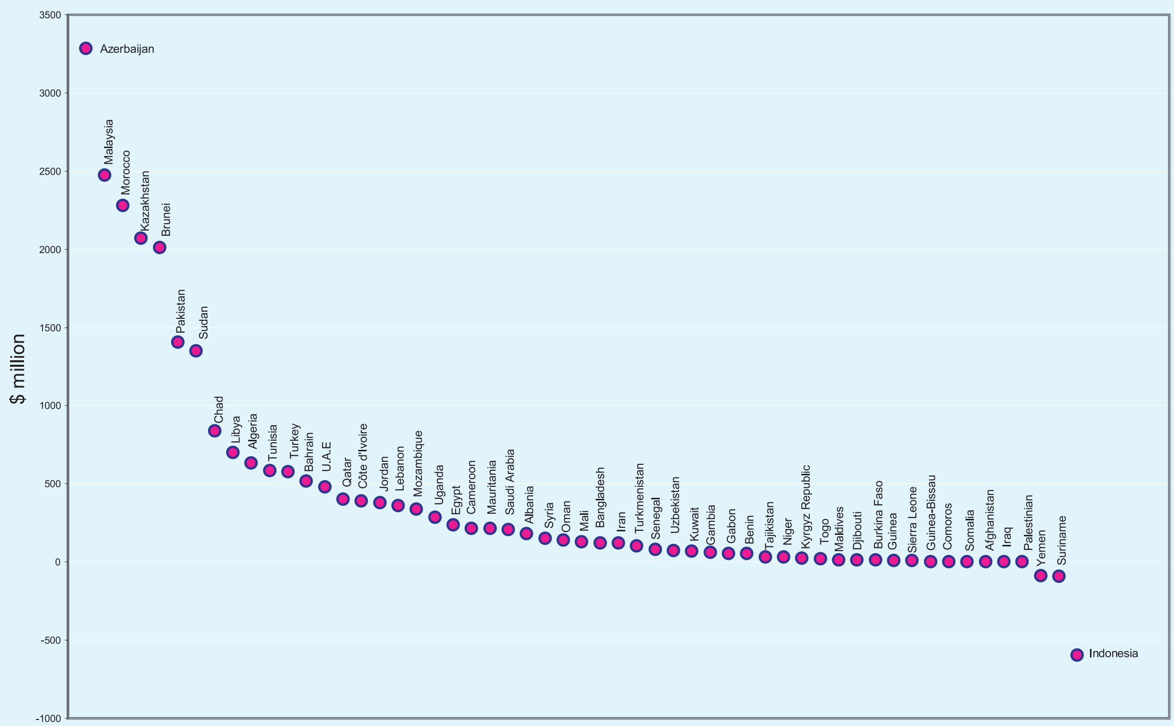
Chart 2.1
FDI Inflows to IDB Member Countries in 2003



IDB member countries in 2003 was $27 million, as compared to $252 million for developing countries and $3123 million for the World as a whole. The average for 2003 was also less as compared to the $96.5 million and $96.8 million recorded for 2002 and 2001, respectively. As for changes in percentage terms for IDB countries, only six have shown substantially improved performances (over 50 percent), eight countries showed slight increases, ten recorded sizeable decreases (over 50 percent), fourteen had slight decreases and the values for seventeen countries remained unchanged in 2003.

While evaluating performances for 2003, on a regional basis, African countries have shown a resilient performance, yet their share has remained quite marginal at only 0.21 percent of the World. IDB member countries in Africa have shown low performances with an overall decline of 47 percent in FDI outflows, Sub-Saharan African IDB member countries recorded a 61 percent decrease. In this group, Benin, Chad and Gambia showed positive gains, whereas Niger, Togo, Mozambique, Senegal, Cote D' Ivoire, Burkina Faso, Mali, Guinea and Uganda had negative results. On the other hand, resulting from the poor performances of Algeria (-86 percent), Morocco (-59 percent), Egypt (-26) and Libya (-9 percent), the decline for North African member countries was 44 percent, with only Tunisia showing a sizeable increase of 180 percent.

Performance of the Asian countries was also weak showing a 38 percent decrease and having only a 3.8 percent share of the World total. Asian member countries of IDB showed an overall decline of 83 percent. GCC countries recorded a substantial decline due to sizeable decreases of FDI outflows from Kuwait and Oman although Bahrain and UAE have shown positive outflows. From the Middle Eastern countries, Lebanon and Iran recorded increases, whereas outflows from Jordan has decreased. In CIS countries, the overall FDI outflows were up by 8 percent, because of the sizeable increase in the share of Azerbaijan; driven mainly by natural-resource projects, while the share of Kazakhstan has decreased.

IDB member countries in Asia have shown a net decrease in FDI outflows of 26 percent, as Brunei Darussalam, Pakistan and Malaysia recorded negative performances. Bangladesh and Indonesia have recorded

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increase in FDI outflows. In Europe, the FDI outflows of Turkey has increased by, while Albania recorded a decrease.

As for the individual performances of IDB member countries, based on the size of FDI outflows, only five countries, namely Iran, Malaysia, UAE, Azerbaijan and Bahrain, made sizeable investments in other countries in 2003, amounting to over $500 million, whereas in 2002 only one country had attained this level of investment. Forty-three IDB member countries were in the range of zero to $500 million and seven countries had negative outflows. The overall results show a negative picture of FDI outflows for IDB member countries, except for six IDB member countries, all others have made either marginal investments or disinvestments outside. Out of the total of 55 IDB member countries, 44 were below the group average of $27 million. There is also a high degree of variation in the net outflows for individual IDB member countries.

For twenty-four IDB member countries, the major FDI Outflows partners were neighbouring IDB members with low levels of development. This is particularly important for the small economies of Asia and Africa, as the investing IDB member countries appear to have chosen their regional neighbouring countries as their major partners. This is due to such factors as awareness and understanding of markets and comparative cost advantages of geographical proximity. In addition, more developed IDB member countries can provide significant external capital and contribute in promotion of intra-FDI flows at the regional level.

2. FDI Performance and Potentials in IDB Member Countries

Based on the UNCTAD Inward FDI Performance Index[3] all sub-regions of IDB member countries showed improvements in FDI inflows. The best performing sub-region was CIS, (both in the index score and its rise over the previous period). The second best performers in the index value were Asia, Sub-Saharan Africa, North Africa, GCC and Middle East. The overall performance of IDB member countries was quite encouraging as the average performance index for the group for the years 2001-2003 was 1.52 up from 0.61 in 1998-2000. The index was as high as 1.25 for developing countries and 1.00 of the World for the period 2001-2003. The FDI inward performance rank for IDB countries has also improved from 93.9 in 1999-2001 to 86.1 in 2001-03

The individual performance index for thirteen IDB member countries was higher than the group average and the leaders were Brunei (13.405), Azerbaijan (12.519), Gambia (5.924), Kazakhstan (4.879), Mozambique (3.259), Sudan (2.827), Morocco (2.413), Uganda (2.137), Albania (1.714), Bahrain (1.576), Mali (1.568), Togo (1.528) and Tunisia (1.417). Annex 2.6 provides details in terms of relative performance rankings of IDB member countries for FDI inflows, four countries are ranked in the top ten, namely Brunei (2nd), Azerbaijan (3rd), Gambia (7th), and Kazakhstan (8th). Nine of the IDB members are in the top fifty positions and twenty-four countries are in the top 100 countries. Eighteen IDB members are above the overall group Average Performance Rank of 86.14, and the positions of individual countries varied from the 2nd position of Brunei to the 140th for Suriname.

In terms of the performance of FDI outflows, most of the IDB member countries showed under performance while only two countries, Azerbaijan (93.764) and Bahrain (2.309) were placed high on the performance index (greater than one). Nine IDB member countries are above the IDB Group average of (0.222). In terms of relative FDI outflow performance ranking of IDB member countries, only two are in top ten, nine are in top fifty and twenty six are in top 100 countries. Seventeen IDB member countries are above the overall group Average Performance Rank of 77.3, while the position of individual countries varied from 5th to 128th position.

In terms of the Potential Index for FDI inflows[4], which reflects the potential of a country to attract inward FDI, the average of potential index for both the developed and developing countries (including IDB member countries) remained fairly stable during 1998-2002. Similar trends were observed in the potential FDI inflow index of IDB member countries, which remained, on average, at 0.170 and 0.172 for 1998-2000 and 2001-2003, respectively. The IDB Group average of 0.172 is lower then the 0.178 for the developing countries and 0.220 for the world during 2001-2003.

Individually, the Potential Index for eighteen IDB countries was higher then the group average of 0.172.

[3]UNCTAD Inward Performance Index is a measure of the extent to which host country has received inward FDI as compared to its global share of GDP.

[4]FDI Potential Index is an structured variable comprising 12 indicators including Real GDP, GDP per capita, R&D share, Exports & Imports, Country Risk level, Education, Use of Mobile etc.

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Matrix of FDI Inflows Performance and Potential 2000-2002
for IDB Member Countries

	High FDI Performance	Low FDI Performance
High FDI Potential	FRONT RUNNERS Brunei, Jordan Malaysia	BELOW POTENTIAL Bahrain, Egypt, Iran, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, UAE
Low FDI Potential	ABOVE POTENTIAL Albania, Azerbaijan, Kazakhstan, Mali, Morocco, Mozambique, Sudan, Togo, Tunisia, Uganda	UNDER PERFORMERS Algeria, Bangladesh, Benin, Burkina Faso, Cameroon, Cote d'Ivory, Gabon, Guinea, Indonesia, Kyrgyzstan, Pakistan, Senegal, Sierra Leone, Suriname, Syria, Tajikistan, Turkey, Uzbekistan, Yemen

The ten IDB member countries with the highest potential were Qatar (0.433), UAE (0.388), Kuwait (0.205), Bahrain (0.304), Saudi Arabia (0.298), Malaysia (0.292), Brunei (0.287), Libya (0.254), Oman (0.221) and Lebanon (0.205). All of the above listed IDB member countries have established track records in FDI inflows, whereas Sub-Saharan African member countries of IDB were ranked quite low.

In the potentials ranking of IDB member countries, only one is in the top ten, nine are in the top fifty and twenty-six are in the top hundred countries. The average Potential Rank of IDB member countries was 85.54 in 2001-03 as compared to 86.61 for 1999-2001, while the ranking of individual countries varied from 8th to the 139th position.

The Matrix of FDI Inflows Performance and Potential shows the rankings for IDB member countries in terms of their inward performance and potential for the period 2000-2002. Three are Front-Runner Countries, because of their high FDI potential rankings and their good performance rankings. Ten IDB member countries are Above Potential Countries, meaning although they were low on FDI Potential, they have shown a strong FDI performance. Ten are Below Potential Countries, i.e. although they have a high FDI Potential, they have recorded a low FDI performance. Finally, nineteen IDB member countries are Under-Performer Countries, with both low FDI inflows Potential and Performance

3. Legal Framework for Investment Flows in IDB Member Countries

Government policies of IDB member countries regarding FDI has become more liberalized and investment-friendly through the signing of bilateral, regional and international agreements that facilitate capital flows and foreign investment. On a worldwide basis, there were a total of 244 changes in laws and regulations relating to FDI in 2003, with 220 of them directly related to increased liberalization. At the bilateral level, 86 Bilateral Investment Treaties (BITs) and 60 Double Taxation Treaties (DTTs) were concluded during the same year, bringing the total to 2,265 and 2,316, respectively. The total number of

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treaty signed by IDB member countries were 722 BITs and 291 DTTs. The number of agreements signed by IDB member countries with non-IDB member countries is high. Only 304 BITs and 102 DTTs were signed with IDB partner countries.

In order to obviate the negative impact of often conflicting national investment policies, bilateral/multilateral investment agreements of a mutually beneficial nature can help in boosting FDI flows. Annex 2.7 provides details of the agreement signed so far. In 2003, IDB member countries signed sixteen BTTs, of which six were with other IDB partner countries. These treaties were concluded by Iran (2), Algeria (2), Lebanon (1) and Pakistan (1). Of the twenty two of new DTTs bilaterally signed by the IDB members, eight were signed with IDB partners. These agreements were signed by Tunisia (2), Lebanon (2), Bahrain (1), Malaysia (1), Sudan (1) and Burkina Faso (1).

The leading IDB countries with the highest total number of Bilateral Treaties were Egypt (55), Iran (45), Lebanon (36), Turkey (36), Indonesia (34), Malaysia (31), Pakistan (30) and Morocco (29). The African IDB member countries continue to lag behind in entering into bilateral agreements for the promotion of FDI flows.

In order to promote intra-investment, majority of IDB countries, especially the LDMC need to seriously consider enactment of necessary legal framework for improving prospect for investment. During 1425H, IDB member countries in Asia and Africa continued their efforts to cooperate at a regional level through regional arrangements for the promotion of FDI. The SAARC agreement on protection of investments and the ECO investment agreement are under negotiation. All these arrangements are designed to enhance future investment and forge closer cooperation among members of these organizations. It is expected that the implementation of these agreements would provide a sound basis for putting in-place the requisite legal system for protecting and facilitating investment.

4. Expert Meeting on Enhancing the Capacity of Financial Markets to Promote Intra-Investment among IDB Member Countries

Experts from twelve institutions (securities commission, stock exchanges and international Islamic financial institutions) from member countries of the IDB met 8-9 Jumad Awwal 1425H (26-27 June 2004), at IDB Headquarters, Jeddah, to brainstorm “Enhancing the Capacity of Financial Markets to Promote Intra-Investment in IDB Member Countries”.

The two-day meeting comprised five working sessions, including a panel discussion and a concluding session. It covered several topics such as a review of specific member countries’ experiences with financial market development and cooperation, with a special emphasis on operational and institutional features, the role of Islamic finance, the need to develop secondary markets for Islamic financial instruments, strengthening regulatory frameworks, and achieving Shari’ah convergence (see Box 2.2 for the recommendations of the Expert Group).

The Task Force proposed by the experts was invited to a meeting by the IDB in Jeddah on 23-24 Ramadan 1425H (6-7 November 2004). An Action Plan prepared by the Task force was presented to the OIC Economic Conference held in Istanbul on 23-27 November 2004. Report of the expert group was endorsed by the Ministers which contains specific proposals and recommendations alongwith mechanism for implementation of action plan.

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

Promotion of intra-investments is another prospective area for promotion of economic cooperation among IDB member countries. The heterogeneity in the natural resource endowments of the IDB member countries is highly favourable for such cooperation. Furthermore, given the fluctuations in world FDI inflows as well as their concentration in a few developing countries, there is a need to strengthen the framework for enhancing intra-investment flows amongst the member countries.

Keeping in view the key role of FDI in increasing economic growth of member countries, the Bank through its financing operations continued to lay special emphasis on promotion of intra-investment flows. In this regard, IDB extends lines of financing to the national development financing institutions (NDFIs) and cooperates with the Association of National Development Financing Institutions in member countries of the IDB (ADFIMI) and as well as with other Islamic banks. In this connection, entities in the IDB Group, like the ICD and the ICIEC, are expanding financing by providing credit lines to the financial intermediaries for intra-investment activities and protection of investments through the provision of related insurance facilities.

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Box 2.2
Recommendations of the Expert Meeting on Enhancing the Capacity of Financial Markets to Promote Intra-investment Among IDB Member Countries

Experts from twelve institutions (securities commission, stock exchanges and international Islamic financial institutions) from member countries of the Islamic Development Bank (IDB), met at the IDB headquarters in Jeddah on 26-27 June 2004 and made the following recommendations:

1. CAPACITY BUILDING AND INVESTMENT PROMOTION

- In order to attract capital flows into member countries, the primary focus should be on developing and strengthening Investment fundamentals, which remain vital criteria for investors.
- Priority should be given to actions aimed at strengthening relatively under-developed stock markets.
- Better infrastructure to enhance the capacity of secondary markets should be developed.
- Ways and means should be found to keep transaction costs as low as possible.
- Conditions for promotion of cross- listings should be created.
- Acceptable levels of transparency and disclosure standards should be ensured.
- Markets should be opened to foreign investors.
- Free flow of funds to and from member countries should be encouraged and facilitated.
- Commitment for effective regulatory and supervisory frameworks should be ensured.
- Quality listings should be secured.
- The role of saving institutions and institutional investors as a way of strengthening the capacity of member countries' stock markets should be ensured.

2. INTEGRATION OF STOCK MARKETS

- There should be a focus on enhancing linkages between relatively well-developed markets.
- Cross-border listing should be encouraged.
- MOUs between IDB member countries should be facilitated with a view to enhancing inter markets linkages and boosting intra-investment flows.
- Alliances/mergers between stock markets should be encouraged to harmonize their institutional frameworks and to stimulate stock markets' activities.
- Alliances between market intermediaries should be encouraged to tap the liquidity pools, rather than having the individual investors do the cross-border trading.
- Sound policies (monetary/fiscal/exchange rate policies) should be developed to ensure currency stability.
- Central banks should be engaged in the implications of monetary policies on the domestic capital markets.
- The IDB could play a facilitating role in the networking of stock exchange managers, regulators, and the Islamic finance infrastructure institutions.

3. ISLAMIC FINANCIAL MARKETS

- To a greater extent, there should be an initial focus on existing Shariah compliant financial products.
- New financial instruments should be developed to accommodate growing investors' needs.
- Islamic financial terms should be desmystified for greater awareness and understanding.
- The culture of sukuk issues and knowledge about IFIs should be deepened through properly designed training programs and awareness campaigns.
- Developing the primary market for sukuks should be focused on as a prerequisite for developing the secondary market.
- A larger number of market makers should be encouraged to play an active role in enhancing the secondary market for Islamic financial instruments.
- Additional liquidity management tools should be developed.
- Overlapping of functions and activities of different Islamic finance infrastructure institutions should be avoided. In this regard, IDB could play an effective role of coordination with a view to avoiding overlapping functions.
- Coordination of Shari'ah rulings for greater harmonization rather than universal Shariah convergence should be encouraged for the development of Islamic Financial Markets. In this regard, the IIFM Shari'ah standards could form the basis for harmonizing various Shari'ah interpretations for different types of capital market products.
- Greater confidence in Islamic financial markets should be created by making them become more competitive and efficient.

The Meeting recommended the establishment of a Task Force consisting of regulators and stock exchange managers to prioritize the recommendations emanating from the deliberations of the Experts Meeting and to work out some actionable items for implementation and follow up.

It was pointed out that the Task force should aim at enhancing the capacity and integrity of financial markets in member countries. It was agreed that the Bank would consult the relevant institutions to organize the first meeting of the Task Force and to follow up matters.
The Meeting also agreed that the IDB may explore the possibility of providing a forum for consultation and information sharing that would meet on a regular basis.

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All these activities are geared to promote intra-investment flows among member countries with substantial contributions by the private sector. The role of private sector can further be enhanced through the Islamic Chamber of Commerce and Industry (ICCI) a representative body of the national chambers.

IDB being well aware of the needs for promotion of intra-investment amongst member countries has recently established a technical cooperation program for investment promotion to be managed by ICIEC. The Bank has also organized a number of international investment conferences in order to create an awareness among investors about investment opportunities within the Islamic world. IDB has also organized various Expert Group meetings, symposia and workshops on investment-related issues were aimed at identifying impediments and requirements for promotion of investment. In realizing the strategic objective of the IDB Group to promote economic cooperation, the Bank, aims to facilitate joint ventures among the member countries, and to give priority to projects serving two or more member countries. The Bank has also been helping in creating of conducive environment for investment promotion by facilitating creation of an appropriate legal framework, which is a major factor that can help in attracting foreign investment flows to member countries.

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

In addition to its regular operations, the IDB carries out various other assistance, capacity-building, information, education, research, emergency relief and development related activities that directly benefit member countries and Muslim Communities in non-member countries. This subsection briefly reviews these diverse activities, facilities and programmes.

1. Promotion of Cooperation Among Member Countries in Private Sector Development

In the face of the reduced roles of the governments in the management of the national economies, IDB member countries have been taking various measures to encourage and support their respective private sector entities to play a larger role in their national development efforts. In this context, member governments have been implementing extensive policy reforms involving price liberalization, more flexible foreign exchange regimes, reduced restrictions on trade, and tariff reductions.

The IDB has made the promotion of private sector development in member countries a major objective through its financing and other activities. In this context, a serious effort is being made to expand resource mobilization to better accommodate the needs of member countries and their private sector. New entities have been established, namely the Islamic Corporation for the Development of the Private Sector (ICD) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) to support the activities of the private sector. The Bank has also established an Infrastructure Fund in support of private sector projects in this area.

ICD provides direct financing of projects in the private sector, with an emphasis on sectors that have a significant developmental impact. ICD also mobilizes resources through syndication and co-financing, and securitization. ICD expanded its private sector operations in member countries from 11 operations amounting to $46.17 million in 1424H to 18 operations totaling $105 million in 1425H. During 1424H, ICD had extended $22 million credit lines to the financial institutions in member countries for promotion of investment.

ICIEC offers a wide range of Shari'ah compatible insurance services to exporters, investors and financial institutions in member countries. During 1425H, total policies in force stood at 72 and ICIEC's insurance commitments reached $451 million. IDB Unit Investment Fund (UIF) is a private sector window of IDB, mandated to mobilize resources and to provide Shari'ah compatible investment opportunity for investors. The size of the Fund currently stands at $325 million with the participation of 27 institutional investors from 11 countries. In 1425H, the total approvals of the UIF for its 20 operations under various modes of financing stood at $228.85 million. The IDB Infrastructure Fund is the first private investment vehicle of its kind with a mandate to focus its operational activities on the infrastructure development of member countries. Up to the end of 1425H, the Infrastructure Fund had invested a total sum of $318.4 million in eight projects in five member countries.

Moreover, the Bank provides lines of financing to the national development financing institutions (NDFIs) as intermediaries to support investments in small and medium size enterprises in member countries. The Bank has also been participating in the equity capital of Islamic financial institutions and enterprises which operate in the private sector. Another IDB activity in support of private sector development in member countries is cooperation and collaboration with the Association of Development Finance Institutions in IDB member countries (ADFIMI).

2. Assistance to Member Countries on the WTO-Related Matters

The ten years since the establishment of the World Trade Organization (WTO) has shown that many of the significant gains that were expected to accrue to developing countries from increased market access have not yet materialized. Furthermore, implementation of the WTO agreements and obligations continued to pose formidable challenges for developing countries due to their weak and inadequate institutional and human capacities. These same constraints resulted in weak and ineffective participation of these countries in the WTO process. In response to these challenges and constraints, as well as to the various needs of its member countries, IDB launched an extensive Technical Assistance Programme (TAP) in 1997 aimed primarily at strengthening the human and institutional capacity of OIC member countries in the context of the WTO-related activities to enable them to better participate in the multilateral trading system. In this context, IDB activities and assistance consist of workshops/ seminars on WTO Agreements, organization of trade policy courses, and the undertaking of subject-specific studies for both WTO members and those IDB member countries aspiring to join the WTO. The IDB has also been organizing consultative meetings as forums for exchanging views on relevant issues prior to and after the WTO ministerial conferences. Meanwhile, specific technical support is provided to countries acceding to or desiring to join the WTO.

In 1425H, the Bank organized the following WTO-related activities:

1. Seminar in Arabic on Competition Policy and Law for Arab Countries Members of the OIC, in Khartoum, Sudan, 27-28 April, 2004.
2. Seminar in Arabic, English and French on the Impact of Termination of the WTO Agreement on Textiles and Clothing on the Exports of OIC Member Countries, in Jeddah, Saudi Arabia, 10-11 May 2004.
3. Joint Seminar in Arabic with the Arab Industrial Development and Mining Organization, and Arab Iron & Steel Union on Anti- dumping, in Amman,-Jordan, 31 May- 2 June 2004.
4. Three-week Trade Policy Course in French in Cotonou, Benin, 21 June - 9 July 2004.
5. Three-Week Trade Policy Course in English, Jakarta, Republic of Indonesia, 27 September – 15 October 2004.
6. Consultative Meeting on the “July Package” for the OIC Member Countries Permanent Missions in Geneva, 13 October 2004
7. Participation in Geneva Week, which was organized in Geneva, Switzerland, from 10th to the 14th May 2004.
8. Country-Specific Technical Assistance was provided to the Syrian Arab Republic by an expert to assist in accession issues.

The Bank also participated in:

9. The International Conference on the Developing Countries and the WTO: Realities and Future Challenges, organized by the Kuwait University College of Business Administration in cooperation with the IDB, in Kuwait, 23-24 November 2004.
10. The 11th Session of the United Nations Conference on Trade and Development (UNCTAD XI), which was held in Sao Paulo, Brazil, from 13th to 18th June 2004.

3. IDB Annual Symposia

IDB started organizing Symposia in conjunction with Annual Meetings of its Board of Governors in 1409H, with the aim to facilitate the exchange of views on themes of current importance to the economic development and social progress of member countries. They also generated useful discussions and practical recommendations at the regional, national and IDB levels. In the fifteen symposia so far organized, a wide array of issues in various sectors/areas of economic activity of common interest to member countries were discussed in detail, with recommendations generated for proposed action at the national and IDB levels.

The Fifteenth Annual Symposium of the IDB was organized on 29 Rajab 1425H (14 September 2004, in conjunction with the Annual Meeting of IDB Board of Governors, held in Tehran, Islamic Republic of Iran, on the subject of “Health Millennium Development Goals: Reversing the Incidence of Malaria in IDB Member Countries”. The Symposium was inaugurated by H.E. Dr. Mohammed Khazaei, Deputy Minister of Economic Affairs and Finance of the Islamic Republic of Iran. The keynote speaker was Dr. Fatoumata Nafo-Traore, Director of the Roll Back Malaria Department of the World Health Organization[5].

Participants recognized that Malaria was a complex problem affecting vulnerable groups in many IDB member countries that requires concerted effort at all levels to effect a resolution. The Symposium emphasized that:

1. The impact of malaria on the socioeconomic development of countries in Africa, south of the Sahara and Asian countries with a high malaria burden, heightens the urgency for effective control of the disease in these region.
2. In countries with intense transmission, malaria mainly affects vulnerable groups such as pregnant women and young children. Unless the health status of these vulnerable groups is significantly improved, attaining malaria-related Millennium Development Goals (MDGs) will remain a distant dream, and the potential health contribution of towards socioeconomic growth and poverty alleviation would not be realized.
3. In complex emergency countries, particularly in Africa south of the Sahara, it may not be realistically possible to attain the health-MDGs within the envisaged time frame. Nonetheless, for humanitarian as well as developmental reasons, malaria should be addressed in these countries to curb at least the mortality burden and part of the morbidity burden.
4. In countries where interruption of malaria transmission has been achieved, or almost achieved, there is a need to maintain the efforts to prevent re-establishment of transmission. However, the MDGs do not have any bearing on malaria in these situations and the countries in question have the financial and technical capacity to address the problem. Nevertheless, in many cases, control can be reinforced through cross-border cooperation and collaboration, especially in such areas as the Arabian Peninsula where malaria elimination can be achieved and consolidated.
5. The success of malaria control programmes depends on the utilization of cross-sectoral approaches and sustained efforts at both national and regional levels. The main determinants to success are:
   - Sustained and sufficient financing;
   - Effective human resource development;
   - Practical integration with general health system planning;
   - Partnership with the community, private sector, NGOs and all other agencies;
   - National government commitment and leadership.
6. The international funding required in the medium term to supplement current inputs for all the low-income IDB members is estimated at $500 million per year.
7. In modern times, security involves health factors with cross-border implications. Cooperation on health issues should therefore lead to more security at both the national and regional levels.

The Symposium formulated a number of recommendations to be considered at regional, national and IDB levels. (See Box 2.3).

4. Technical Cooperation Programme

The Technical Cooperation Programme (TCP) aims to promote and enhance the quality of the human resources in member countries, through activities involving donor countries/institutions, beneficiaries and financiers who cooperate to mobilize and exchange skills, talents and technical know-how for the achievement of socioeconomic development in member countries. The Programme covers: provision of on-the-job training, study/familiarization visits; recruitment of experts; and organization of workshops and seminars.

TCP aims to support non-governmental organizations, including women organizations, in their human resource development initiatives, to assist the poor and the disadvantaged groups in member countries by involving them in grass-root level socioeconomic activities.

During 1425H, $2.25 million were approved for 105 operations, of which 50 operations amounting to $0.98 million was for training, studies and familiarization visits, 19 operations totaling $0.4 million for experts' services, and $0.9 million involving 36 operations for organization of seminars and workshops.

[5]Dr. Hoda Atta, Regional Advisor on Malaria in the WHO East Mediterranean Region Office, Cairo, Egypt, Prof. Omar Gaye from the Faculty of Medicine, University of Cheikh Anto Diop, Dakar, Senegal and Dr. Abdul Mannan Bangali, a National Professional Officer from WHO Office, Dhaka, Bangladesh were the panelists. A presentation was also made by Dr. Nasrin Moazami, Head of the Biotechnology Centre of Iran Scientific and Industrial Research Organization on research and application of locally developed methods for fighting malaria in Iran.

Box 2.3
Recommendations of the 15th Annual Symposium: Health Millennium Development Goals - Reversing the Incidence of Malaria in IDB Member Countries

The 15th Annual IDB Symposium, held in Tehran on 14 September 2004, adopted the following recommendations:

At the national level

IDB members are recommended to:

i. Recognize the control of malaria, along with a commitment for effective implementation, as a developmental and humanitarian priority, is essential for attaining all of the MDGs and for reducing poverty among the most vulnerable groups.
ii. Promote community-based approaches for sustainable malaria control.
iii. Capacity building/strengthening should include the establishment of long-term mechanisms for developing strategies appropriate to each region in the country.
iv. Include malaria control in sector-wide approaches with planning at all health system levels towards clear targets consistent with the MDGs.
v. Engagement of the private sector and civil society in malaria control.
vi. Strengthen the environmental and health impact assessments of development projects and ensure that capacities are in place for sustaining the implementation of measures for the mitigation of the adverse health impacts.

At the regional level

OIC/IDB members are recommended to:

i. Strengthen collaboration on malaria control interventions among the countries which are geographically close to each other.
ii. Enhance regional information exchange and cooperation on operations and development of health services in borders areas with special emphasis on malaria.
iii. Establish a regional endowment fund to support malaria control and malaria resource centers for long-term malaria control programmes.
iv. Support regional networks to exchange information and best practices in the area of malaria control.

At the IDB Group level

The IDB is recommended to:

i. Give priority in its health-financing programmes to significantly improve the health of vulnerable groups in member countries.

ii. Provide technical and financial support to member countries for effective malaria control, aimed at addressing the following:

- Increasing prompt access to effective treatment and high coverage of prevention measures to communities at risk;
- Monitoring of resistance to anti-malarial medicines and insecticides;
- Epidemic detection and control, improved surveillance and timely reporting;
- Institutional development for malaria control with emphasis on the integration of malaria control with other health programmes;
- Technology transfer in the area of malaria control.

iii. Support human resource development and management in both the public and private health sectors.

iv. Help raise awareness regarding the seriousness of malaria and its relationship to development, the environment, and health in member countries.

v. Encourage and support innovative approaches to malaria prevention and control which are based on local resources, technology, and support by evidence.

vi. Consider developing innovative financing mechanisms to accelerate malaria control in member countries.

vii. Take appropriate steps to ensure that prevention and control measures for transmission of malaria are built into the project's planning and implementation requirements.

viii. Support malaria research, development of innovative strategies for effective malaria control, medical training, environmental education and public campaigns.

ix. Support regional initiatives to control malaria in member countries.

x. Help demonstrate that malaria is not an intractable problem in the endemic countries. To this end, support initiatives for learning from successful malaria control programmes in member countries.

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5. Responding to the Special Development Needs of the Least Developed Member Countries

For IDB, the continuing difficulties and the debilitating special development needs of the Least Developed Member Countries (LDMCs) have always been and continue to be a particular area of focus. For this purpose, the Bank provides assistance targeting key sectors, including human resource development, water supply, agriculture and feeder roads. Moreover, the Bank provides highly concessional terms to the majority of its operations concerning the LDMCs.

The Bank remains committed to implement the Declaration on IDB Group Cooperation with Africa, adopted at the 27th Annual Meeting of the Governors of the Bank, in order to help in accelerating economic growth, contributing to the fight against poverty, adapting policies and procedures to ensure efficient resource utilization of its trade financing facilities. In support of the Ouagadougou Declaration, IDB has cumulatively approved operations totaling $850 million up to the end-1425H.

The IDB also participated during the year in other initiatives that would eventually benefit its African member countries, particularly in support of the social sectors, whose development figure prominently among the Millennium Development Goals adopted by the UN in 2000. One such example relates to the IDB's activities on South-South Cooperation in Bilingual Education as one of the means to help improve the primary enrolment rate and eventually reduce illiteracy, poverty and respond to the needs of parents to see their children becoming fully integrated in the society while keeping their Islamic values.

IDB initiated a programme of bilingual education in Chad and Niger, where approvals have so far reached $33 million. An international conference on the subject was held in N'Djamena, Chad, in June 2004, where, besides the IDB, World Bank, the African Development Bank, and the French Agency for Development, Kuwait Fund, Saudi Fund, the Arab Bank for Economic Development in Africa (BADEA), UNESCO, ISESCO, the Francophone International Agency and CONFEMEN participated. About $450 million were pledged for the promotion of the bilingual education sub-sector, with $300 million pledged by IDB to support Sub-Saharan member countries in developing their bilingual education sub-sector. The Conference also emphasized, in its document called Appeal of N'Djamena, South-South Cooperation in sharing the experience of countries with fully developed bilingual education systems, in key areas such as syllabus design, curriculum development, teacher education, modernization of Qur'anic schools, educational planning and management and adult education.

6. The International Centre for Biosaline Agriculture

In support of the varied development needs of its member countries spread over a wide geography, the IDB has taken the initiative to help establish the Centre for Biosaline Agricultural Centre (ICBA) in the UAE. The Centre places a special focus 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, where agricultural production is limited by inadequate soil conditions and water salinity.

In implementing its unique function, the Centre mobilizes funds for research and development in saline environments in member countries, undertakes joint projects to address salinity problems, engages in consultancy services, promotes information sharing on salinity issues, and engages in capacity development in technologies relating to salinity. The activities of the ICBA are discussed in detail in Chapter 5 of this Report.

7. Assistance to Muslim Communities in Non-Member Countries

As per the provisions of its Articles of Agreement, the Bank is also given a wider role than its regular development financing and technical assistance functions for member countries. It is also mandated to foster economic development and social progress of the Muslim communities in non-member countries. Furthermore, the Strategic Framework for the IDB Group, adopted in December 2003, seeks to expand such assistance so as to help Muslim communities increase their contribution to the social progress and economic development of their countries, while preserving their Islamic identity.

IDB has been supporting two major programmes that substantially benefit Muslim communities through its Special Assistance Programme, namely capacity-building in areas of economic, financial and banking

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activities; assistance and relief provided in cases of natural disasters; and famine for Muslim refugees worldwide. During 1425H, the Bank approved 43 operations for Muslim communities and organizations totaling $10.3 million in 24 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. A total of 6,423 students from Muslim communities have either graduated or presently continuing their studies. The details of the IDB's Special Assistance Activities are discussed in Chapter 3 of this Report.

8. Cooperation through Consultancy Services

In promoting economic cooperation among member countries, IDB aims to help ensure efficient utilization of the existing resources, capacities and facilities in member countries. Accordingly, the Bank prefers, to the extent possible and practicable, to utilize the services of consultants, contractors and suppliers from the member countries in carrying out its operations. In this context, the Bank 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 an updated roster of qualified firms and individuals from member countries to be engaged in consultancy work and procurement services for IDB's operations.

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

IDB's cooperation with the OIC involves close cooperation with the General Secretariat of the Organization of the Islamic Conference (OIC), its subsidiary organs, and its specialized and affiliated institutions. The IDB has kept a strong working relationships with the OIC-affiliated institutions such as the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRTCIC) in Ankara, Turkey, the Islamic Center for Development of Trade (ICDT) in Casablanca, Morocco and the Islamic Chamber of Commerce and Industry (ICCI) in Karachi, Pakistan. These institutions undertake regular activities in areas of special interest to the IDB, and cooperation with them takes the form of joint studies, collaboration in information collection and exchange, research and training activities, participation in joint working groups, and meeting regularly on the periphery of the regular OIC forums.

The Bank also regularly participates in OIC Summit Conferences, Islamic Conferences of Foreign Ministers (ICFM), Meetings of the Standing Committee for Economic and Commercial Cooperation (COMCEC) and the sessions of the Islamic Commission for Economic, Cultural and Social Affairs (ICECS). It submits various reports on Bank's activities as well as on the tasks assigned to it by OIC forums. During 1425H, IDB participated in the 31st Islamic Conference of Foreign Ministers, which was held in Istanbul on 14-16 June 2004. Moreover, the Bank supported the project on Restructuring of the OIC General Secretariat and its Role in Facing the Challenges of the New Millennium.

1. Cooperation with COMCEC

During 1425H, IDB also participated in the Twentieth Session of the COMCEC, which was held in Istanbul, Turkey, from 23 to 27 November 2004. The COMCEC session considered, besides its regular agenda items, new subjects such as Promotion of Cooperation among the Stock Exchanges of OIC Member States, Expansion of Intra-trade, Proposal on Gold-based Trade Payment Agreement (GTPA) for promotion of Intra-OIC Trade, and launching of the First Round of Trade Negotiations of the Framework Agreement on Trade Preferential System among the OIC Member States. The theme of the Exchange-of-Views Session this year was "Trade and Transport Facilitation among the OIC Member Countries", which was supported by the Bank. The COMCEC also discussed the issue of speeding up the implementation of the OIC Plan of Action. In this connection, the Bank reaffirmed the need to increase the involvement of the private sector, to streamline the list of project proposals so far developed, and to encourage the development of regionally-based projects.

2. Cooperation with COMSTECH

Under its other OIC-related activities, IDB continued its close cooperation with the Standing Committee for Scientific and Technological Cooperation (COMSTECH), which involved participation in a number of new initiatives designed to enhance scientific and technological development of the Ummah. Moreover, the Bank continued with its M.Sc. Scholarship and Merit Scholarship Programmes for candidates from member countries in cooperation with COMSTECH. During

1425H, IDB implemented the following operations in cooperation with COMSTECH:

1. International Workshop on Satellite Imaging Technology and Applications, Pakistan.
2. Training Workshop on Technological Advances in Seawater Desalination, UAE.
3. Training Workshop on the Reuse of Marginal Water in Irrigation, UAE.
4. Training Workshop on Bioethics and Bio-safety, Egypt.

Finally, IDB's continued with its activities relating to the Eighth Islamic Summit Resolution that endorsed the IDB document entitled "Preparing the Ummah for the Twenty-first Century". Accordingly, the task forces established in the priority areas of intra-trade, training, literacy and health continued their work in 1425H on the achievement of the quantitative targets that had been set earlier in each area.

3. OIC Economic Conference

On the occasion of the 20th anniversary of COMCEC, the COMCEC Coordination Office and IDB, in collaboration with the Turkish Union of Chambers and Commodity Exchanges (TOBB), organized an OIC Economic Conference on 23-27 November 2004 in Istanbul, Turkey. The Conference was held in conjunction with the 20th Session of COMCEC and comprised a Business Forum, Panel Discussions and Ministerial Brainstorming Sessions.

The COMCEC Ministerial Session considered the outcomes of the Business Forum, as well as the Panel Discussions on "Framework for Promotion of Intra-OIC Trade and Investment", "Achievements of COMCEC in the Past Twenty Years and its Future Prospects for OIC Economic and Commercial Cooperation" and "Enhancing the Institutional Set up and Mechanisms for the OIC Economic and Commercial Cooperation", and adopted a Final Communique (see Box 2.4).

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

Recognizing the importance of ensuring the creation of the necessary legal, institutional and economic environment for promoting economic, commercial and technical cooperation among the member countries, the OIC has developed and approved a number of multilateral agreements and statutes to facilitate such cooperation in various ways and in different sectors. Some of these have become effective upon completion of the minimal legal requirements provided in the text of the agreement, while others continue to wait for the completion of the legislative procedures on the part of the member states. The details relating to the latest status of these agreements are given below:

i. <u>General Agreement on Economic, Technical and Commercial Cooperation Among Member States</u>

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 was signed by 41 Member States and ratified by 29.

ii. <u>Agreement on the Protection and Guarantee of Investments Among Member States</u>

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 was signed by 30 Member States and ratified by 22.

iii. <u>Framework Agreement on Trade Preferential System</u>

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, 14 of the 23 member states, that had already signed the Agreement, have also ratified it.

The Framework Agreement became effective in October 2002 upon ratification of the minimum number of 10 members. Two meetings of the first round of

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Box 2.4
Final Communiqué of the OIC Economic Conference

The Final Communiqué of the OIC Economic Conference, organized in Istanbul on 23-27 November 2004 is summarized as follows:

1. In order to promote intra-trade and intra-investment, it is necessary to develop proper networking and increased connectivity among the economic agents in OIC member countries. For this, a stocktaking of the status of trade and investment reforms, prospects, capacities and potentials, as well as a review of the existing facilities, initiatives and efforts already under way at national, regional and international levels would be necessary. Furthermore, the availability of the relevant information on trade and investment opportunities, market analyses, business practices and other economic data as well as infrastructure facilities, production capacities, and demand-supply conditions should be enhanced and developed.

2. Development of adequate infrastructure facilities, direct linkages in transportation and telecommunication linkages, human resource availabilities and sufficient access to electricity and water, as well as a well-developed institutional capacity is essential to create a proper enabling investment and trading environment in and among the OIC member countries. For this purpose, it is essential to encourage technical assistance, exchange of experiences on the best practices and the creation of the proper institutional structure for private sector participation in economic and social development.

3. In order to lead a result-oriented and sharply focused process, there is need to establish, as early as possible, a team consisting of investment and trade executives from public and private sectors in OIC member countries that could serve as the driving force as well as interlocutor at the level of the OIC on investment and trade related matters. The team would also include the representatives of the IDB, ICCI, the COMCEC Coordination Office and MIMOS, as well as key regional/multilateral organizations if and when necessary.

4. Considering the need for having established rules in banking and finance as an integral part of the trade and investment promotion, it is necessary to establish an entity or an institution responsible for financial data processing and analysing banking risks and to facilitate harmonization of the banking rules and regulations among the member countries, as well as an institution on risk management in the banking system in order to provide insurance for all transactions within the banking system and to secure the efficiency of the banking and financial infrastructure

5. It is necessary to encourage the market players to explore ways and means of cooperation in production and exchange across the borders of the OIC countries. In this connection, the OIC member governments should deal with tariff and non-tariff barriers, by acceding to the Framework Agreement on Trade Preferential System among the OIC Member States (TPSOIC). Furthermore, less burdensome regulations, well-defined ownership rights, respect for contractual obligations, sovereign and investment guarantees, the rule of law and international accounting standards should also be regarded as of paramount importance. Improvements should also be sought in cumbersome judicial systems, high entry costs for firms and delays in customs clearance, and existing visa procedures, with special facilitation measures for the businessmen through Chambers of Commerce, will encourage intra-OIC trade and investment.

6. Effective ways and means need to be worked out so as to involve the private sector actively in cooperation projects and economic activities under the auspices of the COMCEC, especially in the areas of intra-OIC trade and investment. In this respect, representatives of the producers, traders and investors of the private sector in the Member States should also be invited to Sectoral Expert Group Meetings (EGMs) envisaged in the implementation mechanism of the OIC Plan of Action to Strengthen Economic and Commercial Cooperation Among the Member States. In order to secure and expedite the convening of the EGMs, support and assistance, including financial contribution, may be sought, from the member states, and IDB and other relevant OIC institutions. Furthermore, a list of existing projects available for privatization should be prepared and disseminated to all chambers of commerce and industry, as well as to other relevant institutions, for their better marketing and for attracting intra-OIC investment.

7. To consolidate intra-OIC economic cooperation under the auspices of COMCEC, best examples of financing modalities employed in some other regional groupings, schemes and unions may be adapted for utilizing the potentialities of cooperation in an effective manner. In this connection, serious consideration and support should be given to the launching of projects that promote cross-border cooperation, regional cooperation and trans-national cooperation.

8. Ownership of the projects at the OIC level under the OIC Plan of Action should also be secured during their initiation for effective implementation. In this respect, the private sector should be brought in as a key player in economic and trade cooperation activity under the COMCEC, and the project proposals should be prepared on the basis of concrete ideas that address the common interest of the OIC Member States, with a greater focus in areas of immediate promise.

9. In continuance of the support provided by the OIC community to the African member countries, attention should be paid to the special needs of these countries in capacity-building and adequate financial resources should be provided on sustainable bases, for enabling them to participate fully in OIC economic cooperation activities. Particular support should also be provided in the area of social development, including especially the attainment of the Millennium Development Goals (MDG), increased and more efficient involvement of women in economic life and enhanced human resource development.

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negotiations under the Agreement were held, in April and September 2004 in Antalya, Turkey. (See Section II above and Box 1 for the outcome of the meetings so far held).

iv. Statute of the Islamic Civil Aviation Council

Having been adopted in 1982, the Statute was signed by only 16 Member States and ratified by 9. Accordingly, the Statute has not yet become effective.

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

The Statute was adopted in 1984. Signed by 13 Member States, but ratified by only 11, the Statute has not yet entered into force, since a minimum of 15 ratifications are needed.

vi. 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 3 Member States have ratified the Statute. It is not yet in force.

5. MOU Signed with Government of Malaysia

One significant development in 1425H that provided a new impetus to the long standing efforts of the IDB to promote economic cooperation among the member countries was the signing of a Memorandum of Understanding with the Government of Malaysia on 12 Jumad Awwal 1425H (30 June 2004). It was the first document of its kind that IDB formally entered with a member country. The MOU is pillared on five main operational articles in order to achieve specific targets in area of trade, investment and information & communication technology. Box 2.5 provides information on the salient features of the MOU.

VI. IDB'S COOPERATION WITH ISLAMIC BANKS AND NATIONAL DEVELOPMENT FINANCING INSTITUTIONS

The Bank was closely associated with the establishment and development of Islamic Banks in member countries, in order to help mobilize new and additional resources through these unique private sector institutions, on the one hand , and to help increase the efficiency, effectiveness and coverage of their services and facilities, on the other. Similarly, the IDB also works closely with the National Development Financing Institutions in member countries, in support of private sector development and with particular emphasis on the special needs of small enterprises at the national and local levels.

1. IDB'S Cooperation with Islamic Banks

It has been a unique role for the IDB to take the leadership initiative in the development of various Islamic modes of financing to benefit member countries, as well as to play an active part in promoting and strengthening Islamic banking in the member countries and in other parts of the world. Islamic banking has, consequently, developed into a growing industry with expanding opportunities for further growth. Their capital, deposits, and assets grew substantially during the past thirty years. Meanwhile, Islamic financing windows were also started by several large conventional banks in the USA and Europe.

The IDB has helped making Islamic banks grow and proliferate through its technical assistance for capacity building and lines of financing, and by actually participating in the capital of these banks. The IDB has also spent extensive efforts in helping these institutions with the development of standards and procedures for various financial products. The Bank took an active part in the establishment of the Accounting and Audit Organization for Islamic Financial Institutions (AAOIFI), an institution for self-regulation in the financial reporting done by the Islamic banks and financial institutions, and for implementation of indigenous auditing practices.

The IDB was also effective in the creation of a mechanism for producing internationally acceptable regulatory standards for the Islamic banking industry that will help in its relationships with the central banks in the member countries, and to help bring Islamic banking to a stature comparable with that of the conventional mainstream banking. In order to help the Islamic banks competitive in the new global environment, IDB continued to assist with new initiatives for strengthening the architecture of the Islamic financial sector in different countries, and to help develop an internationally acceptable and codified prudential framework for the Islamic banking industry. For this purpose, the Islamic Financial Services Board (IFSB) was inaugurated in 2002.

The IDB was also instrumental in the establishment of the International Islamic Finance Market (IIFM),

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Box 2.5
Main Elements of the MOU Signed between the IDB and the Government of Malaysia

The MOU signed between the IDB and the Government of Malaysia, the current Chairman for the Conference of Kings and Heads of State and Government of the Organization of the Islamic Conference (OIC) on 12 Jumad Awwal 1425H (30 June 2004) refers to the Putrajaya Declaration on Knowledge and Morality for the Unity, Dignity and Progress of the Ummah adopted by the Tenth Islamic Summit Conference in Putrjaya Malaysia on 17 October 2003. It aims, through mutual cooperation, to promote and facilitate trade and investment among member countries. The main elements of the Agreement are as follows:

1. Promotion and expansion of trade among member countries by developing various appropriate financing mechanisms, products and arrangements, encouraging promotion of insurance instruments and developing new insurance products to help expand trade and investment among member countries through the facilities of ICIEC and by enhancement of underwriting facilities for exporters and investors in member countries, and encouraging active correspondent links among banking and financial institutions.
2. Helping to enhance trade and investment flows among member country by encouraging the adoption of Free Trade Arrangements (FTAs) by member countries for eliminating or reducing tariff and non-tariff barriers, with IDB support and technical assistance provided to member countries in their initiatives in this area.
3. Encouraging the promotion of intra-investment among member countries by removing impediments to such investment, leveraging on the services available on the OICnetworks relating to information flow on investment opportunities in member countries, facilitating construction activities among them, and helping to promote and facilitate the development and expansion of the services sector.
4. Development of Islamic financial markets by assisting to establish business links between the existing financial centres, mobilizing funds for investments from member countries through these centres, and developing the necessary financial infrastructure for development of the Islamic financial markets and rating agencies.
5. Cooperating for the promotion and expansion of takaful and retakaful enterprises and encouragement of investments in the industry by encouraging the establishment of such companies, promoting takaful business among member countries and enabling takaful and retakaful institutions to generate a wide range of Islamic products and services for this purpose.
6. Assisting the member countries in developing alliances to help develop their expertise and exchange of information on ICT best practices and promoting the utilization of ICT among them as a strategic tool for development by providing specific funding and capacity-building activities.
7. Cooperating to encourage member countries to actively promote intra- trade and intra-investment through their concerned agencies and facilities and by developing and using databases and information systems for exchange of trade and investment data, including the use of the OICnetworks trade portal and development of hyperlinks to facilitate dissemination of information on trade and investment.

and the creation of an International Islamic Rating Agency (IIRA). In this way, it would be possible for the 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 for enhancement and expansion of development financing globally.

2. IDB's Cooperation with National Development Finance Institutions

IDB supports the activities of the National Development Finance Institutions (NDFIs) in order to effectively contribute to the promotion of the private sector and to the overall economic development of its 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 issues. IDB works closely with the Association of National Development Financing Institutions in Member Countries (ADFIMI), which has as its members 48 NDFIs through exchange of experiences and capacity development through training and cooperation.

The Bank also offers lines of financing for onward financing of SMEs in member countries along with extension, in principle, of full delegation of authority to selected NDFIs. The NDFIs are encouraged to utilize IDB's technical assistance facility. In this context, Bank's cooperation is extended through organizing training programmes/seminars/workshops for the staff members of the NDFIs.

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During the 26th Annual Meeting of IDB with the NDFIs, held in Tehran in September 2004 on the occasion of the 29th Board of Governors Meeting, new issues, developments and challenges facing the SMEs were discussed, with particular emphasis on the need for utilising modern banking products to help alleviate poverty by generating wealth in the rural areas.

In order to further enhance Bank's cooperation with NDFIs, a floating rate for lease financing of assets in order to address the issues of rental and currency of repayment was introduced. Furthermore, the Islamic Corporation for the Development of the Private Sector (ICD), a member of the IDB Group, has extended financing facilities to the Central Asian Small Enterprise Fund.

VII. IDB'S COOPERATION WITH REGIONAL AND INTERNATIONAL ORGANISATIONS

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

For the IDB, regional economic groupings of its member countries have always been significant potential contributors in helping to promote economic cooperation among its member countries, and, therefore, the Bank, has readily cooperated with and supported these organizations in various ways. In this context, the IDB has sought to promote extensive economic, commercial and technical co-operation at the level of the regional groupings where its members participate. Such cooperation aimed to make effective use of 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, for the eventual benefit of the countries of common membership with these organizations. The Bank also follows closely the signature of the regional free trade agreements, such as those signed within ECO and SAARC, where IDB member countries are active participants. In this context, the Bank participated in the *First Economic Conference on the Gulf Cooperation Council 2010: From Competition to Integration*, held in Bahrain in November 2004.

The IDB has also developed bilateral cooperation initiatives with various regional groupings, as reflected in the Memorandum of Understanding (MOU), such as the one signed with the ECO, and has provided financial and technical assistance to them for the implementation of projects in different fields. The IDB has also been cooperating with member countries in the Arab region. In this context it has been managing, upon the request of its members in the League of Arab States, two funds established by them to provide education and health care for needy families in Palestine, and finance cultural projects and others in support of the Palestinian economy

The IDB has also been taking the initiative to follow closely the contacts and co-operation modalities already established between two or more regional groupings that include its member countries. In this regard, the Bank has followed with interest the ECO-ASEAN Joint Ministerial Meetings held 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 been engaged in developing closer relations, through annual consultative meetings on cooperation possibilities, especially in the areas of trade, investment, technology and labour. AMU and ECOWAS have been collaborating with the Common Market for Eastern and Southern Africa (COMESA). Meanwhile, COMESA has been also collaborating with ASEAN to identify new areas of economic cooperation.

In the overall context of its efforts to help promote regional cooperation for the benefit of its member countries, the IDB attended the Second Asia-Africa Sub-Regional Organizations Conference held in Durban, South Africa in August, 2004, in preparation for the Asian-African Summit scheduled for 21-23 April 2005 in Indonesia, to mark the Golden Jubilee of the historical Bandung Summit of 1955. The Conference invited the IDB, together with the Asian and African Development Banks, to cooperate among themselves in supporting joint projects under this new initiative, which would provide a new avenue for them to serve their respective member countries on the two continents.

2. IDB Co-financing and its Cooperation with the Coordination Group

As a part of its activities to support development efforts of its member countries through different means available and to help promote economic cooperation among them, the IDB has also been undertaking co-financing of projects with certain other international financial institutions in the form of parallel financing. In 1425H, IDB participated in co-financed projects, whose total cost stood at $1,084.64 million for 18 projects in member countries. IDB's participation in

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the co-financed projects totaled $291.84 million.

The Bank has been a member of the eight-member Arab Coordination Group[6] since June 1976. The group extends cooperation and collaboration among the member institutions extends beyond a routine co-financing partnership. In fact, the Coordination Group was set-up to coordinate policies and practices among the sister institutions for maximum operational efficiency. This has taken the approach of standardizing many aspects of operational and financing activities, as well as identifying common positions on major issues and challenges. The Group's mandate is further shaped by the fact that through coordinating activities and dialogue, member agencies are able to benefit from shared experiences, avoid duplication in activities and most importantly ensure that activities achieve the maximum development impact for partner countries. The Group holds its meetings twice annually signifying over a quarter century of activities since its inception.

The success realized by the Group is best exemplified by common procedures and guidelines developed relating to various aspects of the project cycle, from appraisal to completion and beyond to the post-evaluation phase, so that it discusses issues of common interest such as attempts to enhance working relations among its members. The member institutions also monitor the implementation of co-financed projects, undertake joint missions; and exchange information and views relating to various financial issues, like appraisal reports, financing plans, over-dues and information strategy. They have also been cooperating to help Central Asian countries in the implementation and rehabilitation of projects. A number of Roundtable Table meetings were held by the Group in some of these countries.

3. IDB's Cooperation with Regional and International Organizations

The IDB Group has forged close working relationships 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 Organization 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 Organization (WHO), the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO).

As a result of cooperation agreement with UNESCO, the Bank is participating in the bilingual education project in selected LDMCs in Africa region. Details of bilingual education are presented in Box 2.6.

The IDB's MOU with the World Trade Organization (WTO) facilitates cooperation between the two institutions in the organization and implementation of trade policy courses by the IDB under its WTO-related technical assistance programme. Furthermore, the IDB participates in the WTO Ministerial Conferences. In 1425H, the IDB participated in the Eleventh Session of the United Nations Conference on Trade and Development (UNCTAD XI) held in Sao Paolo, Brazil, in June 2004 and the OECD Global Forum on *International Investment for Development: Forging Partnerships*, in New Delhi India, in October 2004.

Under an MOU, the IDB and the World Bank have been working together to strengthen and broaden their partnership. During 1425H, IDB collaborated with the World Bank on approaches to post-conflict reconstruction assistance. Furthermore, the IDB regularly participates in the biannual meetings of the Development Committee. In response to the Rome Declaration on Harmonization, IDB actively associated itself with partner institutions that include the African Development Bank, the Asian Development Bank, the Inter-American Development Bank and the World Bank in order to harmonize operational policies, procedures and practices to further improve the administration, delivery, and effectiveness to member countries.

The Bank also has an understanding with the International Monetary Fund (IMF) to strengthen cooperation in a number of areas that include statistical data pertaining to developments in the world economy as well as IDB member countries.

During 1425H, the IDB participated in the Second Africa Region Workshop on Harmonization, held in Dar es Salaam, Tanzania in November 2004. Furthermore, the IDB also organized a Regional Workshop on

[6]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 (BADEA); 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.

Box 2.6

IDB and South-South Cooperation in Bilingual Education

In Sub Saharan African countries with strong Islamic culture, bilingual (Franco-Arabic) education is viewed as one of the means to help improve the primary enrolment rate and eventually to reduce illiteracy and poverty and for children to become fully integrated in the society while maintaining their Islamic identity.

IDB initiated a bilingual education programme in Chad and Niger by extending assistance amounting to $33 million. A study on the needs of this programme in both the member countries was coordinated by UNESCO. The outcome of this study was disseminated in an international conference held in N'Djamena in Jumad Thani 1425H (June 2004). The study identified the role of IDB and other technical and financial parameters of the programme. The following participating institutions attended the meeting: the World Bank, the African Development Bank, the French Agency for Development, Kuwait Fund, Saudi Arabia Fund, the Arab Bank for Economic Development in Africa (BADEA), UNESCO, ISESCO, the Francophone International Agency and CONFEMEN.

About $450 million were pledged for the promotion of the bilingual education programme. Of this amount, $300 million were pledged by IDB to support education authorities in Sub Saharan member countries to develop country-specific bilingual education programme. Beside Chad and Niger, the following member countries have expressed interest in developing their bilingual education system: Burkina Faso, Cameroon, Guinea, Mali and Senegal. It is worthwhile to note that Mauritania expressed its willingness to provide technical support for such programmes.

The Conference concluded by adopting the document called Appeal of N'Djamena. Among other actions, the N'Djamena Conference laid emphasis on the South-South Cooperation to help the Sub Saharan countries to benefit from the experience of other countries which already have fully developed a bilingual education system. Such cooperation may cover the following main fields: syllabus design, curriculum development, teacher education, modernization of Quarnic schools, educational planning and management, school mapping, and adult education.

Harmonization and Alignment for Development Effectiveness and Managing for Results at the IDB Headquarters in Jeddah on 8-9 February, 2005 for countries mainly from the Middle-East and North-Africa regions along with members of the Coordination Group, African Development Bank and World Bank. The Workshop also contributed in developing a framework on harmonization to Second High Level Forum on Aid Effectiveness and Harmonization, held in Paris on 28 February-2 March 2005.

The IDB has also been working as an active member of the Working Group of International Financial Institutions on SME Development, which comprises MDBs, bilateral donor agencies, leading micro and SME banks and financial intermediaries. The Group focuses on development of Best Practices, Impact Evaluation and the Way Ahead for Development of Micro, Small and Medium Enterprises. The IDB attended the third meeting of the Working Group that was hosted by the Africa Development Bank in Tunis (April 1-2, 2004).

The IDB participated in a meeting of Finance Ministers of the G-8 in October 2004 concerning the Broader Middle East and North Africa (BMENA). The meeting discussed the economic components of the "Forum for Future" on political and economic liberalization among the Middle Eastern Countries and G-8 governments. In this context, IDB allocated $5 million for technical assistance towards expanding economic opportunity, promoting private sector investment, job creation and country-owned economic and financial sector reforms in the Middle East region.

A view of one of the three Diagnostic Centres financed by IDB in Turkmenistan

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Annex 2.1
Trade Complementarity Indices for IDB Member Countries in Agriculture Sector
(Average 1998-2002)

Exporter	Total Number of Partner Countries with Trade Comple-mentarity	Four Major Countries and the Degree of Trade Complementarity according to Higher Ranks							
		Importer (1)	Index	Importer (2)	Index	Importer (3)	Index	Importer (4)	Index
Albania	7	Benin	1.8	Turkey	1.6	Uganda	1.2	Kazakhstan	1.1
Algeria	3	UAE	1.1	Uganda	1.1	Bahrain	1.1	-	-
Azerbaijan	13	Bangladesh	5.0	Turkey	4.3	Indonesia	3.8	Pakistan	3.2
Bahrain	23	Albania	2.8	Brunei	2.1	Suriname	2.0	Tajikistan	1.8
Bangladesh	6	Pakistan	11.4	Cote d'Ivoire	10.3	Kyrgyz Rep.	3.5	Sudan	1.3
Benin	8	Bangladesh	11.7	Indonesia	9.1	Turkey	8.5	Pakistan	5.9
Brunei	5	Turkey	1.8	Suriname	1.2	Oman	1.1	Qatar	1.1
Burkina-Faso	8	Bangladesh	11.5	Indonesia	8.9	Turkey	8.3	Pakistan	5.7
Cameroon	6	Bangladesh	2.0	Indonesia	1.7	Malaysia	1.2	Pakistan	1.2
Comoros	16	UAE	7.6	Saudi Arabia	3.6	Malaysia	2.7	Maldives	2.6
Cote d'Ivoire	2	Turkey	1.6	Malaysia	1.6	-	-	-	-
Egypt	32	Bangladesh	7.3	Indonesia	5.9	Comoros	5.6	Gambia	5.5
Gabon	3	Turkey	1.5	Morocco	1.3	Qatar	1.1	-	-
Gambia	8	Turkey	1.6	Bangladesh	1.5	Pakistan	1.4	Indonesia	1.4
Guinea	18	Sudan	2.1	Tajikistan	1.9	Turkey	1.9	Niger	1.8
Indonesia	12	Pakistan	4.3	Niger	2.6	Uganda	2.5	Togo	2.4
Iran	9	UAE	2.1	Bahrain	1.6	Maldives	1.6	Albania	1.4
Jordan	15	Uganda	3.6	Oman	2.2	Brunei	1.9	Qatar	1.7
Kazakhstan	36	Tajikistan	15.1	Sudan	10.5	Azerbaijan	8.5	Algeria	6.1
Kuwait	28	Sudan	3.9	Albania	3.3	Tajikistan	3.2	Gambia	3.1
Kyrgyz Rep.	26	Turkey	5.5	Bangladesh	4.8	Indonesia	4.0	Sudan	2.7
Lebanon	27	Benin	6.2	Uganda	4.4	Guinea	2.5	Albania	2.2
Malaysia	16	Pakistan	7.3	Uganda	5.7	Niger	4.8	Togo	3.8
Maldives	3	Cote d'Ivoire	2.9	Togo	1.5	Cameroon	1.0	-	-
Morocco	2	Maldives	1.2	Albania	1.1	-	-	-	-
Mozambique	4	Bangladesh	2.0	Pakistan	1.6	Indonesia	1.6	Turkey	1.5
Niger	11	Lebanon	4.7	Qatar	3.9	Kuwait	3.4	UAE	2.8
Oman	26	Tajikistan	3.5	Albania	3.0	Sudan	2.8	Gambia	2.6
Pakistan	39	Comoros	13.3	Gambia	12.9	Senegal	11.6	Guinea	11.4
Qatar	28	Albania	8.1	Sudan	7.0	Tajikistan	6.4	Turkmenistan	6.4
Saudi Arabia	25	Oman	2.4	Qatar	2.2	Brunei	2.2	Bahrain	2.1
Senegal	18	Bangladesh	3.5	Iran	2.9	Turkey	2.3	Tunisia	1.9
Sudan	19	Bangladesh	3.5	Indonesia	3.0	Turkey	2.8	Pakistan	2.3
Suriname	26	Comoros	5.8	Senegal	5.4	Gambia	5.4	Mozambique	5.2
Syria	24	Bangladesh	4.3	Indonesia	3.4	Turkey	2.9	Tajikistan	2.6
Tajikistan	8	Bangladesh	10.9	Indonesia	8.6	Turkey	8.2	Pakistan	5.4
Togo	26	Bangladesh	7.5	Indonesia	6.1	Turkey	5.5	Tajikistan	4.6
Tunisia	33	Albania	4.1	Tajikistan	4.0	Benin	3.7	Guinea	3.1
Turkey	27	Albania	1.9	Tajikistan	1.9	Azerbaijan	1.6	Sudan	1.6
Turkmenistan	8	Bangladesh	14.1	Indonesia	10.4	Turkey	10.0	Pakistan	6.6
UAE	33	Tajikistan	13.7	Albania	11.6	Sudan	10.6	Gambia	10.3
Uganda	19	Sudan	2.6	Pakistan	2.3	Turkey	1.6	Syria	1.5

Source: Centre of Advanced Research and Studies on Islamic Common Market (CARSICM), Institute for Trade Studies and Research, Ministry of Commerce, Islamic Republic of Iran.

Annex 2.2
Trade Complementarity Indices for IDB Member Countries in Manufactures Sector
(Average 1998-2002)

Exporter	Total Number of Partner Countries with Trade Complementarity	Four Major Countries and the Degree of Trade Complementarity according to Higher Ranks							
		Importer (1)	Index	Importer (2)	Index	Importer (3)	Index	Importer (4)	Index
Albania	7	Gambia	1.6	Tunisia	1.3	Kyrgyz Rep.	1.3	Guinea	1.2
Algeria	32	Tajikistan	42.3	Suriname	4.8	Indonesia	3.3	Guinea	3.2
Azerbaijan	35	Tajikistan	4.1	Gabon	3.2	Indonesia	2.8	Oman	2.6
Bahrain	26	Tajikistan	5.0	Benin	4.7	Bangladesh	3.3	Niger	3.2
Bangladesh	8	Albania	2.8	Tunisia	1.7	Kuwait	1.5	Lebanon	1.1
Benin	33	Lebanon	6.4	Togo	6.0	Bangladesh	5.9	Tunisia	5.7
Brunei	18	Gabon	6.2	Bangladesh	2.9	Maldives	2.5	Indonesia	2.2
Burkina-Faso	36	Tajikistan	3.2	Albania	2.7	Lebanon	2.7	Pakistan	2.3
Cameroon	36	Togo	6.9	Gambia	5.6	Benin	5.0	Albania	4.9
Comoros	29	Cameroon	8.6	Cote d'Ivoire	5.9	Mozambique	4.3	Uganda	4.3
Cote d'Ivoire	40	Brunei	6.4	Gabon	5.2	Togo	4.5	Benin	4.0
Egypt	36	Tajikistan	7.4	Togo	3.5	Benin	2.8	Albania	2.7
Gabon	21	Gambia	2.7	Maldives	2.3	Azerbaijan	2.1	Saudi Arabia	2.0
Gambia	38	Gabon	8.1	Brunei	6.5	Maldives	3.6	Mozambique	3.3
Guinea	20	Tajikistan	56.8	Lebanon	7.0	Suriname	5.8	Pakistan	4.2
Indonesia	22	Bangladesh	1.9	Gambia	1.7	Albania	1.6	Benin	1.6
Iran	38	Tajikistan	3.6	Togo	2.6	Albania	2.5	Bahrain	2.4
Jordan	40	Tajikistan	10.5	Togo	4.5	Benin	4.0	Burkina-Faso	3.6
Kazakhstan	27	Tajikistan	11.4	Bangladesh	3.1	Iran	2.8	Togo	2.5
Kuwait	31	Tajikistan	5.5	Cote d'Ivoire	4.1	Syria	3.4	Pakistan	3.3
Kyrgyz Rep.	21	Lebanon	7.2	Saudi Arabia	4.2	UAE	3.8	Pakistan	3.8
Lebanon	40	Tajikistan	12.2	Togo	4.0	Benin	3.1	Guinea	3.1
Maldives	5	Albania	2.4	Kuwait	1.5	Tunisia	1.2	Lebanon	1.1
Morocco	17	Tajikistan	17.5	Suriname	2.3	Albania	1.9	Guinea	1.7
Mozambique	36	Brunei	2.4	Gabon	2.0	Jordan	1.8	Oman	1.8
Niger	37	Benin	4.9	Tunisia	4.2	Bangladesh	3.5	Gambia	3.3
Oman	35	Togo	2.5	Benin	2.0	Guinea	2.0	Gambia	1.9
Pakistan	24	Bangladesh	6.2	Benin	5.6	Tunisia	5.1	Morocco	3.7
Qatar	36	Tajikistan	12.8	Togo	4.8	Cote d'Ivoire	4.6	Burkina-Faso	4.2
Saudi Arabia	33	Tajikistan	7.1	Indonesia	3.5	Pakistan	3.5	Cote d'Ivoire	2.9
Senegal	40	Tajikistan	61.1	Suriname	7.1	Guinea	5.3	Togo	4.1
Sudan	15	Lebanon	7.7	Saudi Arabia	4.5	Pakistan	4.4	UAE	3.6
Suriname	11	Lebanon	12.8	Saudi Arabia	6.9	Pakistan	6.6	UAE	5.3
Syria	19	Bangladesh	4.0	Mozambique	2.9	Tunisia	2.7	Morocco	2.1
Tajikistan	30	Niger	5.1	Lebanon	3.9	Benin	3.2	Saudi Arabia	3.1
Togo	37	Comoros	16.1	Benin	15.8	Guinea	14.7	Albania	14.6
Tunisia	22	Tajikistan	7.7	Albania	2.4	Benin	2.0	Togo	1.9
Turkey	35	Togo	2.5	Albania	2.5	Bangladesh	2.3	Benin	2.2
Turkmenistan	29	Bangladesh	7.5	Benin	5.7	Tunisia	4.9	Tajikistan	4.8
UAE	38	Togo	3.6	Albania	3.4	Brunei	3.2	Benin	2.8
Uganda	21	Lebanon	9.6	Pakistan	5.3	Saudi Arabia	5.1	UAE	3.9

Source: Centre of Advanced Research and Studies on Islamic Common Market (CARSICM), Institute for Trade Studies and Research, Ministry of Commerce, Islamic Republic of Iran.

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Annex 2.3
Trade Complementarity Indices for IDB Member Countries in Minerals, Metals and Fuels Sectors
(Average 1998-2002)

Exporter	Total Number of Partner Countries with Trade Complementarity	Four Major Countries and the Degree of Trade Complementarity according to Higher Ranks							
		Importer (1)	Index	Importer (2)	Index	Importer (3)	Index	Importer (4)	Index
Albania	13	Qatar	4.4	Saudi Arabia	3.2	Iran	2.3	Kazakhstan	2.0
Algeria	10	Kyrgyz Rep.	1.6	Egypt	1.4	Morocco	1.3	Azerbaijan	1.2
Azerbaijan	28	Comoros	2.0	Togo	1.9	Guinea	1.9	Burkina-Faso	1.8
Bahrain	35	Comoros	3.3	Guinea	3.2	Burkina-Faso	3.2	Togo	3.2
Bangladesh	32	Comoros	5.7	Guinea	5.5	Togo	5.4	Burkina-Faso	5.4
Benin	9	Brunei	1.8	Bahrain	1.7	Cote d'Ivoire	1.7	Cameroon	1.6
Brunei	5	Kyrgyz Rep.	1.9	Azerbaijan	1.5	Kazakhstan	1.4	Jordan	1.1
Burkina-Faso	32	Comoros	5.6	Guinea	5.4	Togo	5.3	Uganda	5.0
Cameroon	6	Bahrain	1.7	Cote d'Ivoire	1.6	Senegal	1.4	Jordan	1.3
Cote d'Ivoire	32	Comoros	4.9	Guinea	4.7	Burkina-Faso	4.6	Togo	4.6
Egypt	34	Comoros	3.9	Togo	3.8	Guinea	3.8	Burkina-Faso	3.7
Gabon	6	Bahrain	2.0	Cote d'Ivoire	1.7	Cameroon	1.7	Senegal	1.5
Guinea	8	Azerbaijan	13.4	Cameroon	11.9	Egypt	11.1	Bahrain	9.4
Indonesia	4	Oman	2.2	Kyrgyz Rep.	1.7	Kazakhstan	1.2	Azerbaijan	1.1
Iran	6	Bahrain	2.0	Cote d'Ivoire	1.7	Cameroon	1.7	Senegal	1.6
Jordan	18	Iran	10.8	UAE	9.1	Bangladesh	6.7	Lebanon	5.1
Kazakhstan	9	Bahrain	1.4	Saudi Arabia	1.4	Cameroon	1.3	Morocco	1.1
Kuwait	31	Turkmenistan	2.4	Suriname	2.2	Tajikistan	2.0	Burkina-Faso	1.9
Kyrgyz Rep.	20	Tajikistan	16.9	Azerbaijan	11.5	Albania	7.8	Benin	7.4
Lebanon	12	Kuwait	3.3	Brunei	2.8	UAE	2.5	Saudi Arabia	2.5
Malaysia	11	Syria	1.9	Kyrgyz Rep.	1.6	Maldives	1.5	Tunisia	1.4
Maldives	6	Turkey	7.4	Egypt	3.7	Malaysia	2.7	Indonesia	1.5
Morocco	27	Iran	6.6	UAE	5.5	Bangladesh	4.2	Lebanon	3.8
Mozambique	17	Tajikistan	11.3	Azerbaijan	9.2	Albania	5.1	Benin	5.0
Oman	7	Bahrain	1.7	Cote d'Ivoire	1.5	Cameroon	1.4	Senegal	1.3
Pakistan	34	Brunei	3.8	Kuwait	3.1	Maldives	2.9	Togo	2.3
Qatar	9	Azerbaijan	1.4	Kyrgyz Rep.	1.4	Jordan	1.2	Bahrain	1.2
Saudi Arabia	8	Bahrain	1.7	Cote d'Ivoire	1.7	Cameroon	1.5	Senegal	1.5
Senegal	32	Comoros	3.9	Iran	3.9	Lebanon	3.9	Guinea	3.8
Sudan	30	Burkina-Faso	4.5	Comoros	4.3	Guinea	4.2	Gambia	4.1
Suriname	8	Azerbaijan	8.6	Cameroon	6.7	Egypt	6.6	Bahrain	5.5
Syria	8	Bahrain	1.8	Cote d'Ivoire	1.7	Cameroon	1.6	Senegal	1.5
Tajikistan	17	Albania	4.7	Azerbaijan	4.5	Saudi Arabia	4.1	Kuwait	3.4
Togo	17	Iran	11.9	UAE	9.9	Bangladesh	7.3	Lebanon	5.7
Tunisia	13	Cote d'Ivoire	1.5	Bahrain	1.5	Cameroon	1.3	Senegal	1.3
Turkey	35	Brunei	5.3	Kuwait	4.3	Oman	3.0	Saudi Arabia	2.8
Turkmenistan	24	Kyrgyz Rep.	2.7	Azerbaijan	2.6	Tajikistan	2.3	Mozambique	2.1
UAE	8	Bahrain	1.5	Cote d'Ivoire	1.5	Cameroon	1.3	Senegal	1.3
Uganda	8	Tajikistan	15.6	Azerbaijan	11.2	Albania	6.8	Benin	6.6

Source: Centre of Advanced Research and Studies on Islamic Common Market (CARSICM), Institute for Trade Studies and Research, Ministry of Commerce, Islamic Republic of Iran.
Note to Annex 2.1-2.3: The methodology employed for CI index is based on Peter Drysdel (1967) paper, which has the following form:

$$C_{ij} = \sum_k \left(\frac{X_i^k}{X_i} \bullet \frac{M_w - M_i}{M_w^k - M_i^k} \bullet \frac{M_j^k}{M_j} \right)$$

where C_{ij} = Complementarity of country i with country j; X^k_i = country i `s exports of commodity k; $X_i$ = country i `s total exports of the sector concerned; M^k_j = country j`s imports of commodity k; $M_j$ = country j`s total imports of the sector concerned; M_i = country i `s total imports of the sector concerned; M_w = world total imports of the sector concerned; and M^k_w = the world imports of commodity k.

The index C_{ij} lies between zero and infinity. If the value of index is more than unity, it indicates that the complementarity exists and an index of less than unity shows the absence of complementarity. The member countries that do not appear in Tables 2.1 to 2.3 are those for which either the data was not available or do not have trade complementarity according to the index used.

Shaded boxes refer to countries that are participating in the Trade Negotiating Committee (TNC, see Box 1).

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Annex 2.4
FDI Inflows for IDB Member Countries by Geographical Regions

($ million)

Country / Group		1990	1995	2000	2001	2002	2003
North Africa							
1	Algeria	40	0.01	438	1,196	1,065	633.8
2	Egypt	734	595.2	1,235.4	509.9	646.9	237.4
3	Libya	158.9	-88.5	-142.1	-100.6	-96	700
4	Morocco	165	332	215.4	2,824.6	480.7	2,279.3
5	Tunisia	90.5	322.6	778.8	486.4	821.3	583.9
Sub-Saharan Africa							
6	Benin	62.4	8	56.2	41.5	40.9	51.4
7	Burkina Faso	0.5	9.8	22.9	8.2	8.6	11.2
8	Cameroon	-112.8	7.3	31.4	75	176.5	215.1
9	Chad	9	33.2	116	452.9	1,029.7	836.6
10	Comoros	0.4	0.9	0.1	1.1	0.4	1
11	Côte d'Ivoire	48.4	211.8	234.7	272.7	230.4	389.2
12	Djibouti	0.1	3.2	3.3	3.4	3.5	11.4
13	Gabon	73.5	-322.6	-43.1	-87.7	251.2	53
14	Gambia	14.1	15	43.5	35.5	42.8	60
15	Guinea	17.9	0.8	9.9	1.6	30	8
16	Guinea-Bissau	2	0.04	0.7	0.7	1	2.1
17	Mali	5.7	111.4	78.4	104.5	101.9	129
18	Mauritania	6.7	7	40.1	92.2	117.6	214.1
19	Mozambique	9.2	45	139.2	255.4	155.3	336.7
20	Niger	40.8	14.4	9	26.5	7.9	31.3
21	Senegal	56.9	35.1	62.2	39	53.9	78.3
22	Sierra Leone	32.4	-1.7	4.9	2.2	3.9	7.9
23	Somalia	5.6	1	0.3	0.04	0.1	1
24	Sudan	-31.1	12	392.2	574	713.2	1,349.2
25	Togo	22.7	32.1	41.4	70.8	52.9	19.8
26	Uganda	-5.9	124.5	274.5	228.6	249.3	283.3
GCC							
27	Bahrain	-182.7	430.6	363.6	81.4	217	516.8
28	Kuwait	5.6	7	16.3	-147	7	67
29	Oman	142.3	28.6	15.6	83.2	23.4	137.8
30	Qatar	4.9	93.6	251.6	295.5	631.4	400
31	Saudi Arabia	1,863.8	-1,877.2	-1,883.6	19.7	-615	207.9
32	UAE	-115.8	399.9	-514.6	1,184.3	834.1	480.2
Middle East							
33	Iran	-362	17	39	55	276	120
34	Iraq	0.4	2.4	-3.1	-6.5	-1.6	-
35	Jordan	37.7	13.3	786.6	100.3	55.9	378.6
36	Lebanon	6.5	35.0	297.8	249.3	257.3	358
37	Palestine	-	122.6	62	20.2	-	-
38	Syria	71.5	100	270	110	115	150
39	Yemen	-130.9	-217.7	6.4	135.5	101.7	-89.1
CIS							
40	Azerbaijan	-	330.0	129.9	226.5	1,392.4	3,285
41	Kazakhstan	-	964.3	1,282.5	2,835.0	2,589.8	2,068.5
42	Kyrgyzstan	-	96.1	-2.4	5	4.8	25
43	Tajikistan	-	10	24	9.5	36.1	31.7
44	Turkmenistan	-	233	126	170	100	100
45	Uzbekistan	-	-24	75	83	65	70
Asia							
46	Afghanistan	-	0.1	0.2	0.7	0.5	0.5
47	Bangladesh	3.2	1.9	280.4	78.5	52.3	120.7
48	Brunei	3	582.8	549.2	526.4	1,035.3	2,009
49	Indonesia	1,092	4,346	-4,550	-2,977	145	-597
50	Malaysia	2,611	5,815	3,787.6	553.9	3,203.4	2,474
51	Maldives	5.6	7.2	13.1	11.7	11.7	12
52	Pakistan	250	719	305.1	385.4	823	1,405.3
Europe							
53	Turkey	684	885	982	3,266	1,038	575
54	Albania	-	70	143	207.3	135	180.4
South America							
55	Suriname	76.8	-20.6	-97.2	-26.8	-73.6	-92.4

($ million)

Memo:	1990	1995	2000	2001	2002	2003	Annual Percent Change in 2003
Total IDB	**7,514**	**14,680**	**6,799**	**14,650**	**18,650**	**22,919**	**23**
World [1]	**208,646**	**335,734**	**1,387,953**	**817,574**	**678,751**	**559,576**	**-18**
Developing countries [2]	**37,537**	**131,309**	**279,967**	**246,091**	**188,844**	**193,003**	**2**
Developed countries	**171,109**	**204,426**	**1,107,987**	**571,483**	**489,907**	**366,573**	**-25**

1: World FDI inflow is based on 196 reporting economies comprising 169 developing and 27 developed economies and are recorded on net basis.
2: IDB Staff calculation: Total FDI inflow of developing countries is computed by subtracting total of developed countries from the World total (all reporting countries).
3: "-" represents negligible values.
Source: UNCTAD FDI Online Database of November, 2004.

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Annex 2.5
FDI Outflows for IDB Member Countries by Geographical Regions

($ million)

	Country / Group	1990	1995	2000	2001	2002	2003
North Africa							
1	Algeria	4.7	4.2	18	9	99.8	14.2
2	Egypt	12	34.2	51.2	12.4	27.8	20.7
3	Libya	105.2	82.9	98.1	83.7	110	100
4	Morocco	13	12	58.4	97.1	28.4	11.6
5	Tunisia	0.3	3.4	1.7	0.3	0.5	1.4
Sub-Saharan Africa							
6	Benin	-	0.58	8.1	2.3	0.001	3.5
7	Burkina Faso	-0.6	0.2	0.2	0.6	1.2	0.7
8	Cameroon	15.1	0.6	3.5	2.5	3	3
9	Chad	11.5	-2.5	0.01	0.01	-0.005	0.01
10	Comoros	1.1	-	-	-	-	-
11	Côte d'Ivoire	31.4	56.1	-	2.3	2.4	1.6
12	Djibouti	-	-	-	-	-	-
13	Gabon	28.8	33.5	25.6	3.7	0.01	0.01
14	Gambia	2.8	7.2	4.7	5.1	4.8	6.7
15	Guinea	-	-	1.8	1.9	2.2	2.0
16	Guinea-Bissau	-	-	-	0.001	0.001	0.001
17	Mali	0.2	0.03	4	17.3	18.7	13.3
18	Mauritania	0.26	-	-	-	-	-
19	Mozambique	-0.2	-	-0.2	0.13	0.08	0.004
20	Niger	0.02	2.0	-0.6	-3.6	0.001	-1.4
21	Senegal	-9.5	-3.4	0.7	-7	39.1	10.9
22	Sierra Leone	0.15	0.03	-0.02	-0.02	-0.01	-0.02
23	Somalia	-	-	-	-	-	-
24	Sudan	-	-	-	-	-	-
25	Togo	4.6	5.6	0.5	-7.2	0.001	-2.2
26	Uganda	-11.7	119.2	-27.6	-5.2	-13.6	-15.5
GCC							
27	Bahrain	25	-16.0	9.6	216	190.2	741.2
28	Kuwait	-239.20	-1,022	-303.1	365	-155	-4,989
29	Oman	0.3	11.4	-2.0	-1.2	0.1	-1.0
30	Qatar	-	30	41	111.5	60.8	71.1
31	Saudi Arabia	-642.3	63.5	154.9	-43.6	50.0	53.8
32	UAE	-59.1	7.4	2,094.0	441.1	441.8	992.3
Middle East							
33	Iran	-	1.9	347.7	2,812.3	1,299.2	1,486.4
34	Iraq	-	-	-	-	-	-
35	Jordan	-31.5	-27.3	4.7	9.3	25	2.6
36	Lebanon	-16	6.4	124.6	91.8	73.9	96.8
37	Palestine	-	122.6	62	20.2	-	-
38	Syria	-	-	-	-	-	-
39	Yemen	-	-	-	-	-	-
CIS							
40	Azerbaijan	-	-	0.76	157.92	325.61	933.25
41	Kazakhstan	-	0.3	4.4	-25.60	426.4	-119.60
42	Kyrgyzstan	-	-	4.5	6.10	5.55	5.38
43	Tajikistan	-	-	-	-	-	-
44	Turkmenistan	-	-	-	-	-	-
45	Uzbekistan	-	-	-	-	-	-
Asia							
46	Afghanistan	-	-	-	-	-	-
47	Bangladesh	0.5	1.7	2	20.6	4.1	7.9
48	Brunei	-	20	-3.48	8.8	8.5	4.6
49	Indonesia	-11	1,319	150	125	115.7	130.2
50	Malaysia	129	2,488	2,026.1	266.8	1,904	1,369.5
51	Maldives	-	-	-	-	-	-
52	Pakistan	2	0.001	11	31	28	19
Europe							
53	Turkey	-16	113	870	497	175	499
54	Albania	-	12	6	0.01	4.34	3.45
South America							
55	Suriname	-	-	-	-	-	-

($ million)

Memo:	1990	1995	2000	2001	2002	2003	Annual Percent Change in 2003
Total IDB	**-649**	**3,488**	**5,853**	**5,325**	**5,308**	**1,477**	**-72**
World [1]	**242,057**	**358,235**	**1,186,838**	**721,501**	**596,487**	**612,201**	**3**
Developing countries [2]	**16,301**	**53,461**	**102,953**	**63,407**	**48,884**	**42,625**	**-13**
Developed countries	**225,756**	**304,774**	**1,083,885**	**658,094**	**547,603**	**569,577**	**4**

1: World FDI outflow is computed based on 196 reporting economies comprising 169 developing and 27 developed economies and are recorded on net basis.
2: IDB Staff calculation: Total FDI outflow of developing countries is computed by subtracting total of developed countries from the World total (all reporting countries).
3: "-" represents negligible values.
Source: UNCTAD FDI online Database of November, 2004.

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Annex 2.6
FDI Inward Performance and Potential Ranking of IDB Member Countries

No.	Country	Performance Ranking [1]		Potential Ranking [2]	
		1999-2001	2001-2003	1999-2001	2001-2003
1	Brunei	7	2	30	35
2	Azerbaijan	35	3	108	96
3	Gambia	13	7	93	97
4	Kazakhstan	15	8	94	78
5	Mozambique	25	23	126	108
6	Sudan	60	29	127	120
7	Morocco	58	32	98	93
8	Uganda	52	35	101	104
9	Albania	65	44	104	76
10	Bahrain	54	51	33	29
11	Mali	84	52	107	113
12	Togo	68	54	120	124
13	Tunisia	75	58	74	71
14	Côte d'Ivoire	81	66	111	123
15	Qatar	99	67	18	8
16	Malaysia	71	75	31	32
17	Tajikistan	93	82	137	136
18	Jordan	53	84	39	45
19	Lebanon	96	90	49	60
20	Algeria	102	91	82	75
21	Benin	87	92	134	132
22	Cameroon	122	93	123	116
23	Gabon	139	95	83	80
24	Pakistan	117	97	129	128
25	U.A.E.	134	101	20	17
26	Senegal	91	103	118	119
27	Niger	120	107	129	128
28	Turkey	112	110	81	72
29	Uzbekistan	118	113	87	88
30	Libya	135	116	47	46
31	Kyrgyz Republic	106	115	117	118
32	Syria	105	121	90	100
33	Sierra Leone	119	122	140	139
34	Egypt	110	123	72	70
35	Yemen	137	124	89	87
36	Guinea	116	125	112	109
37	Oman	129	126	55	53
38	Burkina Faso	123	131	122	130
39	Bangladesh	127	133	110	117
40	Iran	132	136	67	61
41	Kuwait	133	137	33	29
42	Saudi Arabia	136	138	27	31
43	Indonesia	138	139	75	82
44	Suriname	140	140	84	92
Average for 44 IDB Member Countries		**93.9**	**86.1**	**87.0**	**85.6**

1: FDI inward performance ranking is based on FDI performance index, which is a measure for determining extent to which the host country has received FDI as compared to its global share of GDP. Low values reflect high performance ranking.
2: FDI inward potential ranking is based on FDI potential index, which is a structured variable of 12 economic and trade related indicators for determining potential of the host country to receive FDI. Low values reflect high potential ranking.
Source: UNCTAD, World Investment Report of 2004.

Annex 2.7
Bilateral Investment and Double Taxation Treaties among IDB Member Countries and with Others in 2003

Country	Bilateral Investment Treaties (BITs)			Double Taxation Treaties (DTTs)		
	Partner(s) IDB Member Countries	No.	Other Countries	Partner(s) IDB Member Countries	No.	Other Countries
Albania	Iran	1	15	-	0	8
Algeria	Egypt, Iran, Jordan, Malaysia, Mali, Mozambique, Niger, Turkey, Yemen	9	8	Bahrain, Lebanon, Mali, Syria, Yemen, Oman	6	6
Azerbaijan	Iran, Kazakhstan, Kyrgysztan, Lebanon, Pakistan, Uzbekistan	6	9	Pakistan	1	2
Bahrain	Egypt, Iran, Jordan, Lebanon, Malaysia, Sudan, Syria, Yemen	8	2	Algeria, Morocco, Lebanon	3	2
Bangladesh	Indonesia, Iran, Pakistan, Uzbekistan	4	7	-	0	4
Benin	Burkina Faso, Chad, Guinea, Mali	4	4	-	0	0
Brunei	Oman	1	1	-	0	1
Burkina Faso	Benin, Chad, Comoros, Malaysia, Mauritania	5	3	Tunisia	1	0
Cameroon	Guinea, Mali, Mauritania	3	2	Tunisia	1	0
Chad	Benin, Burkina Faso, Egypt, Mali	4	1	-	0	0
Comoros	Burkina Faso, Mali	2	3	-	0	0
Côte d'Ivoire	Tunisia	1	4	Tunisia	1	0
Djibouti	Egypt, Malaysia	2	2	-	0	0
Egypt	Algeria, Bahrain, Chad, Djibouti, Gabon, Guinea, Jordan, Lebanon, Malaysia, Mali, Morocco, Mozambique, Niger, Oman, Palestine, Senegal, Syria, Turkey, Turkmenistan, Uganda	20	35	Indonesia, Lebanon, Malaysia, Senegal, Uzbekistan	5	8
Gabon	Egypt, Lebanon	2	4	-	0	0
Guinea	Benin, Cameroon, Egypt, Malaysia, Mali, Mauritania, Morocco	7	3	-	0	1
Indonesia	Bangladesh, Jordan, Kyrgyzstan, Morocco, Mozambique, Pakistan, Sudan, Suriname, Syria, Turkey, Uzbekistan, Yemen	12	22	Egypt, Syria, Uzbekistan	3	12
Iran	Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Kazakhstan, Kyrgyzstan, Lebanon, Malaysia, Morocco, Pakistan, Qatar, Sudan, Syria, Tajikistan, Turkey, Turkmenistan, Uzbekistan, Yemen	19	26	Kazakhstan, Lebanon, Syria	3	7
Jordan	Algeria, Bahrain, Egypt, Indonesia, Kuwait, Lebanon, Morocco, Sudan, Syria, Tunisia	10	13	Syria	1	2
Kazakhstan	Azerbaijan, Iran, Kuwait, Kyrgyzstan, Malaysia, Pakistan, Uzbekistan	6	13	Iran, Kyrgyzstan, Pakistan, Turkey, Turkmenistan	5	15
Kuwait	Jordan, Kazakhstan, Lebanon, Morocco, Tajikistan, Yemen	6	15	Lebanon, Malaysia, Syria	3	8
Kyrgyz Republic	Azerbaijan, Indonesia, Iran, Kazakhstan, Malaysia, Pakistan, Tajikistan, Uzbekistan	8	10	Kazakhstan	1	4
Lebanon	Azerbaijan, Bahrain, Egypt, Gabon, Iran, Jordan, Kuwait, Malaysia, Morocco, Pakistan, Syria, Tunisia, Yemen	13	23	Algeria, Bahrain, Egypt, Iran, Kuwait, Malaysia, Morocco, Oman, Pakistan, Syria, Tunisia, UAE	12	8

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Annex 2.7 (Continued)
Bilateral Investment and Double Taxation Treaties among IDB Member Countries and with Others in 2003

	Bilateral Investment Treaties (BITs)			Double Taxation Treaties (DTTs)		
	Partner(s) IDB Member Countries	**No.**	**Other Countries**	**Partner(s) IDB Member Countries**	**No.**	**Other Countries**
Malaysia	Algeria, Bahrain, Burkina Faso, Djibouti, Egypt, Guinea, Iran, Kazakhstan, Kyrgyzstan, Lebanon, Morocco, Pakistan, Saudi Arabia, Senegal, Sudan, Turkey, Yemen	17	14	Egypt, Kuwait, Lebanon	3	13
Mali	Algeria, Benin, Cameroon, Chad, Comoros, Egypt, Guinea	7	2	Algeria	1	0
Mauritania	Burkina Faso, Cameroon, Guinea	3	3	-	0	0
Morocco	Egypt, Guinea, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Oman, Pakistan, Qatar, Senegal, Sudan, Syria, Turkey, UAE	16	13	Bahrain, Lebanon, Mali, Syria, Yemen	4	6
Mozambique	Algeria, Egypt, Indonesia	3	9	-	0	1
Niger	Algeria, Egypt	2	0	-	0	0
Oman	Brunei, Egypt, Morocco, Pakistan, Sudan, Yemen	6	7	Algeria, Lebanon, Pakistan, Tunisia	4	8
Palestine	Egypt	1	1	-	0	0
Pakistan	Azerbaijan, Bangladesh, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Lebanon, Malaysia, Morocco, Oman, Syria, Tunisia, Turkey, UAE, Yemen	15	15	Azerbaijan, Kazakhstan, Lebanon, Oman, Qatar, Syria, Tunisia, Uzbekistan	8	10
Qatar	Iran, Morocco, Senegal, Sudan, Turkey	5	11	Pakistan	1	2
Saudi Arabia	Malaysia	1	8	-	0	0
Senegal	Egypt, Malaysia, Morocco, Qatar	4	3	Egypt, Morocco	2	3
Sierra Leone	-	0	2	-	0	0
Sudan	Bahrain, Indonesia, Iran, Jordan, Malaysia, Morocco, Oman, Qatar, Syria, Turkey, UAE, Yemen	12	4	Syria, Tunisia	2	0
Suriname	Indonesia	1	1	-	0	0
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
Tajikistan	Iran, Kuwait, Kyrgyztan, Turkey, UAE	5	5	-	0	1
Tunisia	Cote d'Ivoire, Jordan, Lebanon, Pakistan, UAE	5	11	Burkina Faso, Cameroon, Cote d'Ivoire. Lebanon, Oman, Pakistan, Sudan, Syria, Yemen	9	5
Turkey	Algeria, Egypt, Indonesia, Iran, Malaysia, Morocco, Pakistan, Qatar, Sudan, Tajikistan, Yemen	11	25	Kazakhstan, Uzbekistan	2	13
Turkmenistan	Egypt, Iran, Uzbekistan	3	8	Kazakhstan	1	4
Uganda	Egypt	1	12	-	0	5
U.A. Emirates	Morocco, Pakistan, Sudan, Syria, Tajikistan, Tunisia, Yemen	7	6	Lebanon, Morocco	2	8
Uzbekistan	Azerbaijan, Bangladesh, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Turkmenistan	7	18	Egypt, Indonesia, Pakistan, Turkey	4	15
Yemen	Algeria, Bahrain, Indonesia, Iran, Kuwait, Lebanon, Jordan, Malaysia, Oman, Pakistan, Sudan, Syria, Turkey, UAE	14	8	Algeria, Syria, Tunisia	3	0
Total		**310**	**412**		**102**	**189**

Based on available data for 46 IDB member countries.
Source: UNCTAD, World Investment Report of 2004.

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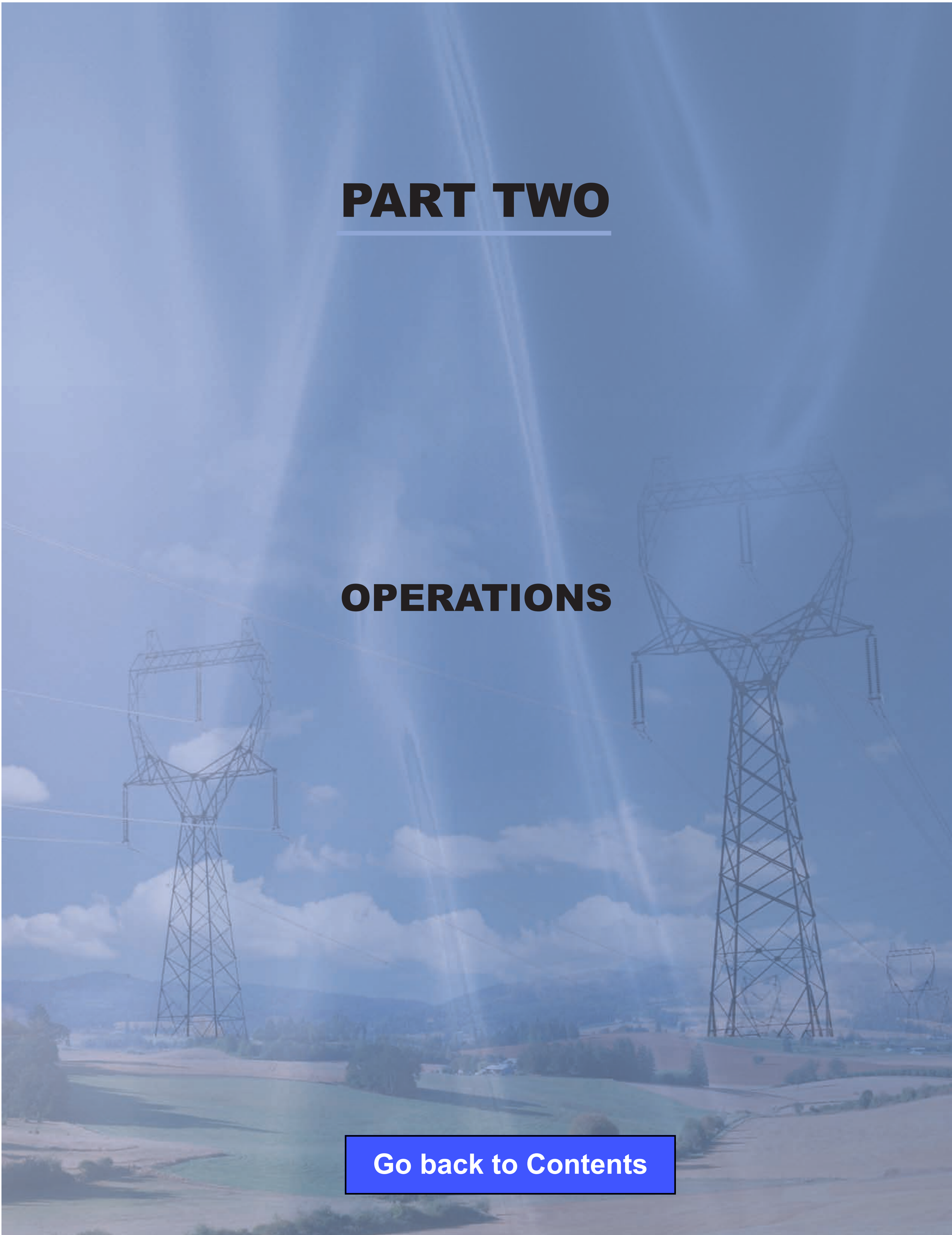
PART TWO



OPERATIONS

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CHAPTER 3

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

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IDB Financed Maloso Irrigation Project in Indonesia

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HIGHLIGHTS

Net Approvals of the IDB Group: ID3.3 billion ($4.9 billion)

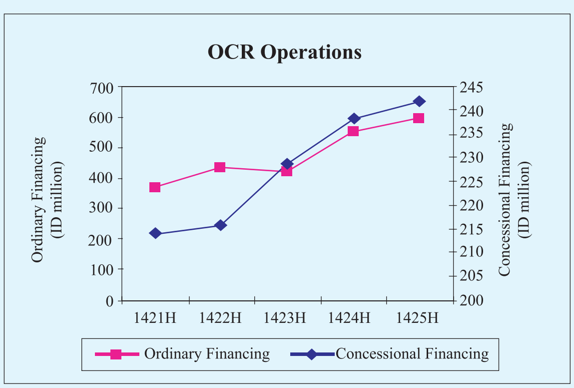
Number of Approvals: 399

Disbursements: ID504 million ($758 million)

- Project Financing from Ordinary Resources: ID 1,016.4 million ($1,484.3 million)
- Project Financing (from Sukuk Resources): ID192.3 million ($285.3 million)
- Project Financing by Affiliates and Funds: ID354.4 million ($533 million)
- Co-financing by IDB: ID200.15 million ($291.84 million)
- Technical Assistance: ID13.6 million ($19.6 million)
- Trade Financing: ID1.9 billion ($2.8 billion)
- Special Assistance Operations: ID13.8 million ($20.5 million)

- 94 Projects (including 8 from Sukuk resources)
- 41 Projects by affiliates and funds
- 55 Technical Assistance Operations
- 142 Trade Financing Operations
- 67 Special Assistance Operations

- Share of IDB Financing in Co-financed Projects: 27 percent
- LDMCs Share in Total Loan Financing: 60 percent.



I. INTRODUCTION

This Chapter provides a brief overview of the global operations of IDB; including financing by different affiliates and funds within the IDB Group. The primary focus of the Chapter is (i) Project Financing and Technical Assistance (TA) and (ii) Waqf Fund Operations. The latter category includes: Special Assistance operations, emergency and relief operations, Scholarships, and Technical Cooperation Programme. Portfolio performance, operation evaluation, regional offices/field representation, consultancy and procurement activities are also briefly covered in this chapter. Details of other categories of IDB Group operations are given separately in Chapter 4 (Trade Financing Operations) and Chapter 5 (Activities of Affiliated Entities and Funds) while Table 3.1 shows a consolidated view of the IDB Group operations.

In 1425H, the IDB as a Group approved ID3.31 billion ($4.9 billion) for different types of operations (see Table 3.1)[1]. These included: 94 operations for project financing from OCR totaling over ID1 billion ($1.5 billion), 55 technical assistance (TA) operations worth ID13.58 million ($19.63 million), 142 trade financing operations amounting to ID1.91 billion ($2.84 billion), and 67 Special Assistance operations worth ID13.82 million ($20.51 million). The overall operations approved in 1425H represent a 27.8 percent growth over approvals during 1424H, in ID value terms.

At the end of 1425H, cumulative net approvals of the IDB Group reached ID28.8 billion ($38.3 billion). Of these operations, 37.2 percent were for project financing and technical assistance, 61.2 percent for trade financing, and 1.6 percent for Special Assistance operations.

II. REVIEW OF IDB OPERATIONS, POLICIES, AND INITIATIVES DURING 1425H

At the policy level, the operational activities were dominated in 1425H by the formulation of the Five-Year Strategic Plan (1426H-1430H) which was approved by the Board of Executive Directors (B.E.D.) in November 2004. The Plan outlines the overall direction and approaches to be adopted by the Operations Complex in the next five years in pursuit of the Group's vision,

[1] Approval figures given in this report for 1424H and the prior years may slightly differ from those appearing in previous Annual Reports due to cancellation and reclassification, which took place in 1425H.

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Table 3.1
Net Financing of IDB Group by Major Categories (1421H-1425H and 1396H-1425H)

	1423H			1424H			1425H			1396H - 1425H		
	No.	ID million	$ million	No.	ID million	$ million	No.	ID million	$ million	No.	ID million	$ million
I. Project Financing from OCR *of which*:	101	700.18	910.84	121	896.71	1,234.41	149	1,029.96	1,503.93	1,643	8,582.56	11,433.50
Financing from Sukuk resources	1	51.93	69.8	5	106.24	153.46	8	192.32	285.29	14	350.49	508.56
Technical Assistance	29	7.70	9.88	25	8.13	11.24	55	13.58	19.63	486	145.46	188.96
II. Project Financing by Funds/Entities (UIF, IBP, APIF, ICD, & Treasury)	34	317.64	435.17	40	283.78	424.26	41	354.40	533.01	240	2,137.17	2,994.52
III. Total IDB Group Project Financing (=I+II)	**135**	**1,017.82**	**1,346.01**	**161**	**1,180.49**	**1,658.67**	**190**	**1,384.36**	**2,036.93**	**1,883**	**10,719.73**	**14,428.02**
IV. Trade Financing Operations (ITFO, EFS, IBP, UIF, APIF, ICD & Treasury)	103	1,159.04	1,544.01	128	1,393.09	1,990.70	142	1,911.78	2,838.00	1,787	17,627.48	23,274.09
V. Special Assistance	38	9.34	12.54	45	16.70	23.47	67	13.82	20.51	1,084	464.61	586.00
Overall Financing of IDB Group	**276**	**2,186.20**	**2,902.56**	**334**	**2,590.28**	**3,672.83**	**399**	**3,309.97**	**4,895.44**	**4,754**	**28,811.81**	**38,288.11**

mission statement, strategic objectives and priority areas. Addressing a core business of the Bank, the Strategic Plan espouses the need to improve quality, achieve higher development impact, become more client-focused, sustain the Bank's credit rating, and forge strategic alliances with development financing institutions and the international development community, at large. Box 3.1 summarizes the key strategic objectives that will underpin the Bank's operations over the next five years.

At the operational level, and in line with the Strategic Plan, attention continued to be focused on improving the quality of the portfolio of projects financed by IDB. In particular, measures were taken for "Portfolio Cleaning" by closing projects which were substantially completed but were lagging in their final stages, cancelling the projects which had been *de facto* frozen for a long time and showed no prospects for actual implementation and, finally, addressing specific issues which were hampering project implementation. This "Portfolio Cleaning" allowed a sizeable improvement as explained under Section IV of this Chapter.

Given the needs of member countries, capacity building constituted an important focus of IDB activities as illustrated by two major initiatives during 1425H:

i. Contribution of a ID5 million grant to the IFC Private Enterprise Partnership facility for the Middle East and North Africa ("PEP-MENA") which aims at providing technical assistance to governments, financial institutions and businesses in the MENA region to improve the investment climate, financial sector infrastructure and the productivity of businesses, especially small and medium size enterprises (SMEs). The facility was set up within the framework of the dialogue taking place between G-8 and countries of the so-called "Broader MENA" on the need for economic reforms and financial sector development in order to promote economic growth in the region.

ii. The IDB is providing support to a newly established initiative called the "Capacity Building Programme in OIC Countries". The Programme has been initiated by the Government of Malaysia which, as Chairman of the OIC, intends to utilize the rich and valuable experience it has acquired together with other member countries in its development process, to assist other countries of the OIC, especially the least developed, in enhancing institutional capacities for the well-being of the people. Details of this initiative are given in Box 3.2

Towards the end of the year, a major initiative was taken by IDB to provide assistance to the countries affected by the Tsunami of December, 2004. Details of this initiative are given in Box 3.3.

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Box 3.1
Summary of the Strategic Objectives of the Operations Complex (1426-1430H)

1. **Development Effectiveness Impact**: The assistance provided by the Operations Complex will seek to contribute towards poverty alleviation and economic growth in member countries. This will necessitate aligning assistance to countries' priorities in the context of poverty reduction policies. Impact assessments will include measures that will result in the reduction of poverty, progress towards the Millennium Development Goals, sectoral focus, selectivity, and synergy within the IDB Group.

2. **Strategic Partnerships**: Related activities will complement the objective to enhance development impact, to create synergy and complementarity among development financing institutions at the country level. It will cover several activities such as co-financing, joint studies, information/knowledge sharing, and post conflict assistance.

3. **Efficiency in the Bank's Operational Results**: Measures will be instituted to achieve quicker implementation of approved, faster disbursements, raising average project size, and better project identification processes and planning.

4. **Client-Focus**: It will entail, among others, improving service standards, product development and diversification, dedicated field supervision, and more field presence which will facilitate a shorter response time and enable the Bank to respond faster to member country needs.

5. **Building In-house Capacity**: It will include measures for better quality assurance, re-skilling of staff to cope with challenges of poverty alleviation and economic development, and more effective ways of dealing with hiring, training, and other culture-related issues such as empowerment and accountability.

III. ANNUAL AND CUMULATIVE APPROVALS OF PROJECT FINANCING AND TECHNICAL ASSISTANCE OPERATIONS

Total approvals for ordinary operations (projects and technical assistance, excluding financing from Sukuk resources) in 1425H were 6 percent higher than in 1424H, reaching ID837.64 million ($1218.63 million) against ID790.47 million ($1,080.95 Million) the previous year.

Box 3.2
Capacity Building in OIC Member Countries

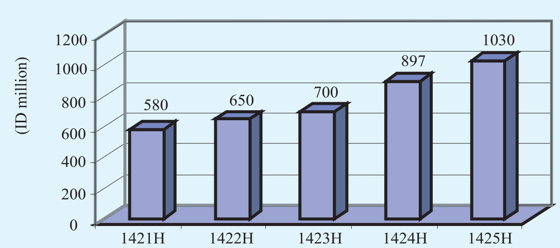
The initiative was established in December 2004 when senior officials from 15 OIC countries, the IDB and the OIC Secretariat met in Kuala Lumpur, thereby constituting what is now referred to as the "Steering Committee for the Capacity Building Programme". The member countries are Brunei Darussalam, Egypt, Indonesia, Iran, Jordan, Kuwait, Morocco, Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Senegal, Turkey, UAE and Yemen.

The initiative arose out of the realization that in spite of many resolutions and declarations by the OIC such as hunger eradication and financing for development, the incidence of poverty and the general economic performance in many member countries has continued to worsen. The initiative aims to give the least developed countries the capacity to better manage and improve the performance of their economies, and benefit from the positive aspects of globalization with the ultimate aim of poverty reduction and sustainable economic growth.

The Programme, which is expected to be implemented starting 1426H, will not involve the setting up of a new Fund or bureaucracy. Rather, it will strive to synergize an effective partnership between (a) the relatively developed OIC countries led by Malaysia; (b) financing institutions within the OIC led by the IDB, (c) recipients, that is, the OIC least developed countries, and (d) the private sector and civil society. The projects to be implemented under the Programme will be innovative and different from the normal format, in order to have a more profound developmental impact.

Taking into account financing from Sukuk resources, (which witnessed a sizable jump of 81 percent between 1424H and 1425H), total approvals grew by 14.8 percent between 1424H (ID896.71 million, or $1,234.41 million) and 1425H (ID1,029.96 million, or $1,503.93 million). Recent trends in total approvals are depicted in Chart 3.1.

Chart 3.1
Project and Technical Assistance Financing, 1421H - 1425H



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IDB net cumulative approvals for projects and TA (excluding Sukuk resources) since inception of the Bank in 1396H up to the end of 1425H have amounted to ID8.23 billion ($ 10.92 billion). Project financing accounted for 98.23 percent, or ID8.09 billion ($10.74 billion) and TA operations accounted for 1.77 percent, or ID145.46 million ($188.96 million).

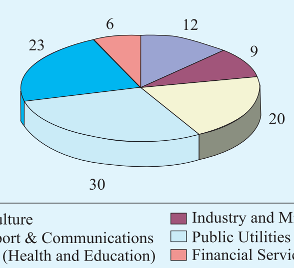
1. Distribution of Approved Operations by Sector

Sector-wise, IDB financing in 1425H was allocated to Public Utilities (37 percent); Transport & Communications (31 percent); Social (Education and Health) sector (17 percent); Agriculture/Agro-Industry (7 percent); industry (2 percent), other sectors (Islamic banks, etc.) for 6 percent (see Table 3.2). Transport and Communication witnessed a substaintial increase from last year's share of 22 percent.

It appears that the share of agriculture/agro-industry, which was 15 percent in 1424H and 7 percent in 1425H, is lower than what the economies of most member countries, which heavily rely on that sector, would normally warrant. This situation is due to various factors such as the lack of suitably prepared projects, and requirements that these projects be normally financed by highly concessional resources. In light of the priorities of the new Strategic Plan, measures will be taken to reverse this trend and raise the ratio of IDB financing for that sector to a more acceptable level.

The cumulative sectoral distribution of approved projects and technical assistance operations, up to the end of 1425H, is shown in Chart 3.2.

Chart 3.2
Cummulative Sector Distribution of Projects and Technical Assistance Operations, 1425H
(Percent)



Box 3.3
IDB Emergency Assistance Package to the Countries Affected by the Tsunami of December, 2004

In response to the enormous physical damage, human loss, and suffering that was incurred by the Tsunami affected countries, the Board of Executive Directors approved an "Emergency Assistance Package" of $500 million to help restore the normal functioning of communities. Specifically, implementation of the package will contribute to providing the urgent basic needs of disaster victims, particularly children, and restoring the essential public infrastructure facilities in the sectors of education, health, vocational training, water, sanitation, roads, telecommunications, and other vital sectors. Special emphasis will be given to feed, shelter and educate the children orphaned by the disaster.

The IDB's assistance package will be essentially for three IDB member countries that were most affected, i.e. Indonesia, Maldives and, to a lesser extent, Somalia (with some grant amounts to three non-member countries, i.e. India, Sri Lanka and Thailand).

i. Grant financing amounting to $5.0 million from the Waqf Fund in the form of special assistance (fast disbursing) projects and operations in the fields of relief, as well as re-construction of essential health and education facilities to protect the most vulnerable sector of the affected communities (orphans; children and women).
ii. Soft loan project financing totaling $70 million for building of orphanages and re-construction of schools, hospitals, and other related vital infrastructure facilities in affected areas.
iii. Ordinary project financing totaling $175 million in the area of the reconstruction of vital infrastructure facilities such as roads, public utilities, telecommunications, drinking water and waste-water treatment.
iv. A trade financing facility of $250 million under the Import Trade Financing Operations (ITFO) is pledged, out of which $230 million is earmarked for Indonesia and $20 million for Maldives.

The financing terms of this Emergency Assistance Package will be sizably softer than the standard ones.

2. Distribution of Approved Operations by Mode of Finance

IDB uses a wide array of Shari'ah-compatible modes of financing. These include: leasing, instalment sale, istisna'a, profit-sharing and equity participation in addition to other familiar modes such as Loan and technical assistance (TA) – which are IDB's most concessional modes of financing. Definitions of these modes are given in the glossary.

Table 3.2
Sectoral Distribution of Projects and Technical Assistance Financed from OCR[1,2]

	1421H		1422H		1423H		1424H		1425H		1396H-1425H	
Sector	No.	ID million	No.	ID million	No.	ID million	No.	ID million	No.	ID million	No.	ID million
Agricultural and Agro-Industry	16	35.06	15	39.54	14	79.25	22	116.23	12	59.12	295	1,012.41
Industry & Mining	-	-	3	42.07	1	34.01	2	20.28	4	16.32	132	778.54
Transport & Communications	14	121.85	22	165.53	18	156.21	17	176.49	21	260.97	279	1,661.60
Public Utilities	21	217.28	17	182.81	13	144.21	21	252.73	21	307.11	273	2,393.54
Social Sectors	52	179.38	46	183.58	37	190.23	37	209.50	40	145.87	441	1,851.88
Financial Services/Others	12	26.00	15	36.25	17	44.34	17	15.24	43	48.25	209	534.10
Total	**115**	**579.57**	**118**	**649.78**	**100**	**648.25**	**116**	**790.47**	**141**	**837.64**	**1,629**	**8,232.07**

[1]Excluding financing from Sukuk resources.
[2]Figures are net of cancellations.

Table 3.3 and Chart 3.3 show the distribution by mode of ordinary financing for the period 1421H to 1425H. The cumulative modewise distribution of approved projects and technical assistance operations, up to the end of 1425H, is shown in Chart 3.4.

As in recent years, Istisna'a had the largest share in 1425H with 40 percent of the total amount (against 46 percent in 1424H). Loan financing (comprising both the ordinary loans that are accessible to all member countries and the LDMC loans that are earmarked to LDMCs) represented 27 percent (against 29 percent in 1424H). The third most utilized mode was leasing, at 15 percent (14 percent in 1424H). It is worth mentioning that leasing has a specific importance due to its role for the asset-backed mobilization of resources from the market. Furthermore, leasing is currently the only mode that can have a floating rate, a system that was streamlined in 1425H and is applicable as indicated in Box 3.4.

A special mention may be made of the equity mode, whereby ID22.56 million were approved in 1425H, representing a much higher volume than in previous years.

Table 3.3
Approved Operations from OCR by Modes of Financing[1,2]

	1421H		1422H		1423H		1424H		1425H		1396H - 1425H		
Mode	No.	ID million	No.	ID million	No.	ID million	No.	ID million	No.	ID million	No.	ID million	$ million
Loan + LDMC Loan	52	202.64	49	206.85	48	220.99	52	230.01	44	228.23	618	2,717.82	3,558.25
Equity	4	5.23	3	7.30	1	4.44	2	1.86	8	22.56	113	286.45	366.40
Leasing	2	35.50	5	95.06	4	109.06	7	108.46	6	122.60	127	1,700.97	2,276.44
Instalment Sale	8	94.09	8	73.02	9	128.05	11	78.99	10	98.77	163	1,540.09	2,053.27
Profit Sharing	-	-	-	-	-	-	-	-	-	-	7	62.45	82.62
Istisna'a	15	219.78	12	231.38	7	147.02	19	363.02	16	334.71	84	1,498.60	2,032.70
Lines of Financing	1	11.00	2	27.41	2	30.98	-	-	2	17.20	31	280.24	366.30
Technical Assistance	33	11.33	39	8.76	29	7.70	25	8.13	55	13.58	486	145.45	188.95
Total	**115**	**579.57**	**118**	**649.78**	**100**	**648.25**	**116**	**790.47**	**141**	**837.64**	**1,629**	**8,232.07**	**10,924.94**

[1]Excluding financing from Sukuk resources.
[2]Figures are net of cancellations.

Chart 3.3
Modewise Distribution of Approvals, 1425H
(Percent)

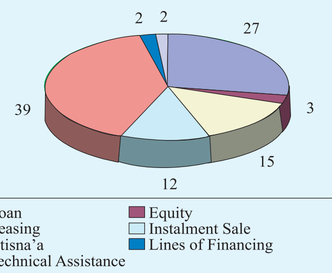
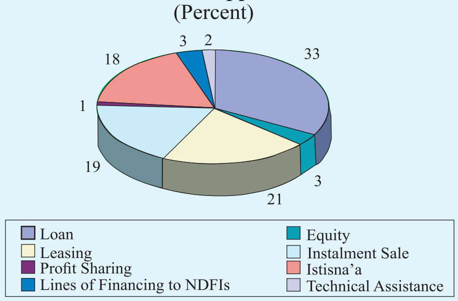


Chart 3.4
Cumulative Modewise
Distribution of Approvals, 1425H
(Percent)



Box 3.4
Mark-up Rates for Leasing Operations

For any lease financing under the Bank's Ordinary Capital Resources, beneficiaries would be given the option to choose between fixed and floating rates in Islamic Dinar (ID). For fixed rates (currently 6 percent) the Bank would continue offering a rebate of 15 percent on timely payments, effectively making the mark-up rate to stand at 5.1 percent. Also a proviso is made to keep the base mark-up rate under continuous review.

For the floating rate option, the rate to be charged to the beneficiaries would be the weighted average of the six months inter-bank offered rate (e.g. LIBOR, Euribor, etc.) of the four component currencies in the ID basket, plus a spread to cover administrative and other costs.

In line with the practice of other multilateral development banks (MDBs), IDB would allow beneficiaries to switch from one option to the other (floating to fixed rate and vice versa) subject to the beneficiary giving IDB a sufficient notice.

3. Approved Operations from Sukuk Resources

IDB had traditionally relied mostly on its capital to finance operational activities. In view of the increasing needs of member countries for development assistance, on the one hand, and as part of its efforts to develop the Islamic capital market, on the other hand, the IDB decided to mobilize resources from the international financial market through the use of "Sukuk", an asset-backed bond which is structured in accordance with Shariah principles. The first Sukuk was launched by IDB in 1424H and mobilized $400 million.

Because of the "pilot" features of this Sukuk issue, the utilization of the related amount was handled according to specific procedures. It is, however, expected that projects to be financed from Sukuk resources would gradually be integrated into the mainstream procedures. It is also worth mentioning that, while sovereign guarantee was available for some projects financed from Sukuk resources, security package has often been arranged through other flexible measures.

IDB began to finance relatively large projects from Sukuk resources, mostly through the leasing mode, both in the public and the private sector. Thus, while the standard ceiling for ordinary operations is ID35 million (equivalent to $52 million), the ceiling for projects financed from Sukuk resources was set at $60 million, with the possibility of considering higher amounts. This explains, in particular, that financing BOT projects, an activity where IDB was not involved in the past, will now be done by making use of Sukuk resources.

Project financing from Sukuk resources increased considerably during 1425H by about 86 percent to reach $285 million as compared to $153 million total net approved amount under Sukuk during 1424H. This quantum leap in financing covered eight new projects in various member countries, namely, Bangladesh, Iran, Turkey, Chad, Uzbekistan and Morocco. The economic sectors that benefited from Sukuk financing were also diverse such as pharmaceuticals, power, and petrochemicals. As for the tenor of Sukuk financing, it ranged from 7.5 to 10.5 years, while in most cases the mark-up was based on a floating rate.

4. Geographical Distribution of Projects and Technical Assistance Approvals in 1425H

During 1425H, forty three member countries and seven regional / international organizations benefited from IDB's financing.

Table 3.4 gives the financing distribution by region of membership. This table shows that Asian and

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Table 3.4
Distribution of OCR Financing by Regions, 1425H

	No. of Operations	ID million	$ million	Share (%)
Concessional Financing				
African Countries	45	132.50	190.80	15.66
Asian Countries	36	96.64	141.03	11.57
Other Countries + (Regional)	18	12.66	18.59	1.53
Sub-total	99	241.80	350.42	28.75
Ordinary Financing				
African Countries	17	288.10	420.19	34.48
Asian Countries	25	307.74	448.03	36.76
Other Countries + (Regional)	-	-	-	-
Sub-total	42	595.84	868.22	71.25
Grand Total	**141**	**837.64**	**1,218.64**	**100.00**

African countries (the numbers of which are practically equivalent: 27 Asian countries and 26 African countries) have obtained roughly the same amount: $610 million for African countries and $589 million for Asian countries for nearly the same number of operations: 62 for African countries and 61 for Asian countries. In addition, $18.6 million went to other countries and regional operations.

The share of Asian countries in total ordinary financing was 51.6 percent while African countries had a higher share in total concessional financing at 54.4 percent. This is explained by the fact that member countries in the Africa region have a higher proportion of least developed countries, i.e. nineteen of twenty-eight LDMCs are in Africa region.

In pursuance of the Ouagadougou Declaration adopted by the Board of Governors meeting held in 1423H (2002) on 'Declaration on IDB Group Cooperation with Africa', an operational plan was developed to ensure that African LDMCs fully benefit from the many programmes offered by the IDB Group. Table 3.5 shows the amount approved for Sub-Saharan African member countries: in 1425H, the total approvals reached about $850 million representing 42.5 percent of the $2 billion earmarked under the Declaration.

It needs to be noted that, over the five year-period covered by the Declaration, the education sector is expected

Table 3.5
Ouagadougou Declaration
Net Approvals by IDB Group

(in $ million)

	1424H	1425H	1424H-1425H
Ordinary Operations	308.46	325.80	634.26
Concessional loans	201.00	172.87	373.87
Technical Assistance	6.26	9.58	15.84
Ordinary financing	101.20	143.35	244.55
Trade Operations	80.00	115.00	195.00
ICD	12.50	8.00	20.50
Total	**400.96**	**448.80**	**849.76**

to be the main beneficiary of the Bank financing. In particular, the "Bilingual Education Programme" in Sub Saharan African member countries were allocated $300 million for various operations aiming at raising the school enrolment rates (for details, see Box 2.6, Chapter Two). As part of its efforts to promote the Programme, IDB organized an international conference under the patronage of the President of the Republic of Chad in N'Djamena on 29 June 2004. The conference was attended by several international institutions which expressed their readiness to provide substantial support to the Bilingual Education Programme.

5. Operations in the Least Developed Member Countries

Of the 55 member countries of IDB, 26 are classified as least developed, which is 47 percent of the membership, while four other member countries are treated as such[2].

The bulk of the Bank's concessional financing is allocated to the least developed member countries (LDMCs). In Table 3.6, the data shows that LDMCs received over 60 percent of Loan financing, both during 1425H and in cumulative terms. As to be expected, the share of LDMCs in other modes of financing varied considerably. It is worthwhile to note that the share of LDMCs in the Equity mode was 35.3 percent in 1425H while the cumulative financing share of LDMCs under

[2] The LDMCs include 24 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, Yemen, Kyrgyzstan Republic, and Tajikistan. As a special case, the State of Palestine is treated as an LDMC while Albania, Azerbaijan, and Uzbekistan are treated as such.

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Table 3.6
Net Approvals for the LDMCs, 1425H and 1396H-1425H

Mode of Financing	1425H				1396H-1425H			
	No.	ID million	$ million	LDMCs Share (Percent)	No.	ID million	$ million	LDMCs Share (Percent)
Loan (Ordinary Resources)	23	137.42	200.56	63.9	311	1,533.10	2,014.98	60.7
LDMCs Loan	8	13.29	19.03	100.0	127	193.35	263.73	100.0
Equity	2	7.97	12.00	35.3	29	64.51	83.89	22.5
Leasing	1	18.72	27.14	15.3	16	138.01	178.10	8.1
Instalment Sale	2	7.75	11.08	7.9	16	63.15	85.20	4.1
Profit Sharing	-	-	-	-	1	3.5	4.35	5.6
Istisna'a	2	12.04	17.13	0.04	6	44.16	59.93	2.9
Technical Assistance	17	6.54	9.45	48.2	258	86.18	109.24	59.3
Line of Financing	-	-	-	-	6	23.08	28.58	8.2
Sub-total	**55**	**203.73**	**296.39**	**24.8**	**770**	**2,149.04**	**2,828.00**	**26.1**
Import Trade Financing Operations (ITFO)	19	359.12	533.55	26.8	226	2,809.30	3,641.49	19.9
Special Assistance (Waqf) Operations	19	3.78	5.57	27.3	316	273.56	336.46	25.2
Grand Total	**93**	**566.63**	**835.51**	**25.9**	**1,312**	**5,231.90**	**6,805.95**	**22.3**

Note: Regional projects covering both LDMCs and non-LDMCs are excluded.

this mode stood at 22.5 percent. Similarly, the share of LDMCs in Technical Assistance was 48.2 percent in 1425H while its cumulative share stood at 59.3 percent. The relatively higher share of technical assistance reflects the Bank's resolve to assist the development process and capacity building in the LDMCs in order to enhance their prospects of sustainable growth.

Total project and TA financing approved for the LDMCs since IDB's inception up to the end of 1425H was ID2,149.04 million ($2,828 million), representing 41 percent of aggregate financing approved for all types of operations for LDMCs or 26 percent of total approvals by the Bank (see Table 3.6). On the other hand, LDMCs' share of cumulative loan approvals totaled 83.8 percent reaching ID2,278.8 million.

6. Science and Technology Operations

In today's globalised world, science and technology is the driving force that gives a competitive edge to a knowledge-driven economy. IDB has been one of the early institutions to realize the potential of science and technology (S&T) in fostering socioeconomic development. In its endeavours to encourage and promote science and technology, and to foster socioeconomic development, IDB took a number of measures designed to promote S&T as a socioeconomic development enabler.

During 1425H, S&T operations increased considerably numbering 14 with a total IDB contribution of ID0.310 million ($0.455 million) compared to only one operation in 1424H valued at ID0.031 million (approximately $.045 million).

Another S&T activity promoted by the IDB is the award of three IDB Prizes for Science and Technology, which were established to promote competition among S&T education and research institutions in member countries towards achieving excellence and to raise the awareness of decision-makers and intellectuals about the potential contribution of science and technology to sustainable development. Each prize consists of an award of $100,000. The prizes were awarded for the first time in 1423H to three S&T institutions, one each from Pakistan, Egypt and Sudan. In 1425H, out of 22 qualified applicants, three winning institutions were selected one each from Kazakhstan, Pakistan and Palestine.

Another IDB initiative is the Young Researchers Support Programme (YRSP) designed to ascertain the feasibility of contributing to the development of human resources in the fields of science & technology in member countries. The purpose is to mitigate the adverse effect of a 'brain-drain' at the level of young scientists and researchers by encouraging them to return home after completing their studies abroad. The Programme also encourages fresh graduates and young researchers

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intending to pursue further research in their original/ national institution of education. The Programme also provides scholarship grants to a selected number of applicants from member countries in the range of $8,000 up to $15,000 for a total grant amount of $300,000. Out of 18 researchers initially selected, 15 are currently benefiting from the Programme.

IDB has also been entrusted with the implementation of OIC Programme on Self-Reliance in Vaccine Production (SRVP) and other new programmes emanating from the IDB-COMSTECH cooperation initiatives, such as the "S&T Expatriate Nationals" and "Support to the Centres of Excellence in IDB Member Countries".

7. Cooperation with International Financing Institutions

Forging co-ordination and strategic alliances with other development partners has been given new impetus by the Strategic Framework for the IDB Group. Traditionally, the Bank has maintained a close working relationship with the (Arab) Coordination Group, Islamic banks and national development financing institutions (NDFIs). Presently however, this relationship has been extended to a broad spectrum of international development financing institutions, including the United Nations agencies and civil organizations.

Collaboration with other developmental partners usually takes the form of: co-financing (which enhances IDB's catalytic role); sharing of information; staff exchange; mounting joint missions; hosting of joint seminars, workshops and symposia. Likewise, participation in consultative group meetings, round table meetings and similar fora has provided a strong bond between donors, governments, the civil society and other stakeholders. IDB is participating in the ongoing harmonization programme of policies, procedures and practices among the multilateral development banks (MDBs) and the OECD Group of donor countries, which is intended to improve the administration, delivery and effectiveness of donor assistance in recipient countries.

During 1425H, the Bank hosted the Regional Workshop on Harmonization and Alignment in Jeddah on 8-9 February 2005. Participants included members of the Co-ordination Group, African Development Bank; Organization of Economic Cooperation and Development; World Bank and partner countries from the Middle East and North Africa Region and outside the Region shared lessons of experience, identified the challenges and chart the way forward. The workshop was part of the preparation process for the second High-level Forum on Aid Effectiveness, which was held in Paris in March 2005. The first meeting of the Forum was held in Rome in February 2003.

Cofinancing provides an important collaboration mechanism at the operational level. During 1425H, eighteen projects in thirteen countries were co-financed with other institutions as shown in Table 3.7. The total cost of these projects was $1,085 million, of which IDB co-financed amount was 27 percent ($292 million) while the contribution by other international institutions totaled 35 percent ($379 million).

IV. ASSESSMENT OF THE PORTFOLIO

There had been a tendency in the past to rely on the Executing Agencies for actual implementation of approved operations. Moreover, insufficient resources were made available to ensure a suitable follow-up. As a result, the actual implementation pace of some operations was slow. This situation resulted in a sizable build-up of portfolio, where some projects were not executed according to the expected schedule. It also adversely affected the income of the Bank as large amounts of financing was committed without actually being disbursed.

Consequently, the Bank took corrective measures at various levels including: greater allocation of staff time to supervision activities, the appointment of field representatives to monitor project implementation, a better assessment of the capability of the Executing Agencies (with a provision of capacity building, whenever justified), and a revision of internal procedures including procurement procedures to make them more efficient.

In 1425H, an exercise was undertaken to "clean" the portfolio, i.e. to remove all non-performing operations either by closing them or cancelling them. This has resulted in a sizable improvement as detailed in Table 3.8, which shows that, during 1425H, the ratio of non-disbursing projects improved slightly from 44.8 percent to 44.2 percent. This improvement was achieved despite the fact that the year witnessed a record number of 141 new approvals, which would normally tend to increase the weight of the non-disbursing operations in the light of time needed to start actual disbursement. In parallel, the number of completed projects jumped from 702 at end-1424H to 821 at end-1425H.

During 1425H, total disbursements from OCR

Table 3.7
Projects Co-financed with other Institutions in 1425H

Sl. No.	Country	Project Name	Total Cost ($ million)	IDB Participation			Co-financier(s)	$ million
				Mode	ID million	$ million		
1	Afghanistan	Doshi to Pol-e-khumri Road	80.741	Loan	7.00	10.00	World Bank including: IDA and IFC (WB)	68.431
2	Albania	Kavaja General Hospital	8.76	Loan	3.85	5.69	OPEC Fund	2.42
3	Azerbaijan	Samur Absheron Irrigation Velvelichay-Takhtakorpu Canal	42.6	Loan	7.00	10.10	OPEC Fund Saudi Fund for Development	8.00 18.00
4	Azerbaijan	Reconstruction of Yevlakh to Ganja Road	28.00	Loan	7.00	10.40	Saudi Fund for Development	11.00
5	Bangladesh	Health and Population	3.603	LDMC	2.048	3.01	United Nations Population Fund (UNFPA)	0.297
6	Libya	Conversion of Zawia Power Plant into combined cycle	271.98	Leasing	33.34	46.67	Arab Fund for Economic and Social Development	91.24
7	Malaysia	Islamic Financial Services Board (IFSB)	0.40	T.A.	0.138	0.20	Asian Development Bank	0.20
8	Mali	Construction of the Kayes Bafoulabe Road	49.04	Loan	7.00	10.15	Kuwait Fund for Arab Economic Development Saudi Fund for Development OPEC Fund	13.98 10.00 10.00
9	Mauritania	Aioun Elatrous-Nioro du Sahel Road (Additional I)	13.27	Loan	1.10	1.50	OPEC Fund	4.00
10	Mauritania	Nouakchott University Campus	37.29	(a) Loan (b) LDMC	7.00 2.05	10.22 3.00	World Bank including: IDA and IFC (WB)	15.00
11	Mauritania	The Mining Sector Study (Phase-II)	23.60	T.A.	2.74	4.00	World Bank including IDA and IFC (WB)	18.00
12	Morocco	Tangier - Mediterranean Harbor Railway	268.64	Istisna'a	44.46	64.91	European Investment Bank	
13	Morocco	Mohammedia Thermal Power Plant upgrade	121.624	Istisna'a	41.00	61.711	European Investment Bank	52.88
14	Niger	Goure-Djajiri Road reconstruction	19.655	Loan	7.00	9.80	Arab Bank for Economic Development in Africa	7.60
15	Niger	Say-Tapoa Road	20.562	Loan	6.42	9.51	OPEC Fund	9.00
16	Senegal	Ndiosmone-Palmarin Water Supply	35.22	Loan	7.00	10.24	Arab Bank for Economic Development in Africa Saudi Fund for Development	8.00 9.00
17	Turkmenistan	Archman Medical Hydrotherapy Center	18.814	Loan	7.00	10.376	OPEC Fund	5.004
18	Yemen	Hujjah-Kushar Road	40.84	Loan	7.00	10.35	Saudi Fund for Development	17.00
	Total		**1,084.64**		**200.15**	**291.84**		**379.05**

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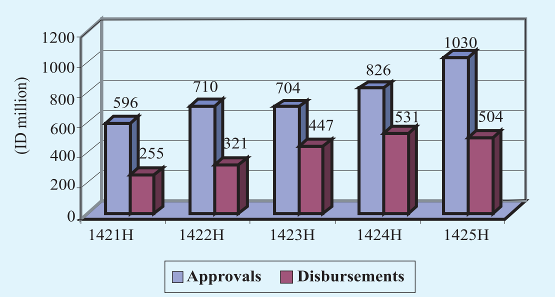
Table 3.8
Status of OCR Project Portfolio, 1424H-1425H

		1424H		1425H	
		No.	$ million	No.	$ million
Active Portfolio					
Disbursing		442	2,486.40	449	2,576.56
Non-Disbursing		360	2,202.00	356	2,129.36
i.	Unsigned	90	753.70	100	692.74
ii.	Signed but not declared effective	64	404.80	69	445.92
iii.	Effective but not disbursing	206	1,046.40	187	990.71
Completed Operations		**702**	**2,929.30**	**821**	**3,517.86**
Cancelled Operations		**193**	**1,216.50**	**213**	**1,431.50**
Total		**1697**	**8,834.20**	**1839**	**9,655.28**

(including those for projects financed from Sukuk) reached a level of ID504 million, comprising ID367 million for ordinary resources operations, and ID137 for Sukuk resource operations (Chart 3.5). This is lower than 1424H when total disbursements reached ID531 million. This situation may be explained by the fact that, between 1421H to 1424H, the growth in disbursements ranged from 26 to 39 percent. Evidently, it was difficult to sustain the same trend during 1425H.

Chart 3.5
Approval and Disbursement Trends, 1421H-1425H



Overall, disbursements nearly doubled at 98 percent between 1421H and 1425H.

V. OPERATIONS EVALUATION

Operations evaluation is an important tool for assessing the effectiveness of IDB financing with a view to improving the impact of its future development assistance. Within this framework, the Bank conducts evaluation of both completed, on-going operations, and other areas of operations evaluation, such as Country Assistance Evaluation (CAE), sector or thematic studies, and impact evaluation. These activities are occasionally conducted in collaboration with other Multilateral Development Banks (MDBs), in order to add value and enhance the Bank's capacity, particularly in the area of CAE.

Since 1411H, 261 operations have been evaluated including project evaluations (228), special assistance evaluations (6), special (on-going) evaluations (24), and more recently, country assistance evaluations (3) jointly with MDBs. Details are shown in Table 3.9.

Table 3.9
Evaluation of Operations, 1411H-1425H

	Evaluation Activities (in Number)				
Year	Completed Projects	On-going	Special Assistance	CAE	Total
1411H-1420H	145	6	2	-	153
1421H	20	4	1	-	25
1422H	17	-	-	-	17
1423H	13	8	-	1	22
1424H	14	2	2	1	19
1425H	19	4	1	1	25
Total	**228**	**24**	**6**	**3**	**261**

The evaluation conducted in 1425H consisted of 25 operations as follows:

- Post-evaluation of 19 completed projects.
- One special evaluation of an on-going project.
- A Country Assistance Evaluation (CAE) was also conducted for Mauritania during the year in partnership with the African Development Bank following the successful experience of the two CAE studies for Jordan and Tunisia jointly conducted with the World Bank during 1423H and 1425H respectively.
- Four special assistance operations in India.

The evaluation reports provide a comprehensive analysis of the evaluated projects in terms of their design, implementation, and achievement of targets, performance assessment, and sustainability. The lessons learnt emphasises the need for a careful

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project selection, a critical assessment of the capacity of executing agencies, and the importance of stronger project follow-up and supervision.

The main factors identified as contributing to the successful implementation of the IDB-financed projects, as evidenced from the evaluation reports, were the following:

- Sound feasibility studies available at the appraisal stage, complemented by appropriate project preparation and design;
- Detailed, comprehensive and realistic appraisal reports based on reliable data and achievable targets;
- Provision of timely budgetary allocations and staff for implementing agencies;
- Commitment and ownership of the project by the Government;
- Satisfactory performance of the executing agency in terms of implementation arrangements; and
- Effective sustainability actions undertaken by the managing/executing agencies.

The lessons learnt formed the basis for a workshop *Strengthening Evaluation Capacity of Arab and Regional Development Institutions*, which was organised at IDB Headquarters in Safar 1425H (April 2004) in collaboration with the World Bank and the participation of both the Asian Development Bank and the African Development Bank. The key outcome of the workshop are depicted in Box 3.5.

Dissemination and feedback of evaluation findings, lessons learned, and conclusions constitute the backbone of the evaluation process. Systematic dissemination is essential for ensuring improved project planning and implementation. Accordingly, the Bank has paid increasing attention to the dissemination of evaluation results mainly through the distribution of Project Post-Evaluation Reports (PPER), Country Assistance Evaluation (CAE), and Annual Evaluation Reports to the Board of Executive Directors, Management, operational departments, concerned executing agencies, and recipient governments. The reports provide findings, lessons learned, and recommendations for necessary action and follow-up.

Given the thirty years of participating in the development process, IDB has a rich experience of designing cost effective ways of ensuring that the benefits of its assistance reach the intended beneficiaries. In Annex 3.1 of this Chapter, three case studies are briefly presented to illustrate how investment in human development expanded the circles of social and economic opportunities thereby leading to a sustainable reduction in poverty. The outcome of IDB's assistance at the project level, in terms of a dramatic improvement in the quality of life, serves to underpin the development dimensions of IDB's operational activities.

Box 3.5
Workshop on "Strengthening Evaluation Capacity of Arab and Regional Development Institutions"

Following the request of the Arab Institutions Coordination Group to support the post-evaluation of co-financed projects, the Bank identified the need for specialized staff of the Group institutions to acquaint themselves with the state-of-the-art evaluation methods and procedures prevailing in IDB and other MDBs. To this end, a workshop was organised which was attended by 38 participants – 11 from Arab and Regional Development Institutions (Abu Dhabi Fund for Development, Arab Fund for Economic and Social Development, BADEA, AGFUND, Gulf Program Fund, Kuwait Fund for Arab Economic Development, OPEC Fund, and Saudi Fund) and more than 21 professionals from the IDB Group, in addition to 6 experts from the MDBs.

The main objectives of the workshop were to:

- Enhance the knowledge and skills of the participants in the area of operations evaluation through cross-sharing of experiences of MDBs as well as IDB.
- Focus and draw attention on the importance of evaluation as a tool for the improvement of performance of the concerned institutions; and
- Assist in setting up operations evaluation procedures and capacities of the participating institutions.

The outcome of the workshop was successful with the support of the collaborating institutions. The participants availed the opportunity of benefiting from the experience of the World Bank and other MDBs, including IDB in the area of development evaluation. The workshop has contributed in strengthening the knowledge and skills of the participants in evaluation methodology which is expected to enhance the capacity building of the evaluation units of the participating institutions.

Based on the final recommendations made by the workshop, the future role of the Bank is expected as follows:

- Conducting joint-evaluation of co-financed projects with the concerned institutions; and
- Exchanging knowledge and expertise of the staff of the participating institutions in the field of post-evaluation.

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VI. PROCUREMENT SERVICES

Procurement is one of the key activities in project implementation and often a major source of delays in the execution of projects. While the responsibility for procurement lies with the Executing Agency, it is the IDB's role to ensure that the procurement of goods and services it finances is undertaken according to the internationally agreed standards and in line with its own guidelines.

On the basis of the above and within the overall efforts to improve project performance, the Bank has been reviewing its procurement procedures in the framework of its internal re-engineering process. The Bank, for instance, found that the practice it adopted in parallel with the executing agency to undertake a full analysis of the offers received for consultancy assignments might not be desirable any longer. Indeed, such an approach was justified at the time when the beneficiaries of IDB financing were not fully familiar with its procedures, whereas the situation no longer exists. Consequently, the Bank has decided to do without this parallel evaluation and is now relying only on the analysis of offers that is prepared by the executing agency.[3] To facilitate the process, a standard report for such analysis has been made available. The implementation of these measures appear to have had a positive effect in expediting the procurement process for consultancy services.

More recent recent changes in the procurement matters are aimed at keeping in trend towards harmonization of procedures among the MDBs. The overall IDB guidelines for procurement of goods, works and services are being reviewed in order to achieve the harmonization goals.

VII. REGIONAL OFFICES AND FIELD REPRESENTATIVES

The Bank's three Regional Offices in Almaty, Kuala Lumpur and Rabat have continued to play an active role in: (i) forging a closer working relationship with member countries, the private sector, other donor/funding agencies; (ii) bringing the activities and presence of the Bank closer to the member countries; (iii) identifying new business opportunities for the Bank, and (iv) facilitating the active participation of stakeholders in the implementation and follow-up of projects.

[3]IDB, however, reserves the right to request copies of the offers, if the report is found incomplete.

The Regional Offices are expected to play a key role in materializing the new Strategic Framework of the IDB Group into programmes and assistance at the country level, speeding-up the development effectiveness and contributing to the over-arching goal of IDB to help eradicate poverty and spur economic growth. The country level representation will also enable IDB to work more closely with development partners and the member country institutions to reduce duplication of business processes by harmonizing project financing and development programmes.

IDB's presence in member countries is further strengthened through ten Field Representatives in Bangladesh, Guinea, Guinea Bissau, Indonesia, Libya, Mauritania, Pakistan, Senegal, Sierra Leone and Sudan. Several new Field Representatives are expected to be appointed in the near future, particularly for LDMCs in the African region. Currently, the Bank is examining ways and means to delegate appropriate level of authority to the Field Representatives so as to ensure effective delivery of services to beneficiaries in member countries.

VIII. WAQF FUND OPERATIONS

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), and
- 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 the LDMCs.
- Technical Assistance loans and grant financing.
- Contribution to the Saudi Arabian Project for the Utilization of Hajj Meat.

Details of the assets and income sources of the Waqf

Fund are given in Chapter 7. Details of the Technical Assistance grants have already been covered in earlier sections of the present Chapter while IRTI and the Kingdom of Saudi Arabia Project for Utilization of Sacrificial Animals are covered in Chapter 5. The present Section focuses on the utilisation of Waqf Fund for the Special Assistance Programme, the Scholarship Programme, and the Technical Cooperation Programme.

1. Special Assistance Programme

The Special Assistance Programme was established in 1400H with the basic objective of promoting development of Muslim communities in non-member countries in the areas of education and health to help improve their standards of living and preserve their Islamic identity. It also aims to alleviate the sufferings of those communities afflicted by natural disasters or war in both member and non-member countries.

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 Program 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; and
- Support for research centres involved in research activities or programmes for teaching Islamic culture or Arabic in Muslim countries

One important Special Assistance operation conducted during 1425H was the financing provided to member countries in the African region affected by migratory locust in order to assist countries combat this plague.

In 1425H, the Bank approved 67 operations totaling ID15.30 million ($20.51 million) from the IDB Waqf Fund (formerly known as the Special Assistance Account). Twenty-four operations totalling $10.204 million were approved in 15 member countries and 43 operations totalling $10.306 million were approved for Muslim communities and organizations in 24 non-member countries. Details are given in the Table 3.10.

A summary of the activities with under the Special Assistance Programme shows that by the end of 1425H, a total of about $586 million was spent on 1,084 operations and programmes, of which $380.4 million was approved for 398 operations in member countries and $206 million for 686 operations for Muslim communities and organizations in non-member countries (see Table 3.11).

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 education and training. Presently, the Programme has three distinctive 'sub-programmes' as described below.

2.1 IDB Scholarship Programme for Muslim Communities in Non-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.

The disciplines are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science at universities and can be undertaken in students' own countries or in IDB member countries. In view of special needs, the Programme also includes banking, finance, administration, management, accountancy and marketing for Muslim communities in the Commonwealth of Independent States (CIS). Beginning 1420H (1999-2000), the programme also include accounting and business studies for selected countries.

Although the Programme serves Muslim communities in non-member countries, it also assists nine member-countries on an exceptional basis. While implementation of the Programme in Afghanistan, Palestine and Somalia will remain an exception, in the remaining six member countries, namely Albania, Azerbaijan, Cote d'Ivoire, Kazakhstan, Mozambique, and Togo, the Programme will be reviewed on a case by case basis.

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Table 3.10
Special Assistance Operations from Waqf Fund in 1425H

Sl. No.	Countries	Project	(in $ million)
Member Countries			
1	Afghanistan	Relief for Drought in Hilmand Province ($10 M. Grant)	0.062
2	Bangladesh	Urgent Flood Relief Assistance	0.200
3	Chad	Emergency Assistance for Sudanese in Chad	0.200
4	Indonesia	Urgent Relief for Victims of Indian Ocean Earthquake 2004	3.000
5	Maldives	Urgent Relief for Victims of Indian Ocean Earthquake 2004	0.500
6	Mali	Additional Emergency Aid to combat migratory locust	0.346
7	Mauritania	Additional Emergency Aid to combat migratory locust	0.770
8	Morocco	Urgent Relief for the Earthquake Victims	0.200
9	Niger	Additional Emergency Aid to combat migratory locust	0.115
10	Palestine	Emergency Assistance for the Victims in Rafah and Other Cities of Gaza Strip	0.200
11	Palestine	Urgent Assistance for Palestinians in Gaza Strip & West Bank, During month of Ramadan 1425H	0.200
12	Senegal	Additional Emergency Aid to combat migratory locust	0.269
13	Somalia	Urgent Relief for Fighting Against Cholera Epidemic	0.200
14	Somalia	Urgent Relief for Victims of Flood	0.100
15	Somalia	Urgent Relief for Victims of Indian Ocean Earthquake 2004	0.740
16	Somalia	Urgent Relief Assistance for Water Projects	0.485
17	Somalia	Construction of a Vocational Training Centre in Hargeisa	0.198
18	Somalia	Construction of a Girl's Secondary School in Hargeisa	0.196
19	Sudan	Urgent Relief for the Victims in Darfur	0.200
20	Uganda	Expansion of SSEKE Secondary School, Masaka District	0.365
21	Uganda	Equipping of Computer and Science Laboratories for the Islamic University	0.225
22	Regional	Emergency Aid to combat migration locust	1.000
23	Regional	IDB Prizes for Science & Technology – 2nd Edition (1425)	0.330
24	Regional	VACSERA Conference on Pharmaceutical & Biopharmaceutical Compliance	0.103
	Sub-total		**10.204**
Non-Member Countries			
1	Australia	Expansion and Equipping of Al-Faisal College for Australian Islamic Culture Centre, Sydney	0.500
2	Bosnia & Herzegovina	Construction of Osman-Ef-Redzovic Islamic Secondary School for Girls in Visoko	0.290
3	Bosnia & Herzegovina	Upgrading of the Gazi Khusro Beck School Building for Boys in Sarajevo	0.250
4	Canada	Expansion and Renovation of the ISNA Elementary School	0.275
5	Canada	Expansion of London Islamic School in London, Ontario	0.285
6	Canada	Construction of Edmonton Islamic Academy	0.285
7	China	Construction Hebei Provincial Islamic College in Shijiazhuang City, Hebei Province	0.300
8	Eritrea	Expansion of Mahad Al-Deeni Al-Islami Asmara School in Asmara	0.195
9	Eritrea	Construction of a New School Building	0.235
10	Ghana	Construction of Al-Azhariya Islamic Secondary School in Kumsai	0.246
11	Grenada	Urgent relief to Reconstruct the Houses of the Community Damaged by Hurricane Ivan	0.075
12	India	Construction of Iqra Model Academy (Secondary) in Hooghly Dist., Champdany Town, West Bengal, India	0.100
13	India	Construction of Girls Hostel Building	0.160
14	India	Construction of Girls Hostel in Motamiya Mangrol Town, Gujarat	0.150
15	India	Construction of Girls VTC in Phulwari Sharif Town, Bihar State	0.122
16	India	Construction of Multi-Purpose Educational College Building in Bharuch, Gujarat	0.200
17	India	Expansion of Aligarh College of Engineering & Management, Aligarh	0.190
18	India	Construction & Equipping of Jamia Vocational Training Centre, Jamia Nagar, Jaunpur	0.150

Table 3.10 (Continued)
Special Assistance Operations from Waqf Fund in 1425H

Sl. No.	Countries	Project	(in $ million)
19	India	Urgent Relief for Victims of Indian Ocean Earthquake 2004	0.180
20	Jamaica	Urgent Relief for Reconstruction of the Islamic Center Damaged by Hurricane Ivan in Kingston	0.100
21	Kenya	Construction of Muslim Primary School in Kericho Town, Rift Valley Province	0.180
22	Kenya	Expansion of Jowher Al-Islam Secondary School in Mandera, NE Province	0.195
23	Nepal	Urgent Assistance for Repairing two Damaged Schools Affected by Unrest in Nepal	0.025
24	Nigeria	Construction of Academic Block for Muhyiydeen College of Arabic and Islamic Studies, Kulende	0.205
25	Nigeria	Construction of New Building for Islamiyya School of Health Technology	0.235
26	Philippines	Expansion of Tamparan District Hospital, Islamic Municipality of Tamparan, Lanao Del Sur, ARMM	0.865
27	Poland	Islamic Center in Poznan City	0.175
28	Russia	Construction of a High School	0.210
29	Russia	Provision of Dormitories for the Russian Islamic University in Kazan City, Republic of Tataristan	0.234
30	Serbia & Montenegro	Construction and Equipping of the Islamic Centre in Belgrade	0.290
31	Serbia & Montenegro	Purchasing a New Building for the University of Novi Pazar, Sanjak (Grant)	0.200
32	Serbia & Montenegro	Purchasing a New Building for the University of Novi Pazar, Sanjak (Loan)	0.340
33	South Africa	Establishment of Islamia Technical School	0.220
34	Sri Lanka	Urgent Relief for Victims of Indian Ocean Earthquake, 2004	0.400
35	Tanzania	Construction of Islamic Club Secondary School at Mwananyamala, Pawani Region	0.276
36	Thailand	Construction of Hostel Building at Muang Dist., Narathiwat	0.198
37	Thailand	Construction of a Building for Pan-Asia Internationla School	0.245
38	Thailand	Urgent Relief for Victims of Indian Ocean Earthquake 2004	0.180
39	United Kingdom	Expansion of Bolton Muslim Girls School	0.261
40	Ukraine	Construction and Equipping of a VTC for Women in Simferopol	0.275
41	USA	Remodelling, Expansion and Equipping of Al-Huda Islamic School in Hawthorne, CA	0.286
42	USA	Construction of School Building for the Islamic Foundation of South Florida, Sunrise, Florida	0.283
43	Venezuela	Construction of Girl's Section at Margarita School, Margarita Island	0.240
	Sub-total		**10.306**
	Grand Total		**20.51**

The Bank awards the scholarships as grants to the Muslim communities and as interest-free loan (*qard hasan*) to academically meritorious and financially needy students recommended by their communities. The refunded loans are deposited in trusts (*awqaf*) established in each country to help other needy students from the same communities.

The Programme is implemented in each country in conjunction with bona fide Muslim organisations as the counterpart organisations for the Programme. The local Selection Committees consisting of Muslim scholars, educationists and community leaders, interview the applicants to determine their suitability. The counterpart organisations announce the Programme, distribute application forms, scrutinise and short-list applications before recommending eligible candidates to the Bank for final selection.

To increase students' knowledge of Islam and social awareness and to encourage active participation in students' respective communities and countries, the Programme also undertakes counselling primarily through Honorary Counsellors who organise and co-ordinate extra-curricular activities for students.

Since the Programme's inception in 1404H, the Bank has granted scholarships to students in fifty-six countries, including nine member countries, with continued efforts to include more Muslim communities. On the occasion of the 30th Anniversary of IDB, the President of IDB has made a special appeal to all member countries to contribute to the IDB Scholarship Programme by way of cash or in kind contributions by providing places with no or reduced tuition fees. As one of the key initiatives of the Bank's assistance to Muslim communities in the new 5-year Strategic Plan, the Bank will launch an initiative to infuse entrepreneur

Table 3.11
Distribution of Special Assistance Operations by Year

Year	Member Countries		Muslim Communities in Non-Member Countries		Total	
	No.	$ million	No.	$ million	No.	$ million
1399H	1	0.900			1	0.900
1400H	6	9.070	1	1.000	7	10.070
1401H	3	0.448	5	4.000	8	4.448
1402H	6	6.313	1	0.700	7	7.013
1403H	3	3.400	3	3.350	6	6.750
1404H	24	57.431	10	5.927	34	63.258
1405H	10	24.991	24	10.717	34	35.708
1406H	2	0.420	20	10.478	22	10.898
1407H	9	8.045	8	3.095	17	11.140
1408H	39	32.101	26	6.908	65	39.009
1409H	11	28.242	24	8.025	35	36.267
1410H	26	47.648	28	6.942	54	54.590
1411H	27	27.919	33	7.918	60	35.837
1412H	21	8.710	47	30.929	68	39.639
1413H	13	15.063	22	4.319	35	19.382
1414H	23	16.130	43	7.701	66	24.831
1415H	7	1.301	29	6.123	36	7.424
1416H	7	5.312	40	7.170	47	12.482
1417H	11	13.162	28	6.750	39	19.912
1418H	11	5.899	39	9.121	50	15.020
1419H	25	3.995	41	9.223	66	13.218
1420H	26	12.979	50	18.474	76	31.453
1421H	20	8.834	27	6.521	47	15.355
1422H	21	6.459	33	7.614	54	14.073
1423H	8	6.158	30	6.382	38	12,540
1424H	14	17.428	31	6.044	45	23.471
1425H	24	10.204	43	10.306	67	20.510
Total	**398**	**380.4**	**686**	**206.0**	**1,084**	**586.0**
Share		**65**		**35**		**100%**

development of Muslim communities in non-member countries.

In 1425H, the Bank spent a total of ID2.13 million ($2.83 million) on the Programme. Since the Programme's inception, the Bank has spent a total of ID41.26 million ($54.90 million), benefiting 7,278 students. A total of 4,040 students have completed their studies, 725 students (10 percent) dropped out for various reasons, leaving a total of 2,513 students still studying under the Programme. A list of countries and the number of beneficiaries per country is provided in Table 3.12.

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 the (economic) development of member countries. The main objectives of this Programme are:

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

The scholarship is tenable at certain renowned applied scientific institutions and/or universities in the developed countries specialising in sixteen areas of study approved under the Programme, ranging from laser to fibre optics and environmental protection. The study is either for three years for a doctorate degree or one year for post-doctorate research.

Initially, the Programme was for five years with a total approved budget of $9.2 million to train approximately eighty scholars. However, after the successful implementation of the first five-year phase, 1413H (1992-93) to 1417H (1996-97) and a comprehensive evaluation in July 1995 (which recommended the Programme's continuation), the second five-year phase from 1418H (1997-98) to 1423H (2000-01) was approved during the 160th BED Meeting in Jakarta, Indonesia.

In the year 1423H, a second evaluation of the Programme was implemented which recommended the enhancement of the programme and introduction of new changes to the Programme, among others:

i. the increase of the number of scholarships from 20 to 35,
ii. the countries of study have been expanded to the fast emerging hi-tech countries of Asia and member countries, and

Table 3.12
IDB Scholarship Programme for Muslim Communities in Non-Member Countries Students by Countries

No.	Country	Year of Joining the Programme	Current Students	Graduated	Dropped-Out	Total
1	Argentina	1997	3	0	0	3
2	Bosnia-Herzegovina	1994	23	19	4	46
3	Bulgaria	1989	15	20	14	49
4	Burundi	2002	6	0	1	7
5	Cambodia	1992	12	9	1	22
6	Canada	1994	12	14	3	29
7	Central African Republic	1994	12	0	0	12
8	China	1992	56	1	1	58
9	Congo	1992	6	10	6	22
10	Dem.Rep. of Congo (Zaire)	1987	27	8	12	47
11	Eritrea	1986	41	54	30	125
12	Ethiopia	1990	88	60	17	165
13	Fiji	1986	9	24	13	46
14	Ghana	1986	75	127	19	221
15	Greece	1995	1	1	0	2
16	Guyana	1994	5	5	7	17
17	India	1983	518	1661	73	2252
18	Kenya	1983	61	95	16	172
19	Kibris	1988	0	6	2	8
20	Lesotho	1995	0	1	4	5
21	Liberia	1987	42	25	28	95
22	Madagascar	1987	10	12	14	36
23	Malawi	1986	13	16	13	42
24	Mauritius	1986	8	32	3	43
25	Mongolia	1991	13	11	14	38
26	Myanmar (Burma)	1985	44	55	51	150
27	Nepal	1987	29	65	9	103
28	New Zealand	1993	6	6	2	14
29	Nigeria	1987	404	323	55	782
30	Papua New Guinea	2000	0	0	1	1
31	The Philippines	1986	128	263	62	453
32	Russian Federation	1993	26	13	11	50
33	Rwanda	1990	24	15	2	41
34	Singapore	1985	6	43	5	54
35	South Africa	1987	40	64	23	127
36	Sri Lanka	1983	48	187	4	239
37	Tanzania	1985	110	131	46	287
38	Thailand	1986	115	245	24	384
39	Trinidad-Tobago	1989	7	26	7	40
40	U.S. Virgin Isles	1995	2	0	0	2
41	Vanuatu	1999	3	1	0	4
42	Vietnam	1995	12	6	3	21
43	Croatia	2001	5	0	0	5
44	Kosovo	1995	5	3	2	10
45	Macedonia	1991	48	16	8	72
46	Zambia	2000	7	0	0	7
47	Zimbabwe	1993	8	6	1	15
Member Countries included on exceptional basis						
48	Afghanistan	1986	187	156	45	388
49	Albania	1994	15	5	2	22
50	Azerbaijan	1994	0	2	0	2
51	Cote d'Ivoire	1987	13	19	6	38
52	Kazakhstan	1992	21	12	19	52
53	Mozambique	1992	30	5	4	39
54	Palestine	1984	43	104	6	153
55	Somalia	1996	62	16	9	87
56	Togo	1986	9	42	23	74
	Total		**2,513**	**4,040**	**725**	**7,278**

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iii. the focus of the Programme will be Ph.D study.

In its thirteen years of implementation, the Programme has selected a total of 271 scholars, of whom eighty-six post-doctoral scholars have completed their studies and research and returned to their home institutions/countries. Sixty-three scholars completed their Ph.D's under this Programme, for a total of 149 graduates.

The Programme is announced once a year between March and April and applications are received, through the Offices of the IDB Governors, until September 30. The fourteenth academic year (A.Y.1426H/2005-06) was announced in April, 2004.

In 1425H, the Programme has spent ID0.78 million ($1.03 million) and selected 35 scholars. By the end of the year, a total of ID8.77 million ($11.84 million) has been spent on the Programme, benefiting 271 scholars from 175 institutions in 44 member countries. Statistics on selection for the last five years are presented in Table 3.13.

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

At its 175th meeting (27-28 Sha'ban 1418H/27-28 December, 1997), the Board of Executive Directors of the Bank approved a new scholarship programme, the M.Sc Scholarship Programme in Science and Technology for IDB Least Developed Member Countries. The M.Sc Scholarship Programme aims to help develop human resources, especially in science and technology, that are both relevant and necessary for the economic development of LDMCs:

- To increase the number of intermediate level manpower in LDMCs (i.e., the M.Sc graduates) necessary for effective technology development, transfer and maintenance;
- To increase students' access to educational opportunities offered by IDB initiatives in human resource development for member countries by creating a special programme suited to their circumstances and needs; and
- To enhance the ability of LDMC students to participate in the existing IDB programme in science and technology such as the IDB Merit Scholarship Programme for High Technology.

Under this Programme, twenty IDB Least Developed Member Countries (LDMCs) are eligible. These 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.

Some 190 scholars in five years (at the rate of twenty, thirty, forty, fifty and fifty annually) are expected to be awarded two-year scholarships to study in various universities and centres of excellence in IDB member countries leading to an M.Sc in Science and Technology which is relevant to the needs and national development programmes of LDMCs. The scholarship provides for the tuition, living allowance, clothing and books allowance, medical coverage, and a return air ticket.

During the seven years of implementation of the Programme, i.e. from the academic year 1419H (1998-99) to 1425H (2004-05) 140 students were selected. The eighth academic year (1426H/2005-06) was announced in January 2005 and another twenty students have been selected. Ninety students have been placed in Burkina Faso, Egypt, Jordan, Malaysia, Mali, Morocco, Pakistan, Senegal, Tunisia, Turkey Uganda and Yemen. In 1425H, the Programme has spent ID84,230 ($112,026). By the end of the year, a cumulative total of ID509,956 ($ 670,730) was spent on the Programme. Statistics on selection of students for the last five years are given in Table 3.14.

3. Technical Cooperation Programme

During 1425H, 105 operations were approved for an amount of $2,257,882 million under the Technical Cooperation Programme, detailed as under:

- On-the-job training, study and familiarisation visits: 50 operations at a cost of $977,366.
- Recruitment and placement of experts: 19 operations for $391,800.
- Workshops and seminars: 36 operations, $888,716.

Since inception of the Technical Cooperation Programme up to the end of 1425H, 1,222 operations totaling $26.15 million were approved for member countries and regional/international institutions. Out of this, 555 operations with an amount of $9.09 million were approved for training (35 percent), 211 operations amounting to $3.71 million was approved for experts services (14 percent), and 456 operations with a

Table 3.13
Distribution of IDB Merit Scholarship Programme

No	Countries	1413H-1420H (1992-93 to 1999-00)	1421H/ 2000-01	1422H/ 2001-02	1423H/ 2002-03	1424H/ 2003-04	1425H / 2004-05	Total Selected
1	Afghanistan	-	-	-	-	1	-	1
2	Albania	1	-	1	-	-	-	2
3	Algeria	7	1	1	1	1	-	11
4	Azerbaijan	1	-	-	-	-	-	1
5	Bahrain	4	-	-	-	-	-	4
6	Bangladesh	11	1	1	1	3	2	19
7	Benin	-	-	-	1	-	1	2
8	Brunei Darussalam	-	-	-	-	-	-	0
9	Burkina Faso	1	-	-	-	-	-	1
10	Cameroon	3	-	-	-	-	-	3
11	Chad	1	1	-	-	-	-	2
12	Comoros	-	-	-	-	-	-	0
13	Cote d'Ivoire	-	-	-	-	-	-	0
14	Djibouti	-	-	-	-	-	-	0
15	Egypt	10	1	1	2	3	2	19
16	Gabon	-	-	-	-	-	-	0
17	Gambia	1	2	-	-	-	-	3
18	Guinea	2	-	-	-	-	1	3
19	Guinea Bissau	-	-	-	-	-	-	0
20	Indonesia	12	2	1	1	3	3	22
21	Iran	6	1	1	1	2	2	13
22	Iraq	2	-	-	-	1	-	3
23	Jordan	5	1	1	-	2	1	10
24	Kazakhstan	1	-	-	1	-	-	2
25	Kuwait	2	-	-	1	1	-	4
26	Kyrghyz	3	-	1	-	-	-	4
27	Lebanon	3	-	-	1	-	-	4
28	Libya	3	-	-	-	-	-	3
29	Malaysia	4	-	1	1	3	2	11
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	1	1	-	-	-	1	3
36	Oman	2	1	1	1	2	-	7
37	Pakistan	10	1	2	1	1	2	17
38	Palestine	6	1	-	-	1	2	10
39	Qatar	-	-	-	-	-	-	0
40	Saudi Arabia	3	1	-	-	1	1	6
41	Senegal	2	-	1	-	1	-	4
42	Sierra Leone	1	-	-	-	-	-	1
43	Somalia	-	1	-	-	-	1	2
44	Sudan	8	1	1	1	1	1	13
45	Suriname	-	-	-	-	-	-	0
46	Syria	6	-	1	1	1	-	9
47	Tajikistan	-	-	-	-	2	1	3
48	Togo	-	-	1	-	-	-	1
49	Tunisia	5	-	1	1	-	-	7
50	Turkey	9	1	1	1	1	3	16
51	Turkmenistan	-	-	-	-	-	-	0
52	Uganda	2	-	1	1	-	1	5
53	United Arab Emirates	-	-	-	-	-	-	0
54	Uzbekistan	-	-	-	-	-	-	0
55	Yemen	3	2	1	1	-	-	7
	Total	**150**	**20**	**22**	**20**	**32**	**27**	**271**

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Table 3.14
Distribution of M.Sc. Scholarship Programme in Science and Technology for Least Developed Member Countries

No	Countries	1419H-1420H (1998-99 to 1999-2000)	1421H/ 2000-01	1422H/ 2001-02	1423H/ 2002-03	1424H/ 2003-04	1425H/ 2004-05	Total Selected
1	Afghanistan	2	3	3	2	1	1	12
2	Benin	3	1	2	2	-	2	10
3	Burkina Faso	1	-	-	-	1	1	3
4	Chad	2	2	1	-	2	2	9
5	Comoros	2	-	-	-	1	-	3
6	Djibouti	2	-	2	-	-	-	4
7	Gambia	3	-	-	2	-	-	5
8	Guinea	2	-	1	3	2	2	10
9	Guinea Bissau	-	-	-	-	-	-	0
10	Maldives	3	2	-	2	1	-	8
11	Mali	1	-	2	1	1	1	6
12	Mauritania	2	-	1	1	2	1	7
13	Mozambique	-	-	-	-	-	-	0
14	Niger	2	2	2	-	2	-	8
15	Palestine	-	-	-	-	-	2	2
16	Sierra Leone	3	2	1	1	-	2	9
17	Somalia	3	2	2	2	1	2	12
18	Togo	-	-	-	-	2	-	2
19	Uganda	4	3	2	2	2	1	14
20	Yemen	5	3	1	2	2	3	16
	Total	**40**	**20**	**20**	**20**	**20**	**20**	**140**

total financing of $13.35 million was approved for organization of seminars and workshops (51 percent).

4. NGOs and Women-in-Development

IDB supports the activities of Non-Governmental Organisations (NGOs), including women organisations, to enhance project impact through effective implementation of poverty alleviation programmes at the grassroot level in member countries. The Bank supports the preparation of micro projects by NGOs aimed at poverty reduction through training and capacity building.

A total amount of $530,000 was disbursed during 1425H for 20 micro-operations in more than 21 member countries. The geographical distribution of the programmes was maintained during 1425H while ensuring that the maximum benefit reach the grassroots level.

Special attention was also given to the most vulnerable sections of the societies where the programme is implemented. Moreover, the types of operations varied considerably; for example some of the implemented programmes during 1425H were: Blindness Control Campaign, Training & Capacity Building Programme

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for Rural Women, Capacity Building for NGOs, Training of Health Care Workers and Midwives to Reduce Mortality Rates, and Training Women in Middle Management, in addition to sponsoring a number of international conferences and regional workshops.

IX. PROJECT PROFILES[4] BY COUNTRY-1425H

Brief information on projects and TA operations approved during 1424H from the Ordinary Capital Resources of the Bank is presented in Annex 3.2. The information relates to total project costs, financing modes, approval date, amount financed by IDB both in Islamic Dinars (ID) and US Dollars, and brief description of the project.

With regard to the Loan financing mode, a distinction is made between the financing sources utilized. In the case of loans that carry standard conditions, these are termed as “Loans” while those that carry softer terms and are accessible only to LDMCs, then they are referred to as “LDMC Loan”.

[4]The number of project profiles is less than the number of operations as a project may have more than one financing operation.

Students learning skills at an IDB financed vocational training centre in India

A regional workshop on Development Effectiveness in progress held at IDB Headquarters on 8-9 February 2005

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Annex 3.1
IDB's Assistance to Member Countries and its Impact on the Lives of the People

This Annex provides an illustration of how innovative approaches to development assistance can be made cost effective as well as multiply the beneficial impact on the targeted groups. Presented below are three cases of IDB's development assistance that are related to the following MDG targets: Target 1 aims to halve the proportion of people living under $1 a day; Targets 4 and 5 aim to reduce child and infant mortality; and Target 10 aims to improve the proportion of people with access to safe and sustainable drinking water. The first case provides an example of how IDB's assistance to support vocational training in Indonesian religious school system, which imparted vocational training to students from the poorest family background, and thereby provided an opportunity to beat the poverty trap. In Maldives, IDB's assistance to finance construction of four regional hospitals led to an improvement in the quality of life of rural people by providing access to modern health facilities and preventive care coverage. In Guinea, IDB's assistance in providing access of villagers to water-points led to a dramatic rise in the quality of life, especially for women, and protected the people from contracting water-borne diseases.

1. Vocational Training in Indonesia

In 1995, IDB approved a vocational training project in Indonesia. The project aimed at reducing poverty among the families of the Madrassah students who were predominantly poor, by preparing graduates to seek gainful employment in public and private sector industries. The students studying in Madrassahs were from the poor families who could not afford to send their children to the academic institutions and schools of the Ministry of National Education, and had very limited chances of receiving higher education or good jobs. The IDB's assistance was for the establishment of vocational training workshops in 82 Madrassah Aliyah in 27 provinces. The project was financed by IDB leasing and instalment sale financing of $18.17 million (76 percent) and Government of Indonesia (GoI) financing of $5.62 million (24 percent).

The project facilitated the construction of vocational workshops equipped with necessary tools and machinery for vocational training. It was completed in December 2001 and became fully operational in the beginning of the 2002-2003 academic year. The project was able to significantly improve both student enrolment and generate employment opportunities for the Madrassah Aliyah graduates. It contributed to increasing the total enrolment in the vocational training program from 550 students in 1995 to 82,333 in 2003 for all 575 public Madrassah Aliyah in 30 provinces. The introduction of the vocational component in Madrassah education system has led to a significant reduction in the drop-out rate for the last two years, and in the 12 Madrassahs Aliyah the drop-out ratio almost zero of the enrolled students. The project has enabled Madrassah Aliyah graduates to seek employment in the private or public sectors or become self-employed. The track record of students after graduation shows that almost 72 percent of Madrassah Aliyah graduates are either employed or got enrolled for higher education.

An IDB post-evaluation study, undertaken in May 2004, rated the project as successful in terms of achieving its objectives.

Source: IDB, Operations Evaluation Office, Post Evaluation Report on Madrasah Aliyah Vocational Training Project, Indonesia, August 2004.

2. Regional Hospitals in Maldives

The Republic of Maldives is made up of 1,190 sparsely situated coral islands, only 202 of which are inhabited. The country is challenged with the task of providing accessible and permanent healthcare facilities to its population. The geography of Maldives along with the attendant problem of high cost of transportation makes delivery of medical services to the island inhabitants very expensive. Until 1993, the Government was facing mounting difficulties in sustaining the timely delivery of health services to the populace, especially in the distant atolls (a group of islands) reflecting in the increased frequency of medical evacuations to the capital Malé.

In 1995, the IDB was requested by the Government to finance four regional hospitals in Maldives. The IDB approved this project under its LDMCs Programme. The project involved the construction and equipping of two new regional hospitals of 50 beds each, and the equipping of two other regional hospitals of 30 beds each. These hospitals were expected to enhance the primary health care delivery in the country. The project, which was designed to cover several components, such as civil works, medical equipment, hospital fixtures, staffing and training, consultancy services and local transportation, was completed in January 2002 and the four regional hospitals are now fully operational.

The successful completion and functioning of these hospitals has improved the primary healthcare services in the atolls by reducing the incidence of illness and death due to delay or inaccurate diagnosis. The flow of both out-patients and in-patients has increased by more than 100 percent, from 52,489 in 1995 to 107,663 in 2002. The regional hospitals have also contributed to the marked decline in the number of evacuations from the islands to the central hospital in

Malé thus saving more lives and reducing costs. Major diseases such as tuberculosis, stomach/diarrheal diseases and leprosy among the atoll population have been reduced due to curative, preventive and diagnostic services rendered by the regional hospitals. The vaccination programme has contributed to the near elimination of polio and tetanus in the atolls. The vaccination coverage of the four hospitals was close to 100 percent during 2002 compared to 83 percent in 1995. The project has also promoted health awareness among the atoll population, contributing to the improvement in the infant/maternal mortality and death rates as well as the life expectancy.

This relatively modest intervention of the IDB has gone a long way in saving thousands of human lives in a least developed member country and in reducing immeasurable pain and sufferings of many others.

Source: *IDB, Operations Evaluation Office, Post Evaluation Report on Four Regional Hospitals Project, Maldives, November 2003*

3. Village Water Supply in Guinea

In 1979, an estimated 30 percent of Guinea's rural people had to walk over 2 kilometers to reach a water source. Improving this statistic was the challenge facing the Service National d'Aménagement des Points d'Eau (SNAPE), when it was founded in 1980.

By 1985, when IDB was asked for its assistance, the service had developed an ambitious programme to provide 22,000 new water points in rural areas, including a sizeable emergency component targeted to 2,600 critically deprived villages in the driest regions. But a tight budgetary support meant that the programme was falling behind schedule. IDB agreed to join with other agencies in helping the SNAPE to meet its schedule.

IDB focused assistance in three districts—Duinguiraye, Dabola and Faranah—that form a north-south transect in the remote and poor interior of Upper Guinea. This area has a long dry season, lasting up to 9 months. Most of the traditional wells from which people draw their water run dry by January, well before the rains begin in June. People resort to distant rivers and ponds, which are often stagnant and dirty. As the temperatures climb into the high 30s, they long for cool, clear water, close to home.

But providing village water points wouldn't merely quench thirsts and wash the dry-season dust off bodies and clothes. A survey conducted by SNAPE before the project began showed how urgently clean water was needed to improve human health. In several villages fewer than half of all children lived beyond the age of 5, a shockingly high level of mortality caused mainly by water-borne diseases.

IDB's appraisal mission, conducted in July 1985, concluded that a water points project focused on the three districts would be immensely beneficial both socially and economically. It recommended a loan worth $6.4 million to sink boreholes and install pumps in the districts' 350 largest villages. The project implementation began about mid 1986 and SNAPE, as the executing agency, was joined by two German firms, the consultant Dorsch-Consult and the contractor Geomechanik Gmbh.

The three partners implemented the project on time and below cost. The main cost savings were due to the devaluation of the Guinean franc, which fell sharply in 1987-88. A further factor was that water was found closer to the surface than had been expected, reducing the time required for drilling as well as its costs. And there was a lower rate of failure than had been anticipated, due to the judicious choice of drilling sites by the consultant. As a result, the project was able to install 20 percent more pumps than had been planned, while still under-spending by $2.1 million.

Nine years after the completion of the project, IDB staff returned to the three districts to find out whether the project could be rated a success. They visited a random selection of villages, where they interviewed the inhabitants and inspected water points to see whether the pumps were still working. Everyone interviewed agreed that the project had brought substantial benefits. All villagers now had year-round access to fresh water—a change they said had transformed their lives. The consumption of water had gone up six-fold. Women especially appreciated the shorter time it now took to collect water—reduced from 1–2 hours to a few minutes. This freed up their time for other, more productive tasks, such as growing crops, tending livestock, cooking food or going to market.

Respondents also emphasized the project's health benefits. They reported reduced incidence of diarrhea, once a major killer of children. Intestinal worms and skin diseases had also become less frequent. Because women were no longer so exhausted they were more resistant to disease and so more productive in their work. They also had the time to prepare hot meals instead of cold, reducing the risk of infection from food and providing all members of the family with a healthier, more digestible diet to fuel their daily activities.

When the IDB team inspected the water points, they found that, even though 9 years had elapsed since the completion of the project, only 2 percent of pumps were out of order and no major breakdown or stoppage had yet been reported for the rest. For a predominantly rural country whose people had little experience of technological innovations, this was a major achievement.

With findings like these, it is not surprising that the project was rated a resounding success. In 1993, IDB approved a further project to spend the money saved. This second project built an additional 90 water points in the same three districts.

Source: IDB, Water for Living, 2002.

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ANNEX 3.2

PROFILES OF PROJECTS APPROVED DURING 1425H

Sl. No.	Country	Project Name	Financing Mode	App. Date	Total Cost	IDB Financing (Million)		Description (Purpose/Objectives)
						ID	$	
1	Afghanistan	Doshi to Pol-E-Khumri Road	Loan	12/9/04	80.741	7	10	To rehabilitate and reconstruct a 50-km road between Doshi and Pol-E-Khomri, thus restoring the road connection between Kabul and the provinces in the northern region along the border with Tajikistan.
2	Afghanistan	Urban Reconstruction Planning Project for the Ministry of Urban Development & Housing (MUDH)	T.A.	12/9/04	0.424	0.287	0.424	To develop a coherent urban development strategy by providing MUDH with qualified consultancy services and to identify urban development investment opportunities.
3	Afghanistan	Construction of Andkhoy to Aquina Road	Loan	06/02/05	21.292	13	20.036	To facilitate physical access to goods, markets, as well as administrative & social services by removing bottlenecks along Andkhoy to Aquina road thru the construction of 34-km long link road for smooth all-year-round traffic operations. The project will promote regional economic integration & facilitate trade.
4	Albania	Kavaja General Hospital	Loan	1/8/04	8.76	3.85	5.69	To provide adequate health services to the population of the city of Kavaja and its peripheries. It involves upgrading the medical facilities through construction of a new hospital and medical equipment.
5	Algeria	The Beni Haroun Water Supply (Phase-I) (Additional Financing)	Istisnaa	06/02/05	52.94	10.18	15.47	The project aims at satisfying demand for water in the north -east part of Algeria through the utilization of Beni Haroun Dam water resources.
6	Azerbaijan	Khachmaz Electric Substation and Transmission Line	I. Sale	21/06/04	16.781	9.44	13.508	To provide cost-effective and reliable power supply to the north-eastern region of Azerbaijan through construction of a 330/110-kv sub-station connected with a 330KV side and the construction of a 24 -km 110-kv.
7	Azerbaijan	Samur Absheron Irrigation Velvelichay-Takhtakorpu Canal	Loan	12/9/04	42.6	7	10.1	Poverty alleviation programme by improving the availability of irrigation and water supply through the construction of the Velvelichay-Takhtakorpu Canal.
8	Azerbaijan	Reconstruction of Yevlakh to Ganja Road	Loan	06/02/05	28	7	10.4	To improve the quality of road by reducing the vehicle operating cost, travel time, accidents and the negative environmental effects (i.e. vehicle emissions). The project will improve the efficiency of the road, by reducing future maintenance costs, and will contribute to increases in road safety.
9	Bahrain	The 66 KV Transmission Development (Phase-3)	Leasing	28/03/04	153.16	31	46.86	To meet the rising demand for electricity, through reinforcing the 66-kv transmission network at a number of points within the national grid.
10	Bahrain	The 220 KV Transmission Development (Phase-2)	Leasing	1/8/2004	63.15	29.62	43.3	To meet the rising demand for electricity through reinforcement of a 220-kv transmission network at a number of points within the national grid.

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11	Bahrain	Supporting the Restructuring Programme of the Labor Market	Loan + T.A	12/9/04	10	2.74	3.70	To assist the Economic Development Board (EDB) of Bahrain in developing labour market reform initiatives and mitigating the unemployment challenge.
12	Bangladesh	Sylhet Feeder Roads 11 Upgrading (Phase-5)	Loan	29/11/04	14.834	7	10.211	To provide an improved road communication network and to spur economic activities in the region by identifying and linking growth nodes.
13	Bangladesh	The Submarine Cable Telecommunications	Leasing	28/12/04	75.877	38.687	60	To improve overseas voice and data communication to meet the increasing demand for international traffic by using international high quality fiber optic circuits.
14	Bangladesh	Health and Population	LDMC	06/02/05	3.603	2.048	3.01	To reduce the maternal mortality rates by training family welfare assistants and female health assistants to be skilled birth attendants who would then assist women during child birth. The project envisages the setting up of a national fistulae center to improve women's quality of life and reduce morbidity.
15	Benin	Vocational Training Schools of Adjahonme, Banikoara & Bopa	Istisna'a+ LDMC + Loan	2/5/04	17.93	11.33	15.68	To increase the quality and skills mix of the labor force in the agriculture and industry sub-sectors.
16	Benin	Tuned Sa Printing Press; Expansion Phase	I. Sale	13/06/04	10.4	3.28	4.6	To expand the capacity of the Press and diversifying its product-mix, consisting mainly of exercise books and textbooks, through the procurement of specialized modern printing and production lines.
17	Burkina Faso	Ouagadougou Access Roads	Istisna'a + Loan	1/8/04	21.86	1.3	18.85	To improve traffic safety in the urban area and develop trade routes between Burkina Faso and its neighboring countries.
18	Burkina Faso	Organization of Regional Workshop on Cotton	T.A.	06/02/05	0.132	0.053	0.08	The workshop will contribute to develop and strengthen trade cooperation among member countries and thus to diversify their economy as well as to enhance the welfare of their population.
19	Burkina Faso	D.E.D. of Samendeni Dam And Hydro-Agriculture Development	T.A.	06/02/05	2	1.223	1.754	The objective of the project is to help prepare and design a project to improve food security & alleviate poverty through the development of hydro-agriculture, water supply, electricity & fisheries.
20	Chad	International Conference on Bilingual (Franco-Arabic) Education	T.A.	8/6/04	0.179	0.086	0.12	To hold an international conference on bilingual education in Chad & Niger under the patronage of the respective heads of states during which the recommendations of the studies will be presented to the donor community to convey the importance of language education.
21	Chad	Farcha Power Plant Project	Leasing	19/07/04	33.1746	18.41	27.302	The main objective of the project is to alleviate on urgent basis, the acute electricity shortage in the city, through the acquisition & installation of new diesel engine generators, allowing to bring an additional production capacity of about 33MW to the existing 8-9MW currently produced by the N'djamena power plant.
22	Chad	Transmission Lines	Loan	1/8/04	10.39	7	10.15	To improve the standards of living of the population in different districts of N'djamena through availing electrical energy from the national grid. The project would enable the expansion and improved reliability of the electric supply.

23	Chad	Bilingual Primary Education Development	Loan + LDMC	06/02/05	16.363	10	14.61	The main objective of the project is to quantitatively and qualitatively improve basic education by (i) enlarging access through the construction and rehabilitation of school infrastructure (ii) training of teachers and supervisory staff and (iii) the provision of appropriate teaching material and equipment.
24	Chad	C.B. for Chad Electricity And Water Company (STEE)	T.A.	06/02/05	0.455	0.279	0.405	The objective of the project is the strengthening of the technical and managerial capacity of STEE to cope with the important challenges facing the electricity sector.
25	Cote d'Ivoire	Basic Education Development (Phase-1)	Loan	2/5/04	11.095	7	9.732	To support the national plan for the development of education and training (1998-2015) by focusing the development of the basic education infrastructure in the regions of Man, Odienne and Yamoussoukro.
26	Cote d'Ivoire	Hydro Agricultural Land Development in the Upper Sassandra & Fromager Region	Istisna'a + Loan	21/06/04	17.6	11.2	15.5	To contribute towards enhancing the level of food security in the region and to promote income generating activities.
27	Djibouti	Ali Sabieh Regional Hospital	Loan + LDMC	1/8/2004	6.855	4.4	6.16	Under Phase-I of the National Program for the Development of the Health Sector, the IDB project will target expanding the coverage of basic health service in Djibouti as well as to enhance the skills of health service providers.
28	Djibouti	Women Illiteracy Eradication (Phase-II)	LDMC	30/11/04	1.52	0.94	1.37	Developing practical literacy programs in Arabic language with a direct bearing on professional & household activities educating 10,000 illiterate females over 3 years and conducting functional literacy activities for 1000 women and conducting functional literacy classes for 1,000 women.
29	Gabon	Construction of the Lalara-Koumameyong Road	Istisna'a	29/11/04	29.951	20	29.001	To spur trade activities between rural areas and urban centers through the construction of a 63-km road linking Lalara to Koumameyong in eastern Gabon.
30	Gabon	Const. of The Franceville- Leconi-Kabala Road	Istisnaa	06/02/05	47.195	28	41.537	The objective of the project is to improve the transfer of goods and services between rural areas and economic centers of Gabon and the Congo thereby ensuring their regional integration through the construction of the 122-km road link to Kabala through Leconi.
31	Gambia	C.B. to the National Water and Electricity Company (NAWEC)	T.A.	12/9/04	0.436	0.26	0.364	To improve the accounting and cash collection process, to ensure satisfactory performance of NAWEC through the replacement of the current systems (SW/HW) with an integrated system so as to enhance timely data acquisition, processing and report generation.
32	Indonesia	Strengthening of the Customs Capability	Istisna'a	28/03/04	38.572	24.187	33.517	To enhance the capability of the Directorate General of Customs & Excise (DGCE) in protecting the country from smuggling and illegal activities by acquiring new fast patrol boats and improving the existing support facilities.
33	Indonesia	Labuhan Batu Integrated Regional Development	Loan	21/06/04	12.767	7	10.065	To contribute towards poverty alleviation in the Labuhan Batu region, help reduce isolation in the coastal areas, and improve the quality of human resources.
34	Indonesia	Development and Upgrading of University of Sultan Syarif Kasim (Suska)	Istisna'a + I.Sale	1/8/2004	28.927	15.673	21.942	To construct new faculty & support buildings and to increase the capacity of the University to cater to the increased inflow of students.

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35	Indonesia	Bank Muamalat Indonesia (Additional II)	Equity	12/9/04	26.59	5.413	7.916	Equity investment – Pre-emptive rights.
36	Indonesia	Preparation of Study to Review N250 Aircraft Programme	T.A.	28/09/04	0.2534	0.142	0.199	To review the technical feasibility and suitability of the 20-70 passenger class N250 turboprop commuter aircraft for the domestic market.
37	Indonesia	P.T Syarikat Takaful Indonesia	Equity	8/11/04	14.517	2.238	3.367	Equity investment – Support for the Takaful sector (insurance and re-insurance).
38	Indonesia	Metrology, Standard. Testing & and Quality Assurances (MSTQ)	I. Sale	29/11/04	24.102	14.158	20.787	The objective of the project, which is part of an overall modernization of metrology, standardization, testing and calibration, aims to promote acceptability of Indonesian certificates and products in the international market in terms of quality, safety, and reliability.
39	Indonesia	Development and Upgrading of University of Haluoleo	Istisnaa + I.Sale	06/02/05	25.506	13.795	20.279	To upgrade the university through construction of different facilities & procurement of appropriate equipment to upgrade the curriculum, and provide state-of the-art training for the staff and students of the university. This is anticipated to provide the mix of skills required for the graduating students.
40	Indonesia	C.B. of the National Develop. Planning Agency (BAPPENAS)	T.A.	06/02/05	0.2537	0.153	0.224	To improve the capacity of the National Development Planning Agency (BAPPENAS).
41	Iran	Glevard Dam & Neka Irrigation	Istisna'a	28/03/04	130.28	32.045	46.529	To alleviate poverty by increasing the household income of the rural population in the region. Construction of Glevarddam & Neka irrigation network will contribute to the increase in regional gross production and generate employment for about 6,500 people.
42	Iran	Joint Int'l Summer Course and Satellite Meeting	T.A.	17/05/04	0.0685	0.017	0.025	To share the state-of-the-art knowledge in the research field of statistical physics applied to complex fluids and mixes.
43	Iran	Medical Procurement Organization (MPO)	Leasing	22/05/04	60.32	22.339	32.4	The project aims at increasing the domestic manufacturing capability of a large number of drugs/medicines including antibiotics to meet the local demand and through the substitution of imports.
44	Iran	Iran Khodro Company (IKCO)	Leasing	08/07/04	325.6166	40.519	59.888	The project will enable IKCO to annually produce up to 90,000 Peugeot 206 Notchback cars designed and engineered in house by IKCO. This will help IKCO to increase its market share and sales volume while at the same time provide it with access to the international markets where it will be able to show strong performance.
45	Iran	Construction & Rehabilitation for the Earthquake Affected People of Bam	T.A.	1/8/04	1.272	0.7	1	To provide medical facilities for disabled and vulnerable individuals in the city of Bam & its neighboring villages. The project will assist in rehabilitation efforts through equipping and training disabled people.
46	Iran	Reconstruction of Sewerage under Post Earthquake Assistance for Bam	Istisna'a	12/9/04	52.116	28.76	42.721	To help restore living conditions in the city of Bam by significantly increasing coverage of sanitation services, improving hygiene & health conditions, and protecting the environment.

47	Iran	Reconstruction of Schools under Post Earthquake Assistance for Bam	Loan	12/9/04	11.171	7	9.96	The project aims to build 8 elementary schools, 8 guidance schools, 3 high schools and 1 vocational center. This will contribute to restoration of the education system at all schooling levels in Bam area.
48	Iran	West Railway Line	I. Sale	12/9/04	203.79	22.473	33.352	The project aims at providing safe and efficient passenger & freight railway transport services between the Markazi and Kerman Shah provinces. Once constructed, the project will relieve road congestion by diverting passenger and heavy commercial traffic to the railway network.
49	Iran	Computer Simulation of Metal Casting Processes	T.A.	06/02/05	0.445	0.1	0.153	The objective of the project is to develop the existing computer simulation programs of casting process to increase accuracy and speed of simulation as widespread engineering tool to model actual industrial processes.
50	Jordan	Feasibility Study for the New Industrial Orphanage	T.A.	18/04/04	0.15	0.083	0.12	The project aims at preparing a technical F.S. & Preliminary Design for a new industrial orphanage in Amman. The proposed orphanage will provide shelter as well as basic education, secondary education, vocational training for more than one thousand orphans.
51	Jordan	4th Symposium on the Use of Nuclear Techniques in Environmental Studies	T.A.	7/7/04	0.022	0.006	0.008	To provide experts from OIC member countries with exposure to proven nuclear techniques applied to pollution control, discussion of new technology & knowledge sharing in the area of environment protection.
52	Kazakhstan	8th International Conference on Solid State Physics	T.A.	12/8/04	0.1	0.021	0.03	The Conference brought together over 200 solid state physicist and scientists to share experience and knowledge in the application of solid state physics to new materials and resource-saving technologies.
53	Kazakhstan	C.B. of Kazakhstan Investment Promotion Center (KAZINVEST)	T.A.	06/02/05	0.3524	0.171	0.252	The project aims at improving local private investment environment in Kazakhstan by enhancing the role of KAZINVEST in terms of information technology and the design of international standard guidelines for investment.
54	Kuwait	Ensilage of Greenery Residues as Animal Feed	T.A.	22/06/04	0.64	0.111	0.16	Pilot-scale production of animal feed. Based on the composition of the fodder, to develop appropriate technology for commercial production.
55	Kuwait	International Leasing and Investment Company	Line	12/9/04	10	7	10	Equity investment – Support for Islamic Banking and Financial Industry.
56	Lebanon	Construction and Equipping of Hospitals & Health Centers.	Loan + I. Sale	28/03/04	29.1	9.060	12.5	To increase accessibility to quality health and medical services through the completion of 4 governmental hospitals: Baya public hospital, Tibinine public hospital, Bentjbeil public hospital & Jezzine public hospital. Also to build 3 health centers.
57	Libya	Conversion of Zawia Power Plant Into Combined Cycle	Leasing	21/06/04	271.98	33.34	46.67	The project aims at satisfying the increasing demand for electrical energy by adding more generating capacity to Zawia gas turbine power plant. This will be achieved by converting the existing gas turbine power plant into combined cycle by adding two new 150.7MW steam turbine engine.

58	Libya	C.B. For Libyan Development Bank	T.A.	06/02/05	1.0806	0.2	0.305	The objective of the project is to upgrade the institutional capacity of LDB and its financial performance by strengthening the management information, accounting and audit credit, as well as its capacity to do project appraisal, follow up and debt recovery functions.
59	Malaysia	International Meeting on Framework for Innovation & Patenting for OIC	T.A.	10/4/04	0.075	0.018	0.027	To bring together experts, scientists & investors to discuss an OIC framework for innovation. The project will also assist in developing awareness for patents and intellectual property rights.
60	Malaysia	Feasibility Study of Research & Development (R&D) Vaccine Facility	T.A.	21/06/04	0.528	0.3	0.418	To examine the feasibility of technology transfer of vaccine production to Malaysia and to review the vaccine self reliance programme in Malaysia, under the Ministry of Health.
61	Malaysia	Islamic Financial Services Board (IFSB)	T.A.	1/9/04	0.4	0.138	0.2	To promote the financial stability of Islamic banking institutions through internationally acceptable prudential standards and strengthening regulatory and supervisory capacities within the central banks.
62	Malaysia	Syarikat Takaful Malaysia	Equity	8/11/04	39.474	1.403	2.1	Equity investment – Support to Takaful and Re-takaful industry.
63	Maldives	Capacity Building of the Society for Health Education (SHE)	T.A.	19/08/04	0.338	0.169	0.25	To expand the service delivery capacity of SHE by enabling it to launch awareness & prevention programme of Thalasssaemia disease cases in Maldives.
64	Mali	Construction of the Kayes Bafoulabe Road	Loan	1/8/2004	49.04	7	10.15	To improve the transfer of goods and services between the Kayes region and other regions of Mali, through the construction of a 150KM long road linking Kayes to Bafoulabe via Diamou and Selinkegni.
65	Mauritania	Aioun Elatrous-Nioro Du Sahel Road (Additional)	Loan	23/08/04	13.27	1.1	1.5	To meet the actual cost of the initial project and to pay the outstanding dues to the contractor and the consultant.
66	Mauritania	Nouakchott University Campus	Loan + LDMC	29/11/04	37.29	9.050	13.220	To assist in the implementation of the long term higher education sector development strategy for producing qualified graduates who can contribute to increasing productivity and competitiveness in Mauritania's labor market.
67	Mauritania	The Mining Sector Study (Phase-II)	T.A.	06/02/05	23.6	2.74	4	To build-up and consolidate the government's long term institutional and technical capacity to manage the country's mineral resources, including social and environmental management, promote private investment in the minerals sector, and improve mining sector contribution to national and regional socio-economic development.
68	Morocco	Rural Electrification Project for Eight Provinces.	Istisna'a + Loan	28/03/04	65.44	35	50	To improve the standard of living of the rural population, comprising 1,221 villages and covering 54,099 households located in eight provinces, through connection to the national grid.
69	Morocco	Tangier - Mediterranean Harbor Railway	Istisna'a	2/5/2004	268.64	44.46	64.91	Construction of a railway link to serve traffic to and from the Mediterranean harbor and all associated facilities i.e. deep-sea harbor, logistic for free trade and industrial zones.
70	Morocco	Capacity Building for the Directorate of Civil Protection	T.A.	21/06/04	0.84	0.3	0.421	To enhance and strengthen the overall capacity and to modernize the operational capacity of the Directorate of Civil Protection.

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71	Morocco	Samir Refinary Rehabilitation And Renovation	Leasing	08/09/04	95.6241	41.148	59.94	To restore the production capacity following the flooding and the extensive damage caused to the Refinery. The company has engaged into an extensive rehabilitation and renovation program in order to replace the damaged equipment.
72	Morocco	Study of Integrated Management System for IMSPE "Supplementary"	T.A.	29/11/04	0.424	0.017	0.024	To carry out a study for developing a system that will allow better integration of the existing computerized information systems used by the public. The system will also incorporate expenditures management with an ultimate goal of installing an automated budget follow-up.
73	Morocco	Mohammedia Thermal Power Plant Upgrade	Istisnaa	06/02/05	121.624	41	61.711	Satisfy the increasing demand of electrical energy, improve performance of environmental impact by upgrading the coal-fired units 3&4 generating 150 mw each. This upgrade will result in the elimination of the operational inefficiencies through the modification of the boiler's design and the improvement of coal pulverization.
74	Niger	Capacity Building of Islamic Banks in the WAEMU Region	T.A.	28/03/04	0.98	0.298	0.437	To improve the management and efficiency of the Islamic Banks of Niger (BINCI) and enhance their competitiveness within the WAEMU banking environment. In order to achieve this objective, it aims at procuring modern IT equipment, improving the work environment, and enhance banking capacity.
75	Niger	Enhancement of Franco Arabic Education	T.A.	14/04/04	0.1176	0.087	0.118	Implementation of the Franco-Arabic education projects in general, and the provision of six teaching advisers in particular. Once implemented, the project will enable the teaching advisers to efficiently carry out their supervision duties.
76	Niger	Reconstruction of Goure-Djajiri Road	Loan	2/5/04	19.655	7	9.8	To promote economic activity by reducing transportation costs and improving the level of service as well as road safety through the construction of the existing Goure-Djajiri Road.
77	Niger	Say-Tapoa Road	Loan	06/02/05	20.562	6.42	9.51	The objective of the project is to open up the rural areas in the Say district which represent high agricultural potentialities through the construction of an all-weather paved road linking Say to Tapoa.
78	Oman	Construction of IBRI Technology College.	Loan	28/03/04	12.22	6.74	9.44	Expanding the technical education & vocational training in order to complement the human development efforts through providing quality and skills oriented educational programmes.
79	Oman	Construction of Ashkhara Shannah Road	Istisna'a	29/11/04	37.62	25.22	37.32	Enhancing the development of the eastern coast and establishing a direct road connection between the villages of the Sharqiah region along the coast with Sur town. This will be accomplished through the construction of a coastal road connecting Ashkharah with other cities and towns.
80	Oman	Pilot Study on Simulation of Desertation Control (Supplementary)	T.A.	29/11/04	0.4	0.105	0.15	To train two persons in Massachusetts Institute of technology (MIT) to upgrade their capabilities in the field of information and data analysis. The intensive training will avail the opportunity to design a similar modeling station of the biosphere atmosphere system applied to Dofar region.
81	Palestine	Faculty Buildings in Four Universities	Loan	2/8/2004	5.25	3.31	4.6	Enable the universities to increase their capacities to meet the increasing demand for places in the existing-faculties through construction of additional buildings in four universities.

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82	Palestine	Support for Gaza Strip	Loan	07/02/05	31.1	4.25	6.3	To alleviate the Palestinian population suffering from occupying forces vicious attack on their properties and houses. This will be achieved through rehabilitating and reconstructing of the damaged properties, buildings, houses and workshops. The project will also rehabilitate essential physical and social infrastructure services in the affected areas.
83	Saudi Arabia	Symposium on the Prospects of Scientific Research & Technology Development	T.A.	30/03/04	0.5	0.045	0.067	The conference was organized under the high patronage of His Royal Highness the Crown Prince Abdullah Bin Abdul Aziz, the Vice Chairman of the Council of Ministers, and the Head of the National Guard mainly focused on the prospects of scientific research & technological development in the Arab States.
84	Saudi Arabia	Capacity Building of the High Commission for the Development of the Hail Region	T.A.	5/7/04	0.358	0.19	0.266	To assist in the integrated development of Hail Region through the provision of capacity building of the High Commission.
85	Senegal	Capacity Building of Islamic Banks in the WAEMU Region	T.A.	28/03/04	0.98	0.27	0.396	To improve the management and efficiency of the Islamic Banks of Niger (BINCI) and enhance their competitiveness within the WAEMU banking environment. In order to achieve this objective, it aims at procuring modern IT equipment, improving the work environment, and enhance banking capacity.
86	Senegal	Pilot Phase of Artificial Rain Programme	T.A.	18/04/04	0.97	0.143	0.2	To augment the level of rainfall with a view to securing irrigation and drinking water. The pilot phase aims at developing the local expertise in this new field and also sensitizing neighboring countries to benefit from the experience.
87	Senegal	Ndiosmone - Palmarin Water Supply	Loan	21/06/04	35.22	7	10.24	To improve living and health conditions of 116 selected rural communities through the provision of water supply services.
88	Senegal	Summer Camp of Excellence in Science & Math. for High Schools	T.A.	7/7/2004	0.183	0.034	0.05	Provide opportunities for female high school students, who are talented in science and mathematics skills, with a three-week summer camp. It will cover lectures in computer courses, panel discussions, field visits and scientific documentation, and cultural orientation.
89	Senegal	Construction of Tendieme-Tionk Essil Road	Loan	12/9/04	11.613	7	10.15	Improve accessibility and agricultural production of the rural communities in the Ziguinchor region through the construction of the "Boucle Du Blouf" Road.
90	Senegal	Procurement of Public Work Equipment for the "CSE"	I. Sale	29/11/04	9.862	4.47	6.48	Enhancing the operational capacity of "CSE" through the purchase of public works equipment. This additional capacity will allow the company to respond to the current and the expected volume of public work activities.
91	Senegal	Senelec 60 MW Diesel Power Station	Leasing + Loan	06/02/05	58.613	22.32	32.364	The objective of the project is the acquisition of a 60 MW diesel power plant to meet the demand of electricity by 2005-2006 in the general interconnected grid of SENELEC, which supplies in particular the capital city Dakar.
92	Sierra Leone	Capacity Building of the Ministry of Finance	T.A.	18/04/04	0.345	0.2	0.29	To assist in the restoration of destroyed productive capacity in the public sector by enhancing the managerial, organizational and technical capacities of public sector entities.
93	Sierra Leone	Rural Infrastructure Development	Loan + LDMC	1/8/2004	11.38	7	10.19	To help improve the quality of life in four districts, which are located in newly accessible areas of the country, and to assist beneficiary communities to re-engage in economic activities.

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94	Sudan	Capacity Building of the Ministry of Finance and National Economy	T.A.	21/02/04	0.307	0.2	0.277	To strengthen overall capacity for undertaking the operational activities of the Ministry of Finance and National Economy.
95	Sudan	Capacity Building of the Sudanese Women General Union	T.A.	6/4/04	0.205	0.11	0.152	To help the Sudanese Women General Union (SWGU) in establishing its main documentation & information center, which will promote networking with international women organizations.
96	Sudan	Irrigation Development Project in 3 Regions	Loan	06/02/05	17.851	6.7	10.01	The main objectives of the project are to improve farmers' income and reduce rural migration through the improvement of the performance of the existing irrigation facilities & the intensification and diversification of the crop production.
97	Sudan	Emirates and Sudan Bank in the Republic of Sudan	Equity	06/02/05	100.000	6.594	10.000	To create a leading islamic banking institution with the largest authorized capital structure in Sudan which will help foster UAE-Sudanese cooperation, capitalized on the growth of the Sudanese economy, the increasing UE/Sudan bilateral trade & provide attractive returns to the shareholders.
98	Syria	Conversion of Zayzoon Gas Turbine Power Station (Additional-1)	Leasing	8/3/04	187.63	4.715	6.95	To meet the growing demand for electricity by installing additional generation capacity at Zayzoon power station. This comprises an additional 116MW gas turbine generator and converting the power station into a combined cycle, having 4 gas turbine generators.
99	Syria	F.S. on Establishing a Gas Pipeline	T.A.	06/02/05	0.0973	0.055	0.082	This project aiming at establishing a gas pipeline in Syria within the Arab gas pipeline connecting four Arab countries namely, Egypt Syria, Jordan and Lebanon.
100	Tajikistan	Construction of Shagon-Zigar Road, (Phase-2)	Loan	29/11/04	15.9	9.5	13.77	To enhance the territorial integrity of Tajikistan by providing all weather, reliable and direct land transport routes between the western region and the eastern region of Gorno-Badakhshan.
101	Togo	Basic Education Development	Loan	12/9/04	11.41	7	10.19	Development of a basic education system with the aim of achieving universal primary education by the year 2015 and to increase secondary enrolment rates.
102	Tunisia	National and Regional Load Dispatching Centers	I. Sale	2/5/04	29.071	17.1	25.304	To improve the dispatching system by reducing the duration of power outages of the electricity distribution network. It will improve the reliability of the distribution system and increase network security.
103	Tunisia	Ben-Ghayadah Sebkha Development Project	Istisna'a	29/11/04	33.733	13.136	19.179	To alleviate environmental risks which Ben-Ghayadha Sebkha is presently exposed to and alleviate its integration within the urban development plan of the city of Mahdia.
104	Turkey	Capacity Building of Turkish Atomic Energy Authority (TAEA)	T.A.	10/4/04	0.0135	0.008	0.012	To provide hands-on training and impart advanced skills and industrial expertise to TAEA staff in the field of radiation measurements and industrial applications.
105	Turkey	Gunkol Plant	Leasing	27/06/04	35.7079	17.484	25.763	To expand the production capacity as well as broaden the product mix of the Gunkol plant, Izmir, which is engaged in the manufacture of cooking appliances. The project envisage investment in powder paint and enameling facilities and new product moulds, in addition to the required working capital increase. The investment is targeted to increase the annual capacity of the plant.

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106	Turkey	Kuwait Turkish Evkaf Finance House (Additional-5)	Equity	12/9/04	51.673	3.177	4.65	To strengthen the capital adequacy of the financial institution.
107	Turkmenistan	Archman Medical Hydrotherapy Center	Loan	06/02/05	18.814	7	10.376	To expand usage of medical hydro therapy for the treatment of chronic internal diseases. It will also strengthen the preventive health care system that is an integral part of the socio economic development program of the country.
108	U.A.E	Gulf Pharmaceutical Industries (Additional-1)	Equity	14/04/04	98.093	1.985	2.914	Exercise of pre-emptive rights.
109	Uganda	Const. of Student Hostels in the Islamic University (IUIU)	LDMC + Loan	28/03/04	5.877	3.6	5.214	To provide students with decent and affordable campus housing thereby contributing to the overall improvement in the learning and living environment.
110	Uganda	Capacity Building of the Uganda National Chamber of Commerce & Industry	T.A.	18/04/04	0.28	0.1	0.139	To establish a National Data Bank, Business Information System and new communication network for UNCCI. This network will create a one-stop window for key business data and provide information on business potential to all UNCCI members.
111	Uganda	MIDSOC Bank of Uganda	Equity	21/06/04	6	1.375	2	Promotion of regional banking by seeking commercial alliances and financing profitable activities in conformity with the Shariah.
112	Uzbekistan	Feasibility Study for Investment Holding Company	T.A.	18/04/04	0.143	0.098	0.143	Follow up on an IDB-sponsored investment conference, held October 2003, on the feasibility of establishing an investment holding company.
113	Uzbekistan	500 KV Syrdarya – Sogdiana Transmission Line	Leasing + I. Sale	21/06/04	42.56	13.713	25.088	To ensure reliable and efficient transmission of electricity from Syrdarya power station to Sogdiana substation by laying a single circuit 500KV overhead transmission. It will help cover the growing power deficit in Samark and Bukhara region.
114	Uzbekistan	Yadem Textiles Expansion	Leasing	28/07/04	44.2	13.732	20.000	The objective of the project is to convert the existing Yadem textile facility from a garment production plant into an integrated textile factory producing a variety of value-added finished goods from raw cotton fiber.
115	Uzbekistan	The National Bank of Uzbekistan	Line	1/8/04	15.000	10.2	15.000	To extend financing to small and medium enterprises in Uzbekistan through NBU, particularly in the agriculture sector.
116	Yemen Republic	Construction of Hujjah-Kushar Road	Loan	21/06/04	40.84	7	10.35	To promote and facilitate economic activities through the construction of a 155KM road that will connect the cities of Hujjah-Mashabishah-Kushar and the surrounding villages in the Governorate of Hajjah.
117	Regional	6th Pan-African Congress of Mathematicians 01-06 September 2004	T.A.	23/05/04	0.16	0.021	0.03	To contribute in the promotion of mathematical sciences as a development tool and to foster the emergence of a knowledge society in Africa. The 6-day event included a symposium, which featured 15 plenary lectures and 15 invited lectures in specialized sessions.

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118	Regional	Feasibility Study of Livestock Development in the IDB Member Countries	T.A.	21/06/04	0.4356	0.15	0.218	To determine the sources of current and future potential supply of livestock in order to meet the demand of the Adahi project over the medium term.
119	Regional	OIC Committee for Commercial & Economic Cooperation (COMCEC)	T.A.	26/07/04	1.0973	0.066	0.097	To support COMCEC and the Islamic Center for Development of Trade (ICDT) in organizing the first round of trade negotiations within the framework of the TPS-OIC. The negotiations are expected to achieve tariff reduction amongst participating OIC member states.
120	Regional	14th Conference of Islamic Academy of Sciences	T.A.	14/08/04	0.2	0.025	0.036	To discuss and formulate policy guidelines and programmes with a view to assisting OIC countries and regional/national S&T institutions in dealing with the sustainable use and development of natural resources.
121	Regional	2nd Symposium on Investing in Science & Technology	T.A.	16/08/04	0.15	0.058	0.085	To discuss technology-related investment strategies, to engage large corporations, and to increase investors' awareness.
122	Regional	OIC Inter-Islamic Network on Space Sciences & Technology (ISNET) Workshop on Satellite Technology Applications to Communication and Remote Sensing	T.A.	23/09/04	0.08	0.017	0.025	To provide a training and discussion forum for engineers, researchers and scientists, to share and update knowledge on new trends and developments in space technology. The 7-day event covered 12 lectures, 24 technical sessions, and 7 panel discussions on space technology related subjects.
123	Regional	Set-up an On-Line Reference Library For SESRTCIC	T.A.	23/10/04	0.025	0.018	0.025	To set-up an online reference library that will be accessible through the world wide web.
124	Regional	20th Session of COMCEC and the OIC Economic Conference in Istanbul	T.A.	27/10/04	0.4681	0.078	0.116	To formulate strategies related to the promotion of intra-trade and intra-investment among OIC member states. The Conference discussed issues related to the work of COMCEC during the past twenty years and its future prospects.
125	Regional	International Workshop on Marine Sand Coastal Protected Areas (INOC)	T.A.	23/11/04	0.03	0.007	0.01	To discuss national papers on marine and coastal protected areas, review and exchange experience on recent advances in oceanography. The 3-day training program included presentations of invited papers, discussions, field visits and placard exhibition.
126	Regional	Training Workshop under the auspices of Inter-Islamic Network on Water Resources Development and Management	T.A.	23/11/04	0.045	0.017	0.025	To share experiences on different approaches on participatory management and integrated development of water resources in OIC counties and training of participants through case studies, application of tools and methods.

127	Regional	Private Enterprise Partnership Facility for Broader MENA Region	T.A.	29/11/04	5.000	3.484	5.000	To expand economic opportunity, promoting private sector investment and job creation and country-owned economic and financial sectors reforms of IDB member countries in the region.
128	Regional	4th Meeting of the OIC Task Force on Small & Medium Enterprises	T.A.	29/11/04	0.2	0.017	0.026	The main objective of the taskforce meetings is to devise strategies and develop support programs and institutional frameworks for creating a socioeconomic environment conducive for the development and growth of SME's in the OIC countries.
129	Regional	Arab Region Roundtable on Harnessing S&T and Innovation	T.A.	05/12/04	0.11	0.017	0.025	To provide a forum for local and regional discussions for enhancing the contributions of S&T to meet the challenges of sustainable development. The 2-day roundtable will discuss policies, strategies and mechanisms to address the challenges of economic growth, poverty alleviation, health, education and gender gap in the MENA region.
130	Regional	Cooperation Programme between ICBA and INRAN of Niger	T.A.	06/02/05	0.45	0.1	0.15	The objectives are: to enhance technical capability of INRAN and partners in Niger in biosaline agriculture; to introduce relevant techniques in salt-affected soils in Niger; to improve irrigation and drainage methods for rehabilitating salt-affected soils.
131	Regional	Cooperation Programme between HEJ-Pakistan and MAPRI-Sudan	T.A.	06/02/05	0.13	0.087	0.13	The objective is to transfer advanced research and technology tools and skills from HEJ Research Institute of Chemistry (HEJ-Pakistan) to Medical and the Aromatic Plants Research Institute (MAPRI-Pakistan). Exploitation of important plant resources for pharmaceutical applications would help establish a strong pharmaceutical industry and plant & human resources-base.
132	Regional	Establishment of Regional Center of Plant Genetic Engineering and Biotechnology in the GCC Countries.	T.A.	06/02/05	0.672	0.4	0.6	To carry out the first preparation steps required prior to the establishment of a regional center for crop genetic engineering research & biotechnology in order to ensure its success. This will be achieved through a detailed study, training, workshops and provision of experts services.

CHAPTER 4

TRADE FINANCING OPERATIONS

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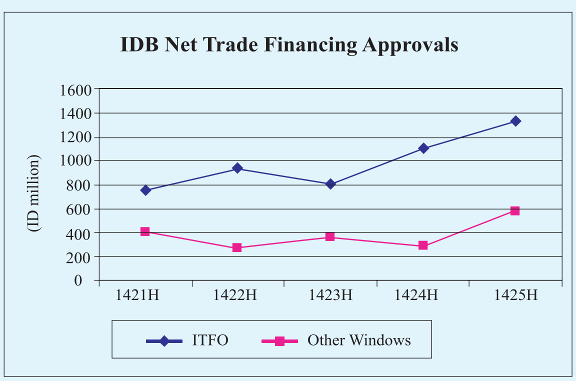
In the presence of H.E. Ms. Hina Rabbani Khar, State Minister for Economic Affairs and the IDB Governor for Pakistan, the Vice President (Trade and Policy) signed syndicated Murabaha agreement for $100 million in Islamabad on 4 April 2005.

HIGHLIGHTS

- **Total IDB Group Trade Financing Approved**: ID1.91 billion ($2.8 billion)
- **Trade Financing Approved under**:
  - ITFO: $1.97 billion
  - EFS: $270 million
  - IBP: $308 million
  - UIF: $166 million
- 70 percent of ITFO Approvals for intra-trade financing
- Disbursements under core trade operations increased from ID868 million to ID1,401 million
- Trade operations under Ouagadougou Declaration increased from $55 million to $96 million
- Number of trade promotion activities: 12



I. INTRODUCTION

The main purpose of the various IDB's trade financing programmes is to foster cooperation through further enhancing intra-trade among member countries and to contribute in the economic development process by facilitating the importation of the much needed intermediate and capital goods. The IDB's Strategic Framework emphasizes the promotion of intra-trade as a means to improve cooperation and to foster economic complementarities amongst the member countries. Given its importance, the Strategic Framework adopted promotion of intra-trade as one of the eight priority areas that would enable IDB Group achieve its strategic objectives.

The trade financing is undertaken primarily through the two principal schemes – Import Trade Financing Operations (ITFO) and Export Financing Scheme (EFS). The former was established in 1397H and the latter was launched in 1408H. Trade financing is also conducted through Bank's other windows namely, the Islamic Banks Portfolio (IBP), the Unit Investment Fund (UIF), the Islamic Corporation for Private Sector Development (ICD) and the Awqaf Properties Investment Fund (APIF). The Bank's Treasury Department also participates in the funding of the programme and the Islamic Corporation for Insurance of Investments and Export Credit (ICIEC) providing export insurance cover to member countries' exporters, who are exporting to both member and non-member countries.

The IDB also manages a special programme on behalf of the Arab Bank for Economic Development in Africa (BADEA), which is based in Khartoum. The trade financing activities of BADEA aims to encourage greater exports originating from Arab League member countries to non-Arab League member countries of the African Union.

II. IDB'S TRADE OPERATIONS AND ACTIVITIES

Achievements to Date

By the end-1425H, the Bank recorded cumulative net trade financing approvals of ID17.45 billion ($23.02 billion) as follows:

- ITFO ID14.14 billion ($18.42 billion)
- EFS ID1.03 billion ($1.41 billion)

- IBP ID1.79 billion ($2.50 billion)
- UIF ID494 million ($694 million)

Table 4.1 and Chart 4.1 show the distribution of trade financing approvals per scheme, from 1397H to 1425H.

In addition to the above, a total of ID171.13 million ($239.86 million) was approved by the ICD, APIF and the Treasury Department for trade financing. Cumulative schemes/specialised funds are shown in Annex 4.1 of this Chapter.

Achievements in 1425H

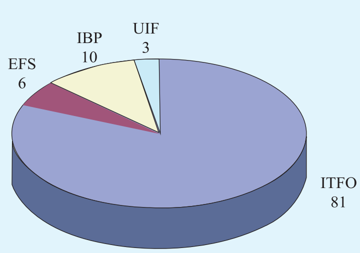
Total net trade approvals in 1425H under ITFO, EFS, UIF, and IBP amounted to ID1.83 billion ($2.72 billion), a 33 percent increase over the 1424H approvals of ID1.37 billion ($1.96 billion).

Table 4.1
Distribution of IDB Trade Financing Approvals from 1397H to 1425H

Year	ITFO[1]		EFS		IBP		UIF		Total[2]	
	No.	(ID million)	No.	(ID million)	No.	(ID million)	No.	(ID million)	No.	(ID million)
Till 1414H	709	6,776.2	86	174.5	38	344.7	5	11.6	838	7,307.0
1415H	50	318.8	8	18.6	10	111.4	5	20.4	73	469.2
1416H	44	333.9	10	43.7	6	129.8	5	22.5	65	530.0
1417H	46	357.9	11	31.1	11	151.1	4	17.9	72	558.0
1418H	32	351.9	8	27.2	18	173.6	7	35.2	65	588.0
1419H	31	581.5	14	45.1	10	76.0	4	13.0	59	715.6
1420H	33	478.1	12	48.1	8	79.1	2	14.1	55	619.4
1421H	57	750.8	21	143.3	9	149.7	8	74.9	95	1,118.6
1422H	58	943.5	17	142.1	8	66.1	5	35.5	88	1,187.2
1423H	65	810.2	14	86.6	14	190.0	10	70.8	103	1,157.6
1424H	81	1,101.3	11	89.5	14	114.5	14	67.9	120	1,373.3
1425H	83	1,336.0	18	181.3	15	204.8	14	110.4	130	1,832.5
Net Approval	**1,289**	**14,140.2**	**230**	**1,031.2**	**161**	**1,790.9**	**83**	**494.1**	**1,763**	**17,456.4**
Gross Approvals	**1,535**	**16,054.0**	**325**	**1,431.1**	**203**	**1,906.9**	**83**	**494.1**	**2,146**	**19,886.1**

[1]Including operations under 2SMF and Syndication. [2]Excluding trade operations of ICD, APIF, and Treasury Department.

Chart 4.1
Percentage of Net Approvals Per Scheme, 1397H-1425H
(Percent)



IDB Group's gross trade financing approvals as at end-1425H amounted to ID17.63 billion ($23.27 billion). Details of these approvals under the different trade

The amount approved under ITFO in 1425H was ID1.34 billion ($1.97 billion) as compared to the net approvals of ID1.10 billion ($1.56 billion) in 1424H. For EFS, the amount approved was ID181.30 million ($270 million) in 1425H as against the previous year's net approved amount of ID89.5 million ($124.8 million). Thus, the total amount approved under ITFO and EFS in 1425H was ID1.52 billion ($2.24 billion), representing an increase of 28 percent over the net approvals of ID1.19 billion ($1.69 billion) recorded in 1424H.

During 1425H, approvals under IBP and UIF trade operations were ID204.79 million ($308 million) and ID110.38 million ($166 million) as compared to the 1424H figures of ID114.55 million ($171.25 million) and ID67.89 million ($101.5 million), respectively.

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The two schemes recorded an impressive 73 percent growth during the year.

Total disbursements on account of trade financing in 1425H were ID1,400.9 million ($2,107.0 million) as compared to ID867.7 million ($1,012.74 million) in 1424H, an increase of 61 percent.

The breakdown of the disbursements under the various trade financing schemes in 1425H is as follows:

- ITFO ID1,149.9 million ($1,729.45 million)
- EFS ID125.58 million ($188.87 million)
- IBP ID59.4 million ($89.4 million)
- UIF ID66 million ($99.3 million)

Table 4.2 compares disbursements to net approvals under the four trade financing schemes during the period 1422H-1425H.

The combined growth in total approvals under ITFO and EFS in 1425H of $2.24 billion was 28 percent over the $1.69 billion achieved in 1424H. A total of $1.39 billion of the amount was utilized to finance intra-trade transactions.

The performance highlights of IFTO and the EFS operations during 1425H are discussed below.

Import Trade Financing Operations (ITFO)

ITFO, which is largely funded from the ordinary capital resources (OCR) of the IDB, is a buyer's credit scheme extended by the Bank with the objective of facilitating and promoting intra-trade among the member countries.

ITFO approvals in 1425H amounted to $1.97 billion and covering a total of 83 operations across 24 member countries, representing an increase of 26 percent over

Table 4.2
Comparison between Total Net Approvals and Total Disbursements from 1421H to 1425H

(in ID million)

Schemes	1422H		1423H		1424H		1425H	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
ITFO[1]	943.5	690.0	810.2	725.0	1,101.3	719.2	1,336.0	1,149.9
EFS	130.3	72.1	86.6	41.0	89.5	40.5	181.3	125.6
IBP	66.1	56.6	190.0	41.0	114.5	25.0	204.8	59.4
UIF	35.5	22.8	70.8	81.0	67.9	83.0	110.4	66.0
Total	**1,175.4**	**841.5**	**1,157.6**	**888.0**	**1,373.2**	**867.7**	**1,832.5**	**1,400.9**

[1]includes disbursements for 2SMF and Syndication.

III. KEY PERFORMANCE HIGHLIGHTS

Allocation of Resources and Approvals

At the beginning of 1425H, the Bank allocated $1.50 billion from its ordinary capital resources for the ITFO programme as compared to an allocation of $1.36 billion in 1424H, which is an increase of 38 percent. The target was to mobilize another $373 million from the market under 2SMF/syndication while the actual amount mobilized was $545 million.

In 1425H, $1.39 billion representing 70 percent of ITFO approvals was towards intra-trade operations bringing the cumulative approvals towards intra-trade operations at $18.42 billion or 76 percent of all approvals.

$1.56 billion net approved amount in 1424H. The top five beneficiaries were Bangladesh ($435 million), Egypt ($325 million), Pakistan ($325 million), Saudi Arabia ($215 million) and Iran ($200 million). Other major beneficiary countries were Turkey ($134 million) and Tunisia ($110 million). These countries accounted for 76 percent of the total approvals. Table 4.3 shows the ITFO approvals in 1425H according to the recipient country. Annex 4.2 shows the details for the operations to each recipient country. Of the total approvals in 1425H, $1.39 billion (70 percent) was for financing of intra-trade.

Four more sub-Saharan countries (Benin, Burkina Faso, Chad and Mali) have joined the list of beneficiary countries in addition to Niger, Senegal and Sudan, reflecting the Bank's continued support to the

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Table 4.3
ITFO Approvals by Countries in 1425H

Countries	ID million	$ million
Algeria	13.8	20.0
Bangladesh	294.1	435.0
Benin	2.5	3.6
Burkina Faso	1.7	2.6
Bahrain	33.8	50.0
Chad	2.1	3.2
Egypt	218.8	325.0
Iran	135.3	200.2
Jordan	4.6	7.0
Kuwait	17.3	25.0
Malaysia	6.6	10.0
Mali	39.6	61.3
Niger	6.8	10.0
Pakistan	220.5	325.0
Saudi Arabia	147.3	215.0
Senegal	10.2	15.0
Sudan	0.7	1.0
Tunisia	74.7	110.0
Turkey	90.7	134.0
UAE	13.6	20.0
Yemen	1.4	2.0
Total	**1,336.0**	**1,974.8**

Details in Annex 4.2.

Ouagadougou Declaration. A total amount of $95.55 million was approved for the six countries to date. This compares favourably with $54.97 million approved in 1424H. An important feature of trade financing in 1425H is that the financing for Mali of $61 million was raised under syndication led by IDB with participation of international financial institutions.

In terms of commodities, financing of crude petroleum products accounted for 44 percent of the total approvals followed by industrial intermediate goods (33 percent), basic commodities (12 percent) and natural gas (6 percent). The remaining 5 percent was for line operations in support of the small and medium enterprise sector of member countries.

Two-Step Murabaha Financing (2SMF) and Syndication mechanisms continued to be used in order to supplement the IDB Ordinary Capital Resources (OCR) for financing of import trade of member countries. A total of $546 million was approved under the two mechanisms in 1425H as compared to $427.85 million recorded in 1424H, representing an increase of 28 percent.

Since the inception of the programme in 1397H, IDB has approved a total amount of $18.42 billion under ITFO, of which $13.94 billion (76 percent) was used to finance intra-trade among member countries (Table 4.4). ITFO financing was used by member countries mainly to import crude oil and refined petrochemical

Table 4.4
Intra-Trade Performance under ITFO from 1397H to 1425H

Year	Number of Countries`	Number of Operations	Amount[1]		Member Country	
			ID million	$ million	$ million	Percent
Till 1414H	17	709	6,776.2	8,247.9	6,579.3	79.8
1415H	8	50	318.8	473.3	348.3	73.6
1416H	7	44	333.9	498.5	330.5	66.3
1417H	7	46	357.9	509.9	315.4	61.9
1418H	8	32	351.9	479.4	389.4	81.2
1419H	10	31	581.5	787.2	321.0	40.8
1420H	11	33	478.1	649.8	479.8	73.8
1421H	11	57	750.8	977.0	792.7	81.1
1422H	14	58	943.5	1,190.5	945.3	79.4
1423H	14	65	810.2	1,071.0	922.0	86.1
1424H	16	81	1,101.3	1,563.5	1,132.1	72.4
1425H	20	83	1,336.0	1,974.8	1,388.7	70.3
Total		**1,289**	**14,140.2**	**18,422.9**	**13,944.5**	**75.7**

[1]Net of Cancellation.

products (49 percent), industrial intermediate goods (26 percent), and vegetable oil (5 percent). The ITFO approvals during the last five year are shown in Chart 4.2 and a breakdown by commodity is given in Table 4.5 and Chart 4.3.

Chart 4.2
ITFO Approvals
1421H - 1425H

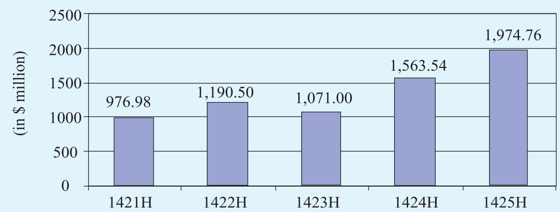


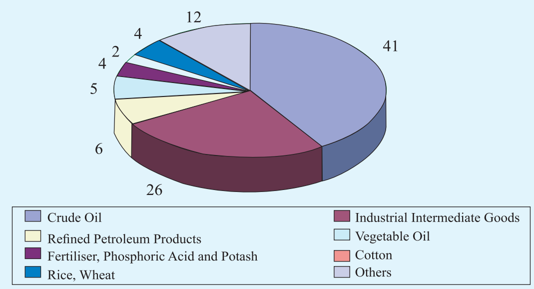
Table 4.5
ITFO Approvals by Commodity from 1397H to 1425H
(in $ million)

Commodity	Amount[1]	Percent
Crude Oil	7,568.9	41.1
Industrial Intermediate Goods	4,713.4	25.6
Refined Petroleum Products	1,176.3	6.4
Petrochemicals	267.1	1.4
Vegetable Oil	974.8	5.3
Cement	226.2	1.2
Fertiliser, Phosphoric Acid and Potash	650.4	3.5
Jute	157.5	0.9
Cotton	388.6	2.1
Sulphur	194.0	1.1
Iron Ore	115.0	0.6
Rock Phosphate	67.9	0.4
Ammonia	36.5	0.2
Clinker, Kaolin	41.4	0.2
Plywood	42.0	0.2
Copper Rods	163.9	0.9
Capital Goods	190.9	1.0
Bicycles	1.8	0.0
Rice, Wheat	795.8	4.3
Others	650.5	3.5
Total	**18,422.9**	**100.0**

[1]Net of cancellation.

The performance of ITFO has continued to improve in 1425H with $1.97 billion approved (83 operations) as compared to the previous year's net approvals of $1.56 billion (81 operations).

Chart 4.3
ITFO Approvals by Commodity, 1397H - 1425H
(Percent)



Export Financing Scheme (EFS)

The EFS is a supplier's credit scheme which aims at promoting exports of member countries through the provision of both short-term and long-term financing of exports destined to both member and non-member countries. The membership of EFS consists of 26 IDB member countries.

The approvals under the EFS scheme during the year amounted to $270 million made up of 18 operations as compared to net approvals of $124.8 million in 1424H, which is an increase of 116 percent. This increase in approvals was largely as a result of the significant increase in exports of refined petroleum products from Kuwait to Bangladesh and Pakistan amounting to $195 million. Total operations approved during 1425H are presented in Table 4.6 and Annex 4.3.

Table 4.6
EFS Approvals by Exporting Countries in 1425H

Countries	ID million	$ million
Kuwait	130.2	195.0
Malaysia	41.1	60.0
Saudi Arabia	10.2	15.0
Total	**181.5**	**270.0**

Details in Annex 4.3.

Cumulative approvals under the EFS since its inception in 1408H amounted to ID1.03 billion ($1.41 billion) benefiting 19 exporting member countries. All EFS operations approved were for intra-trade among member countries. Table 4.7 show net cumulative approvals by exporting and importing countries for the period 1408H through to 1425H.

An EFS Seminar was held during 1425H with a view to explore ways of enhancing EFS export promotion

Table 4.7
EFS Approvals by Exporting and Importing Countries from 1408H to 1425H

Countries	By Exporting Countries[1]		By Importing Countries[2]	
	ID million	$ million	ID million	$ million
Algeria	7.7	10.0	185.2	252.3
Bahrain	18.4	25.0	-	-
Bangladesh	4.8	6.4	135.3	195.0
Egypt	65.5	84.6	27.8	38.4
Gambia	-	-	2.6	3.5
Indonesia	9.2	12.5	-	-
Iran	4.5	6.0	130.9	175.1
Iraq	-	-	31.1	40.0
Jordan	11.2	15.2	1.4	1.9
Kuwait	198.5	290.5	-	-
Lebanon	13.4	17.3	-	-
Libya	1.6	2.2	-	-
Malaysia	93.4	133.0	-	-
Mauritius	-	-	10.2	15.0
Morocco	29.9	39.7	1.4	1.9
Pakistan	6.4	10.0	218.8	300.4
Saudi Arabia	223.3	300.8	36.4	52.7
Senegal	-	-	15.0	20.8
Sudan	2.2	3.1	1.1	1.4
Syria	0.4	0.5	1.5	2.0
Tunisia	81.1	106.9	6.9	10.2
Turkey	181.7	251.0	47.7	64.6
UAE	78.1	100.0	0.2	0.2
Uganda	-	-	1.8	2.3
Yemen	-	-	11.1	15.0
Total	**1,031.3**	**1,414.7**	**866.4**	**1,192.7**

[1]Details in Annex 4.2.
[2]Excluding cancellations and EFS Lines.

role in member countries, to make the financing terms and conditions attractive for the beneficiaries, and to mitigate the adverse impact on national export growth prospects resulting from the recent WTO related trade liberalization measures. The recommendations of the EFS Seminar are presented in Box 4.1.

IV. TRADE FINANCING UNDER OTHER FUNDS

1. BADEA Export Financing Scheme

This Scheme is implemented in line with the Memorandum of Understanding (MOU) signed in 1998 between IDB and the Khartoum-based Arab Bank for Economic Development in Africa (BADEA). Under this MOU, IDB manages a $50 million fund as

Box 4.1
Enhancing Effectiveness of the Export Financing Scheme

The BED Committee on EFS, during its meeting held on 1st Jumad Awwal 1425H (19th June 2004), requested the Bank to organize a seminar for the purpose of finding ways and means of further improving the performance of the Scheme. Representatives of selected national agencies, EFS beneficiaries, trade experts, and Bank staff participated in the proceedings of the Seminar, which was held on 25th-26th Shabaan 1425H (9th -10th October 2004) at the IDB Headquarters. The major recommendations of the EFS Seminar were as follows:

- review the current national agency selection process and to introduce an incentive system in order to encourage higher utilization;
- more focus on marketing efforts and to monitor specific plans and targets;
- innovate and introduce new products under the Scheme such as pre-shipment financing and trade financing of capital goods and services;
- continuously review the financing terms and conditions of the EFS in order to make it competitive with other similar schemes;
- encourage national agencies for higher utilization of the lines approved under the EFS by further delegation of authority to agent banks;
- expand the scope and resources of the EFS by attracting all OIC member states to join the Scheme; and
- develop strategic coordination and co-financing arrangements with the national export credit agencies.

During 1426H, the above recommendations of the EFS Seminar are expected to be operationalized. As a result, the new features of the EFS, including the financing terms and conditions, will significantly improve its competitiveness and flexibility. The EFS has the potential to support the efforts of member countries to boost their export volumes. In particular, many of the LDMCs are expected to find the re-designed EFS features attractive in terms of supplementing their foreign exchange liquidity needs. By joining the Scheme, the LDMCs will have access to a competitively priced export financing facility, strengthen their capabilities towards trade integration, and the potential to increase their exports to new and diversified markets.

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a Mudarib, which is used to finance exports of goods from Arab League member countries to the non-Arab League member countries of the African Union.

For the year under review, $14.80 million was approved in favour of Angola ($5.00 million), Tanzania ($4.80 million) and Seychelles ($5.00 million). This scheme is also used to complement IDB's commitments under the under the Ouagadougou Declaration. Details of BADEA operations are shown in Table 4.8.

Since the start of its operations in 1419H, $119.6 million has been approved for a total of 20 operations for importers in Angola, Gambia, Guinea, Kenya, Mauritius, Senegal, Seychelles, Tanzania, Uganda, and Zimbabwe.

2. Islamic Banks Portfolio for Investment and Development

The IBP was established in 1408H by the IDB in association with 20 other Islamic banks and financial institutions. The main objective of the IBP is to mobilise liquidity from Islamic banks and financial institutions in member countries and in the process facilitate and promote the development of an Islamic financial market. IBP also enables the Bank to diversify its portfolio with a view to generating a return commensurate with its risk profile.

Trade financing is a major activity of the IBP and to date, $2,150 million has been approved. In 1425H, the IBP approved a total amount of $308 million covering 15 trade operations. This compares favourably with $171.25 million approved in 1424H, a 80 percent increase. Further details on the IBP operations are provided in Chapter 5.

3. IDB Unit Investment Fund

This fund was established in 1410H (1989) to complement IDB's ordinary project financing operations and Murabaha trade operations either directly or jointly with the IDB and its other affiliates.

As part of its mandate, UIF participates in financing direct and syndicated trade operations. To date, a total of $693.45 million has been approved. In 1425H, the UIF approvals amounted to $166 million for 14 operations as compared to $101.5 million approved in 1424H. Further details of the UIF operations are provided in Chapter 5.

Table 4.8
BADEA- EFS Operations Approved between 1419H and 1425H

(in $ million)

Year	Exporting Country	Importing Country	Amount
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	5.0
	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**
1425H	Jordan	Angola	5.0
	Arab Countries	Tanzania	4.8
	Arab Countries	Seychelles	5.0
	Sub-total		**14.8**
	Total		**119.6**

4. Other Trade Financing Operations

During the recent times, some other funds in the IDB Group are also engaged in financing trade operations besides carrying out their core financing activities. These include: Islamic Corporation for the Development of Private Sector (ICD), Awqaf Properties Investment Fund (APIF), and the Treasury Department in 1425H. The APIF financed three operations in 1425H amounting to ID3.32 million ($5 million) which took its cumulative trade operations to ID13.65 million ($20.25) by the end of 1425H. The trade operations by the ICD and the Treasury Department in 1425H amounted to ID13.30 million ($20 million) and ID62.66 million ($94.24 million) respectively, as compared to ID0.91 million

($1.36 million) for the ICD and ID10.03 million ($15 million) for the Treasury Department in 1424H.

V. TRADE COOPERATION AND PROMOTION PROGRAMME

The Trade Cooperation and Promotion Programme (TCPP) was established in 1415H (1994) with the aim of supplementing IDB efforts in promoting trade cooperation and facilitating the development of intra-trade network among the IDB member countries. The main objectives of the Programme are to strengthen the existing trade relationships and raise the profile of member countries trade capabilities; to provide information and opportunities for exporters to forge greater intra-trade potential; and to strengthen capacity of export agencies and related institutions in member countries on trade related matters.

In 1425H, the TCPP engaged in several trade promotion activities and capacity building of member countries, as summarized below:

Trade Fairs

- Jeddah International Trade Fair, Kingdom of Saudi Arabia, 23 - 27 May 2004
- MUSIAD International Fair, Istanbul, Turkey, 16 – 19 September 2004
- 1st Trans Saharan Fair of Niamey, Niger, 23–30 September 2004
- Dakar International Trade Fair, Senegal, 5-9 December 2004
- 10th International Trade Fair for Islamic countries, Manama, Bahrain, 5 -9 February 2005

Seminars/Workshops and Meetings

- Seminar on Export Promotion: Experience of Turkey & Malaysia, Rabat, Morocco, 1 – 2 June 2004
- 2nd Conference on Industrial Productivity in Arab Countries, Tunis 5 – 7 October 2004
- 1st Negotiation of TPS among OIC member, (three meetings held) Antalya, Turkey
- 2nd OIC Business Forum, Kuala Lumpur, Malaysia, 07 – 08 October 2004.

Training Courses and Studies

- Familiarization with Policies of IDB (Bangladesh and Pakistan)
- Study on Arab Industry Integration (in collaboration with AIDMO – Rabat)
- Hiring Expert for Yemen

VI. TRADE OPERATIONS EVALUATION

IDB trade financing recorded a marked improvement in performance in 1425H as the total approvals under ITFO, EFS, IBP and UIF amounted to $2.72 billion, as compared to net approvals of $1.96 billion in 1424H, representing an increase of 33 percent. As mentioned above, utilization of ITFO during the year showed an increasing trend. This good performance was mainly due to expeditious implementation by major beneficiaries in Bangladesh, Egypt, Iran, Pakistan and Saudi Arabia. The utilisation rate achieved on EFS resulted from substantial increase in exports of refined petroleum products from Kuwait to Bangladesh and Pakistan.

Year	Disbursements (percent of Approvals)
1425H	76
1424H	63
1423H	77
1422H	72
1421H	43

The disbursement ratio is marked by a significant improvement during 1425H. This disbursement ratio in 1425H at 76 percent compares favourably to the trend during the previous four years. The average for the previous four years was 64 percent.

Financing geared towards further increasing intra-trade among member countries remained as a guiding principle for IDB trade financing operations. Intra-trade approvals at $1.39 billion accounted for 70 percent of the total ITFO approvals of $1.97 billion in 1425H. In the case of EFS, all approvals were towards intra trade for exporting member countries.

The IDB is also conscious of the need to reach out the trade financing facilities to the SMEs and other private sector companies. Through such endeavours, the present concentration of IDB's trade financing operations in petroleum and petrochemicals products will become diversified. In this regard, the strategy adopted is to further expand the role of lines of trade financing to financial institutions in member countries. Implementation of this strategy is yielding favourable results as evidenced by a 104 percent increase in the approved Lines for financial institutions in member countries from $60.5 million in 1424H to $123.6 million in 1425H.

VII. FUTURE ORIENTATION OF TRADE OPERATIONS

During the last quarter of 1425H, the BED approved a Five-year Strategic Plan (1426H – 1430H) which also set targets for increasing the IDB's trade portfolio. This strategy projects a 20 percent annual growth in the trade portfolio of the IDB as a means and contribution to facilitating greater economic cooperation amongst the member countries. To achieve the trade portfolio targets, some specific initiatives are being undertaken. The important measures are briefly highlighted below:

Two-Step Murabaha Financing (2SMF) and Syndication mechanisms are an important funding source to supplement IDB's trade financing allocations from the ordinary capital resources (OCR). A total of $546 million was approved under these two mechanisms in 1425H as compared to $427.85 million recorded in 1424H. These two types of resource mobilization mechanisms are expected to gain more prominence as a means of supplementing the Bank's strategy on trade financing operations.

In support of the Ouagadougou Declaration, IDB has increased its approvals for trade operations to four more member countries in the sub-Saharan region (Benin, Burkina Faso, Chad and Mali) in addition to trade operations already conducted in Niger, Senegal and Sudan. A total amount of $95.55 million was approved during 1425H as compared to $54.97 million approved in 1424H. An important point to be noted is that the trade financing operation in Mali amounting to $61 million was raised under syndication with the participation of other international financial institutions. These developments reflect the IDB's commitment to assist member countries in the African region to further accelerate their integration in the global trading system.

The IDB is developing new trade financing mechanisms such as structured commodity financing as well as focusing on supporting the trade financing needs of SMEs in the private sector. Currently, operational guidelines along with suitable risk mitigants are being prepared for implementing trade financing operations in the LDMCs.

Major recommendations emanating from the EFS Seminar (see Box 4.1) are being operationalized in terms of enhancing their intra-trade contribution, improving the marketing capabilities of national agencies, new product development, and increased co-financing activities.

Subsequent to the signing of a memorandum of understanding with the Government of Malaysia in Jumad Awwal 1425H (June 2004), an action plan outlining timelines to achieve specific targets in the areas of intra-trade, intra-investment, takaful/re-takaful business, and information communication technology has been prepared. The action plan will be operationalised during the course of 1426H, whose implementation will be monitored by a joint IDB/Bank Negara Malaysia committee.

In order to further enhance the effectiveness of IDB's trade financing programme, a feasibility study on establishing an autonomous trade financing entity within the IDB Group was carried out during 1425H. The recommendations of the study are being submitted for consideration and approval by the IDB Board of Governors at the 30th Annual Meeting in 1426H.

With the adoption of the IDB's Five-year Strategic Plan, there is a new momentum added in the Bank's drive towards assisting member countries to further enhance the current intra-trade flows. As discussed earlier in Chapter Two, there are two additional dimensions that will complement the IDB efforts to forge greater economic cooperation among the member countries. First, at the national level, member countries need to put in place trade policies and an incentive system that encourages greater private sector investment in export-oriented sectors. This will provide an economic base in member countries to further explore trade complementarities, which is both mutually advantageous and provides market access opportunities. Second, member countries need to actively participate in the intra-trade liberalization measures under the first round of the OIC Trade Preferential System (OIC-TPS). By committing to further tariff reductions on intra-imports, member countries can provide a significant boost to raising the current level of intra-trade, which is estimated at 12.2 percent. Through its trade financing mechanisms, technical assistance, and other related initiatives, IDB remains committed to realizing the objective of further deepening the economic cooperation among member countries.

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Annex 4.1
Distribution of IDB Group Gross Trade Financing Approvals, 1397H - 1425H[1]

(in ID million)

Year (H)	ITFO		EFS		IBP		UIF		APIF		ICD		Treasury		TOTAL	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1397	5	43.6													5	43.6
1398	11	127.4													11	127.4
1399	23	271.6													23	271.6
1400	36	364.6													36	364.6
1401	34	392.2													34	392.2
1402	31	397.0													31	397.0
1403	28	480.6													28	480.6
1404	48	729.1													48	729.1
1405	38	668.2													38	668.2
1406	59	560.6													59	560.6
1407	53	453.0													53	453.0
1408	62	435.8	8	20.2	17	34.6									87	490.6
1409	65	459.7	35	45.3	7	15.7									107	520.7
1410	72	461.7	25	36.0	11	31.5									108	529.2
1411	63	425.4	19	25.4	11	60.1									93	510.8
1412	86	520.5	28	106.5	4	116.3	1	1.1							119	744.4
1413	68	380.5	19	53.7	8	31.7	3	6.9							98	472.8
1414	65	386.2	16	61.3	10	137.3	1	3.5							92	588.3
1415	67	412.7	15	51.1	16	122.6	5	20.4							103	606.9
1416	57	431.4	13	59.9	7	131.6	5	22.5							82	645.4
1417	57	455.1	15	53.4	14	156.6	4	17.9							90	683.0
1418	42	457.6	8	27.2	19	177.6	7	35.2							76	697.6
1419	37	663.6	15	48.0	10	76.0	4	13.0							66	800.6
1420	38	542.3	15	61.3	9	90.2	2	14.1							64	708.0
1421	74	931.0	24	168.1	9	149.7	8	74.9				0.4	1	30.4	116	1,354.5
1422	67	1,043.8	20	170.2	8	66.1	5	35.5					2	39.8	102	1,355.4
1423	78	1,060.4	21	172.7	14	190.0	10	70.8	1	1.5			0	0.00	124	1,495.3
1424	88	1,162.3	11	89.5	14	114.5	14	67.9	6	8.9		0.9	2	10.0	135	1,454.0
1425	83	1,336.0	18	181.3	15	204.8	14	110.4	3	3.3	5	13.3	4	62.7	142	1,911.8
Total ID	**1535**	**16,054.0**	**325**	**1,431.1**	**203**	**1,906.9**	**83**	**494.1**	**10**	**13.7**	**5**	**14.6**	**9**	**142.9**	**2,170**	**20,057.2**
Total $		**20,994.9**		**1,959.3**		**2,663.8**		**693.5**		**20.3**		**21.9**		**197.8**		**26,551.3**

[1]Net Approval Figures for Selected Years are given in Table 4.1.

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Annex 4.2
ITFO Approvals by Country in 1425H

No.	Commodity	Source of Supply	Bank Participation	
			ID million	$ million
ALGERIA				
1	12th Line to Algeria (BEA Bank)	MC/NMC	13.8	20.0
			13.8	20.0
BANGLADESH				
1	Crude Oil / Refined Petroleum (Min of Power)	MC	17.0	25.0
2	Crude Oil / Refined Petroleum (Min of Power)	MC	17.0	25.0
3	Crude Oil / Refined Petroleum (Min of Power)	MC	17.0	25.0
4	Crude Oil / Refined Petroleum (Min of Power)	MC	17.3	25.0
5	Crude Oil / Refined Petroleum (Min of Power)	MC	17.2	25.0
6	Crude Oil / Refined Petroleum (Min of Power)	MC	16.9	25.0
7	Crude Oil / Refined Petroleum (Min of Power)	MC	109.2	160.0
8	Crude Oil / Refined Petroleum (Min of Power)	MC	17.0	25.0
9	Crude Oil / Refined Petroleum (Min of Power)	MC	65.6	100.0
			294.1	**435.0**
BENIN				
1	1st Line to Benin (Group Bank of Africa)	NMC	2.5	3.6
			2.5	**3.6**
BURKINA FASO				
1	1st Line to Burkina Faso (Banque Commerciale du Burkina)	MC/NMC	1.7	2.6
			1.7	**2.6**
BAHRAIN				
1	Alumina & Other Raw Materials (ALBA)	NMC	17.1	25.0
2	Raw Materials & Spare Parts (ALBA)	NMC	16.7	25.0
			33.8	**50.0**
CHAD				
1.	Agricultural Input (Government of Chad)	MC	**2.1**	**3.2**
			2.1	**3.2**
EGYPT				
1	Petroleum & Petroleum Products (EGPC)	MC	33.6	50.0
2	Wheat (Ministry of Supply)	NMC	16.8	25.0
3	11th Line to Egypt (NBE)	MC/NMC	16.9	25.0
4	Wheat (Ministry of Supply)	NMC	17.0	25.0
5	Wheat (Ministry of Supply)	NMC	17.0	25.0
6	Wheat (Ministry of Supply)	NMC	16.9	25.0
7	Wheat (Ministry of Supply)	NMC	17.0	25.0
8	Wheat (Ministry of Supply)	NMC	17.1	25.0
9	Wheat (Ministry of Supply)	NMC	17.1	25.0
10	Wheat (Ministry of Supply)	NMC	17.0	25.0
11	Petroleum & Petroleum Products (EGPC)	MC	32.3	50.0
			218.8	**325.0**
IRAN				
1	Raw Materials for Steel Production (Mobarekeh St.)	MC/NMC	16.5	24.3
2	3rd Line to Iran (Karafarin Bank)	MC/NMC	1.7	2.4

Annex 4.2 (Continued)
ITFO Approvals by Country in 1425H

No.	Commodity	Source of Supply	Bank Participation	
			ID million	$ million
4	Steel Billets, Graphite Elec. & Iron Ore (Khouzestan St.)	MC/NMC	16.2	23.9
5	Raw Materials for Steel Profiles, Steel Billets (Avangan Co.)	MC	8.4	12.2
6	Raw Materials for Tires (Kerman Tire Industries Complex)	MC/NMC	16.4	24.3
7	Raw Materials & Spare Parts (Arj Co.)	MC/NMC	4.1	6.0
8	Raw Materials (Zam Zam)	MC/NMC	3.3	4.9
9	Raw Materials (Aluminum Pars Co.)	MC	8.4	12.3
10	Raw Materials (Iran Tires Co.)	MC/NMC	16.5	24.2
11	Raw Materials for Steel Production (Khorasan Steel Co.)	NMC	8.4	12.4
12	Raw Materials for Tires (Kavir Tire Co.)	MC/NMC	5.8	8.7
13	Raw Vegetable Oil (Behshahir Ind. Dev. Co.)	MC/NMC	10.0	15.3
14	Paint-Shop Machinery (Iran Khodro Co.)	NMC	4.4	6.8
15	Raw Materials (Isfahan Steel Public Inc.)	MC/NMC	6.9	10.5
			135.3	**200.2**
JORDAN				
1	9th Line to Jordan (Jordan Kuwait Bank)	MC/NMC	4.6	7.0
			4.6	**7.0**
KUWAIT				
1	Raw Materials & Spare Parts (Kuwait Cement Co.)	MC/NMC	17.3	25.0
			17.3	**25.0**
MALAYSIA				
1	11th Line to Malaysia (Bank Industri & Teknologi)	MC/NMC	6.6	10.0
			6.6	**10.0**
MALI				
1	Agricultural Inputs (CMDT)	MC	39.6	61.3
			39.6	**61.3**
NIGER				
1	Line for Import of Strategic Commodities (BINCI)	MC/NMC	3.4	5.0
2	Line to Niger (BINCI)	MC/NMC	3.4	5.0
			6.8	**10.0**
PAKISTAN				
1	Crude Oil / Refined Petroleum (PARCO)	MC	16.8	25.0
2	Crude Oil / Refined Petroleum (PARCO)	MC	17.0	25.0
3	1st Line to Pakistan (Faysal Bank)	MC/NMC	3.4	5.0
4	1st Line to Pakistan (Habib Bank)	MC/NMC	13.6	20.0
5	Crude Oil / Refined Petroleum (PARCO)	MC	16.9	25.0
6	Crude Oil / Refined Petroleum (PARCO)	MC	17.1	25.0
7	Crude Oil / Refined Petroleum (PARCO)	MC	17.1	25.0
8	Crude Oil / Refined Petroleum (PARCO)	MC	17.0	25.0
9	Crude Oil / Refined Petroleum (PARCO)	MC	17.0	25.0
10	Crude Oil / Refined Petroleum (PARCO)	MC	67.8	100.0
11	Crude Oil / Refined Petroleum (PARCO)	MC	16.7	25.0
			220.5	**325.0**
SAUDI ARABIA				
1	Raw Materials for Vegetable Oil (Savola Edible Oils Co.)	MC	17.4	25.0

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Annex 4.2 (Continued)
ITFO Approvals by Country in 1425H

No.	Commodity	Source of Supply	Bank Participation	
			ID million	$ million
2	Iron Ore & Spare Parts (SABIC)	MC	129.9	190.0
			147.3	**215.0**
SENEGAL				
1	Line for Import of Strategic Commodities (BIS)	MC/NMC	3.4	5.0
2	Line to Senegal (BIS)	MC/NMC	6.8	10.0
			10.2	**15.0**
SUDAN				
1	1st Line to Sudan (Sudanese Islamic Bank)	MC/NMC	0.7	1.0
			0.7	**1.0**
TURKEY				
1	Raw & Int. Materials (GAPPA)	MC/NMC	6.8	10.0
2	Crude Oil & Petroleum Products (Tupras)	MC	16.8	25.0
3	Raw Materials (Aydin Coal Production & Trade Co.)	NMC	2.0	3.0
4	Raw Materials (Cevher Dokum Sanayi)	MC/NMC	3.4	5.0
5	Raw Materials (CMS Jant Ve Makina San.)	MC	6.8	10.0
6	Steel Billets, Sheets & Spare Parts (Ozkan Demir Celik)	NMC	6.8	10.0
7	Kitchen Raw Materials & Parts (Oztiryakiler Madeni Esya)	NMC	3.4	5.0
8	Polypropylene (Bayteks San. Ve. Tic. A.S.)	MC	2.0	3.0
9	Polypropylene (Kursan Plastic Ambalaj San. Ve. Tic. A.S.)	MC	2.0	3.0
10	Steel & Steel Scrap (Habas Sinai Ve. Tibbi Gazlar Istihsal)	NMC	17.1	25.0
11	Cotton (Sanko Tekstil Isletmeleri Sanayi Ve. Ticareto)	MC	6.8	10.0
12	Raw Materials & Spare Parts (Graniser Granit Seramik)	MC/NMC	3.4	5.0
13	Iron Steel Scrap (Diler Demir Celik Endustri)	MC	13.4	20.0
			90.7	**134.0**
TUNISIA				
1	Natural Gas (STEG)	NMC	17.0	25.0
2	Natural Gas (STEG)	NMC	16.9	25.0
3	Natural Gas (STEG)	NMC	17.0	25.0
4	Raw Materials & Spare Parts (SNCPA)	MC/NMC	6.8	10.0
5	Natural Gas (STEG)	NMC	17.0	25.0
			74.7	**110.0**
UNITED ARAB EMIRATES				
1	Petroleum & Petroleum Products (Fal Oil Co.)	MC	13.6	20.0
			13.6	**20.0**
YEMEN				
1	1st Line to Yemen (Tadhamon Int. Islamic Bank)	MC/NMC	1.4	2.0
			1.4	2.0
	Grand Total		**1,336.0**	**1,974.8**

Annex 4.3
EFS Approvals by Country in 1425H

(in million)

NO.	Commodity	Importing Country	ID	$
KUWAIT				
1	Refined Petroleum Products (KPC)	Pakistan	10.3	15.0
2	Refined Petroleum Products (KPC)	Pakistan	10.5	15.0
3	Refined Petroleum Products (KPC)	Pakistan	10.3	15.0
4	Refined Petroleum Products (KPC)	Pakistan	10.1	15.0
5	Refined Petroleum Products (KPC)	Bangladesh	10.3	15.0
6	Refined Petroleum Products (KPC)	Bangladesh	10.2	15.0
7	Refined Petroleum Products (KPC)	Bangladesh	10.2	15.0
8	Refined Petroleum Products (KPC)	Bangladesh	10.2	15.0
9	Refined Petroleum Products (KPC)	Bangladesh	10.2	15.0
10	Refined Petroleum Products (KPC)	Pakistan	10.0	15.0
11	Refined Petroleum Products (KPC)	Bangladesh	9.8	15.0
12	Refined Petroleum Products (KPC)	Pakistan	8.3	15.0
13	Refined Petroleum Products (KPC)	Bangladesh	9.7	15.0
			130.1	**195.0**
MALAYSIA				
1	Palm Oil (Pasir Gudang Edible Oil)	Algeria	10.3	15.0
2	Raw Vegetable Oil (Cargil Palm Products)	Saudi Arabia	10.2	15.0
3	Raw Vegetable Oil (Cargil Palm Products)	Saudi Arabia	10.3	15.0
4	Raw Vegetable Oil (Cargil Palm Products)	Saudi Arabia	10.2	15.0
			41.0	**60.0**
SAUDI ARABIA				
1	Refined Petroleum Products (Saudi Aramco)	Mauritius	10.2	15.0
			10.2	**15.0**
	Grand Total		**181.3**	**270.0**

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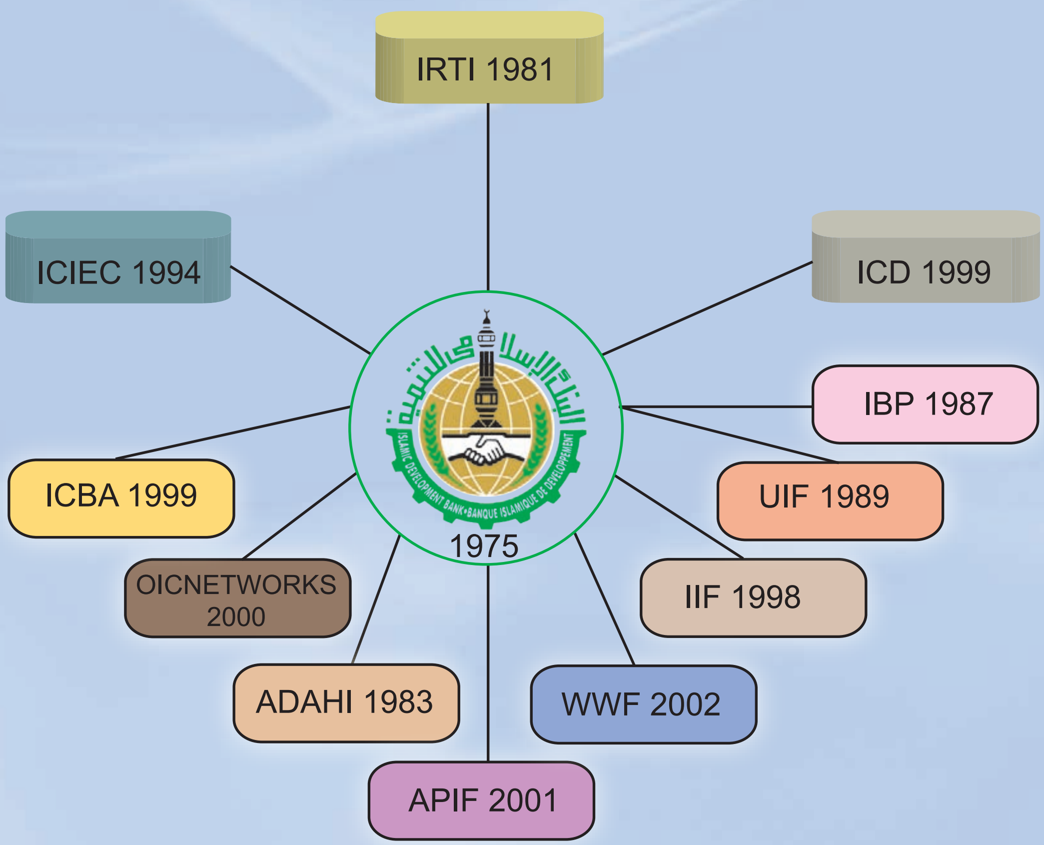
CHAPTER 5

ACTIVITIES OF AFFILIATED ENTITIES AND FUNDS



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A view of experimental farm located within the vicinity of ICBA Headquarters in Dubai, U.A.E.

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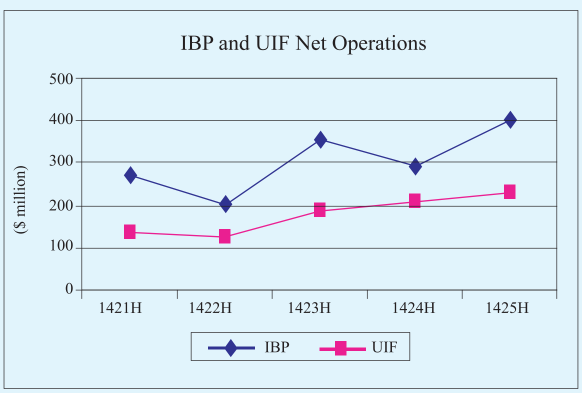
HIGHLIGHTS

- ICD approvals: $105 million
- IRTI:
  - Research papers: 26
  - Seminars: 16
  - Training programmes: 25
- ICIEC commitments: $451 million
- IBP approvals: $401 million
- UIF approvals: $229 million
- IIF equity investments: $124 million
- APIF approvals: $42 million
- ICBA joint projects: 9
- SAPUHM animals sacrificed: 503,954



I. INTRODUCTION

In order to respond to meeting the diverse development needs of member countries, IDB has established a number of entities specialized funds, and affiliates. These entities and affiliates form part of the IDB Group, whose overall objective is to support and promote social and economic development in member countries and Muslim communities. The IDB Group consists of the following four entities:

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

In addition to the above, the IDB Group has a number of affiliates, which carry out their assigned functions; and funds, which operate as vehicles for resource mobilization. These are:

Funds

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

Affiliates

- The International Centre for Biosaline Agriculture in Dubai, UAE (ICBA)
- OIC Networks in Malaysia
- Saudi Arabian Project for the Utilization of Hajj Meat

Through these institutions, the IDB Group performs a number of diverse but significant functions such as mobilization of financial resources in conformity with the Shari'ah, project financing, promotion of trade amongst the member countries and providing technical assistance. In addition to these, the IDB has also been assigned a number of auxiliary functions that directly or indirectly support social development and economic progress of member countries such as extending training facilities 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 private sector in the member countries.

This chapter introduces the members of the IDB Group, as well as its specialized funds and affiliates. It also provides a brief overview of the main activities undertaken by them during 1425H. For further details, interested readers may refer to the Annual Report of the relevant institution.

II. ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR

ICD was established 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 development in member countries.

Objectives

The main objectives of the ICD are: to identify investment opportunities in the private sector in the member countries so as to accelerate economic growth, to provide a wide range of Shari'ah compatible financial products and services and to expand access to Islamic capital markets by private companies in member countries.

Structure

The authorized capital of the ICD is $1 billion, of which $500 million is available for subscription and $271.4 million is already paid-in. The IDB has subscribed 50 percent of its capital, while member countries and public financial institutions in member countries have subscribed 30 and 20 percent, respectively.

ICD provides its clients with a wide variety of financial products such as direct financing, asset management, structured financing and advisory services. It 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.

ICD was inaugurated on 06 Rabi' Thani 1421H (July 2000). At the end-1425H, 44 countries and 5 public financial institutions ratified the Articles of Agreement establishing the ICD while six countries are yet to ratify.

Activities

During 1425H, ICD financed 18 operations totaling $105.13 million. It registered an increase both in the number and the amount of operations approved during 1425H as compared to 1424H, when only 11 operations were financed with an approved amount of $46.17 million. The modes of operations during 1425H were Equity, Murabaha, Instalment Sale and Leasing. Projects approved by sector during 1425H include telecommunications, technology, financial, construction, education, healthcare, industry and trade.

Since its inception, ICD has approved 47 projects for a total amount of $270.19 million (net of cancellations). The ICD financing by type of finance since inception till the end of 1425H is given in Table 5.1.

During 1425H, ICD sponsored a number of workshops in member countries aimed at marketing its financial services and to explore investment opportunities in the private sector. The workshops were organized in Iran (May 2004), Abu Dhabi, U.A.E. (May 2004), and

Table 5.1
ICD Operations by Modes of Financing from 1421H to 1425H

(in $ million)

	Equity	Instalment Sale	Istisna'a	Leasing	Line of Financing	Murabaha	Total
1421H	12.60	1.44	0.80	20.00		0.46	35.29
1422H	12.30	7.50		8.00			27.80
1423H	19.85	20.07		15.52			55.44
1424H	1.80	8.00	1.87	11.50	22.00	1.36	46.53
1425H	6.40	17.00		61.73		20.00	105.13
Total	**52.95**	**54.01**	**2.67**	**116.75**	**22.00**	**21.82**	**270.19**

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Egypt (December 2004). Also, ICD sponsored the 11th Private Sector Meeting for the Promotion of Trade and Joint Venture Investment among the Member Countries and the 10th Islamic Trade Fair, both of which were held in Bahrain in February 2005.

III. ISLAMIC RESEARCH AND TRAINING INSTITUTE

Islamic Research and Training Institute (IRTI) was established in 1401H (1981) to help the Bank in discharging its functions in the fields of research and training assigned to it by its Articles of Agreements.

Objectives

IRTI's objectives are: to undertake research and provide training and information services in member countries and Muslim communities in non-member countries to help bring their economic, financial and banking activities into conformity with Shari'ah and to further accelerate economic development and enhance cooperation amongst them.

Structure

IRTI is presently composed of four divisions and three support units. These are: Islamic Economics, Economic Cooperation and Development Division, Islamic Banking and Finance Division, Training Division and an Information Centre. The supportive units are: Special Assignments Unit, Publication Unit and the Administrative Services Unit.

Activities

IRTI conducts its activities mainly in three areas: research, training and information. These activities are described in greater detail in its Annual Report, which is issued separately. Main highlights of its activities in 1425H are described below.

Research

IRTI's main areas of interest in the field of research are Islamic economics, banking and finance, economic cooperation between the member countries of the Organization of Islamic conference and issues of economic development. Within the area of Islamic banking and finance, IRTI is paying more attention to issues of securitization, corporate governance, regulation and prudential standards for the Islamic financial industry, which have emerged as topical issues during the past few years.

IRTI's research output takes various forms such as in-house research paper, occasional papers, discussion papers, background papers, seminar proceedings, books of readings, lectures, translations, papers contributed to different seminars and conferences and articles published in Islamic Economic Studies – a bi-annual scientific journal brought out by IRTI in three languages – Arabic, English and French.

During 1425H, IRTI prepared the following research studies which are in various stages of completion:

1. The Role of Zakah and Awqaf in Poverty Alleviation
2. Financing Public Expenditure: An Islamic Perspective
3. Risk and Return in the Islamic Funds
4. Model of *Irsad*: It's Potential Use in Developing and Managing Awqaf Properties in the Contemporary Muslim Societies: A Fiqh Perspective
5. The X Efficiency of Islamic Banks
6. A Survey of the State of Art in the field Islamic Banking and Finance

IRTI also prepared following seminar proceedings during the year:

1. Islamic Banking Industry: Products and Competitiveness
2. Islamic Perspectives on Sustainable Development
3. Financial Engineering and Islamic Contracts
4. Islamic Finance and Economic Development
5. Poverty in Muslim Countries and the New International Economic Order
6. Risk Management and Islamic Financial Stability
7. Islamic Financial Architecture and Market Discipline
8. Financial Development in Arab Countries

IRTI researchers and scholars presented following papers in various seminars and conferences:

1. An Islamic Framework of the Venture Capital Cycle
2. Shari'ah Related Challenges Faced by the Growth of Islamic Financial Industry: Need for Setting Standards for Shari'ah Supervision and Shari'ah Supervisory Boards with Special Reference to Corporate Governance.
3. Islamic Alternatives to Poverty-focused Group-based Micro Financing
4. Unique Market and Credit Risks in Islamic Banking
5. Principles of Islamic Finance
6. Adapting CAMELS for Islamic Banking Supervision
7. Risk Management in Islamic Banking
8. A Framework for Risk Management in Islamic Banking
9. Liquidity Risk Management
10. Role of IDB as infrastructure provider for Islamic Financial Industry.
11. Role of Infrastructure Institution in Industry Development
12. Islamic Financial Engineering

About 150 research papers were contributed by the external scholars through seminars/conferences/workshops on various themes of Islamic economics, cooperation and development. Two issues of Islamic Economics Studies in English and two issues in Arabic were published during the year.

A distance learning course through video conferencing system on "Current Issues in Islamic Banking" was conducted for students of International Islamic University, Islamabad, Pakistan; Markfield Institute of Higher Education, Leicestershire, UK; and Imam Sadiq University, Tehran, Iran. The course was also attended by officials of the State Bank of Pakistan and various local bankers in Karachi. A total of 9 lectures were delivered in the course.

Seminars and Conferences

During 1425H IRTI organized 16 seminars and conferences on various themes of Islamic economics, banking and finance. The detailed themes, names of collaborating institutions, and venues of these seminars and conferences are given in Table 5.2

Training

IRTI organized 25 training programmes during 1425H out of which 22 training courses were offered within the framework of its own annual work program, three courses were organized within the framework of Task Force on Training for Preparing the Ummah for 21st Century. The courses offered within the framework of annual work programme covered subjects such as: Islamic economics, banking and finance, private sector development, macroeconomic policies, capacity building, and information technology.

Of the above mentioned training programmes, IRTI co-sponsored three programs with OIC-affiliated institutions, like the Islamic University of Technology (IUT), Dhaka, Bangladesh, the Islamic Chamber of Commerce and Industry (ICCI), Karachi, Pakistan, the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC), Ankara, Turkey, the Islamic Centre for the Development of Trade (ICDT), Casablanca, Morocco. These training programmes were implemented within the framework of the "Task Force on Training for Preparing the Ummah for 21st Century", set up to implement the recommendations of the Tehran OIC Summit on The Preparation of the Ummah for 21st Century.

The details of training programs organized by IRTI are given in Table 5.3

Information

During 1425H, IRTI carried out the following activities in the area of information systems and database development.

i. **IDB Database on Experts (IDBDE)**: This project aims at building a global database of experts and scientists around the world in various fields During 1425H, current data were reviewed, some new data were acquired and efforts were made for the enhancements of the database.

ii. **Islamic Banking Information Database System**: IRTI presented a preliminary version of the System during the IDB Annual Meeting in Tehran. The first phase of the System is now completed and is expected to be launched on the internet during 1426H.

iii. **Awqaf Databank System (ADBS)**: The system

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Table 5. 2
Seminars and Conferences held during 1425H

	Theme	Collaborating Institution	Venue
1	Research Seminar on "Macroeconomics from Islamic Perspective"	International Islamic University Malaysia	Malaysia
2	Conference on "Prospects of Arab Economic Cooperation to Boost Savings and Investment	Arab Academy for Science and Technology and the University of Alexandria	Egypt
3	Seminar on "Contemporary Methods for the Application of Awqaf Institution: Case Studies of Awqaf Funds"	Kuwait Awqaf Public Foundation, Kuwait	Russia
4	Workshop on "Need and Scope of Encyclopedia in Economics Related Fiqh"	OIC Fiqh Academy	Saudi Arabia
5	Research Seminar on "Financial Management: An Islamic Perspective"	Islamic Bank Bangladesh, Ltd. And Islamic Economics Research Bureau	Bangladesh
6	Conference on "Developing Countries and the WTO: Realities and Future Challenges"	University of Kuwait	Kuwait
7	Conference on the Cultural and Development Crisis of the Ummah	OIC Fiqh Academy Jeddah	IDB Headquarters
8	Seminar on Challenges Facing the Islamic Financial Services Industry	IFSB, IDB and IMF	Indonesia
9	Seminar on Comparative Supervision of Islamic and Conventional Finance	Islamic Financial Services Board	Lebanon
10	Conference on Islamic Insurance, Banking & Finance	Islamic Da'wah Movement	South Africa
11	International Conference on Islamic Banking and Finance	Institute of Islamic Understanding (IKIM) and Monash University, Malaysia	Malaysia
12	Islamic Bankers' Forum	General Council for Islamic Banks and Financial Institutions, Bahrain	Iran
13	Seminar on Islamic Insurance	Bank al Jazira, Jeddah	Saudi Arabia
14	Workshop on 'The Prior Stipulation of Composite Contracts in Islamic Banks'.	OIC Fiqh Academy	Saudi Arabia
15	Role of Islamic Financial Institutions in Saving and Resource Mobilization in Arab Region	Union of Arab Banks	Lebanon
16	International Seminar on Comparative Regulation of Islamic and Conventional Financial Institutions	Islamic Financial Services Board	Lebanon

aims to provide statistical, economic and other relevant comparative information on Awqaf to its clients. It is a database system powered by an interactive tri-lingual web site. Through the use of the ADBS, Awqaf ministries and organizations will be able to access and update their data online. Users will also be able to track hyperlinks to Awqaf institutions, government regulatory bodies and other related agencies that have websites on the Internet. IRTI has signed a consultancy contract with Kuwait Awqaf Public Foundation (KAPF) for the development of the Awqaf Databank.

iv. **IRTI Newsletter**: In Muharram 1425H, IRTI started producing an on-line monthly newsletter in electronic format as a web-enabled page. The Newsletter is issued during the first week of each Hijra month. It contains news and events, lectures, seminars, conferences, workshops, publications, research papers, training programs, visits of delegations etc.

v. **IRTI Publications Management System**: The main objective of the system is to develop an online virtual bookshop for selling IRTI publications and to convert published files to web compatible formats. During 1425H, IRTI started working on this project and made an initial plan for its design and implementation.

Other Activities

i. **Encouragement and Promotion Programme**: During 1425H, as in previous years, a number of requests were processed and grants given to various individuals and institutions for undertaking activities aimed at promotion of Islamic economics, banking and finance. A number of institutions and individual scholars approached IRTI requesting research grants, publication grants and supply of IRTI publications. IRTI's publications were made available to scholars free of charge as a part of efforts to encourage research in Islamic economics,

Table 5.3
IRTI Training Programmes during 1425H

No	Courses/Workshops	Venue
1.	Awqaf Institutions & their Socio-Economic Role in Contemporary Muslim Countries and Muslim Communities	Mauritania
2.	Assets & Liabilities Management in Islamic Banks	Jordan
3.	Auditing & Accounting Standards for Islamic Financial Institutions	Sudan
4.	Development of Private Sector and Financing Micro-Enterprises	Benin
5.	Interface Problem between Islamic Banking and Conventional Banking (Distance Learning)	IDB Headquarters
6.	Regulation of Islamic Banks	Egypt
7.	Financing Mechanisms of Islamic Economics	Mauritania
8.	Principles of Islamic Finance (Distance Learning)	IDB Headquarters
9.	Human Resource Management	Lebanon
10.	Financial Management in Charity Organizations	Kuwait
11.	Islamic Banking and Global Financial Markets	Indonesia
12.	*Promoting LADA Program in Western Asia & Near East	Syria*
13.	Budget Preparation for Public Sector Corporations	Sudan
14.	Evaluation Process and Procedures in Charity Organizations	Kuwait
15.	Providing Finance for Voluntary Organizations	Kuwait
16.	Privatization Techniques	Algeria
17.	Principles & Practice of Islamic Economics & Banking	Kazakhstan
18.	Effective Boards of Directors for Voluntary Organizations	Kuwait
19.	Islamic Economics	Mali
20.	*Microprocessor/Microcontroller based Industrial Production	Bangladesh*
21.	Application of COMFAR Modality on Preparing Feasibility & Project Evaluation Studies for Industrial Enterprises	Egypt
22.	Developing Accounting, Managerial and Marketing Capabilities of Zakah Workers in Arab Countries	Lebanon
23.	Privatization Strategy & Techniques	Morocco
24.	*Traditional Methods of Population Census and New Approaches	Turkey*
25.	Cultivating Professional Cadres for Voluntary Organizations	Kuwait

* *Training Courses within the Framework of the Task Force on Training.*

banking and finance. IRTI has also evolved 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 selected international universities. During 1425H, a number of students were given partial financial support under this programme.

ii. **The IDB Prize**: The IDB Prize in Islamic economics and banking is being implemented by IRTI since it was instituted in 1408H. The Prize, which is awarded on total contribution of a person or institution for the promotion of Islamic economics or Islamic banking, consists of a cash award of about $40,000 and a certificate of appreciation. IRTI continued to implement the Prize this year also.

iii. **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 future development of Islamic economics, banking and finance.

iv. **Visiting Scholars Scheme**: Under this scheme eminent visiting scholars are invited to work on a specified and approved project. During 1425H several requests were processed, but due to logistic reasons no visiting scholars could join IRTI during 1425H.

IV. 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's mission is, "*To encourage Exports from Member Countries and to facilitate the flow of Foreign Direct Investment to Member Countries by providing and encouraging the use of Shari'ah compatible Export Credit and Investment Insurance as Credit and Political Risk mitigation instruments*."

In terms of functions, ICIEC offers the following services to exporters, banks, and investors:

- Export Credit Insurance to cover the risk of non-payment in relation with cross border trade and trade finance transactions;
- Investment Insurance to cover country risk in the relation with Foreign Investments among member countries;
- Reinsurance of operations covered by ECAs in member countries.

Objectives

The 1425H Strategic Objectives were to substantially increase the volume of operations through underwriting low to medium risk businesses from quality customers and to follow a multi-pronged strategy, briefly outlined below:

1. The Corporation adopted a 'direct marketing' approach in 1424H, which resulted in impressive growth in business.
2. Further improvement in the IT system to make the process of insurance transaction more efficient and to reflect improvement in the revised underwriting process was undertaken.
3. In order to support increased business activities, recruitment and training processes were significantly enhanced.
4. An important aspect for future growth of ICIEC business is to be able to insure investment flows from entities stationed in or owned by the non-member countries. This requires an amendment in the Articles of Agreement. It is expected that the approval of the Board of Executive Directors would be obtained in 1425H and that of the Board of Governors in 1426H.
5. With the expected increase in business, the Corporation would also require additional capital. Accordingly, a proposal for increase in the capital is under consideration.
6. The Corporation would also work towards rationalization of various costs to bring about necessary reductions in overhead.
7. The Corporation would continue to participate in various efforts by the IDB Group to cater to the needs of the Least Developed Countries (LDMCs), through utilizing newly developed insurance instruments.

Structure

IDB owns 50 percent of the ID100 million of Corporation's capital, while the remaining 50 percent is available for subscription by member countries of the OIC. So far, 34 countries have joined ICIEC. Many other countries are at various stages of completing the membership process.

Activities

At the end of 1425H, the total number of policies in force were 72 and the current commitments reached $451 million. The Corporation's business insured at the end of 1425H reached $376 million, bringing a total premium and fees income of $3.25 million. During 1425H, ICIEC paid claims for a total amount of $0.33 million and recovered an amount of $0.65 million from claims paid in the previous years. Further information is available in ICIEC's Annual Report 1425H, which is published separately.

V. SPECIALISED FUNDS

Within the IDB, a number of funds were set up in order to enhance the effectiveness of development assistance 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).

1. Islamic Banks Portfolio for Investment and Development

IBP was established in collaboration with a number of Islamic financial institutions and it commenced operations from 27th Rajab 1407H (27th March 1987) and has since then positioned itself as a full fledged financing institution that provides requisite funding to both private and public sector beneficiaries. The initial life of the portfolio is 25 years, after which it may be dissolved or renewed.

Objectives

IBP aims to mobilize the liquidity available with the Islamic banks and financial institutions as well as the savings of individual investors and to channel them for promoting trade and development in member countries, in accordance with the principles of Shariah.

Structure

IDB administers the IBP as a *Mudarib* (Manager). As of end 1425H, twenty Islamic banks and financial institutions were shareholders of 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.

IBP has the fixed paid-up capital of $100 million and a variable capital of $280 million. In addition, it also has access to funds of $300 million placed by the IDB as a specific deposit. The unit of account for the IBP is the US dollar.

Activities

The Portfolio uses several Islamic modes of financing in its operations such as Murabaha, Ijara, Istisna'a

Table 5.4
Operations Approved by Islamic Banks Portfolio during 1425H

(in $ million)

No.	Project Name	Country	Mode of Financing	Total
1	Import of Crude oil	Pakistan	Murabaha	10.0
2	Import of Electronic Wires	Kazakhstan	Murabaha	1.0
3	Import of CKD Kits	Iran	Murabaha	10.0
4	Import of CKD Kits	Iran	Murabaha	10.0
5	Import of Construction material	Saudi Arabia	Murabaha	18.0
6	Purchase .of Fibres Optic Cables	Kazakhstan	Murabaha	10.0
7	Denim Fabric Mill	Syria	Leasing	9.0
8	Import of Crude Oil	Bangladesh	Murabaha	134.0
9	Import. of CKD Kits.	Iran	Murabaha	5.0
10	Import .of Sugar, Aluminium .& Timber	Saudi Arabia	Murabaha	23.0
11	Spinning equipment	Uzbekistan	Leasing	0.75
12	Purchase of Raw Alumina	Egypt	Murabaha	35.0
13	Helwan Fertilizer Company	Egypt	Leasing	20.0
14	Import of Crude oil & petroleum products	Pakistan	Murabaha	10.0
15	Import of Crude oil & petroleum products	Bangladesh	Murabaha	4.0
16	Paint shop machinery	Iran	Murabaha	23.0
17	BOGVI Limited	Kazakhstan	Leasing	4.0
18	Purchase of Rubber and other raw material	Tunisia	Murabaha	10.0
19	Import of Sugar and Timber	Saudi Arabia	Murabah	5.0
20	Tuzla Shipyard	Turkey	Leasing	10.0
21	King Abdul Aziz Library	Saudi Arabia	BOT	49.0
	Total			**400.75**

and Bai Al-Ajal. By the end of 1425H, IBP completed about eighteen years of operations and maintained a satisfactory growth rate in its financing activities. During 1425H, the IBP approved a total of 21 operations, amounting to $400 million. As could be seen in Table 5.4, out of these, 15 operations amounting to $308 million were in the area of trade finance.

During the period 1408H to 1425H, IBP approved $3,788 million. Details of IBP financing since its inception is given in Annex 5.1. Typically, leasing is 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 235.

2. IDB Unit Investment Fund

UIF was launched in 1410H (1989) in order to promote foreign direct investment in IDB member countries. The Fund has carved for itself a market niche of investments and Shariah compliant products both in short and long term tenors. Thus, the Fund is diversified by sector, by geography and by time span to maturity. This diversification policy serves as a natural mechanism for risk mitigation.

Objectives

UIF pursues two main objectives: mobilisation of resources for IDB and earning adequate return on investment for its unit holders. In its efforts to mobilise resources, the Fund aims at assisting IDB to source additional funds through the securitisation of its lease and instalment sale assets. In addition, the Fund complements IDB's by financing projects and Murabaha operations either directly or jointly with the Bank or its affiliates. On the other hand, the Fund aims at providing

Table 5.5
Operations Approved by the IDB Unit Investment Fund during 1425H

(in $ million)

No.	Project / Beneficiary	Country	Mode of Financing	Total
1	Import of crude oil	Pakistan	Murabaha	10.0
2	Import of CKD kits	Iran	Murabaha	10.0
3	Import of CKD Kits	Iran	Murabaha	10.0
4	Import of Construction Material	Saudi Arabia	Murabaha	12.0
5	Purchase of Fiber Optics cables	Kazakhstan	Murabaha	15.0
6	Denim Fabric Mill	Syria	Leasing	12.0
7	Import of Crude Oil	Bangladesh	Murabaha	10.0
8	Import of CKD Kits	Iran	Murabaha	15.0
9	Import of Sugar, Aluminium	Saudi Arabia	Murabaha	12.0
10	Spinning equipment	Uzbekistan	Leasing	6.85
11	Purchase of raw Aluminium	Egypt	Murabaha	15.0
12	Halwan Fertilizer Co.	Egypt	Leasing	10.0
13	Import of Crude oil	Pakistan	Murabaha	10.0
14	Import of Crude oil	Bangladesh	Murabaha	8.0
15	Paint shop machinery	Iran	Murabaha	9.0
16	Limited Liability Co.	Kazakhstan	Leasing	4.0
17	Purchase of rubber and raw material	Tunisia	Murabaha	15.0
18	Import of Sugar, Timber	Saudi Arabia	Murabah	15.0
19	Tuzla Shipyard	Turkey	Leasing	15.0
20	King Abdul Aziz Library	Saudi Arabia	BOT	15.0
	Total			**228.85**

unit holders with an opportunity to invest in accordance with the principles of Shariah. The Fund also provides attractive return on investment with minimum level of risk. The Fund has consistently achieved these objectives and has been able to distribute dividends to its unit holders at rates that have exceeded the rates of comparable investments available in the market.

Structure

In fifteen years, the size of the Fund has grown from $100 million to $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 tenor 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 1425H, the UIF conducted 20 operations, totaling $228.85 million, details of which are presented in Table 5.5. Murabaha is the most important mode of financing in the UIF operations. Since its inception, UIF provided finances amounting to $1,517.45 million, details of which are given in Annex 5.1.

3. IDB Infrastructure Fund

IIF is the first private investment vehicle of its kind to focus on infrastructure development in member countries. The Fund is registered in the Kingdom of Bahrain. The Emerging Markets Partnership (EMP), Bahrain, a subsidiary of EMP Washington, is managing the Fund. A Policy Management Company (PMC) representing the investors in the Fund oversees 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 exempt companies with limited liability. IDB, as the main sponsor of the Fund, has a 51 percent shareholding in the PMC.

The Fund's size for investment in equities is $730.5 million and that for the Complementary Finance Facility (CFF) is $200 million. The CFF, which is a Shari'ah-compliant facility, is to be deployed only in conjunction with the Equity Capital. It is envisaged that the deployment of CFF will help develop new financing methods to extend the range and maturity profile of Shari'ah-compatible financial instruments. When financing is to be provided through CFF, a syndicate may be formed to attract additional funding from institutions who are not participants in the Fund.

Objectives

The strategic objectives of the Fund are: i) to seek long-term capital appreciation by making equity and equity-related investments in infrastructure projects in member countries; and ii) to promote the use of Islamic finance in infrastructure projects.

The Fund is well placed to help stimulate the development of regional capital markets. So far two companies in which the Fund has made an investment have been listed on the stock exchanges of host countries. In view of the large size of infrastructure projects, new listings will serve to expand the region's capital markets.

Fee Structure

An annual management fee of 1.5 percent on total commitments by the Limited Partners is to be paid for the first five years, i.e. up to December 6, 2006. Thereafter, for the remaining five year period, the management fee of 1.5 percent is to be paid on the draw down amounts up to December 6, 2011. An incentive fee of 20 percent on all returns, after the priority rate of return of 7 percent has been paid, will be shared in the proportion of 80:20 between the Limited Partners and the Fund Manager.

Sectoral Focus

The main focus of the Fund's investments will be in sectors such as power generation, telecommunication, transportation, energy, natural resources, petrochemicals, water and other infrastructure-related sectors, including private Islamic financial and capital market institutions.

Investment Criteria of the Fund

In order to be eligible for the Fund's investment, a project should have a high priority for the country in which it is

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Table 5.6
IDB Infrastructure Fund – Equity Investments/Commitments Since Inception

Projects		Sector	No. of Projects	$ million
BANGLADESH				
1	CDC Globeleq Holding Company[1]	Power	1	40.0
MALAYSIA				
2	Air Asia[2]	Transportation	1	10.0
3	Senia Desaru Expressway Sdn Bhd[1]	Transportation	1	50.0
OMAN				
4	AES Oasis	Power	1	48.0
PAKISTAN				
5	AES Oasis	Power	2	102.0
SAUDI ARABIA				
6	Saudi International Petrochemical Company (SIPCHEM)	Petrochemical	1	48.0
7	Advance Polypropylene Company (APPC)	Petrochemical	1	34.0
	Total		**8**	**332.0**

[1]Committed but not yet disbursed.
[2]The Fund has sold 36.7 percent (cost $3.67 million) of its holding in Air Asia leaving a balance of $6.33 million out of the $10 million invested.

located. In addition, the following requirements should be met:

1. The Fund will not seek to be a majority investor. Generally the Fund's shareholding will not exceed 40 percent of the total equity.
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 $10 million, with a maximum investment of $100 million, or 10 percent of the Fund's Equity Commitment, whichever is lower.
5. The Fund will usually seek a seat on the Board of Directors of the investee 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 the 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 has committed a total sum of $332.0 million in eight projects in five member countries as summarized in Table 5.6. Further projects for participation of the IDB Infrastructure Fund are under consideration.

So far, a total return of $48.46 million has been received on the Fund's investment, of which $33.4 million is in the form of dividends and $15.06 million is in the form of realized capital gains. The management fee and other expenses paid thus far total $42.7 million.

4. Awqaf Properties Investment Fund

APIF was launched on 9 Dhul Qa'dah 1421H (3 February 2001) following the decision of the sixth Awqaf Ministerial Meeting held in Indonesia on 28 Jumad Thani 1418H (29 October 1997). As a Fund dedicated to the purpose of Islamic Awqaf, the Fund owes responsibility to the ultimate beneficiaries of the Waqfs, i.e. the needy, the destitute, the orphan, the elderly and the handicapped.

Objectives

APIF aims to develop and invest in accordance with the principles of Islamic Shariah, Awqaf real estate properties that are socially, economically, and financially viable, in IDB member countries and Muslim communities in non-member countries.

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As *Mudarib* (Manager) of the Fund, the Bank seeks to ensure that the participants earn return on their investment, consistent with the risks involved and comparable with other similar investments.

Structure

Upon the establishment of the Fund, an amount of $51 million was subscribed towards its capital. Further requests for participation were received and the capital base of the Fund was increased to $55 million in 1423H (2003). To support the activities of the Fund, IDB has provided a line of financing of $50 million. In addition, the Bank has also approved an amount of $250,000 for technical assistance to be used for preparing feasibility studies, project designs and concepts.

Activities

During 1425H, the Fund approved seven operations amounting to $41.77 million. In Table 5.7, it can be observed that four operations were for development of Awqaf properties with a total APIF contribution of $36.77 million. The remaining three operations were for liquidity management.

Table 5.7
AWQAF Properties Investment Fund
Operations Approved during 1425H

(in $ million)

No.	Project / Beneficiary	Country	Mode of Financing	APIF Contributions
Awqaf Development				
1.	Development of Residential and Commercial Complex, Bandar Abbas	Iran	Leasing	12.63
2.	Construction of Waqf Building, WAMY	Saudi Arabia	Leasing	4.0
3.	King Abdul Aziz Library, Madina	Saudi Arabia	Leasing	10.0
4.	Qureish Street Shopping Mall, Amman	Jordan	Musharaka	10.14
	Total			36.77
Liquidity Management				
1.	Import of Crude Oil	Bangladesh	Murabaha	2.0
2.	Import of Crude Oil	Bangladesh	Murabaha	1.0
3.	Import of Construction Material	Saudi Arabia	Murabaha	2.0
	Total			5.0

From its inception up to end-1425H, the Fund had approved 31 operations totaling $135.1 million. The details of APIF operation by modes of financing, since its inception, are given in Annex 5.2, which shows that leasing is the most used mode of financing in APIF operations.

5. World Waqf Foundation

WWF was established by IDB in 1422H (2001) in response to a need to create a global entity for Waqf, in collaboration with Waqf organizations – governmental, NGOs and philanthropists from the private sector. By end-1425H, fifteen organizations (governmental, NGOs, and private) and individuals contributed an amount of $42 million. The WWF is developing a marketing plan to further increase the number of its contributors.

Objectives

The objectives of the WWF are as follows:

- Promoting and activation of Awqaf to contribute to the cultural, social and economic development of member countries and Muslim communities, and to alleviate hardship among the poor, as well as sponsoring and supporting Waqf organizations with expertise and coordination.
- Supporting organizations, projects, programmes and activities in the educational, health, social, and cultural fields.
- Providing support in the conduct of studies and scientific research in the field of Waqf.
- Assisting countries and organizations in drafting Waqf legislations.

Structure

The WWF is composed of the Council of Waqifs (Endowers), Board of Trustees, the Executive Committee and the executive staff. The Council of Waqifs, is similar to a general assembly, and consists of contributors with endowments of not less than $1 million. The Council of Waqifs elects the six member Board of Trustees, which performs the functions of the Board of Directors. The Chairman of this Board is the President of the IDB Group, and it meets not less than four times a year. The Board of Trustees forms the Executive Committee with a membership from within and outside the Board. The executive staff include the Executive Director of the WWF together with a Marketing, Investment, Operations and Studies Departments, who all report to the Executive Director.

Activities

- WWF's Council of Waqifs held the fourth meeting in Tehran on 22 Safar 1425H, coinciding with the Week of Waqf in the Islamic Republic of Iran. The fifth meeting was held in Jeddah, Kingdom of Saudi Arabia, on 23 Ramadan 1425H. Also, the Board of Trustees held four meetings during the year.
- The Executive Committee of WWF held nine meetings during the year, thus bringing the total number of meetings held since the inception of the WWF to 54. WWF, in coordination with the Awqaf Organization of the Islamic Republic of Iran, held a promotional symposium about WWF activities in Tehran in conjunction with the 29th Annual Meeting of the IDB.
- WWF commenced cooperation with the Islamic Research and Training Institute (IRTI) on "Waqf Database Bank" project.
- WWF commenced cooperation with the Kuwait Public Awqaf Foundation, Kuwait (the coordinating country of Waqf issues in the Executive Council of the Conference of Ministers of Waqf and Islamic Affairs), and IRTI (member of the IDB Group) in preparing for a Waqf law guidelines. The first symposium in this regard was held at IDB's headquarters in Jeddah on 28 – 29 Shawwal 1425H (11–12 December 2004).
- WWF is in the process of developing its own basic document, which is known as the Charter, in the light of the feedback received from the Waqifs (endowers) and the experts. During the year, many WWF's operational documents were completed.
- The promotional campaign for marketing "The International Waqf for Serving the Holy Qur'an" was launched during the holy month of Ramadan, 1425H in cooperation between the WWF and the Holy Qur'an Memorization International Organization.

VI. AFFILIATES

In recent years, IDB established three affiliated entities: the International Centre for Biosaline Agriculture (ICBA), in the UAE, OICNetworks in Malaysia, and the Saudi Arabian Project for the Utilization of Hajj Meat. Activities of these affiliates during 1425H are briefly described below:

1. International Centre for Biosaline Agriculture

ICBA, established in 1420H (1999), is a non-profit international applied research and development centre mandated to work for agricultural development in arid and semi-arid areas affected by salinity. This specialized centre in Dubai carries out applied research for agricultural development in member countries facing water shortages, aridity, and harsh climatic conditions.

Activities

i. **Mobilizing Funds For Research And Development in Saline Environments in Member Countries**: The year 1425H witnessed expansion in the resources mobilized by ICBA to augment funding provided by IDB for research and development on salinity issues in IDB member countries. Funds committed to date by donor agencies for the period 1425H-1429H amount to $3,664,465. In Table 5.8, information concerning commitments of donor agencies for capacity building, research and development in IDB member countries is presented.

ii. **Joint Projects with IDB Member Countries:** ICBA's strategy for addressing salinity problems in member countries is first to understand the problems countries face with salinity, and then to develop collaborative R&D and capacity building programs to respond to those needs. The majority of ICBA's R&D projects are carried out in partnership with IDB member country institutions. Joint projects carried out during 1425H are summarized in the Table 5.9.

iii. **Strengthening Cooperation through Consultancy Services:** ICBA has undertaken consultancy projects for The International Atomic Energy Agency, the Abu Dhabi Municipality, the Public Works Department of Abu Dhabi and the National Prawn Company, Kingdom of Saudi Arabia.

iv. **Promoting Information Sharing on Salinity Issues:** ICBA has produced and distributed a range of publications, including a newsletter published three times each year in English and Arabic.

Table 5. 8
R&D and Capacity Development in Salinity for IDB Member Countries 1420H-1428H

Donor (cash or in-kind)	IDB Member Country Collaborators	Project title/Activity
CGIAR Comprehensive Assessment Competitive Research Grant Scheme (coordinated by IWMI)	National Agricultural Research Systems: DRC (Egypt), MWRI Egypt, NCARRT Jordan, SMAAR Syria, IRESA Tunisia	Assessment of saline water resources and their possible agricultural uses in 3-4 countries the WANA region, component of Harnessing salty water to enhance sustainable livelihoods of the rural poor in four countries in WANA
International Fund for Agricultural Development (IFAD)	Oman, Pakistan, Syria, Jordan/Palestine, Tunisia	Saving freshwater resources with salt-tolerant forage production in the WANA region: Design mission
International Fund for Agricultural Development (IFAD)	Oman, Pakistan, Syria, Jordan/Palestine, Tunisia	Saving freshwater resources with salt-tolerant forage production in the WANA region
Arab Fund	Oman, Syria, Jordan/Palestine, Tunisia, United Arab Emirates	Saving freshwater resources with salt-tolerant forage production in the WANA region
HH President of United Arab Emirates, Private Office		Core funds for ICBA and International Network on Biosaline Agriculture (INBA)
National Prawn Company (Kingdom of Saudi Arabia)		Pilot project for use of waste water from prawn production in biosaline agriculture
International Atomic Energy Agency (IAEA)	Ministry of Agriculture and Fisheries (UAE)	Feasibility study for biosaline agriculture in the United Arab Emirates
Abu Dhabi Public Works Department		Pilot project of salt-tolerant plants and halophytes
Consultative Group on International Agricultural Research Challenge Program on Water and Food	International Rice Research Institute, NARS of Iran, Bangladesh, and Egypt	Development of salt-tolerant cultivars of crops for rice-cropping systems for salt-affected areas in Bangladesh, Egypt and Iran

v. **Preparation of Research Scientists' Database:** In 1425H, ICBA started working on the research scientists' database to prepare a Who's-Who in the field of biosaline agriculture in the OIC member countries. Contacts have been established through letters and e-mails with individuals/organizations in different countries.

vi. **Seminar:** ICBA was a co-sponsor of the one-day seminar on Biosaline Agriculture entitled "Challenges and Opportunities for Products from Field to Markets" in Dubai, organized by the International Centre for Biosaline Agriculture (ICBA) and Ministry of Agriculture and Fisheries, Dubai, UAE.

vii. **Global Biosaline Network:** ICBA hosts an e-network on its website, the Global Biosaline Network, to link individuals and agencies with a common scientific interest in biosalinity.

2. OICNetworks SDN BHD

Introduction

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 $14.5 million over a period of 4 years. The present amount of authorized and paid-up capital is $2.6 million. Furthermore, the shareholders have provided to the Company RM3.6 million as cash advances to facilitate the implementation of its projects.

Activities

The Company presently operates two internet initiatives: OICtrade and OIC exchange portals. The OICtrade is membership-based portal that targets the corporate sector, while OIC exchange portal serves communities within the OIC member countries. In June 2004, shareholders decided to scale down the business operations of the Company, since the expected revenue and business growth, in particular from OIC Trade was not as expected. As such, the business plan was scaled down while the shareholders re-strategize new business opportunities in the light of market realities and trends in internet and network economy investment activities.

Table 5.9
ICBA and IDB Member Country Joint Projects in 1425H

Organization	Project	Location	Start date	End date
Bangladesh				
Bangladesh Agricultural Research Institute (BARI)	Demonstration of biosaline agriculture in salt-affected areas in Bangladesh (PMS09)	Bangladesh	1424H (2003)	1425H (2004)
Iran				
National Salinity Research Centre, Iran	Production of halophytes in Iran (PMS22)	Iran	1424H (2003)	1426H (2005)
Jordan				
National Centre for Agricultural Research and Technology Transfer, Jordan	Expanding date palm cultivation under saline conditions in Jordan (PMS23)	Jordan	1424H (2003)	1427H (2006)
Pakistan				
Pakistan Agricultural Research Council	Use of low quality water for productive use of desert and salt-affected areas in Pakistan	Pakistan	1424H (2003)	1426H (2005)
United Arab Emirates				
Environmental Research and Wildlife Development Agency (ERWDA), United Arab Emirates	Increasing biodiversity of mangrove species in the UAE: Introduction and adaptation of new species (PMS14)	UAE	1423 H (2002)	1425H (2004)
Ministry of Agriculture and Fisheries, UAE	Evaluation of irrigation practices and fertilizer requirements for optimizing productivity of three indigenous grass species (PMS01)	ICBA HQ	1421H (2000)	1425H (2004)
Ministry of Agriculture and Fisheries, UAE	Investigation of elite date palm and olive varieties for salt-tolerance (PMS06)	ICBA HQ	1422H (2001)	1427H (2006)
Ministry of Agriculture and Fisheries, UAE	Sustainable utilization of saline groundwater and wastelands for plant production (PMS13)	ICBA HQ	1421H (2000)	1426H (2005)
Ministry of Agriculture and Fisheries, UAE	Application of biosaline agriculture in a demonstration farm in the Northern Emirates of the UAE (PMS05)	Ras Al Khaimah, UAE	1424H (2003)	1427H (2006)
Ministry of Agriculture and Fisheries, UAE	Feasibility study for biosaline agriculture in the United Arab Emirates	UAE	1425H (2004)	1425H (2004)
United Arab Emirates University	Optimizing management practices for maximum production of two salt-tolerant grasses: *Sporobolus virginicus* and *Distichlis spicata* (PMS03)	ICBA HQ	1423H (2002)	1427H (2006)
United Arab Emirates University	Optimizing management practices for maximum production of three Atriplex species under high salinity levels (PMS04)	ICBA HQ	1423H (2002)	1427H (2006)
United Arab Emirates University	Development of sustainable salt-tolerant forages for sheep and goat production (PMS16)	UAEU	1424H (2003)	1427H (2006)

3. Saudi Arabian Project for the Utilization of Hajj Meat

The Saudi Arabian Project for the Utilization of Hajj Meat, which is managed by the Bank, lies outside the normal range of IDB operations. The Government of Saudi Arabia 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.

The Bank oversees the utilization of the sacrificial meat in accordance with established religious norms. The sacrificial animals include sheep, cows, and camels. The meat is then distributed to the needy in member countries and to Muslim communities in non-member countries. Information about the Project is widely disseminated through pamphlets, booklets, and posters, which are annually published in large numbers in nine different languages.

The distribution of meat in different countries from 1422H to 1425H is shown in Table 5.10. In 1425H, the number of slaughter of sacrificial animals stood at 503,954. Of these, carcass of 272,000 sheep were shipped to the poor and the needy in 23 member countries. Additionally, the Hajj meat was distributed among the poor and needy of the Haram area in Makkah al Mukarramah. In addtion to 231,954 sheep carcass distributed in the Haram area in 1425H, a total of 4,495 carcass of camels and cows were also distributed locally.

A view of IDB managed slaughter house for Sacrificial Animals in Makkah Al-Mukarrama, Saudi Arabia

Table 5.10
Distribution of Sacrificial Meat during Hajj Seasons for the Years 1422H-1425H

	Country	1422H	1423H	1424H	1425H[1]
1.	Azerbaijan	5,000	5,000	5,000	5,000
2.	Bangladesh	59,000	59,000	59,000	59,000
3.	Burkina Faso	2,500	2,500	2,500	2,500
4.	Chad	5,000	5,000	5,000	5,000
5.	Comoros	3,000	3,000	3,000	3,000
6.	Djibouti	7,000	7,000	7,000	7,000
7.	Ghana	500	500	500	500
8.	Guinea Bissau	-	5,000	5,000	5,000
9.	Guinea Conakry	5,000	5,000	5,000	5,000
10.	Jordan	20,000	20,000	20,000	20,000
11.	Lebanon	15,000	35,000	55,000	55,000
12.	Mali	2,500	2,500	2,500	2,500
13.	Mauritania	10,000	10,000	10,000	10,000
14.	Mozambique	4,000	4,000	4,000	4,000
15.	Niger	2,500	2,500	2,500	2,500
16.	Pakistan	10,000	10,000	10,000	10,000
17.	Palestine	1,800	30,000	-	30,000
18.	Senegal	10,000	10,000	10,000	10.000
19.	Sierra Leone	5,000	5,000	5,000	5,000
20.	Sudan	10,000	10,000	10,000	10,000
21.	Syria	10,000	10,000	10,000	10,000
22.	Tanzania	6,000	6,000	6,000	6,000
23.	The Gambia	5,000	5,000	5,000	5,000
	Sub-total	198,800	252,000	242,000	272,000
	Poor of Haram	394,957	373,316	342,614	231,954
	Grand Total	**593,757**	**625,316**	**584,614**	**503,954**

[1]Provisional.

Annex 5.1
Total Operations Approved by the Islamic Banks Portfolio and IDB Unit Investment Fund by Country Since Inception[1]

	ISLAMIC BANKS PORTFOLIO				UNIT INVESTMENT FUND		
No.	Country	No. of Operations	$ million	No.	Country	No. of Operations	$ million[2]
1	Algeria	6	39.30	1	Algeria	13	108.24
2	Bahrain	22	125.00	2	Bahrain	6	50.00
3	Bangladesh	9	230.50	3	Bangladesh	10	119.70
4	Brunei	1	25.00	4	Brunei	1	15.00
5	Egypt	16	369.29	5	Egypt	10	97.18
6	Indonesia	2	60.50	6	Indonesia	2	25.00
7	Iraq	1	1.50	7	Iran	19	200.75
8	Iran	15	152.50	8	Jordon	1	5.95
9	Jordan	3	46.74	9	Kazakhstan	4	34.16
10	Kuwait	2	100.00	10	Kuwait	4	32.00
11	Kazakhstan	5	27.00	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	42	1,233.69	15	Oman	1	15.00
16	Qatar	3	47.60	16	Pakistan	33	283.02
17	Saudi Arabia	25	369.90	17	Qatar	4	47.00
18	Sudan	5	32.50	18	Saudi Arabia	13	120.02
19	Tunisia	9	27.40	19	Sudan	1	5.00
20	Turkey	41	462.55	20	Syria	1	12.00
21	Uganda	1	0.93	21	Tunisia	5	30.00
22	IDB Special Programme	5	105.00	22	Turkey	21	136.99
23	Uzbekistan	1	0.75	23	UAE	3	28.02
24	UAE	3	18.00	24	Uzbekistan	1	6.85
25	Non-member	1	1.21				
26	Syria	1	9.00				
	Total	**235**	**3,788.00**		**Total**	**164**	**1,517.45**

[1]Figures are net of cancellations
[2]Includes the total of direct, syndicated and co-financed operations

Annex 5.2
AWQAF Properties Investment Fund Operations Approved for Awqaf Development and Liquidity Management Since Inception up to end 1425H

		Country	Mode of Financing	$ million
Awqaf Development				
1	Malaysian Govt. Global Sukuk Issue, thru HSBC	Malaysia	Ijara Sukuk	5.00
2	Dev. of Al-Khan Residential Bldg. Sharjah	UAE	Leasing	3.00
3	Constr. of Awqaf Comm. Bldg.	UAE	I/Sale	1.00
4	High Rise Awqaf Comm. Ctr.	Kuwait	I/Sale	1.00
5	Extention of Awqaf Comm. Complex	Kuwait	I/Sale	1.00
6	Dev. Of Waqf Bldg.Proj. Madinah Resrch.Ctr.	Saudi Arabia	Leasing	3.70
7	Dev. Of Juffair Office Tower Project	Bahrain	Leasing	6.69
8	Dev. Of Al-Rashidiyah Islamic Private School	UAE	Leasing	2.54
9	Dev. Of Awqaf Com.& Ofce Bldg.at Al-Aizarieh	Palestine	Istisnaa	3.10
10	The Women Center for Memorization of Quran	Qatar	Leasing	11.00
11	Purchase of Assets from UIF & Specific Deposits	Lebanon	Leasing	3.00
12	Purchase of Assets from UIF & Specific Deposits	Sudan	Leasing	3.00
13	Purchase of Assets from UIF & Specific Deposits	Turkey	Leasing	3.00
14	Purchase of Assets from UIF & Specific Deposits	Saudi Arabia	Leasing	3.00
15	Purchase of Assets from UIF & Specific Deposits	Pakistan	Leasing	3.00
16	APDC for the Qureish Street Com.Complex	Jordan	Leasing	15.00
17	Dev. Of Awqaf Comrcl Tower Proj in Khartoum	Sudan	Leasing	10.00
18	Dev. Of Resid. & Comrcl Bandar Abbas	Iran	Leasing	12.63
19	Waqf Bldg., WAMY in Al-Aziziah, Makkah	Saudi Arabia	Leasing	4.00
20	King Abdul Aziz Library, Madinah	Saudi Arabia	Leasing	10.00
21	Qureish Street Shopping Mall, Amman	Jordan	Musharaka	10.14
	Sub-total			**114.80**
Liquidity Management				
1	Imp. of Crude Oil fvr Pertamina	Indonesia	Murabaha	2.00
2	Imp. of wheat & barley	Tunisia	Murabaha	2.00
3	Imp. of Crude Oil & Ref. Petroleum	Bangladesh	Murabaha	2.00
4	Imp. of Crude Oil & Ref. Petroleum	Bangladesh	Murabaha	2.00
5	Imp. of CKD Kits fvr. Iran Khodro Co.	Iran	Murabaha	2.00
6	Imp. of Alum.,Timber & Sugar fvr Algosaibi	Saudi Arabia	Murabaha	3.25
7	Imp. of crude oil fvr Pertamina	Bangladesh	Murabaha	2.00
8	Imp. of Constr.mtrls, fvr,STCC**	Saudi Arabia	Murabaha	2.00
9	Imp. of Crude Oil	Bangladesh	Murabaha	1.00
10	Imp. of Crude Oil & Ref. Petroleum	Bangladesh	Murabaha	2.00
	Sub-total			**20.25**
	Total			**135.05**

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PART THREE

ADMINISTRATION AND FINANCE

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CHAPTER 6

ADMINISTRATIVE AND CORPORATE AFFAIRS

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IDB Financed Medical Equipments Installed at Sarawak General Hospital, Malaysia

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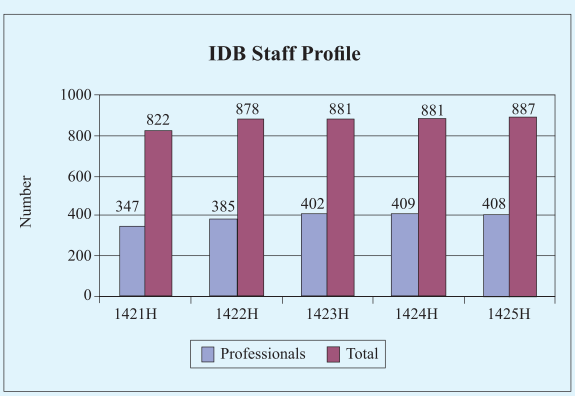
HIGHLIGHTS

- Twenty-Ninth Annual Meeting of the Board of Governors held in Tehran, Islamic Republic of Iran.
- Board of Executive Directors covers 433 Agenda Items in Eight Meetings during 1425H.
- Board approves 5-Year Strategic Plan for the IDB Group.
- Board approves Public Information Disclosure Policy for the IDB Group.
- Launching of Staff Deployment Programme.



I. MEMBERSHIP

The Islamic Development Bank is a unique multilateral development bank which has been witnessing a steady growth in its membership since its inception in 1975. From 22 developing member countries in 1975, it grew to 43 in 1985, 48 in 1995 and reached 55 developing member countries in 2004 at a time when the Bank is celebrating its 30th Anniversary.

II. ACTIVITIES OF THE BOARD OF GOVERNORS

The Islamic Republic of Iran hosted the Twenty-ninth Annual Meeting of the Board of Governors of the Islamic Development Bank during 29 Rajab- 1 Sha'baan 1425H (14-15 September 2004) at its historic capital city Tehran under the patronage of His Eminence Ayatollah Seyyed Ali Khemeni, the Supreme Leader of the Islamic Revolution and H.E. Seyyed Mohammad Khatami, President of the Islamic Republic of Iran. Dr. Mohammad Reza Aref, the First Vice President of the Islamic Republic of Iran declared the Annual Meeting open.

In his opening address, H. E. Dr. Mohammad Reza Aref congratulated the Bank on completion of 30 years of service to the Ummah and commended the role being played by the IDB in accelerating economic development and social progress of member countries and Muslim communities in non-member countries, especially towards solving major problems of poverty and underdevelopment in most member countries. He expressed hope that the IDB will do its best to achieve these objectives through competent management, adopting sound policies and allocating more resources. H.E. Dr. Reza called for serious efforts to establish an Islamic Common Market in accordance with the Communiqué of the 8th OIC Summit Conference held in Tehran and observed that this would enhance solidarity and increase the share of global trade among member countries. He assured Iran's full support to IDB in its efforts to serve the interests of the Ummah.

H. E. Dr. Safdar Hosseini, Chairman of the Board of Governors, delivering the opening address at the Inaugural Session observed that the IDB activities have undergone many changes in response to the new needs of member countries during the past three decades. He called on member countries to adopt a unified approach to globalization, and to cooperate with each other to boost the private sector.

In his statement to the Board of Governors, H. E. Dr. Ahmad Mohamed Ali, President, IDB Group, expressed thanks and gratitude to His Eminence Ayatollah Seyyed Ali Khemeni, the Supreme Leader of the Islamic Revolution, for blessing the Annual Meeting and the participants with his care and concern, H.E. Seyyed Mohammad Khatami, President of the Islamic Republic of Iran, for his patronage of the Annual Meeting and to First Vice President Dr Mohammad Reza Aref for gracing the opening ceremony. He thanked the people and government of Iran for the excellent arrangements and generous hospitality. He briefly reviewed the performance of the IDB in 1424H and spoke on various matters related to the activities of the IDB Group during the year.

H. E. the Prime Minister Seydou Elimane Diarra, the IDB Governor for Cote d'Ivoire, H. E. Mr. Farhad Shovlet Aliyev, the IDB Governor for Azerbaijan, and H. E. Dr. Mohamed Bin Khalfan Khirbash, the IDB Governor for the United Arab Emirates spoke on behalf of the Group of African countries, Group of Asian countries, and Group of Arab countries, respectively. A number of other Governors also addressed the Annual Meeting during the Working Session and commended the strides made by the institution in the last three decades.

The Procedures Committee, appointed by the Board of Governors at the Twenty-eighth Annual Meeting, met on 28 Rajab 1425H (13 September 2004). 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-ninth Annual Report of the Board of Executive Directors for the Year 1424H (2003-2004) and approved: (i) the Audited Statement of Accounts of the Bank for the Year 1424H (2003-2004); (ii) Transfer of Balance on the Profit and Loss Account as at the end of the Financial Year 1424H (2003-2004) to the General Reserve; (iii) the Audited Statement of Accounts of the Waqf Fund for the year 1424H (2003-2004); (iv) the Audited Statement of Accounts of the Export Financing Scheme for the year 1424H (2003-2004); (v) the Audited Statement of Accounts of the Islamic Banks' Portfolio for the year 2003; (vi) 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 2003); (vii) the Audited Statement of Accounts of the Awqaf Properties Investment Fund for the second financial year period that ended on 29/12/1424H (2003-2004).

The Board of Governors approved the allocation of $ 5 million representing about 5 percent of the forecasted IDB net income for the financial year 1425H, for financing Technical Assistance Operations in the form of grants for the year 1426H.

The Board of Governors elected the IDB Governor for Malaysia as Chairman of the Board of Governors for 1425H-1426H (2004-2005) Session. It also elected the IDB Governor for Djibouti and the IDB Governor for the Kingdom of Saudi Arabia, as Vice-Chairmen for the term of office starting immediately after the end of the 29th Annual Meeting until the end of the 30th Annual Meeting.

At the closing session on 1 Sha'baan 1425H (15 September 2004), the IDB Prize in Islamic Banking for the year 1424H was awarded to Dr. Mohammed Ali Al Qari of the Kingdom of Saudi Arabia. The three IDB Science & Technology Prizes were awarded to (1) International Center for Chemical Sciences, University of Karachi, Pakistan; (ii) Institute of Plant Physiology, Genetics & Bioengineering (IPPGB), Ministry of Education & Sciences, Kazakhstan; and (iii) Physics & Chemistry Departments (jointly), Faculty of Science, An-Najah National University, Palestine. The IDB Science & Technology Prizes were instituted in 1423H to promote the useful and peaceful application of science to uplift the social and economic status of member countries and Muslim communities worldwide as well as to support capacity building of leading science and technology and research and development institutions in member countries.

His Excellency Dr. Mohammad Khazaee, Deputy Minister of Economic Affairs and Finance of the Islamic Republic of Iran then presented the recommendations of the 15th Annual Symposium on "Health Millennium Development Goals: Reversing the Incidence of Malaria in IDB Member Countries", which was held in conjunction with the Annual Meeting.

In his closing statement, the President, IDB, 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 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 First Vice President of Iran and the IDB Governors and informed the meeting that the Bank will consider all suggestions and take necessary action.

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During the Dinner Banquet hosted by the Guest of Honor, H.E. the First Vice President of Iran formally inaugurated and launched the 30th Anniversary Celebrations of the Bank by clicking the 30th Anniversary Website which was prepared to commemorate the occasion.

III. ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS

During 1425H (April 2004 – February 2005) the Board of Executive Directors (BED) held eight meetings in addition to a number of meetings of the Standing, Special, and Ad-hoc Committees of the Board. Table 6.1 summarizes the categories of subjects considered by the Board during 1425H. Box 6.1 highlights the major policy decisions taken by the Board during 1425H.

During 1425H, the Board considered 433 agenda items, including 157 items approved by the President, IDB which are mostly related to trade operations. The Board agenda items pertained to 87 project operations, 41 Waqf Fund (Special Assistance) operations, and 67 policy items. Details of projects and trade operations have been discussed in Chapters 3 and 4.

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.

Box 6.1
Major Policy Decisions of the IDB Board of Executive Directors during 1425H

- Decided to give option to member countries to choose between fixed or floating rates for financing under the Ordinary Capital Resources of the Bank.
- Approved the IDB Group Public Information Disclosure Policy.
- Approved the 5-Year Strategic Plan of the IDB Group as well as that of individual entities and departments.
- Approved launching of the second Sukuk Issue under the Euro Medium-Term Note (EMTN) programme for $1 billion with a first tranche of up to $ 500 million in 1426H and authorized the Management to implement the EMTN program.
- Approved an emergency assistance package of $500 million to the countries affected by Tsunami.

1. Standing Committees

A brief description of the functions and activities carried out by these committees are given below.

The main standing committees of the Board are:

1. Finance and Administrative Committee
2. Operations Committee
3. Export Financing Scheme (EFS) Committee

Board of Executive Directors Meeting in IDB Headquarters, Jeddah

Table 6.1
Business Transacted by the Board of Executive Directors during 1425H

Date of BED Meetings	No.	Trade Operations	Projects	Waqf Fund operations	Policy items	Other Items	Sukuk Items	AMD Items	Follow-up Reports	Items Approved by the President	Total No. of Agenda items	Resolutions Adopted
07 Safar 1425H (28 March 2004)	221	-	9	6	9	4	1	3	2	16	50	21
13 Rabi Awwal 1425H (02 May 2004)	222	-	6	6	4	4	1	-	1	15	37	12
2 Jumad Awwal 1425H (20 June 2004)	223	3	12	4	8	8	1	2	1	21	60	31
15 Jumad Thani 1425H (1 August 2004)	224	-	12	4	4	7	3	-	3	22	55	21
27 & 29 Rajab 1425H (12 & 14 September 2004)	225	-	15	4	8	6	1	-	2	17	53	24
23-24 Rahmadan 1425H (6 – 7 November 2004)	226	-	-	-	1	3	1	-	-	-	5	8
15-16 Shawwal 1425H (28 – 29 November 2004)	227	-	15	9	10	6	1	1	5	41	88	39
26-27 Dhul Hijjah 1425H (6-7 February 2005)	228	-	18	8	23	7	1	-	3	25	85	46
Total:		**3[1]**	**87**	**41**	**67**	**45**	**10**	**6**	**17**	**157**	**433[2]**	**202**

[1]These figures represent the Trade Finance and UIF/EFS operations submitted to the B.E.D. for approval as these were beyond the financing limit delegated by the B.E.D. 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 B.E.D., are covered in the column "Items approved by the President". This column also includes T.A. Projects approved by the President, IDB.

[2]Out of the 433 items considered by the Board, Resolutions were adopted on 202 items, while 157 items were approved by the President as indicated in the first footnote. The remaining items which were considered by the Board but on which no resolutions were required pertain to (i) standing items such as adoption of agenda and 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 postponed.

2. Audit Committee

The Finance and Administrative Committee mainly helps the Board in deciding 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. During its six meetings this year, the Committee assessed the annual operation plans and programs of the Bank, recommended the Bank's general administrative and personnel policies to the Board and reviewed several financial issues of the IDB Unit Investment Fund, Islamic Banks' Portfolio and Awqaf Properties Investment Fund.

The Operations Committee met five times and 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 Committee also reviewed the draft of the 29th Draft Annual Report, cleared the draft annotated outline of the 30th Annual Report and completed the selection of Occasional Papers for 1426H.

The above-mentioned two Committees held a joint meeting in Dhul Hijjah, reviewed the Operations Plans & Administrative Budgets of various departments and affiliates of the IDB and recommended their approval to the Board.

The Export Financing Scheme Committee considered the report on the performance and status of the EFS for 1425H. It also recommended EFS Operations Plans, Administrative Budget as well as the Country-wise allocations of the EFS resources for 1426H for the approval of the Board.

Audit Committee held six meetings during 1425H, which reviewed the financial statements and the Management Letter with the external auditors, the Annual Report of the Internal Audit Office, implementation of audit recommendations and annual work program, the reports of the Operation Evaluation Office, Equity Portfolio, and Operations Portfolio Status.

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It also evaluated the offers from auditing companies and finalized recommendations to the Board of Executive Directors for the selection of External Auditors for the IDB and its windows for the year 1426H (2005).

In addition to these tasks, the Committee also reviewed 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 concerned departments.

3. Special Committees

The following Special Committees of the Board of Executive Directors met within the framework of their respective terms of reference.

The Executive Committee of the Islamic Banks' Portfolio approved operations within the powers delegated to it and recommended other operations for the Board's consideration. This Committee is responsible for formulating policies and guidelines for the Islamic Banks' Portfolio for Investment and Development.

The Executive Committee of the IDB Unit Investment Fund is responsible for providing 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 guides and supervises the implementation of the Scholarship Program for Muslim minorities in non-member countries. The Committee submitted an annual report on its performance to the Board.

The Committee for the IDB Merit Scholarship Program for Member Countries is an advisory committee that formulates general policy and supervises the implementation of the IDB Merit Scholarship Program for the development of technically qualified manpower in member countries.

The Pension Committee takes decisions on all matters of general policy falling under the IDB Staff Retirement Plan and establishes rules, policies and procedures for the administration and implementation of the Plan.

The Pension Administration Committee administers the Staff Retirement Plan and maintains its accounts, subject to the supervision and control of the Pension Committee.

IV. VICE PRESIDENTS

The Board of Executive Directors approved the renewal of the term of appointment of Mr. Muzafar Al Haj Muzafar and Dr Amadou Boubacar Cisse as Vice Presidents for a term of three years from the date of completion of their previous tenure – 9 Rabi Awwal 1425H and 5 Dhul Qaada 1425H respectively.

V. ORGANISATIONAL REVIEW

1. Strategic Planning Framework

In view of the growth of IDB from a single entity to a multi-entity Group, and after extensive consultations with all stake-holders, a Strategic Framework for the IDB Group comprising IDB, IRTI, ICIEC and ICD was prepared and approved by the Board in its 219th meeting held on 13-14 Shawwal 1424H (7-8 December 2003). Based on this Framework, the Group developed a 5-Year Strategic Plan, annual business plan and budget for each member and department within the Group.

The objectives of the Strategic Plan are: (i) Poverty Alleviation; (ii) Promotion of cooperation among member countries and (iii) Promotion of Islamic banking and finance. Based on the objectives, the Plan will concentrate 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 in Islamic banking and finance.

The purpose of the Strategic Plan is to set an overall strategic direction for the operations of the IDB Group over the period 1426H-1430H, and to identify the anticipated outcomes and expected contribution towards achieving the strategic objectives as contained in the approved Strategic Framework. The Strategic Plan aims at reinforcing the development effectiveness of the IDB Group as an integrated group of specialized institutions serving its member countries and Muslim communities in non-member countries through direct intervention and strategic alliances with development partners to maximize development impact and poverty alleviation.

Realizing the challenging targets ahead, the Management has initiated a number of important internal changes to create a more efficient organization and provide better services to the stakeholders. On the external side, a need was felt to heighten the awareness about the activities of the IDB Group as well as to further increase the level of communication with all development partners and stakeholders. Consequently, during 1425H, the IDB adopted an important policy guidelines concerning the public disclosure of information about the activities of the IDB Group. Box 6.2 highlights the major parameters of the Information Disclosure Policy of the IDB Group. It is expected that, by adopting this Policy, the stakeholders will also have an opportunity to provide ideas to the Bank on policy and operational matters in order to further enhance its development effectiveness.

2. IDB Group Forum

The IDB Group Forum, which was established to consider matters concerning group strategies, policies and organizational plans held regular monthly meetings during 1425H. It discussed several important subjects such as the implementation of the IDB Group Strategy Framework, Promotion of Cooperation Strategy, IDB Group I.T Strategy, Organizational issues (overlap, coordination, cooperation etc)., Human Resources Strategy, Financial Projections, and Administrative Services 5 year plan.

3. Knowledge Management

Knowledge Management is a systematic process of connecting people to each other and to the information they need to effectively act. A Knowledge Management initiative has been established at IDB, with the vision to become a knowledge-based institution where knowledge sharing is closely integrated with business needs practices, and staff learning is valued and rewarded. It is intended to enhance performance through the identification, capturing, validation, and transfer of knowledge. A Knowledge Management Steering Committee, chaired by the President, has been established to facilitate the process.

The KM Function focuses on:

1. Creating awareness on the importance of knowledge management, and the cultural challenge it presents.

2. Developing a framework that would drive the short and medium term knowledge management initiatives to achieve the following:

    i. Create systems and strategies to identify, track and make valuable information available within and outside the Group.

    ii. Share knowledge across the Group, as well as with clients and partners.

    iii. Promote, support and reinforce continuous learning.

Box 6.2
Information Disclosure Policy of the IDB Group

The Public Information Disclosure Policy of the IDB Group was approved by the Board of Executive Directors at its 223rd Session. The Policy underscores the IDB Group's commitment to enhance transparency and promote better understanding of its activities among various stakeholders. The Policy is prepared in line with the vision, mission and core values of the IDB Group and in line with the objectives of the new Strategic Plan. The outcome of the implementation of the Policy will increase the scope of information made available to the public through disclosure of various information mainly through the Group's website.

The IDB Group's Public Information Disclosure Policy is founded on the following basic principles:

1. Compliance with the mandate of the Articles of Agreement establishing the Bank.
2. Transparency: Transparency is crucial for promoting the IDB Group's operations in member countries. It is also essential for drawing more support for development process as it improves its operations in terms of design, implementation, and development.
3. Business Confidentiality: The IDB Group will preserve the confidentiality of its business with member countries, partners and beneficiaries and will share such business information only among its business partners for legitimate business purposes. In line with this principle, the IDB Group will protect its legitimate interests as well as of those entities dealing with the IDB Group. This is essential to sustain cooperative and cordial relations with its clientele.

While disclosing public information, the stress would be on conveying the following messages:

1. That the IDB Group helps to foster social progress and economic development of the member countries and communities in non-member countries.
2. That the IDB Group helps to fulfill a social need and plays an essential developmental role in the member countries.
3. That the IDB Group is a catalyst, bringing economic and social change in the member countries.
4. That the Bank fosters regional, sub regional and inter-regional cooperation.

iv. Enhance the staff capacity to generate, access and use knowledge from all sources.
v. Capture and document lessons learned from the Group experiences and activities.

3. Carry out the following key activities as a part of the KM Program at IDB:

i. Oral History Program to preserve the Group's institutional memory, by capturing knowledge from the staff who are leaving the Group as well as transferring knowledge from the old generation staff to the young generation.
ii. Set up a Staff Directory of Experts, current as well as retired, to avail of their knowledge, skills and experience in areas of their expertise.
iii. Creation of a Knowledge Management Vertical Portal (Vortal) which will be a one stop shop website of the IDB Group knowledge management programs and activities.
iv. Establish Communities of Practice to enable staff who share a concern, a set of problems, or a passion about a topic to deepen their knowledge and develop their expertise by interacting with each other on an ongoing basis.
v. Promote Advisory Services to provide information on the IDB Group operations and activities.

4. Organizational Structure

A review of the overall Group Organizational Structure was initiated to align it with the new 5 year Strategic Plan of the Group. The functions and responsibilities of the Internal Audit Office have been revised to increase its scope of activities to cover all the members of the Group. The functions and organizational structure of the Risk Management Office have also been revised and placed under the Office of the President, IDB Group.

An initiative on the retired staff resulted in the preparation of the Articles of the Retired Staff Association which is under consideration.

5. Records and Documents Management

During 1425H, the focus of records management was on establishing and activating the IDB Group scanning center and the departmental electronic archives. This required training and familiarizing staff in the use of electronic documents. More than 40,000 documents comprising 670,000 pages were scanned, indexed and made available online to IDB Group staff through an internal IDB Common Documents Site. One third of the Bank's departmental archives are stored electronically.

A contract for the implementation of a Bank Group Integrated Records & Documents Management System (IRDMS) by a solution provider has been finalized. The solution is intended to manage all types of documents and is expected to be completed within two years.

6. Distance Learning and Video Conferencing

During its second year of operation, the Distance Learning Center organized 62 events, comprising training courses and video conferences. These events included 10 weekly programs delivered by the Islamic Research and Training Institute (IRTI) as part of a course on Islamic Banking and Finance. Four new distance learning sites were established during 1425H.

VI. INFORMATION TECHNOLOGY

The recently approved IDB Group Information Technology Strategic Plan aims to continuously maintain a resilient technology infrastructure and information system that fulfills the IDB Group business needs, standardizing hardware and software acquisition, developing and maintaining a client/customer focused approach to providing technical and professional services. It also aims at providing the IDB Group user- community with quality, efficient and secure information services and state-of-the-art office automation systems.

Currently, the Bank is in the process of studying and selecting the appropriate alternative solution for implementing the IDB Group Information Technology Program (ITP) to support Group Strategic Plan.

In June 2004, the IDB Mainframe Business Applications successfully migrated to the UNIX environment. This project was accomplished by the internal resources with a view to enhancing the performance of the IDB business applications and reduce its operation and maintenance costs.

Connecting the IDB Regional Offices to the Headquarters computing environment through Virtual Private Network (VPN) is in its final stages. The project will enable IDB Regional Offices and IDB mobile users to remotely and securely access the IT Systems and Services and exchange information with the IDB Headquarters.

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The development and implementation of the IDB Group web portal is in progress. The implementation of the new Library Information Management System is in its final stage. The IDB enterprise business applications are being continuously enhanced and maintained to meet the growing needs of the IDB Group.

VII. STAFF

As an international development financing institution working towards the social and economic development of member countries and Muslim communities worldwide, high standards of efficiency and caliber are important considerations while recruiting staff. In addition to the regular staff, the Bank also recruits external consultants and experts on short term basis whenever required.

During 1425H, 33 staff members comprising 17 Professional and 16 General category staff joined the Bank. Of these, 28 were from member countries. Five employees left the services of the Bank during this period. The current staff strength is 887 comprising 408 Professional, 69 Special, 327 General and 83 Manual category staff members.

In order to underpin the implementation of the Strategic Plan of the IDB Group, a need was felt to critically examine the existing manpower deployment and to determine the required skill-mix of the staff. In the light of the Strategic Plan, a task force was mandated to examine international standard ratios of manpower deployment and to assess current IDB Group manpower situation in terms of manpower requirements of the Departments/Offices as well as the distribution of the Bank staff. Box 6.3 highlights the work and outcome of the task force on staff deployment programme.

Box 6.3
Staff Deployment Programme

- The task force on staff deployment programme identified capabilities of existing staff in relation to the requirements and possibilities of redeployment. The Bank then assigned KPMG International Consultants to undertake a study on the staff assessment and redeployment project.

- The project covered 33 Departments/Offices and was implemented in three phases: a) as-is assessment, b) staffing plan & organization improvement, and c) capability assessment and action plans. It also reviewed factors that affect IDB staffing, building and implementing a staffing model for use as a standard tool to estimate staff required for each Department/Office, etc. Over 50 staff members who were also trained during the exercise assisted the Consultants in data collection and building the staffing model. Fifteen focus groups worked to identify technical skills and knowledge required in each department/office. The consultant then worked with Department Heads on base-line staffing and organization structure improvements.

- The project was completed by establishing base-line staffing requirements of each Department/Office and formulating action plans for redeployment of staff based on agreed results of the staffing model and for the development of staff capabilities according to individual staff assessment. The recommendations of the Consultant are being implemented in accordance with detailed action plans for each Department/Office.

1. Young Professionals Programme

The Bank reviewed 635 applications received under the Young Professionals' Program and interviewed 15 candidates. Of these, seven Young Professionals joined the Bank and are currently under training. Eleven Young Professionals were confirmed during 1425H.

2. Training

During 1425H, the Bank provided 548 training opportunities to the staff. Details are shown in Table 6.2.

Table 6.2
Staff Training Attended By Category

Type of Training	Directors	Professional	Special	General	Manual	TOTAL
In-house	6	182	28	167	12	395
Language	0	0	3	18	2	23
External	0	5	0	1	0	6
Computer	20	9	9	76	10	124
Total	**26**	**196**	**40**	**262**	**24**	**548**

VIII. LIBRARY

The main objective of the Library services is to fulfill the information requirements of IDB Group staff members in the field of economics, finance, investment, development, transfer of technology, trade, information technology and other related areas.

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The Library has an extensive collection of printed and non-printed materials which makes it a solid knowledge and information base for all IDB Group staff members.

This collection is backed up with an extensive journal collection (more than 500 titles) and a number of online sources such as EIU Country Reports, British Library Supply Centre, and the World Bank e-library. The website of the library provides information on member countries, link to the library bibliographic database, a link to the library information bulletins, and connection to some useful online information services.

1. New Library Management System

The new system "OLIB" has been installed and is now in the trial phase. All the bibliographic data has been successfully transferred and some extensive staff training has been conducted. On full implementation, the system will enable the library to shift to a higher level of service quality and more direct interaction with the users.

2. Dissemination of Information

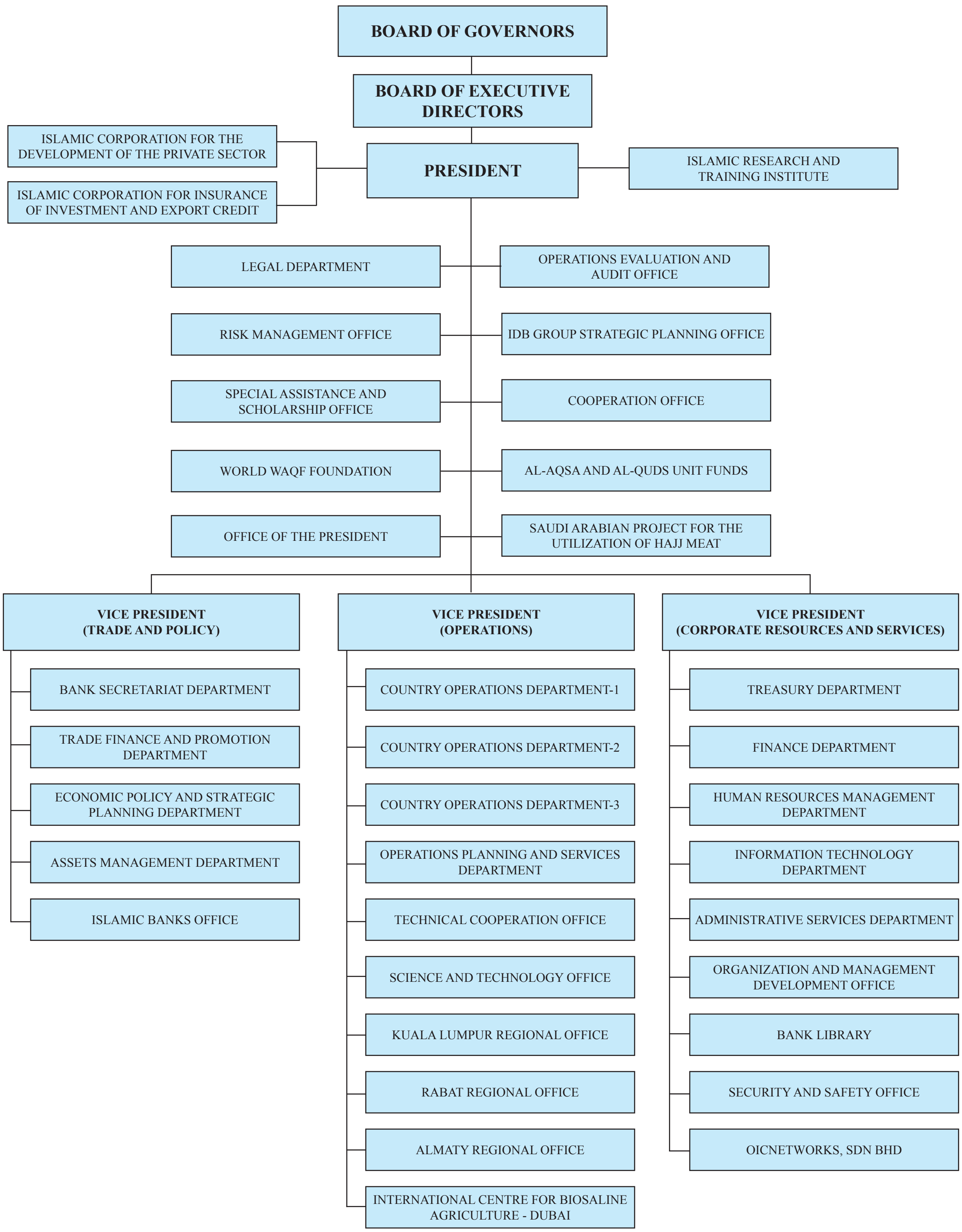
The library continued dissemination of information service to promote the use of the new acquisitions in addition to providing wider access to online sources such as electronic journals, international newspapers and specialized data bases.

3. Learning Resource Center

The objective of the Learning Resource Center is to promote IDB training programmes and encourage continuous learning and self education. The collection at the Center comprise of video tapes, audio cassettes, PC software in the fields of language learning, management, finance, Islamic banking and finance.

Construction of farm-to-market road network under the IDB integrated rural development project in Burkina Faso

ORGANISATION CHART OF THE ISLAMIC DEVELOPMENT BANK GROUP



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CHAPTER 7

FINANCE

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Tivaouane Agro Pastoral IDB Project in Senegal

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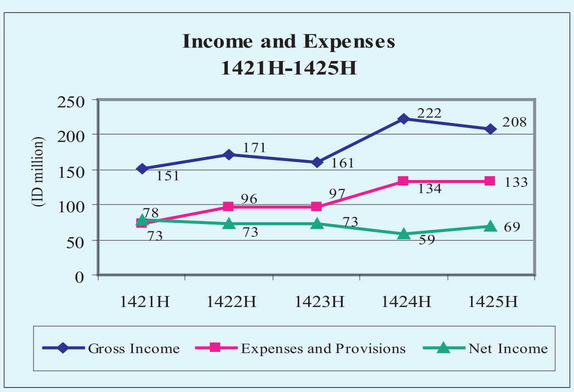
HIGHLIGHTS 1425H

Ordinary Capital Resources

- Total Assets: ID4.76 billion
- Members' Funds: ID4.27 billion
- Gross Income (before exchange loss): ID207.91 million
- Exchange Loss: ID6.19 million
- Total Expenses and Provisions (Includes Depreciation on Ijarah Muntahia Bittamleek's): ID132.42 million
- Net income: ID69.31 million
- Total IDB Group Disbursements: ID2,113.9 million
- Total IDB Group Repayments: ID1,215.35 million

Waqf Fund

- Total Income: ID20.32 million
- Net Assets: ID879.73 million



I. INTRODUCTION

The net income of Ordinary Capital Resources (OCR) for the financial year ended 1425H (2004-2005) increased by 18.3 percent and amount to ID 69.31 million ($104.24 million) in 1425H as compared to ID58.62 million ($87.64 million) in 1424H. Net income during 1425H compares favourably with that of 1424H in spite of a 5.8 percent decline in gross income from ID222.22 million ($332.22 million) in 1424H to ID207.91 million ($312.70 million) in 1425H and the full year's financing cost of Sukuk owing to the offsetting effect of a decrease in exchange loss from ID28.66 million ($42.85 million) in 1424H to ID6.19 million ($9.31 million) in 1425H.

The total expenses and provisions decreased marginally by 1.9 percent from ID134.94 million ($201.74 million) in 1424H to ID132.42 million ($199.16 million) in 1425H. The decline in exchange loss coupled with decline in expenses led to a 3.6 percent reduction in the expense/income ratio from 69.4 percent in 1424H to 65.8 percent in 1425H.

The total assets of OCR increased by 6.8 percent over last year and amounted to ID4.76 billion ($7.16 billion) at the end of 1425H.

The total Member's Funds increased by 5.0 percent over the last year and, at the end-1425H, amounted to ID4.27 billion ($6.42 billion).

II OPERATIONS FINANCING

1. Approvals

IDB Group approved a total sum of ID2.72 billion ($4.01 billion) during 1425H. It consisted of ID1.38 billion ($2.04 billion) for project operations from OCR and Entities/Specialised Funds, and ID1.34 billion ($1.97 billion) for Import Trade Financing Operations (ITFO).

The total cumulative approvals of the IDB Group, net of cancellations and up to end-1425H, reached ID28.81 billion ($38.29 billion).

2. Disbursements

The total disbursements from OCR increased by 31.2 percent from ID1,365.42 million ($2,041.30 million) in 1424H to ID1,791.29 million ($2,694.09 million) in

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Table 7.1
IDB Group - Disbursements and Repayments

(in ID million)

	Disbursements			Repayments		
	1423H	1424H	1425H	1423H	1424H	1425H
Ordinary Capital Resources	1,172.00	1,365.42	1,791.29	817.00	1,649.78	1,079.21
of which ITFO[1]	725.17	719.22[1]	1,149.90[2]	638.83	716.00	797.66[3]
Sukuk	-	115.20	137.21	-	2.21	4.97
Export Financing Scheme	41.00	40.45	125.58	69.00	64.73	39.73
Islamic Banks Portfolio	41.00	25.03	59.42	26.00	26.97	42.82
Unit Investment Fund	81.00	83.02	66.04	77.00	13.13	45.51
Islamic Corporation for Development	39.00	9.55	15.36	0.45	2.26	5.14
Awqaf Properties Investment Fund	2.55	14.38	12.70	-	-	2.94
Special Assistance	16.48	11.21	10.96	-	-	-
Total	**1,375.19**	**1,556.09**	**2,113.90**	**989.45**	**1,040.87**	**1,215.35**

[1] ITFO includes ID74.22 million disbursed under syndication.
[2] ITFO includes ID260.4 million ($391.6 million) disbursements for Two Step Murabaha Financing and syndication.
[3] ITFO includes ID196.2 million ($295.1 million) repayments against Two Step Murabaha Financing and syndication.

1425H (see Table 7.1). The ratio of ITFO and ordinary operations disbursements as a percentage of total OCR disbursements moved from 53:47 in 1424H to 64:36 in 1425H. The total ordinary operations disbursements declined by 5.1 percent over the last year.

The total cumulative disbursements from OCR, since the Bank's establishment, reached ID17,806.71 million ($23,648.32 million).

Disbursements under entities and specialised funds of the Bank for 1425H amounted to ID279.10 million ($468.73 million) and total cumulative disbursements, since inception to 1425H, amounted to ID2,283.17 million ($3,146.32 million).

3. Repayments

The total repayments against OCR in 1425H amounted to ID1,079.21 million ($1,623.13 million), which represents an increase of 15.6 percent over the last year (see right-hand panel of Table 7.1). The ratio of ITFO and ordinary operations repayments as a percentage of total repayments remained unchanged at 77:23 in 1424H and 77:23 in 1425H. Both ITFO and ordinary operation repayments increased by 11.4 percent and 29.3 percent, respectively, over the last year.

The total cumulative repayments against OCR, since the Bank's establishment, reached ID12,873.0 million ($17,028.58 million).

Total repayments against entities and specialised funds of the Bank during 1425H amounted to ID136.14 million ($204.77 million) and the total cumulative repayments since inception up to end-1425H amounted to ID2,315.27 million ($3,042.7 million).

4. Overdues on Operations

At the end of 1425H, overdues relating to IDB operations after rescheduling (excluding Iraq ID91.23 million or $137.21 million and Somalia ID8.83 million or $13.28 million) stood at ID8.84 million ($13.30 million), as shown in Table 7.2.

Table 7.2
Overdues on Operations
1421H – 1425H

(in ID million)

Finance Type	1421H	1422H	1423H	1424H	1425H
ITFO	7.00	0.22	0.03	0.65	0.10
Leasing and Instalment Sale	4.00	1.42	4.22	0.57	1.54
Loan (including service fees)	4.04	3.24	2.83	6.00	7.2
Total	**15.04**	**4.88**	**7.08**	**7.22**	**8.84**

The total overdues increased by ID1.62 million ($2.44 million) over the last year. The Bank closely monitors the overdues and links future disbursements to the settlement of overdues in order to minimise its exposure to operational risks.

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III. FUNDING

1. Members Funds

The Authorised and Issued Capital of the Bank remained at ID15.0 billion ($22.56 billion) and ID8.1 billion ($12.18 billion), respectively, in 1425H.

The total members' funds, at end-1425H, consisting of paid-up capital, reserves and retained earnings, amounted to ID4.27 billion ($6.42 billion), which represents an increase of 5.0 percent over the last year (see Table 7.3).

Table 7.3
Members' Funds 1421H – 1425H
(in ID million)

Members Fund		1421H	1422H	1423H	1424H	1425H
Paid-Up Capital	Amount	2,574	2,625	2,677	2,711	2,725
	%	70	70	69	67	64
Capital Reserves	Amount	26	26	26	26	26
	%	1	1	1	1	1
General Reserves	Amount	971	1,049	1,123	1,273	1,452
	%	27	28	29	31	34
Retained Earnings	Amount	78	73	73	59	69
	%	2	1	1	1	1
Total Members Fund	**Amount**	**3,649**	**3,773**	**3,899**	**4,069**	**4,274**
	%	**100**	**100**	**100**	**100**	**100**

2. Overdues on Share Capital Subscription

Total overdues on the Bank's share capital, at end-1425H, totaled ID12 million ($18 million), a decrease of 50 percent over the last year (see Table 7.4).

Table 7.4
Overdues on Share Capital
1421H – 1425H
(in ID million)

	1421H	1422H	1423H	1424H	1425H
Initial Capital Subscription	8	8	8	8	6
Second General Capital Increase	24	60	44	16	6
Total	**32**	**68**	**52**	**24**	**12**

3. Specialized Funds

The Bank supplements its OCR by mobilising funds through various Shari'ah-compatible schemes and financial instruments. By the end of 2004, $325 million was mobilized through the IDB Unit Investment Fund (UIF), $100 million from the Islamic Banks Portfolio for Investment and Development, ID134.26 million ($201.93 million) through the Export Financing Scheme, ID30.45 million ($45.80 million) through the Awqaf Properties Investment Fund, and ID92.25 million ($138.74 million) from the Investment Deposit Scheme.

4. Resource Mobilization

During 1424H, the Bank successfully launched the $400 million debut Sukuk issue and hence tapped, for the first time, international capital markets to fund its operations and thus releasing member countries of further equity financing obligations. All factors relevant for the success of Sukuk, such as the solid support of member countries, a strong balance sheet, good asset quality, and a strong credit rating by international rating agencies laid the foundation for future resource mobilization from international capital markets.

Based on the IDB's Five-year Strategic Plan, which covers the period from 1426H to 1430H, resource requirements have been identified at ID3 billion (approximately $4.7 billion), of which about $1 billion are required for 1426H. The resource requirement estimation is based on an underlying assumption of 7 percent annual growth rate in the Bank's operations. Consequently, the Bank is in the process of launching its second Sukuk issue under the Euro Medium-term Note (EMTN) Programme for $1 billion with a "benchmark issue" or the first tranche of $500 million. The Programme is expected to be completed by the end of second quarter of 2005. Subsequently, smaller tranches will be offered depending on the financing and/or liquidity requirements of the Bank. The EMTN is expected to achieve a wide distribution, with emphasis on investors outside the IDB member countries, so as to add depth to the Sukuk market.

IV. MANAGEMENT OF LIQUID FUNDS

Liquid funds are placed with financial institutions operating in international financial markets and in IDB member countries. The majority of the placements are made in the ID basket of currencies. Table 7.5A depicts the composition of liquid fund placements in major currencies at the end of 1425H. Table 7.5B depicts the placements by type of liquid fund instruments.

During 1425H, placements in Sharia'h compatible

Table 7.5A
Composition of Liquid Funds
in Major Currencies 1421H – 1425H
(in FCY/ID million)

Currency	FCY / ID	1421H	1422H	1423H	1424H	1425H
Euro	Balance	694	1,368	592	506	115
	ID Equivalent	488	557	467	428	98
US Dollar	Balance	455	217	77	360	57
	ID Equivalent	356	173	54	241	38
Deutsche Mark	Balance	54	-	-	-	-
	ID Equivalent	19	-	-	-	-
Japanese Yen	Balance	42,503	25,735	19,069	14,671	25,282
	ID Equivalent	272	159	117	91	161
Pound Sterling	Balance	238	249	171	149	97
	ID Equivalent	267	282	197	187	120
French Franc	Balance	23	-	-	-	-
	ID Equivalent	2	-	-	-	-
Other	**ID Equivalent**	**3**	**5**	**5**	**6**	**3**
Sub-total	**ID Million**	**1,407**	**1,176**	**840**	**953**	**421**
Add: Local Currency Deposits (Denominated in ID) with Central Banks of Member Countries		27	25	13	16	18
Total Liquid Funds of IDB-OCR		**1,434**	**1,201**	**853**	**969**	**439**

Table 7.5B
Investment of Liquid Funds, 1421H – 1425H
(in ID million)

Liquid Fund Instruments		1421H	1422H	1423H	1424H	1425H
Sharia'h Compatible Deposits	Amount	1,105	975	813	891	368
	%	77	81	95	91	84
Current Call Accounts	Amount	292	195	27	58	43
	%	20	16	3	6	10
Local Deposits Denominated in ID (with Central Banks of Member Countries)	Amount	27	25	13	16	19
	%	2	2	2	2	4
Investment in Lease Participation Pools	Amount	10	6	-	4	9
	%	1	1	-	1	2
Total	**Amount**	**1,434**	**1,201**	**853**	**969**	**439**
	%	**100**	**100**	**100**	**100**	**100**

instruments yielded a net return of ID15.6 million ($23.46 million) with an average annual 2.8 percent rate of return.

Also, amount falling due within one year under Murabaha financing is considered as part of Bank's liquid assets in managing its liquidity requirements.

V. RISK MANAGEMENT

IDB assumes various types of risks in the process of providing development assistance to member countries. The Bank's activities can give rise to the credit and transfer risk; liquidity risk; market risk; mark-up risk; and operational risk.

At the IDB Group level, the risk management governance structure includes a Risk Management Committee and a Risk Management Office. The Risk Management Committee is responsible for reviewing and recommending various matters and issues related to the risk management function of the IDB Group. The risk management activities cover identification, controlling, measuring and monitoring of all types of risks. These functions are completely independent from the operations departments and reports directly to the President, IDB Group.

At present, IDB Group uses relevant tools to manage risks inherent in its financing and investment operations. Key features of the approved policies and guidelines for risk management and control in IDB Group are as follows:

i. IDB's total exposure is controlled by the article 21 of Articles of Agreement establishing the Bank. It stipulates that "*the total amount of equity investments, amount of loans outstanding and other ordinary operations of the Bank should not, at any time, exceed the total amount of the unimpaired subscribed capital, reserves, deposits, other funds raised and surplus included in ordinary capital resources*".

ii. IDB has detailed exposure guidelines for project financing related to each mode of financing in use by the Bank, allocation of its resources for financing operations in its member countries, internal ratings, scoring systems and limits for banks and other counterparties. The Bank has detailed guidelines for the quality of financial instruments, duration of the portfolio, selection of markets and limits for hedging the portfolio, guidelines for accepting corporate guarantees and assignment of receivables as alternatives to bank guarantees. The Bank has also a capital adequacy formula and Risk Provisioning Guidelines, exposure limits and detailed concentration risk guidelines

The Bank enjoys the highest ratings for both Long and Short-term AAA/A-1+, respectively, from Standard and Poor's Rating Agency. These ratings were reaffirmed by Standard and Poor's in December 2004. The assignment of highest ratings to the Bank reflect the strong financial strength and support from its member countries, mitigation of credit risk as well as the high quality risk profile of its operations. Also, under the New Capital Accord published in June 2004 by the Basel Committee on Banking Supervision, IDB has been designated as a Zero Risk Weight Multilateral Development Bank.

VI. OPERATIONS RESULTS

1. Income

Gross income from OCR for the year ended 1425H amounted to ID207.91 million ($312.70 million) compared with ID222.22 million ($332.22 million) in 1424H, which represents a decrease of 5.8 percent (see Table 7.6 and Annex 7.1). However, the gross income for 1425H, when compared to the average gross income for the last five-year period (1420-1424H) of ID169.0 million ($227.7 million), shows an increase of 23.0 percent. Furthermore, the gross income increased at an annualized growth rate of 8.3 percent for the period 1421H-1425H. There is no significant change in the composition of the gross income from ITFO, (net) Leasing, Instalment Sale, Istisna'a and Loan Service Fees as a percentage of total gross income in 1425H as compared to 1424H.

However, the combined gross income from ITFO, Leasing, Instalment Sale and Istisna'a and Loan Service Fees decreased by 8.0 percent from ID186.53 million ($278.87 million) in 1424H to ID171.67 million ($258.19 million) in 1425H. The decrease is mainly due to Leasing Assets not yet in use, thus not generating rental income and early settlement of some Instalment Sale projects.

The combined gross income from Shariah compatible deposits, from investments in equity capital and other (including Mudarib Fees) marginally increased by 1.4 percent from ID35.69 million ($53.36 million) in 1424H to ID36.26 million ($54.50 million) in 1425H.

Net income from OCR for the year ended 1425H increased by 18.3 percent from ID 58.62 million ($87.64 million) in 1424H to ID 69.31 million ($104.24 million) in 1425H (see Table 7.7). The increase in net income in 1425H compares favourably with that of 1424H due

Table 7.6
Composition of IDB Gross Income, 1421H – 1425H

(in ID million)

		1421H	1422H	1423H	1424H	1425H
Shariah Compatible Deposits	Amount	57	46	27	12	16
	%	38	27	17	5	8
ITFO	Amount	27	27	22	20	19
	%	18	17	14	10	9
Leasing , Instalment Sale and Istisna'a	Amount	50	72	89	150	138
	%	33	42	55	68	67
Loan Service Fees	Amount	5	11	10	17	15
	%	3	6	6	7	7
Investments in Equity Capital	Amount	6	9	7	12	17
	%	4	5	4	5	8
Others (including Mudarib Fees)	Amount	6	6	6	11	3
	%	4	3	4	5	1
Total	**Amount**	**151**	**171**	**161**	**222**	**208**
	%	**100**	**100**	**100**	**100**	**100**

Table 7.7
Net Income of IDB, 1421H – 1425H
(in ID million)

	1421H	1422H	1423H	1424H	1425H
Gross Income	151	171	161	222	208
Exchange (Loss) / Gain	-	(2)	9	(29)	(6)
Expenses	44	53	49	52	59
Net Income before Depreciation/ Provisions	107	116	121	141	143
Depreciation	23	35	42	76	68
Provisions	6	8	6	6	6
Net Income	**78**	**73**	**73**	**59**	**69**

to the decrease in exchange loss from ID28.66 million ($42.85 million) in 1424H to ID6.19 million ($9.31 million) in 1425H.

2. Expenses

Total expenses and provisions for the year ended 1425H decreased by 1.9 percent from ID134.94 million ($201.74 million) in 1424H to ID132.42 million ($199.16 million) in 1425H (see Table 7.8), which is despite an increase in Sukuk related costs and expenses amounting to ID9.92 million ($14.92 million) for the year ended 1425H as compared to ID5.54 million ($8.28 million) in 1424H. The Sukuk related costs and expenses in 1425H reflects the cost for the whole year while the 1424H reflects the cost of financing from the date of issuing the Sukuk (i.e. Jumad Thani 1424H).

3. Provisions

The Bank makes provisions for all its modes of financing and investments in equity capital for possible diminution in their values. Provisions for all modes of financing, except for investments in equity capital, is based on a detailed country by country review of the Bank's net exposure, country risk, expected default frequency, and the assumed severity of default. Based on this review, a sum of ID4.50 million ($6.77 million) was provided for the year ended 1425H.

A sum of ID1.0 million was provided for the year ended 1425H for a possible decline in the values of investments in equity capital.

The total cumulative provision, as at the end of 1425H, for a possible decline in the value of the assets relating to all modes of financing and investments in equity capital amounted to ID211.05 million ($317.42 million) as compared to ID 195.50 million ($292.27 million) in 1424H.

VII. WAQF FUND

Net assets of the Waqf Fund, as at the end of 1425H, decreased by 0.9 percent from ID887.68 million ($1,327.08 million) in 1424H to ID879.73 million ($1,323.14 million) in 1425H (see Annex 7.2). The net assets are represented by resources of Principal Amount of the Waqf Fund ID733.69 million ($1,103.47 million), the unspent balance of the Special Assistance Account ID44.17 million ($66.43 million) and the Special Account for the Least Developed Member Countries ID101.87 million ($153.21 million).

Total income of the Waqf Fund for 1425H recorded a significant increase from ID11.23 million ($16.79 million) in 1424H to ID20.32 million ($30.56 million) in 1425H. The increase in income is due to higher returns from Cash Equivalents instruments and Murabaha & Other Funds. The exchange loss in 1425H reduced by ID3.49 million ($5.25 million) over the last year.

Disbursements from the Waqf Fund for special assistance, including grants and programme expenses, increased by 6.5 percent from ID29.24 million ($43.71 million) in 1424H to ID31.15 million ($46.85 million) in 1425H.

Total expenses of the Waqf Fund for 1425H decreased by 13.2 percent from ID1.36 million ($2.03 million) in 1424H to ID1.18 million ($1.77 million) in 1425H. This is largely due to a reduction in the Fund Manager's fees, which is linked to the market value of the portfolio of Managed Investments. The portfolio of Managed Investments has been fully liquidated during 1425H.

Thus, the net income increased from ID9.87 million ($14.76 million) in 1424H to ID19.14 million ($28.79 million) in 1425H.

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Table 7.8
IDB - Expenses And Provisions, 1421H – 1425H

(in ID million)

		1421H	1422H	1423H	1424H	1425H
Staff Cost	Amount	34	43	39	37	38
	%	47	45	40	28	29
Administrative Expenses	Amount	10	10	10	9	11
	%	13	11	10	7	8
Depreciation	Amount	23	35	42	76	68
	%	31	36	44	57	51
Sukuk Expenses	Amount	-	-	-	6	10
	%	-	-	-	4	8
Operations Risk Provision	Amount	6	4	6	6	6
	%	8	4	6	4	4
Provision against Investment in Lease Participation Pools	Amount	-	4	-	-	-
	%	-	4	-	-	-
Total	Amount	73	96	97	134	133
	%	100	100	100	100	100

Women attending classes under the adult literacy programme supported by IDB in Mozambique

Students performing experiments in the science laboratory of IDB financed First Bosniac High School in Sarajevo

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Annex 7.1
OCR Significant Financial Information, 1421H – 1425H

(in ID million)

	1421H	1422H	1423H	1424H	1425H
INCOME FROM					
Shari'ah Compatible Deposits	57	46	27	12	16
ITFO	27	27	22	20	19
Instalment Sale and Istisna'a	19	24	29	38	36
Leasing	31	48	60	112	102
Loan Service Fees	5	11	10	17	15
Investments in Equity Capital	6	9	7	12	17
Others (including Mudarib Fees)	6	6	6	11	3
Total Income	**151**	**171**	**161**	**222**	**208**
Expenses and Provisions	(73)	(96)	(97)	(135)	(133)
Exchange (Loss) / Gain	-	(2)	9	(29)	(6)
Net Income	78	73	73	59	69
ASSETS					
Current Call and Time Deposits[1]	320	220	469	167	111
Shari'ah Compatible Investments	1,105	975	385	798	319
Other Deposits and Investments	55	6	-	4	9
Investment in Trust Funds	138	258	312	316	319
- ITFO (Net)	589	669	884	676	1,008
- Leasing (Net)	398	474	521	645	793
- Istisna'a (Net)	22	52	153	272	344
- Instalment Sale Financing (Net)	335	381	466	469	452
- Loans (Net)	531	597	669	657	737
- Less: Operations Risk Provision[2]	(71)	(128)	(135)	-	-
- Investments in Equity Capital (Net)	169	228	241	327	470
- Other Assets	204	119	146	126	198
Total Assets	**3,795**	**3,851**	**4,111**	**4,457**	**4,760**
Resources and Liabilities					
Members' Funds	3,649	3,773	3,899	4,069	4,274
Sukuk	-	-	-	265	268
Deferred Income and other liabilities	146	78	212	123	218
Total Resources	**3,795**	**3,851**	**4,111**	**4,457**	**4,760**
Financial Ratios (%)					
Total Income[3] / Total Assets	3.4	3.5	3.1	2.7	2.9
Net Income / Total Assets	2.0	1.9	1.8	1.3	1.4
Total Income[3] / Earning Assets	4.0	3.8	3.7	2.9	3.1
Average Return on Liquid Funds	5.2	4.4	4.0	2.1	2.8
Total Expenses[4] / Total Income	48.3	58.6	58.8	69.4	65.8
Total Expenses[4] / Total Assets	1.9	2.5	2.4	3.0	2.8
Exchange Rate (1 ID=$)	1.269	1.255	1.370	1.495	1.504

[1]Return from conventional fixed deposits and call accounts are not included in the income of Ordinary Capital Resources as it is transferred to Waqf Fund.
[2]Operations Risk Provision has been netted against the related assets from 1424H onwards.
[3]Prior years' amounts have been reclassified to conform with current year's presentation.
[4] For the purpose of calculating the return on assets ratio the total income is taken net of Ijara depreciation and exchange gain/(loss).
[5] Total expenses include Ijara depreciation.

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Annex 7.2
WAQF Fund Significant Financial Information, 1421H – 1425H

(in ID million)

	1421H	1422H	1423H	1424H	1425H
INCOME FROM					
Call and Fixed Deposits Accounts with Banks	5.97	6.05	5.86	5.35	6.87
Profit on Managed Investments	32.37	5.58	43.58	2.21	2.22
Net Result of UIF Deposits	(1.89)	(0.86)	(0.05)	(0.24)	(0.13)
Investments in Murabaha and Other Funds	9.40	9.50	2.70	4.78	10.85
Investment in ICIEC	-	0.48	(1.37)	1.34	(0.29)
Investment UIF Shares	0.70	2.73	1.86	1.52	1.04
Exchange (Loss)/Gain	4.70	0.74	(7.57)	(3.73)	(0.24)
Total Income	**51.29**	**24.22**	**45.02**	**11.23**	**20.32**
Expenses	(1.86)	(1.32)	(1.54)	(1.36)	(1.18)
Net Income	49.43	22.90	43.48	9.87	19.14
Assets					
Deposits and Investments	161	239	263	359	412
Managed Funds (Fund Managers)	348	321	365	184	0
Specific Deposits with IDB/UIF	38	21	10	3	2
Murabaha and Other Funds	240	137	107	121	180
Investment in UIF Units	41	39	65	61	73
Infrastructure Fund	-	-	2	22	25
Investment in ICIEC	50	62	60	62	62
Investment in OIC net	-	1	1	1	1
Loans and Technical Assistance	72	60	80	89	93
Accrued Income and Miscellaneous	8	16	7	6	5
Share of HQ Building	27	26	26	24	23
Due from IDB (OCR)	-	-	-	-	31
Total Assets	**985**	**922**	**986**	**932**	**907**
Deduct: Liabilities					
Accruals and Other Liabilities	(16)	(6)	(23)	(25)	(16)
Specific Deposit from IDB-UIF	(51)	(34)	(21)	(13)	(11)
Due to IDB (OCR)	(28)	-	(41)	(6)	-
Net Assets	**890**	**882**	**901**	**888**	**880**
Represented by:					
Special Assistance	111	84	77	59	44
Special Account for LDMC*	78	86	95	98	102
Principal Amount of Waqf Fund**	699	712	729	731	734
Total Resources	**890**	**882**	**901**	**888**	**880**

* Least Developed Member Countries
** Formerly Special Reserve
Note: Prior years' amounts have been reclassified to conform with current year's presentation.

APPENDIX - I

FINANCIAL STATEMENTS

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DELOITTE & TOUCHE
BAKR ABULKHAIR & COMPANY
P.O. Box 442
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Saudi Arabia

ERNST & YOUNG
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Jeddah 21441
Saudi Arabia

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
29 Dhul Hijjah 1425H (09 February 2005)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
29 Dhul Hijjah 1425H (09 February 2005)

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DELOITTE & TOUCHE
BAKR ABULKHAIR & COMPANY
P.O. Box 442
Jeddah 21411
Saudi Arabia

ERNST & YOUNG
P.O. Box 1994
Jeddah 21441
Saudi Arabia

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 1425H (09 February 2005) 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 1425H (09 February 2005), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Bank.

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 DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.**

**Al-Mutahhar Y. Hamiduddin
Registration No. 296**

For ERNST & YOUNG

**Dr. Abdullah A. Baeshen
Registration No. 66**

Lic. 96
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

17 Safar, 1426H
27 March, 2005

PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1425H (09 February 2005)

(In Thousands of Islamic Dinars)

	Notes	1425H	1424H
ASSETS			
Cash at banks	3	61,493	74,601
Commodity placements with banks, net	4	368,392	890,953
Other investments, net	5	9,434	3,506
Murabaha financing, net	6	1,007,502	676,152
		1,446,821	**1,645,212**
Istisna'a assets, net	7	344,332	271,970
Installment sales financing, net	8	452,075	468,714
Loans, net	9	737,485	657,103
Ijarah Muntahia Bittamleek, net	10	792,804	644,920
		2,326,696	**2,042,707**
Investments in equity capital, net	12	470,389	327,366
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		11,982	9,217
Accrued income and other assets	16	140,120	67,724
Property and operating equipment, net	17	57,407	58,790
TOTAL ASSETS		**4,760,054**	**4,457,655**
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	18	217,174	123,488
Sukuk liability	19	268,410	264,898
Total liabilities		**485,584**	**388,386**
MEMBERS' EQUITY			
Paid-up capital	21	2,725,376	2,711,302
Capital reserve	22	26,267	26,267
General reserve	23	1,242,420	1,187,234
Fair value reserve		211,102	85,842
Net income for the year		69,305	58,624
Total members' equity		**4,274,470**	**4,069,269**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**4,760,054**	**4,457,655**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 17 Safar, 1426H (27 March, 2005).

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 1425H (09 February 2005)

(In Thousands of Islamic Dinars)

	Notes	1425H	1424H
Income from:			
Commodity placements with banks	4	15,599	12,419
Other investments	5	412	299
Murabaha financing	6	18,640	19,854
Istisna'a assets	7	10,601	9,265
Installment sales financing	8	25,994	28,283
Loan service fees	9	14,648	16,967
Ijarah Muntahia Bittamleek	10	101,790	112,165
Investments in equity capital	12	17,343	11,659
Investment in Islamic Banks' Portfolio for Investment and Development	14	474	1,191
Mudarib fees & others	14, 26	2,411	10,120
		207,912	**222,222**
Foreign exchange loss, net		(6,188)	(28,657)
Sukuk expense	19	(9,915)	(5,542)
		191,809	**188,023**
Administrative expenses:			
Staff costs		(38,208)	(37,553)
Other		(10,954)	(9,668)
		(49,162)	**(47,221)**
Depreciation:			
Ijarah Muntahia Bittamleek	10	(65,836)	(74,167)
Property and operating equipment	17	(2,006)	(2,178)
		(67,842)	**(76,345)**
Provision for impairment	11	(5,500)	(5,833)
Net income		**69,305**	**58,624**

The attached notes from 1 through 33 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1425H (09 February 2005)

(In Thousands of Islamic Dinars)

	1425H	**1424H**
CASH FLOWS FROM OPERATIONS		
Net income	69,305	58,624
Adjustments to reconcile net income to net cash (used in)/from operating activities:		
Depreciation	67,842	76,345
Provision for impairment	5,500	5,833
Changes in operating assets and liabilities:		
Other investments	(5,898)	(3,211)
Murabaha financing	(331,350)	182,519
Istisna'a assets	(72,362)	(123,464)
Installment sales financing	16,639	(27,383)
Loans	(84,912)	(61,381)
Accrued income and other assets	(72,396)	18,679
Accruals and other liabilities and sukuk liabilities	97,198	(98,475)
Net cash (used in)/from operating activities	**(310,434)**	**28,086**
CASH FLOWS FROM INVESTING ACTIVITIES		
Commodity placements with banks	44,655	(91,120)
Ijarah Muntahia Bittamleek	(213,720)	(201,393)
Investments in equity capital	(18,763)	(5,345)
Investment in Awqaf Properties Investment Fund	(2,765)	(3,658)
Purchase of property and operating equipment, net	(623)	(616)
Net cash used in investing activities	**(191,216)**	**(302,132)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in paid-up capital	14,074	33,939
Technical assistance grants	(3,438)	(3,634)
Proceeds from Sukuk issued	-	264,898
Net cash from financing activities	10,636	295,203
(Decrease)/increase in cash and cash equivalents	(491,014)	21,157
Cash and cash equivalents at the beginning of the year	854,723	833,566
Cash and cash equivalents at the end of the year (Note 24)	**363,709**	**854,723**
Supplemental non-cash information		
Net unrealized fair value gains from investments in equity capital	**125,260**	**81,394**

The attached notes from 1 through 33 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 29 Dhul Hijjah 1425H (09 February 2005)

(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 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 unrealized 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
Increase in paid-up capital	14,074	-	-	-	-	14,074
Net unrealized gains from investments in equity capital	-	-	-	125,260	-	125,260
Net income	-	-	-	-	69,305	69,305
Transfer to reserves	-	-	58,624	-	(58,624)	-
*Allocation for Technical Assistance	-	-	(3,438)	-	-	(3,438)
Balance at 29 Dhul Hijjah 1425H	**2,725,376**	**26,267**	**1,242,420**	**211,102**	**69,305**	**4,274,470**

* According to the Board of Governors' resolution No. BG/3-424, and the Board of Executive Directors' resolution No. BED/BG/4-424 US$ 5.0 million were allocated from the net income of 1423H for the financing of 1424H Technical Assistance Operations in the form of grants. A similar amount in US dollars was allocated from the 1424H net income of IDB - OCR in accordance with the Board of Governors' resolution No. BG/3-425 and the Board of Executive Directors' resolution No. BED/BG/4-425 for the financing of 1425H Technical Assistance Operations in the form of grants.

The attached notes from 1 through 33 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 29 Dhul Hijjah 1425H (09 February 2005)

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 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)	50%	Investment finance
Islamic Development Bank - Unit Investment Fund	Mudarib	-	Investment finance
Islamic Corporation for the Development of the Private Sector	Equity participation (subsidiary)	91%	Private sector finance
Special Account Resources Waqf Fund	Management services	-	Social sector finance
Awqaf Properties Investment Fund	Mudarib and equity participation	35%	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.

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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 Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Bank. For matters which are not covered by AAOIFI standards, the Bank uses the relevant standard issued or adopted by the International Acccounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

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 and conventional banks is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

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 Installment 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 Installments.

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Income from Istisna'a assets is recognized using the percentage of completion method. The percentage of completion is determined based on the proportion of the cost incurred to date to the total cost of the project.

Income from loan service fees is accrued according to the loan agreement.

Income from Ijarah Muntahia Bittamleek is allocated proportionately to the financial periods on the lease term.

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, installment sales financing, loan contracts and Ijarah Muntahia Bittamleek assets.

Amounts receivable from Murabaha financing are stated at the cost of goods sold or disbursements made 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 Installment 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, either individually or as part of syndication with other financial institutions or entities, 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 term upon completion of all payments under the agreements. The assets are stated at cost less the accumulated depreciation up to the date of the statement of financial position. The assets are depreciated using the straight-line method over the related lease period. No depreciation is recorded in respect of assets not yet put to use.

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 cost, less provision for any impairment in the value of these investments.

g) Impairment of financial assets

Operational assets:

The Bank determines the provision for impairment losses based on an assessment of collectability risks. It 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. In addition, a portfolio provision is calculated based on country risk ratings and long-term historical experience of the Bank.

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 and real estate funds

Investments in lease participation pools and real estate funds 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:

(In Thousands of Islamic Dinars)

	1425H	1424H
Income from operations	22,722	24,132
Net income	12,735	9,221
Total assets	638,329	542,933
Total liabilities	82,920	17,306

j) Property and operating equipment

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 the 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:

(In Thousands of Islamic Dinars)

	1425H	1424H
Cash on hand	154	121
Current accounts	30,141	34,117
Call accounts	31,198	40,363
Total	**61,493**	**74,601**

Current accounts at end of Dhul Hijjah 1425H include ID 18 million (1424H - ID 16.2 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

Commodity placements with banks at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Placements with Islamic banks	27,901	56,018
Placements with conventional banks	344,634	839,078
	372,535	**895,096**
Less: Provision for impairment (note 11)	(4,143)	(4,143)
Commodity placements with banks, net	**368,392**	**890,953**

Placements with Islamic and conventional banks are utilized in the purchase and sale of commodities. Trading is conducted by Islamic and conventional banks on behalf of the Bank. The discretion of the Islamic and conventional banks over buying and selling is limited by the terms of the agreements between the Bank and the Islamic and conventional banks. The banks have guaranteed the liability of the third parties in respect of all transactions.

5. OTHER INVESTMENTS, NET

Other investments at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Lease & Real Estate Funds	11,040	5,125
Investment in Sukuk	3,328	3,345
	14,368	**8,470**
Less: Provision for impairment (note 11)	(4,934)	(4,964)
Other investments, net	**9,434**	**3,506**

Lease and real estate funds 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 as of 29 Dhul Hijjah 1425H represents a share in an investment in a Sukuk issued by the Government of Pakistan (1424 – Sukuk issued by the Government of Qatar).

6. MURABAHA FINANCING, NET

Murabaha financing at the end of Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Gross amounts receivable	1,065,800	722,325
Less: Unearned income	(22,593)	(10,469)
	1,043,207	**711,856**
Less: Provision for impairment (Note 11)	(35,704)	(35,704)
Murabaha financing, net	**1,007,502**	**676,152**

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 the end of Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Total income from Murabaha financing	20,211	22,176
Less: Share of investment depositors (Note 2e)	(1,571)	(2,322)
Income from Murabaha financing, net	**18,640**	**19,854**

7. ISTISNA'A ASSETS, NET

Istisna'a assets at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Istisna'a assets in progress	288,819	209,494
Istisna'a receivables	86,952	(96,070)
	375,771	305,564
Less : Unearned income	(26,669)	(28,824)
	349,102	276,740
	(4,770)	(4,770)
Less : Provision for impairment (Note 11)		
Istisna'a assets, net	**344,332**	**271,970**

8. INSTALLMENT SALES FINANCING, NET

Receivable from Installment sales financing at the end of Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1425H	**1424H**
Gross amounts receivable	656,265	671,502
Less: Unearned income	(180,250)	(178,848)
	476,015	**492,654**
Less: Provision for impairment (Note 11)	(23,940)	(23,940)
Installment sales financing, net	**452,075**	**468,714**

All goods purchased for resale under Installment 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

Loan balances at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	**1424H**
Loans	819,406	724,442
Less: Provision for impairment (Note 11)	(81,921)	(67,339)
Loans, net	**737,485**	**657,103**

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10. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Cost:		
Assets not yet in use:		
At the beginning of the year	232,434	303,122
Additions	213,720	201,393
Transferred to assets in use	(194,541)	(272,081)
At the end of the year	251,613	232,434
Assets in use:		
At the beginning of the year	634,679	362,598
Transferred from assets not yet in use	194,541	272,081
At the end of the year	829,220	634,679
Total cost	**1,080,833**	**867,113**
Accumulated depreciation:		
At the beginning of the year	(218,312)	(144,145)
	(65,836)	(74,167)
At the end of the year	(284,148)	(218,312)
Balance at the end of the year	**796,685**	**648,801**
Less: Provision for impairment (Note 11)	(3,881)	(3,881)
Ijarah Muntahia Bittamleek, net	**792,804**	**644,920**

Included in assets in use is an amount of ID 85.7 million (1424H - ID 75.10 million) that represents the cost of fully depreciated assets, which will ultimately be transferred to the beneficiaries under the terms of the lease agreements. Certain of the assets refer to above represents the Bank's share in the lease pool (also see note 2d).

11. PROVISION FOR IMPAIRMENT

The movements in the provision for impairment during the years ended at end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
Balance at the beginning of the year	195,496	191,141
Charge for the year	5,500	5,833
Reclassification/adjustment to provision	10,052	(1,478)
Balance at the end of the year	**211,048**	**195,496**

12. INVESTMENTS IN EQUITY CAPITAL, NET

The Bank undertakes equity investments in industrial and agro-industrial projects, Islamic banks and Islamic 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.

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Investments in equity capital at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Equity investments:		
Listed	356,480	216,314
Unlisted	165,664	161,807
	522,144	**378,121**
Less: Provision for impairment (Note 11)	(51,755)	(50,755)
Investments in equity capital, net	**470,389**	**327,366**

The movements in equity capital investments for the years ended Dhul Hijjah are summarized as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
Balance at the beginning of the year	327,366	240,627
Net unrealized gains	125,260	81,394
Additions during the year – net of impairment	17,763	5,345
Balance at the end of the year	**470,389**	**327,366**

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 1425H is ID 320 million (1424H - ID 318.50 million) and the called-up Installments at end of Dhul Hijjah 1425H are ID 159.25 million (1424H - ID 158.75 million) of which ID 0.26 million were paid during the year (1424H - 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 (1424H - 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)

	1425H		
	Subscribed amount	**Paid-up amount**	
	US$ thousands	US$ thousands	ID thousands
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 the sale.

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.

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 1425H, the Bank owns 91% (1424H - 92%) of the paid-up capital of the Corporation.

16. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Accrued income from placements	1,849	3,899
Accruals from projects	45,605	32,372
IDB Group current accounts (note 27)	78,413	10,379
Staff loans and advances	9,265	10,299
Prepayments and other assets	4,988	10,775
Total	**140,120**	**67,724**

17. PROPERTY AND OPERATING EQUIPMENT, NET

Property and operating equipment at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	Land	Buildings	Furniture, equipment and vehicles	Total
Cost				
At 1 Muharram 1425H	13,043	103,902	24,327	141,272
Additions during the year	-	86	631	717
	13,043	**103,988**	**24,958**	**141,989**
Less share of assets allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1425H	-	(31,845)	(5,237)	(37,082)
Allocations during the year	-	(6)	(88)	(94)
	-	**(31,851)**	**(5,325)**	**(37,176)**
At 29 Dhul Hijjah 1425H	13,043	72,137	19,633	104,813
Accumulated depreciation				
At 1 Muharram 1425H	-	36,138	22,101	58,239
Charge for the year	-	2,304	760	3,064
	-	**38,442**	**22,861**	**61,303**
Less share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1425H	-	(8,212)	(4,627)	(12,839)
Allocation during the year	-	(796)	(262)	(1,058)
	-	(9,008)	(4,889)	(13,897)
At 29 Dhul Hijjah 1425H	-	29,434	17,972	47,406
Net book value:				
29 Dhul Hijjah 1425H	**13,043**	**42,703**	**1,661**	**57,407**
29 Dhul Hijjah 1424H	13,043	44,131	1,616	58,790

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 22).

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 were split according to the following proportions:

The Bank - Ordinary Capital Resources	65%
Special Account Resources Waqf Fund	35%

Also, a portion of other equipment cost and its related depreciation are 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

Accruals and other liabilities at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Investment deposits	92,255	96,524
IDB Group current accounts (note 27)	49,525	9,776
Accruals	21,612	15,683
Other liabilities	53,782	1,505
Total	**217,174**	**123,488**

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 37.4 million at end of Dhul Hijjah 1425H (1424H - ID 38.8 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, Channel Island.

The Sukuk Certificates mature on 12 August 2008 and confer on certificate holders the right to receive periodic distribution amounts arising from certain Ijarah transactions which were originated by the Bank. The Bank continues to service these assets, and guarantees any shortfall in the scheduled installments.

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 Benefit 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.

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.

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The following table summarizes the cost of benefits associated with the Staff Retirement Plan for the years ended at the end of Dhul Hijjah:

(In Thousands of Islamic Dinars)

	1425H	1424H
Current service cost	5,124	3,755
Present value adjustment	4,746	2,928
Expected return on plan assets	(2,516)	(1,640)
Net periodic pension cost	**7,354**	**5,043**
Actual loss on plan assets	**(1,634)**	**(4,340)**

The following table summarizes the benefit obligations and plan assets at the end of Dhul Hijjah:

(In Thousands of Islamic Dinars)

	1425H	1424H
Benefit obligations	(86,070)	(74,553)
Fair value of plan assets	63,911	60,506
Plan benefit obligations in excess of plan assets	(22,159)	(14,047)
Net actuarial gain from past experience different from that assumed and from changes in assumptions	11,402	6,028
Remaining unrecognized net transition liability	2,289	2,289
Accrued pension cost	**(8,468)**	**(5,730)**

Movements in accrued pension cost during the years ended at end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
Balance at the beginning of the year	5,730	3,820
Net periodic pension cost	7,354	5,043
Contributions	(4,616)	(3,133)
Balance at the end of the year	**8,468**	**5,730**

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)

	1425H	1424H
Discount rate of return	6.0%	3.0%
Expected return on plan assets	4.2%	6.0%
Rate of compensation increase	3.0%	3.0%

b) Post-Employment Medical Benefit Scheme

Effective 1 Muharram 1421H, the Bank established the medical benefit scheme for retirees vide resolution BED/18/10/418 (176) dated 18 Shawwal 1418H. In accordance with the said resolution, the Post-Employment Medical Benefit Scheme is to be funded jointly by the Bank and staff at 1% and 0.5%, respectively.

The purpose of the Post-Employment Medical Benefit Scheme is to pay a monthly amount to eligible retiree staff towards their medical expenses. The administration of the Post-Employment Medical Benefit Scheme is independent of the Staff Retirement Benefit Plan and contributions are invested in a similar manner to that of the Staff Retirement Benefit 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%.

21. PAID-UP CAPITAL

The capital of the Bank at the end of Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1425H	**1424H**
Authorized: 1,500,000 shares of ID 10,000 each (1424H - 1,500,000 shares of ID 10,000 each)	**15,000,000**	**15,000,000**
Issued: 810,000 shares of ID 10,000 each (1424H - 810,000 shares of ID 10,000 each)	8,100,000	8,100,000
Issued shares not subscribed	(139,290)	(139,290)
Subscribed capital	7,960,710	7,960,710
Share capital not yet called	(5,198,080)	(5,198,080)
Installments not yet due	(25,085)	(27,306)
Called-up capital	2,737,545	2,735,324
Installments paid, not yet due	-	238
Installments due, not yet paid	(12,169)	(24,260)
Paid-up capital	**2,725,376**	**2,711,302**

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, when approved by the Board of Governors, 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.

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24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Cash at banks	61,493	74,601
Commodity placements with banks (note 2k)	302,216	780,122
Total	**363,709**	**854,723**

25. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Murabaha financing	803,475	802,286
Installment sales financing and Istisna'a assets	1,400,055	965,766
Loans	1,036,857	928,906
Ijarah Muntahia Bittamleek assets	421,539	403,703
Investments in equity capital	31,593	11,820
Investment in Export Financing Scheme	75,000	75,000
Investment in Islamic Banks' Portfolio for Investment and Development	33,462	33,665
Investment in Islamic Corporation for the Development of the Private Sector	66,491	66,895
Investment in Awqaf Properties Investment Fund	5,319	5,352
Total	**3,873,791**	**3,293,393**

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 15% of the Fund's net income, which is included in the statement of income under Mudarib fees from trust funds.

The Fund did not charge the Bank any amount for the year ended 29 Dhul Hijjah 1425H in respect of payments on projects purchased from the Bank (1424H - ID 0.5 million). Also, during 1425H, the Bank did not charge any amount (1424H - ID 0.17 million) to the Fund in respect of rebates on lease and installment sale projects sold to the Fund in previous years.

The Bank has outstanding guarantees at the end of Dhul Hijjah 1425H of ID 2.25 million (1424H - ID 3.14 million) in respect of projects sold to the Fund and of ID 149.8 million (1424H - ID 134.6 million) in respect of other operations, which are covered by counter guarantees 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 the end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1425H		1424H	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Awqaf Properties Investment Fund	-	(2,236)	-	(14)
Export Financing Scheme	62,464	-	-	(5,443)
Islamic Banks' Portfolio for Investment and Development	1,678	-	-	(1,105)
IDB - Unit Investment Fund	-	(10,262)	-	(2,219)
Islamic Corporation for the Insurance of Investment and Export Credit	-	(5,868)	2,158	-
Special Account Resources Waqf Fund	-	(31,159)	5,770	-
IDB Pension Fund	6,287	-	2,113	-
IDB Medical Fund	-	-	21	-
Organization of Islamic Conference Countries	1,321	-	-	-
Al-Aqsa and Al Quds Funds	2,795	-	317	-
Islamic Corporation for the Development of the Private Sector	-	-	-	(995)
Badea	3,868	-	-	-
Total	**78,413**	**(49,525)**	**10,379**	**(9,776)**

28. NET ASSETS IN FOREIGN CURRENCIES

The net assets in foreign currencies (in thousands of ID equivalent) at the end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
United States Dollar	508,549	527,134
Euro	434,933	520,044
Pound Sterling	175,111	234,174
Japanese Yen	160,860	107,479
Other currencies	**12,410**	**12,371**

29. ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE MATURITY PERIODS OR EXPECTED PERIODS TO CASH CONVERSION

(In Thousands of Islamic Dinars)

	29 Dhul Hijjah 1425H					
	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	674,104	414,265	1,141,672	377,569	2,152,444	4,760,054
Total liabilities	106,343	113,275	265,966	-	-	485,584
	29 Dhul Hijjah 1424H					
Total assets	1,253,885	528,639	630,426	258,128	1,848,075	4,457,655
Total liabilities	-	184,986	264,898	-	-	388,386

30. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

(In Thousands of Islamic Dinars)

	29 Dhul Hijjah 1425H						
	Public utilities	Transport & telecom	Agriculture	Industry & mining	Social services	Others	Total
Total assets	**763,795**	**497,562**	**316,020**	**597,535**	**528,382**	**2,056,725**	**4,760,054**
	29 Dhul Hijjah 1424H						
Total assets	630,344	387,222	233,421	520,342	528,624	2,219,200	4,457,655

The geographical locations of assets are as follows:

(In Thousands of Islamic Dinars)

	29 Dhul Hijjah 1425H				
	Member countries			Non member countries	Total
	Asia	Africa	Europe		
Total assets	**3,312,657**	**1,355,312**	**11,820**	**80,265**	**4,760,054**
	29 Dhul Hijjah 1424H				
Total assets	3,145,833	985,388	79,368	308,564	4,457,655

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 Office ("RMO") fully independent from all business departments as well as other entities of the Bank. The RMO 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 appropriate controls 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, Installment sales financing, Loans and Ijarah Muntahia Bittamleek. The Bank's liquid fund investments portfolio is managed by the Treasury Department and comprise deals with reputable banks. Murabaha financing, Istisna'a assets, Installment sales 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. Historically, The Bank has had a very low level of overdues. The management is of the opinion that, with the exception of what has already 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.

DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.
P.O. Box 442
Jeddah 21411
Saudi Arabia

ERNST & YOUNG
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Saudi Arabia

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

FINANCIAL STATEMENTS
29 Dhul Hijjah 1425H (9 February 2005)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

29 Dhul Hijjah 1425H (9 February 2005)

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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 1425H (9 February 2005) 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 1425H (9 February 2005), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Waqf Fund.

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 DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.

Al-Mutahhar Y. Hamiduddin
Registration No. 296

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

17 Safar, 1426H
27 March, 2005

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1425H (9 February 2005)

(In Thousands of Islamic Dinars)

	Notes	1425H	1424H
ASSETS			
Cash at banks		11,594	37,484
Fixed deposits with banks		400,129	321,228
Loans – net	3	93,488	88,715
Murabaha and other funds – net	4	108,242	92,149
Managed investments	5	-	183,501
Investments in IDB - Unit Investment Fund:			
Specific deposit	6	2,018	3,295
Investments in units	6	73,185	60,925
Investment in Islamic Corporation for the Insurance of Investment and Export Credit (ICIIEC)	7	61,491	61,776
Investment in Islamic Ijarah Sukuk	8	71,258	29,183
Other investments	9	25,930	23,351
Accrued income and other assets		5,208	5,997
Property and equipment – net	10	23,351	24,321
Receivable from IDB - Ordinary Capital Resources	19	31,159	-
TOTAL ASSETS		**907,053**	**931,925**
LIABILITIES AND RESOURCES			
LIABILITIES			
Payable to IDB - Ordinary Capital Resources	19	-	6,024
Accruals and other liabilities	16	15,538	25,104
Specific deposit from IDB – Unit Investment Fund		11,770	13,118
Total liabilities		**27,308**	**44,246**
RESOURCES			
Waqf Fund principal amount	11	733,694	730,729
Special assistance	12	44,177	59,030
Special account for least developed member countries	13	101,874	97,920
Total resources		**879,745**	**887,679**
TOTAL LIABILITIES AND RESOURCES		**907,053**	**931,925**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 17 Safar1426H (27 March 2005).

The attached notes from 1 through 23 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 1425H (9 February 2005)

(In Thousands of Islamic Dinars)

	Notes	1425H	1424H
Income (loss) from:			
Fixed deposits with banks		6,871	5,347
Murabaha and other funds	4	9,491	4,625
Gains on managed investments	5	2,216	2,207
Specific deposit with (from) IDB - Unit Investment Fund, net	6	(134)	(243)
IDB - Investments in units	6	1,043	1,521
Investment in ICIIEC	7	(285)	1,343
Investment in Islamic Ijarah Sukuk	8	1,365	166
Foreign currency exchange losses, net		(244)	(3,733)
Total income		**20,323**	**11,233**
Expenses:			
Staff costs		(424)	(465)
Other		(760)	(895)
Total expenses		**(1,184)**	**(1,360)**
Net income		**19,139**	**9,873**
Allocated to:			
Waqf Fund principal amount	2 (n)	2,871	1,480
Special assistance	2 (n)	12,440	6,418
Special account for least developed member countries	2 (n)	3,828	1,975
		19,139	**9,873**

The attached notes from 1 through 23 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1425H (9 February 2005)

(In Thousands of Islamic Dinars)

	1425H	1424H
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	19,139	9,873
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,107	1,155
Gain on investment in ICIIEC	-	(1,343)
Change in operating assets and liabilities:		
Loans	(4,773)	(8,281)
Murabaha and other funds	(16,093)	1,203
Accrued income and other assets	789	889
Accruals and other liabilities	(9,566)	2,131
Net cash (used in) provided by operations	**(9,397)**	**5,627**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed deposits with banks having maturity more than three months	(104,614)	-
IDB - Unit Investment Fund:		
Specific deposit	1,277	6,669
Investments in units	(12,260)	4,277
Investment in ICIIEC	285	-
Investment in Islamic Ijarah Sukuk	(42,075)	(15,951)
Managed investments	183,501	181,494
Other investments	(2,579)	(20,261)
Specific deposit from IDB - Unit Investment Fund	(1,348)	(7,914)
Additions to property and equipment	(137)	(24)
Special assistance program expenses	(9,537)	(9,667)
Net cash provided by investing activities	**12,513**	**138,623**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in payable to/ receivable from IDB - Ordinary Capital Resources	(37,183)	(35,728)
Income transferred from IDB - Ordinary Capital Resources	629	3,197
Net grants for causes and contribution from Islamic Development Bank for technical assistance grants from Special Assistance Account	(18,165)	(16,229)
Net cash used in financing activities	**(54,719)**	**(48,760)**
Net (decrease) increase in cash and cash equivalents	(51,603)	95,490
Cash and cash equivalents at beginning of year (Note 15)	358,712	263,222
Cash and cash equivalents at end of year (Note 15)	**307,109**	**358,712**

The attached notes from 1 through 23 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CHANGES IN RESOURCES
For the Year Ended 29 Dhul Hijjah 1425H (9 February 2005)

(In Thousands of Islamic Dinars)

	Notes	1425H	1424H
Waqf Fund principal amount resources:			
Balance at beginning of year		730,729	728,769
Attributable net income for the year		2,871	1,480
Share of income transferred from IDB - Ordinary Capital Resources	14	94	480
Balance at end of year		**733,694**	**730,729**
Special assistance resources:			
Balance at beginning of year		59,030	76,430
Attributable net income for the year		12,440	6,418
Share of income transferred from IDB - Ordinary Capital Resources	14	409	2,078
Grants for causes, net	12	(21,603)	(19,574)
Program expenses		(9,537)	(9,667)
Contribution from IDB- Ordinary Capital Resources for technical assistance grants		3,438	3,345
Balance at end of year		**44,177**	**59,030**
Special account for least developed member countries resources:			
Balance at beginning of year		97,920	95,306
Attributable net income for the year		3,828	1,975
Share of income transferred from IDB - Ordinary Capital Resources	14	126	639
Balance at end of year		**101,874**	**97,920**
Total resources		**879,745**	**887,679**

The attached notes from 1 through 23 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended 29 Dhul Hijjah 1425H (9 February 2005)

1. INCORPORATION AND ACTIVITIES

The Islamic Development Bank - Ordinary Capital Resources (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 formed 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.

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2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Advisory Board. For matters which are not covered by AAOIFI standards, the Waqf Fund uses the relevant standard issued or adopted by the International Accounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

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 retranslated 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 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 dates of instalments.

4. Managed investments

   Changes in the market value of managed investments are recorded as gains or losses in the statement of activities.

5. Investments in Islamic Ijarah Sukuk

   Income from investment in Islamic Ijarah Sukuk is recognized as declared by the investee banks and includes accretions of any discounts, net of amortization of any premiums on acquisition.

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 considered as trading and 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 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 then remeasured to fair value. Any unrealized gains arising from the change in their fair value are recognized as a separate component of resources. Whereas, unrealized losses resulting from re-measurement at fair value are recognized in the separate component of resources to the extent of the available balance. Excess of unrealized loss over the available balance is recognized in the statement of activities. In case there are unrealized losses that have been recognized in the statement of activities in previous years, the unrealized gains related to the current year are recognized in the statement of activities to the extent of such previous losses.

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.

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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/3-424, and the Board of Executive Directors' resolution No. BED/BG/4, US$ 5.0 million (ID 3.6 million) were allocated from the 1423H net income of IDB-OCR for the financing of 1424H Technical Assistance Operations in the form of grants. A similar amount of US$ 5.0 million (ID 3.4 million) was allocated from the 1424H net income of IDB - OCR in accordance with the Board of Governors' resolution No. BG/3-425, and the Board of Executive Directors' resolution No. BED4-425 for the financing of 1425H 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:

	1425H	1424H
Waqf Fund principal	15%	15%
Special Assistance	65%	65%
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, 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. 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. In addition a portfolio provision is calculated, 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.

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 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 activities.

3. LOANS, NET

Loans at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Loans	99,638	94,865
Provision for impairment	(6,150)	(6,150)
Loans – net	**93,488**	**88,715**

4. MURABAHA AND OTHER FUNDS, NET

The Board of Executive Directors of the Bank, on 16 Rabi Thani 1424H (16 June 2003) and on 25 Dhul Qa'da 1421H (19 February 2001) approved the allocation of US$ 364 million (ID 242.03 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)

	1425H	1424H
Syndicated Murabaha and other funds	87,565	74,654
Mudarabah and equity funds	21,371	18,189
	108,936	**92,843**
Less: Provision for impairment	(694)	(694)
Murabaha and other funds - net	**108,242**	**92,149**

5. MANAGED INVESTMENTS, NET

The Waqf Fund placed funds with external portfolio managers. The portfolios were operated by investing in international bonds and security markets based on the guidelines agreed between the Waqf Fund and the portfolio managers. The movements of the portfolios for 1425H and 1424H are as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
Balance at beginning of year	183,501	364,995
Withdrawals	(185,754)	(183,473)
Income from securities and deposits	4,423	11,259
Realized capital (loss) gains - net	(2,682)	7,179
Unrealized capital losses – net	-	(21,477)
Foreign currency exchange difference	512	5,018
Balance at end of year	**-**	**183,501**

The assets of the portfolios at the end of Dhul Hijjah are represented by:

(In Thousands of Islamic Dinars)

	1425H	1424H
Securities at market value	-	183,269
Brokers' balances – net	-	(2,546)
Call accounts	-	455
Accrued income	-	2,323
Total	**-**	**183,501**

6. IDB - UNIT INVESTMENT FUND

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 UIF had placed in 1412H a deposit in ID and simultaneously the Waqf Fund invested with the UIF 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.

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.

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 subscribed capital of ICIIEC at 29 Dhul Hijjah 1425H and 1424H is ID 96.9 million, with called-up instalments of ID 73.5 million, of which ID 72.4 million were paid.

The Waqf Fund has subscribed in and paid for 50,000 shares.

The movements in the investment in ICIIEC for the years ended 29 Dhul Hijjah are summarized as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
Balance at beginning of year	61,776	60,433
Share of (loss) profit during the year	(285)	1,343
Balance at end of year	**61,491**	**61,776**

8. INVESTMENT IN ISLAMIC IJARAH SUKUK

The fair values of the Islamic Ijara Sukuk approximates their carrying values at 29 Dhul Hijjah 1425H and 29 Dhul Hijjah 1424H.

9. OTHER INVESTMENTS

Other investments at the end of Dhul Hijjah are summarized as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
Infrastructure Fund	24,551	21,972
OIC - Network SDN BHD	1,379	1,379
Total	**25,930**	**23,351**

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 1425H. The total capital committed by the partners to the Fund is US$ 730.50 million (ID 485 million). The Bank has committed US$ 100 million (ID 66.5 million) of which US$ 37 million (ID 24.6 million) was paid as of 29 Dhul Hijjah 1425H. The investment is currently stated at cost, as fair value cannot be reliably measured.

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 related depreciation were split according to the following proportions:

IDB - Ordinary Capital Resources	65%
Waqf Fund	35%

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:

(In Thousands of Islamic Dinars)

	1424H	Additions/ (disposals)/ transfers/charge	1425H
Cost			
Buildings	34,436	7	34,443
Furniture and equipment	6,355	130	6,485
Total	**40,791**	**137**	**40,928**
Accumulated depreciation			
Buildings	10,803	796	11,599
Furniture and equipment	5,667	311	5,978
Total	**16,470**	**1,107**	**17,577**
Net book value at year end	**24,321**		**23,351**

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 and the same percentage of the banking returns from the Bank's investments in the international market are allocated every year until the principal amount reaches one thousand million Islamic Dinars. The principal amount shall be held and maintained in perpetuity (see note 1).

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 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 1425H and 1424H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

(In Thousands of Islamic Dinars)

	1425H	1424H
Relief against disasters and calamities	1,477	2,004
Assistance for Islamic causes	9,828	9,176
Technical assistance grants	5,473	5,242
Technical cooperative program	1,209	1,158
Scholarship program	3,550	3,464
Contribution to AAOIFI	66	351
	21,603	**21,395**
Less: net balance on activities relating to the Sacrificial Meat Program (see note below)	-	(1,821)
Total	**21,603**	**19,574**

In accordance with the management's decision, assets and liabilities (amounting to ID 52 million each) as of 29 Dhul Hijjah 1425H, relating to the Sacrificial Meat Program were removed from the Statement of Financial Position of the Waqf Fund and will be accounted for as a separate entity.

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 are as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
Return on deposits with other banks	-	2,666
Return on call accounts	629	531
Total	**629**	**3,197**

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 is as follows:

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(In Thousands of Islamic Dinars)

	1425H	1424H
Waqf Fund principal amount	94	480
Special Assistance	409	2,078
Special Account for Least Developed Member Countries	126	639
Total	**629**	**3,197**

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Cash at banks	11,594	37,484
Fixed deposits with banks	295,515	321,228
Total	**307,109**	**358,712**

16. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of Dhul Hijjah comprise the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Commodity Purchases	13,042	-
Accruals for sacrificial meat program expenses (see note 12)	-	18,171
Excess pilgrim contribution	-	3,792
Contribution for Bosnia Fund	750	1,821
Accrued expenses & Others	1,746	1,320
Total	**15,538**	**25,104**

17. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
a) For disbursements:		
Relief against natural disasters and calamities	12,291	9,261
Assistance for Islamic causes	73,116	53,298
Loans to Least Developed Member Countries ("LDMC")	109,389	70,827
Special loans	2,354	2,118
Technical assistance grants	26,531	20,677
Scholarship program	9,109	12,531
	232,790	**168,712**
b) Investments Funds with Trust Funds	214,136	122,387
Total	**446,926**	**291,099**

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:

(In Thousands of Islamic Dinars)

	1425H	1424H
United States Dollar	268,706	286,828
Euro	268,707	272,359
Japanese Yen	73,238	49,993
Pound Sterling	85,305	98,549
Other currencies	1,849	47,563

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 from IDB-OCR as at 29 Dhul Hijjah 1425H is ID 31.1 million (1424H – due to IDB - OCR of ID 6 million).

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20. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

(In Thousands of Islamic Dinars)

	29 Dhul Hijjah 1425H Maturity period determined				Maturity Period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets	**394,133**	**137,895**	**82,702**	**24,613**	**267,710**	**907,053**
Liabilities	**15,538**	**11,770**	**-**	**-**	**-**	**27,308**
	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 5years**		
Assets	367,407	1,763	134,125	291,476	137,154	931,925
Liabilities	31,128	13,118	-	-	-	44,246

21. CONCENTRATION OF ASSETS

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:

(In Thousands of Islamic Dinars)

	29 Dhul Hijjah 1425H Member countries				
	Asia	Africa	Europe	Non-member countries	Total
Assets	**726,227**	**85,888**	**2,936**	**92,002**	**907,053**
Liabilities	**27,308**	**-**	**-**	**-**	**27,308**
	29 Dhul Hijjah 1424H Member countries				
	Asia	**Africa**	**Europe**	**Non-member countries**	**Total**
Assets	424,547	102,553	41,715	363,110	931,925
Liabilities	44,246	-	-	-	44,246

The geographical locations of assets and liabilities for 1425H and 1424H 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 account and Special account for Least Developed Members Countries (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.

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME

FINANCIAL STATEMENTS
29 Dhul Hijjah 1425H (09 February 2005)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
29 Dhul Hijjah 1425H (09 February 2005)

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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 1425H (09 February 2005) 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 1425H (09 February 2005), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Fund.

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 DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.

Al-Mutahhar Y. Hamiduddin
Registration No. 296

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

17 Safar, 1426H
27 March, 2005

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF FINANCIAL POSITION
29 Dhul Hijjah 1425H (09 February 2005)

(In Thousands of Islamic Dinars)

	Notes	1425H	1424H
ASSETS			
Cash at banks	3	481	479
Commodity placements with banks	4	142,521	157,657
Receivable from operations:			
Murabaha financing	5	175,585	87,807
Less: Provision for operation risks	5	(7,457)	(7,457)
Receivable from operations, net		**168,128**	**80,350**
Receivable from Islamic Development Bank - Ordinary Capital Resources	6	-	5,428
Accrued income and other assets		709	318
TOTAL ASSETS		**311,839**	**244,232**
LIABILITIES AND PARTICIPANTS' EQUITY			
LIABILITIES:			
Accruals and other liabilities		1,470	1,469
Payable to Islamic Development Bank - Ordinary Capital Resources	6	62,464	-
Dividends payable		60	60
Total liabilities		**63,994**	**1,529**
PARTICIPANTS' EQUITY:			
Participants' contributions	7	134,257	133,998
Contribution bonus	8	18,023	18,023
General reserve	8	16,020	16,020
Retained earnings		79,545	74,662
Total participants' equity		247,845	242,703
TOTAL LIABILITIES AND PARTICIPANTS' EQUITY		**311,839**	**244,232**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 17 Safar, 1426H (27 March, 2005).

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
STATEMENT OF INCOME
For the Year Ended 29 Dhul Hijjah 1425H (09 February 2005)

(In Thousands of Islamic Dinars)

	Note	1425H	1424H
Income from:			
Commodity placements with banks	4	3,203	2,443
Murabaha financing		2,646	2,745
		5,849	**5,188**
Administrative expenses		(245)	(276)
Exchange loss		(721)	(556)
Net income		**4,883**	**4,356**

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
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1425H (09 February 2005)

(In Thousands of Islamic Dinars)

	Note	1425H	1424H
CASH FLOWS FROM OPERATIONS			
Net income for the year		4,883	4,356
Adjustments to reconcile net income to net cash from operating activities:			
Changes in operating assets and liabilities:			
Murabaha financing		(87,778)	27,552
Receivable from/Payable to Islamic Development Bank – Ordinary Capital Resources		67,892	9,113
Accrued income and other assets		(391)	109
Accruals and other liabilities		1	302
Net cash (used in)\ from operating activities		**(15,393)**	**41,432**
CASH FLOWS FROM INVESTING ACTIVITY			
Change in commodity placements with banks		**(15,619)**	**(9,227)**
CASH FLOWS FROM FINANCING ACTIVITY			
Change in participants' contributions		**259**	**250**
(Decrease)\increase in cash and cash equivalents		(30,753)	32,455
Cash and cash equivalents at the beginning of the year	12	120,382	87,927
Cash and cash equivalents at the end of the year	**12**	**89,629**	**120,382**

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
STATEMENT OF CHANGES IN PARTICIPANTS' EQUITY
For the Year Ended 29 Dhul Hijjah 1425H (09 February 2005)

(In Thousands of Islamic Dinars)

	Participants' contributions	Contribution bonus	General reserve	Retained earnings	Total
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**
Increase in participants' contributions	259	-	-	-	259
Net income for the year	-	-	-	4,883	4,883
Balance at 29 Dhul Hijjah 1425H	**134,257**	**18,023**	**16,020**	**79,545**	**247,845**

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 1425H (09 February 2005)

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 Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Fund. For matters which are not covered by AAOIFI standards, the Fund uses the relevant standards issued or adopted by the International Accounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

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 credited or 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 date of maturity.

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:

(In Thousands of Islamic Dinars)

	1425H	1424H
Call accounts with Islamic banks	198	194
Call accounts with conventional banks	283	285
Total	**481**	**479**

4. COMMODITY PLACEMENTS WITH BANKS

Commodity placements with banks at the end of Dhul Hijjah are comprised of the following:

(In thousands of Islamic Dinars)

	1425H	1424H
Placements with Islamic banks	11,663	5,179
Placements with conventional banks	130,858	152,478
Total	**142,521**	**157,657**

Income from placements for the years ended at the end of Dhul Hijjah represents the following:

(In thousands of Islamic Dinars)

	1425H	1424H
Placements	3,777	2,452
Compensation to Islamic Development Bank - Ordinary Capital Resources	(574)	(9)
Total	**3,203**	**2,443**

5. MURABAHA FINANCING

Murabaha financing at the end of Dhul Hijjah is comprised of the following:

(In thousands of Islamic Dinars)

	1425H	1424H
Gross amounts receivable	179,527	90,387
Less: Unearned income	(3,942)	(2,580)
Murabaha financing, net	**175,585**	**87,807**

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:

(In thousands of Islamic Dinars)

	1425H	1424H
Balance at beginning and at the end of the year	**7,457**	**7,457**

6. RECEIVABLE FROM/PAYABLE TO 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:

(In Thousands of Islamic Dinars)

	1425H	1424H
Amount subscribed	320,000	318,500
Installments not yet due	(160,750)	(159,750)
Called-up amount	**159,250**	**158,750**
Installments due not yet paid	(26,029)	(25,788)
Installments paid not yet due	1,036	1,036
Paid-up contributions	**134,257**	**133,998**

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 at the end of Dhul Hijjah are as follows:

(In Thousands of Islamic Dinars)

	1425H	1424H
United States Dollar	89,637	81,480
Japanese Yen	13,442	13,288
Euro	80,649	78,350
Pound Sterling	33,775	32,426
Deutsche Mark	1,861	2,040
French Franc	498	982
Non-SDR constituent currencies	(346)	(105)

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:

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(In Thousands of Islamic Dinars)

	1425H					
	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	481	-	-	-	-	481
Commodity placements with banks	128,626	13,895	-	-	-	142,521
Murabaha financing	3,169	128,961	24,037	19,418	-	175,585
Accrued income and other assets	709	-	-	-	-	709
	132,985	**142,856**	**24,037**	**19,418**	**-**	**319,296**
Less: Provision for operation risks						(7,457)
Total assets						**311,839**
Liabilities						
Accruals and other liabilities	-	-	-	-	1,470	1,470
Dividends payable	-	-	-	-	60	60
Payables to the Bank	62,464	-	-	-	-	62,464
Total liabilities	**62,464**	**-**	**-**	**-**	**1,530**	**63,994**

(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**

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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:

(In Thousands of Islamic Dinars)

	1425H			
	Member countries		Non-member countries	Total
	Asia	Africa		
Cash at banks	480	-	1	481
Commodity placements with banks	142,521	-	-	142,521
Murabaha financing	152,326	23,259	-	175,585
Accrued income and other assets	709	-	-	709
	296,036	**23,259**	**1**	**319,296**
Less: Provision for operation risks				(7,457)
Total assets				**311,839**

(In Thousands of Islamic Dinars)

	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**

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprises the following:

(In Thousands of Islamic Dinars)

	1425H	1424H
Cash at banks	481	479
Commodity placements with banks	89,148	119,903
Total	**89,629**	**120,382**

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 1425H amounted to ID 189.9 million (1424H - ID 111.1 million).

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ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT

FINANCIAL STATEMENTS
31 December 2004

WITH

AUDITORS' REPORT

ISLAMIC BANKS PORTFOLIO FOR INVESTMENT AND DEVELOPMENT

31 December 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 net assets of Islamic Banks Portfolio for Investment and Development (the "Portfolio") as of 31 December 2004, 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 2004, and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Portfolio.

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 DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.

Al-Mutahhar Y. Hamiduddin
Registration No. 296

For ERNST & YOUNG

Dr. Abdullah A. Baeshen
Registration No. 66

17 Safar, 1426H
27 March, 2005

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF NET ASSETS
31 December 2004

(In Thousands of Islamic Dinars)

	Notes	2004	2003
ASSETS			
Cash and cash equivalents	3, 13	26,258	34,992
Investments:			
Islamic Ijarah Sukuk	4	15,625	15,625
IDB - Unit Investment Fund	5, 13	10,937	15,937
Mudaraba funds	13	2,202	2,127
Ijarah Muntahia Bittamleek, net	6	28,948	38,591
Receivables:			
Murabaha, net	7	31,021	12,876
Instalment sales		574	865
Istisna'a		4,442	1,964
Accrued income and other assets		4,849	3,431
Total Portfolio's assets		**124,856**	**126,408**
Net assets financed by variable capital	9	11	11
Total assets		**124,867**	**126,419**
LIABILITIES			
Payable to Islamic Development Bank - Ordinary Capital Resources	8, 13	15,857	17,822
Dividends payable	10	2,187	1,738
Accruals and other liabilities		535	786
Total liabilities		18,579	20,346
NET ASSETS		**106,288**	**106,073**
REPRESENTED BY			
FIXED CAPITAL FUNDS			
Paid-up capital	11	100,000	100,000
Reserve	10	6,277	6,062
Retained earnings		-	-
Total fixed capital funds		**106,277**	**106,062**
VARIABLE CAPITAL FUNDS			
Paid-up capital	11	-	-
Retained earnings		11	11
Total variable capital funds	**9**	**11**	**11**
		106,288	**106,073**
Number of shares outstanding, fixed capital funds		**100,000**	**100,000**
Net assets per share (USD), fixed capital funds		**1,063**	**1,061**

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 17 Safar, 1426H (27 March, 2005).

The attached notes from 1 through 17 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 2004

(In thousands of United States Dollars)

	Note	2004	2003
INCOME			
Income from cash and cash equivalents		**181**	**207**
Income from investments, sales and financing:			
Investments:			
Islamic Ijarah Sukuk		436	367
IDB - Unit Investment Fund		395	503
Mudaraba funds		74	64
Ijarah Muntahia Bittamleek		9,936	7,704
Sales:			
Murabaha transactions		846	767
Instalment sales		53	76
Istisna'a		220	60
Mudaraba fees		145	288
Other income		74	-
Total income from investments, sales and financing		**12,179**	**9,829**
EXPENSES			
Depreciation expense	6	(8,110)	(6,192)
Impairment reversal		102	-
Other expenses		(55)	(109)
		(8,063)	**(6,301)**
Net income from investments, sales and financing		**4,116**	**3,528**
Net income before Mudarib's share		4,297	3,735
Less: Mudarib's share		(645)	(560)
INCREASE IN NET ASSETS AFTER MUDARIB'S SHARE		**3,652**	**3,175**

The attached notes from 1 through 17 form an integral part of these financial statements.

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ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF CASH FLOWS
For the year ended 31 December 2004

(In thousands of United States Dollars)

	2004	2003
OPERATING ACTIVITIES		
Increase in net assets before Mudarib's share	4,297	3,735
Adjustments for:		
Depreciation	8,110	6,192
	12,407	**9,927**
Changes in operating assets and liabilities:		
Murabaha receivable	(18,145)	17,230
Instalment sales receivable	291	266
Istisna'a receivable	(2,478)	(1,964)
Accrued income and other assets	(1,418)	(2,349)
Variable capital financed net assets	-	629
Payable to Islamic Development Bank - Ordinary Capital Resources	(1,965)	17,288
Accruals and other liabilities	(251)	548
Cash (used in)/from operations	**(11,559)**	**41,575**
Mudarib's Fee	(645)	(560)
Net cash (used in)/provided by operating activities	(12,204)	41,015
INVESTING ACTIVITIES		
Net decrease/(increase) in investment in IDB - Unit Investment Fund	5,000	(219)
Net increase in investment in Islamic Ijarah Sukuk	-	(5,625)
Net decrease/(increase) in Ijarah Muntahia Bittamleek	1,533	(17,106)
Net increase in Mudaraba funds	(75)	(127)
Net cash provided by/(used in) investing activities	**6,458**	**(23,077)**
FINANCING ACTIVITIES		
Change in variable capital funds	-	(629)
Dividends paid	(2,988)	(5,482)
Net cash used in financing activities	**(2,988)**	**(6,111)**
Net (decrease)/increase in cash and cash equivalents	(8,734)	11,827
Cash and cash equivalents at the beginning of the year	34,992	23,165
Cash and cash equivalents at the end of the year	**26,258**	**34,992**
Supplemental Schedule on Non-Cash Items		
Dividends payable	**2,187**	**1,738**

The attached notes from 1 through 17 form an integral part of these financial statements.

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ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2004

(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 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**
Increase in net assets for the year	-	-	-	-	3,652	-	3,652	-	3,652
Appropriations:									
Transfer to reserve	-	-	215	-	(215)	-	-	-	-
Dividends	-	-	-	-	(3,437)		(3,437)		(3,437)
Balance at 31 December 2004	**100,000**	**-**	**6,277**	**-**	**-**	**11**	**106,277**	**11**	**106,288**

The attached notes from 1 through 17 form an integral part of these financial statements.

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF PORTFOLIO
INVESTMENTS, RECEIVABLES AND FINANCING
31 December 2004

(In thousands of United States Dollars)

	2004	Percentage of portfolio	2003	Percentage of portfolio
INVESTMENTS				
Islamic Ijarah Sukuk	15,625	17%	15,625	18%
IDB - Unit Investment Fund	10,937	12%	15,937	18%
Mudaraba funds	2,202	2%	2,127	2%
Ijarah Muntahia Bittamleek, net	28,948	31%	38,591	44%
RECEIVABLES				
Murabaha, net	31,021	33%	12,876	15%
Instalment sales	574	1%	865	1%
Istisna'a	4,442	4%	1,964	2%
TOTAL INVESTMENTS, RECEIVABLES AND FINANCING	**93,749**	**100%**	**87,985**	**100%**

The attached notes from 1 through 17 form an integral part of these financial statements.

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ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF FINANCIAL HIGHLIGHTS
31 December 2004

(In thousands of United States Dollars)

	2004	2003
Data per share (In United States Dollars)		
Net assets value (fixed capital funds) at the beginning of the year	**1,061**	**1,088**
Net income from investments, sales and financing before Mudarib's share	43	37
Less: Mubarib's share	(6)	(5)
Net income from investment, sales and financing after Mudarib's share	**37**	**32**
Distribution to shareholders:		
From net profits on investments, sales and financing	(35)	(59)
Total distributions	(35)	(59)
Net assets value (fixed capital funds) at the end of the year	**1,063**	**1,061**
Financial ratios/supplementary data (thousands of United States Dollars)		
Total net assets at the end of the year	106,277	106,062
Average net assets*	107,370	108,068
Ratio of expenses to average net assets	8%	6%
Turnover rate of portfolio investments, receivables and financing	13%	11%
Annual rate of return	3%	3%

*The average net assets is calculated on a simple average basis using quarter-end net asset balances.

The attached notes from 1 through 17 form an integral part of these financial statements.

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
31 December 2004

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 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.

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 Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Portfolio. For matters which are not covered by AAOIFI standards, the Portfolio uses the relevant standard issued or adopted by the International Acccounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

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 date of the statement of net assets. 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 date of maturity.

2. Investments

Income from investment in Islamic Ijarah Sukuk is recognized as declared by the investee banks and includes accretions of any discounts, net of amortization of any premium on acquisition.

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.

Revenue from Ijarah Muntahia Bittamleek is allocated proportionately to the financial periods over the lease term.

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. The percentage of completion is determined based on the proportion of the cost incurred to date to the total cost of the project.

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.

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 are reported as a separate component of equity until the investment is derecognized. On derecognition the cumulative gain 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 either individually or as a part of a syndication with other financial institutions or entities 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. No depreciation expense is recorded in respect of assets not yet put to use.

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 at the year-end 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.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December comprise the following:

(In thousands of United States Dollars)

	2004	2003
Liquid funds with Islamic banks	**26,258**	**34,992**

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 2004 and 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 2004, the Portfolio owned 3.3% of the issued units of the Fund (4.9% at 31 December 2003). The fair value of the Fund at 31 December 2004 and 2003 approximates its cost.

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6. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at 31 December comprises the following:

(In thousands of United States Dollars)

	2004	2003
Cost:		
Assets not in use:		
At the beginning of the year	6,362	13,979
Additions during the year	2,519	17,106
Transferred to assets in use during the year	(5,068)	(24,723)
At the end of the year	**3,813**	**6,362**
Assets in use:		
At the beginning of the year	44,346	19,623
Transferred from assets not in use during the year	5,068	24,723
Transferred to beneficiaries during the year	(8,347)	-
At the end of the year	**41,067**	**44,346**
Accumulated depreciation:		
At the beginning of the year	(12,117)	(5,925)
Charged during the year	(8,110)	(6,192)
Transferred during the year	4,295	-
At the end of the year	**(15,932)**	**(12,117)**
Balance at the end of the year	**28,948**	**38,591**

Certain of the assets referred to above represent the Portfolio's share in the lease pool.

Future instalments receivable related to Ijarah Muntahia Bittamleek at 31 December are estimated as follows:

(In thousands of United States Dollars)

	2004	2003
Ijarah operations in Egypt	2,356	4,738
Ijarah operations in Saudi Arabia	6,515	8,608
Ijarah operations in Brunei	3,722	4,148
Ijarah operations in Algeria	3,814	889
Ijarah operations in Sudan	4,232	7,427
Ijarah operations in Lebanon	3,076	3,462
Ijarah operations in Iran	4,588	4,322
Ijarah operations in Pakistan	-	2,777
Ijarah operations in United Arab Emirates	5,093	4,792
Ijarah operations in Turkey	833	958
Total	**34,229**	**42,121**

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The precise amount of 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.

7. MURABAHA RECEIVABLES, NET

Murabaha receivables at 31 December comprise the following:

(In thousands of United States Dollars)

	2004	2003
Gross amounts receivable	32,316	13,606
Less: Unearned income	(985)	(334)
Provision for impairment	(310)	(396)
Murabaha receivables, net	**31,021**	**12,876**

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 comprises the following:

(In thousands of United States Dollars)

	2004	2003
Mudarib's share of profit (see note 10)	645	560
Short-term advances and inter-fund account	15,212	17,262
Total	**15,857**	**17,822**

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 years ended 31 December 2004 and 2003 were nominal.

9. NET ASSETS FINANCED BY VARIABLE CAPITAL

Net assets financed by variable capital at 31 December comprise the following:

(In thousands of United States Dollars)

	2004	2003
Cash and cash equivalents	30	30
Total assets	30	30
Less: Accrued expenses and other liabilities	(19)	(19)
Net assets financed by variable capital	**11**	**11**

The above net assets financed are represented by the balance of retained earnings of the variable capital representing net income retained in previous years.

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.

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.

11. CAPITAL

Capital at 31 December comprises the following:

(In thousands of United States Dollars)

	2004	2003
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.

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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:

(In thousands of United States Dollars)

	2004	**2003**
Cash and cash equivalents:		
Shamil Bank of Bahrain	26,251	34,985
Investment:		
IDB - Unit Investment Fund	10,937	15,937
Al Baraka Group - Mudaraba funds	2,202	2,127
Payable to the Bank:		
Current account	15,212	(17,262)
As Mudarib's share of profit	(645)	(560)

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 are as follows:

(In thousands of United States Dollars)

	2004					
	Maturity period determined				Maturity	Total
	Less than 1 month	1 to 12 months	1 to 5 years	Over 5 years	period not determined	
Assets						
Cash and cash equivalents	26,258	-	-	-	-	26,258
Investments	427	13,162	20,396	12,790	10,937	57,712
Receivables	2,088	24,660	6,512	2,777	-	36,037
Accrued income and other assets	-	4,849	-	-	-	4,849
Total Portfolio's assets	**28,773**	**42,671**	**26,908**	**15,567**	**10,937**	**124,856**
Liabilities						
Payable in cash:						
Payable to the Bank	15,857	-	-	-	-	15,857
Dividends payable	-	2,187	-	-	-	2,187
Accruals and other liabilities	-	535	-	-	-	535
Total Portfolio's liabilities	**15,857**	**2,722**	**-**	**-**	**-**	**18,579**
	2003					
	Maturity period determined				Maturity	Total
	Less than 1 month	1 to 12 months	1 to 5 years	Over 5 years	period not determined	
Assets						
Cash and cash equivalents	34,992	-	-	-	-	34,992
Investments	2,072	5,777	40,021	8,473	15,937	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**	**22,168**	**41,265**	**9,701**	**15,937**	**126,408**
Liabilities						
Payable in cash:						
Payable to the Bank	-	17,822	-	-	-	17,822
Dividends payable	-	1,738	-	-	-	1,738
Accruals and other liabilities	-	786	-	-	-	786
Total Portfolio's liabilities	**-**	**20,346**	**-**	**-**	**-**	**20,346**

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15. CONCENTRATION OF ASSETS

An analysis of the Portfolio's assets by industry at 31 December is as follows:

(In thousands of United States Dollars)

	2004					
	Public utilities	Transport	Industry and mining	Social services	Other	Total
Cash and cash equivalents	-	-	-	-	26,258	26,258
Investments	14,022	7,998	6,928	-	28,764	57,712
Receivables	5,118	3,053	14,008	574	13,284	36,037
Accrued income and other assets	-	-	-	-	4,849	4,849
Total assets	**19,140**	**11,051**	**20,936**	**574**	**73,155**	**124,856**
	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**

15. CONCENTRATION OF ASSETS (CONTINUED)

The geographical locations of the Portfolio's assets at 31 December are as follows:

(In thousands of United States Dollars)

	2004			
	Cash and cash equivalents	Investments	Receivables	Total
Saudi Arabia	-	16,168	6,776	22,944
Bahrain	26,258	5,625	-	31,883
Egypt	-	1,077	-	1,077
Bangladesh	-	-	10,109	10,109
Turkey	-	2,977	7,183	10,160
Lebanon	-	2,561	-	2,561
Iran	-	4,525	3,053	7,578
Morocco	-	-	-	-
Jordan	-	-	-	-
Malaysia	-	5,000	-	5,000
Kazakhistan	-	-	574	574
Algeria	-	3,814	-	3,814
Sudan	-	2,967	-	2,967
Brunei	-	3,627	-	3,627
Qatar	-	5,000	4,442	9,442
United Arab Emirates	-	4,371	-	4,371
Pakistan	-	-	3,900	3,900
Tunisia	-	-	-	-
	26,258	57,712	36,037	120,007
Accrued income and other assets				4,849
Total assets				**124,856**

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15. CONCENTRATION OF ASSETS (CONTINUED)

(In thousands of United States Dollars)

	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**

16. ZAKAT AND TAX

Any liability for zakat and income tax is the responsibility of the individual participants.

17. COMMITMENTS

At 31 December 2004, undisbursed commitments for investing in operations and other investments amount to US$ 69.6 million (US$ 57.1 million at 31 December 2003).

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APPENDICES II-VII

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APPENDIX II
COMPARATIVE STATEMENT SHOWING ACTUAL EXPENDITURE DURING 1424H AND 1425H AND APPROVED BUDGET FOR 1426H (2005-2006)

			Actual Expenditure		Approved Budget
	Description		**1424H (2003-04)**	**1425H (2004-05)**	**1426H (2005-06)**
1.	Annual Meeting & BED Expenses		2,469	2,518	3,007
	a.	Annual Meeting Expenses	1,401	-	1,581
	b.	Board of Executive Directors Expenses	1,068	1,494	1,426
2.	Personnel Cost		35,617	35,758	38,095
	a.	Salaries & Benefits	34,346	34,706	35,389
	b.	Other Personnel Cost	767	875	936
	c.	New Staff Cost	-	93	1,014
	d.	Young Professional Program	504	84	756
3.	Business Travel		1,945	2,009	2,909
4.	General Administrative Expenses		5,475	5,199	6,965
5.	Total Administrative Expenses (2+3+4)		43,037	42,966	47,969
6.	Contingencies		-	7	36
7.	Capital Expenditure		603	622	756
8.	Regional Offices		1,135	1,409	1,577
	a.	Regional Office – Morocco	487	640	689
	b.	Regional Office – Malaysia	285	357	470
	c.	Regional Office – Kazakhstan	363	412	418
9.	Expenditure specifically approved		1,195	561	772
	Grand Total		**48,439**	**48,083***	**54,117**

* Excludes commitments of ID 2.257 million against 1425H Administrative Budget.

APPENDIX III
SUBSCRIPTION TO IDB SHARE CAPITAL
as on 29 Dhul Hijjah 1425H (09 February 2005G)

	Country	Initial	1st Additional	2nd General Increase	3rd General Increase	Total Subscription	Percentage of Total Subscription
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	340.00	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	19.36	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	U.A.E	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
	Sub total	834.30	1,369.94	1,861.30	3,895.17	7,960.71	100.00
	Uncommitted	-	-	34.46	104.83	139.29	-
	Grand Total	**834.30**	**1,369.94**	**1,895.76**	**4,000.00**	**8,100.00**	**-**

1. The Subscribed Capital of Albania, Cote d'Ivoire, Kazakhstan, Mozambique, Suriname, Tajikistan, Togo, Turkmenistan and Uzbekistan (ID25 Million) are adjusted against the uncommitted portion of the 2nd General Capital Increase of the Bank.

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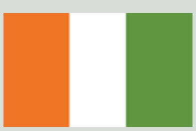
APPENDIX IV
CHANNELS OF COMMUNICATION

	Country		Channel of Communication
1.	Islamic Republic of Afghanistan 		Office of H.E. The IDB Governor Ministry of Finance Pashtunistan Watt Kabul Fax: 202103439
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 – 733864
4.	Azerbaijan Republic 		Ministry of Finance Baku, FAX: 98 53 81/930743
5.	Kingdom of Bahrain 		Director, Economic Relations Department Ministry of Finance and National Economy P.O.Box No. 333, Manama Fax: 17535515
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 		The General Director Caisse Autonome d'Amortissement P.O.Box 302 Cotonou Fax: 301851

	Country		Channel of Communication
8.	Brunei Darussalam 		The Director of Special Duties Ministry of Finance 18th Ministry of Finance Building Simpang 295 Jalan Kebangsaan Bandar Seri Begawan BB 3910 Fax: 2383816
9.	Burkina Faso 		Ministry of Economy and Development Ouagadougou Fax: 50305508
10.	Republic of Cameroon 		Ministry of Economy and Finance Yaounde Fax: 22 33717
11.	Republic of Chad 		Ministry of Economy and Finance N'Djamena P.O.box 144 Fax: 524908
12.	Union of Comoros 		Ministry of Finance, Budget and Privatization P.O.Box 324 Moroni Fax: 744140
13.	Republic of Cote d'Ivoire 		Ministry of Economy and Finance Abidjan Fax: 20200856
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: 4014733

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	Country		Channel of Communication
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 – 201626
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 		Office of H.E. The Governor Central Bank of Iraq P.O.Box 64 Baghdad Fax: 8865171/ 8884115
23.	Hashemite Kingdom of Jordan 		Ministry of Planning and International Cooperation P.O.Box 555 Amman – 11118 Fax: 4649341 – 4642247

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	Country		Channel of Communication
24.	Republic of Kazakhstan 		H.E. The Minister of Industry and Trade Ministry of Industry and Trade Astana Fax: 240231
25.	State of Kuwait 		H.E. The Assistant Undersecretary, Economic Affairs Ministry of Finance Ministries' Compound P.O.Box 9, Al Safa, Kuwait 13001 Fax: 2418081
26.	Kyrghyz Republic 		Mr. Cherny Ilia Office of H.E. The IDB Governor State Committee of the Kyrgyz Republic on State Property, Bishkek Fax: 660236 E-mail: ilia@spf.bishkek.gov.kg
27.	Republic of Lebanon 		H.E. The Adviser Lebanese Council of Ministers Governmental Palace, Beirut Fax: 865630/747786
28.	The Great Socialist People's Libyan Arab Jamahiriyah 		The Secretariat of the People's General Committee for Finance, Sert Fax: 466750 / 362-138
29.	Malaysia 		The Secretary of Finance Division Ministry of Finance Malaysia 62592 Putrajaya Fax: 888 23579 / 888 24286
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

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	Country		Channel of Communication
32.	Islamic Republic of Mauritania 		The Finaning Director Ministry of Economic Affairs and Development P.O.Box 238 Nouakchott Fax: 5253335 / 5255110
33.	Kingdom of Morocco 		The Treasury Department Ministry of Finance and Privatization Rabat Fax: 37 677532
34.	Republic of Mozambique 		Ministry of Finance Maputo Fax : 428170
35.	Republic of Niger 		Ministry of Economy and Finance Niamey Fax: 72 40 20
36.	Sultanate of Oman 		Director General for Treasury and Accounts Ministry of Finance P.O. Box 506 Muscat 113 Fax: 737840 / 738140
37.	Islamic Republic of Pakistan 		H.E. The Secretary Economic Affairs Division Ministry of Finance and Economic Affairs, Islamabad Fax: 9205971 / 9204086
38.	State of Palestine 		H.E. The Chairman of the General Audit Organisation, Palestinian National Authority P.O.Box 4059 Gaza Fax: 2 821703 C/o Mr. Maher Gabour – Rafah Govenorate of North Sinai, Arab Republic of Egypt
39.	State of Qatar 		Office of H.E. The Minister of Finance Ministry of Finance P.O.Box 3322 Doha Fax: 44311177

	Country		Channel of Communication
40.	Kingdom of Saudi Arabia 		Ministry of Finance Riyadh 11177 Fax: 4059441 / 4059202 / 4057304
41.	Republic of Senegal 		Ministry of Economy and Finance Dakar Fax: 8224195 / 8221267/8211630
42.	Republic of Sierra Leone 		Ministry of Finance Secretariat Building, George Street, Freetown Fax: 228472 / 227370
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: 781861- 778547 -780273
45.	Republic of Suriname 		H.E. The Governor, Central Bank of Suriname P.O Box 1801 Paranaribo Fax: 473741/476444
46.	Syrian Arab Republic 		Office of H.E. The Minister of Economy and Trade Department of Economic and Monetary Affairs Damascus Fax: 2323050
47.	Republic of Tajikistan 		Office of H.E. The Prime Minister Republic of Tajikistan 80, Rudaki Avenue Dushambe Fax: 212502

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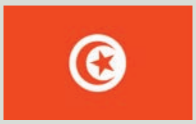
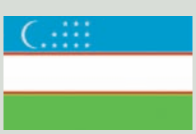
	Country		Channel of Communication
48.	Republic of Togo 		Ministry of Economy, Finance and Privatization P.O.Box 367 Lome Fax: 221 0905
49.	Republic of Tunisia 		Mr. Moncef Boulagui Director General, International Cooperation Ministry of International Cooperation and Foreign Investment Tunis Fax: 799069
50.	Republic of Turkey 		Undersecretariat of Treasury Prime Ministry Ankara Fax: 2128550/2128737
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: 230163/345597
53.	United Arab Emirates 		Ministry of Finance and Industry P.O.Box 433 Abu Dhabi Fax: 6773301/6793255
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: 1398222/1385100
55.	Republic of Yemen 		Ministry of Planning and International Cooperation P.O.Box 175 Sanaa Fax: 250665/251503

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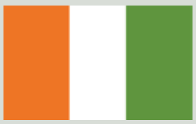
APPENDIX V
GOVERNORS AND ALTERNATE GOVERNORS

	Country	Governor	Alternate Governor
1.	Islamic Republic of Afghanistan 	H.E. Prof.. Dr. Anwar Ul-Haq Ahady Minister of Finance Ministry of Finance Pashtunistan Watt Kabul Fax: 202103439 Tel: 70295595 - 70190815 e.mail: naimdindar@yahoo.com rskabul@yahoo.com	H.E. Mr. Wahidullah Shahrani Deputy Minister of Finance Ministry of Finance Pashtunistan Watt Kabul Fax :2103258 Fax: 202103439 Tel: 79300123 - 79326372 e.mail: wshahrani@yahoo.com e.mail: yunusmalikzada@yahoo.com
2.	Republic of Albania 	H.E. Prof. Dr. Anastas Angjeli Minister of Economy Ministry of Economy Bulvadrdi "Zhan d'Ark" No 2 Tirana Fax: (355 4) 264658 / 228494 Tel: (355 4) 228362 / 222655 e.mail: aangjeli@minec.gov.al	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. Mourad Medelci Minister of Finance Ministry of Finance Ben Aknoun, 16300 Algiers Tel: 213- 21 595302 Fax: 213- 21 595316	H.E.the IDB, Alternate Governor Ministry of Finance Ben Aknoun , 16300 Algiers Tel: 213- 21 595302 Fax: 213- 21 595316
4.	Azerbaijan Republic 	H.E. Mr. Farhad Aliyev Minister of Economic Development Ministry of Economic Development 23 Niyazi Street, AZ 1066 Baku Fax: (994-12) 4902404 Tel: (994-12) 4902430	H.E. Mr. Avaz Akbar Oglu Alekperov Minister of Finance (Alternate Governor, IDB) Ministry of Finance 83 Samed Vurgun Street AZ 1022 Baku Fax: (994-12) 4939648 / 4985381 Tel: (994-12) 4930562 / 4939398
5.	Kingdom of Bahrain 	H.E. Sheikh Ahmad Bin Mohamad Al Khalifa Minister of Finance Ministry of Finance P.O.Box No.333 Manama Fax: (00973) 17533324 Tel: (00973) 17532900 - 17533822	H.E.Mr. Mahmoud Hashem Al Kohege Assistant Undersecretary for Economic Affairs Ministry of Finance P.O.Box No.333 Manama Fax: (00973) 1753285 Tel: (00973) 17531900

	Country	Governor	Alternate Governor
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: 28113088	H.E.Mr. Md. Ismail Zabiullah Secretary, Economic Relations Division, Ministry of Finance Sher-e-Bangla Nagar Dhaka 1207 Dhaka Fax: 880 28113088
7.	Republic of Benin 	H.E. Mr. Rigobert Laourou Directeur de Cabinet Ministry in-charge of Planning and Development Cotonou Republic of Benin Fax: 301660	H.E. Mr. Sèmiou BAKARY Director General Caisse Autonome d'Amortissement, P.O.Box 302 Cotonou Fax: 301851 Tel : 314114 – 301621 – 301486
8.	Brunei Darussalam 	HM. Sultan Haji Hassanal Bolkiah Prime Minister & Minister of Defence cum Minister of Finance Ministry of Finance 18th Floor, Ministry of Finance Complex. Commonwealth Drive Bandar Seri Begawan BB 3910 Tel: (673) 2383819 Fax : (673) 2383816	H.E Pehin Dato Abd Rahman Ibrahim Deputy Minister of Finance Ministry of Finance 18th Floor, Ministry of Finance Complex. Commonwealth Drive 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. ABAH ABAH Polycarpe Minister of Economy and Finance Ministry of Economy and Finance Yaoundé Tel : 2232299 2220079 – 2220754 Fax: 2233717	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

	Country	Governor	Alternate Governor
12.	Union of Comoros 	H.E. Mr. Ahamadi ABDOULBASTOI State Minister, Minister of Finance and Budget Ministry of Finance Moroni Fax: 744140 - 730349 Tel : 744161	H.E. Mr. Ibrahim Ben Ali Governor Central Bank of Comoros Place de France B.P 405 Moroni Fax: 730349 Tel : 731814 - 731002
13.	République de Côte 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: 20200856 Tel: 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 In-charge of Privatisations Djibouti Fax: 356501 Tel : 253 . 350481	H.E. Mr. Djama Mahmoud Haid The 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: 4014615 – 4014719 Fax: 4014733	H.E. Dr. Hassan Khidr Minister of Supply and Internal Commerce. Ministry of Supply and Internal Commerce. 99 Kasr Al Aini Str. Cairo Tel: 7944973 Fax: 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: 76.59.74 - 77.35.09	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. Mrs. Margaret A.A. Keita Secretary of State for Finance & Economic Affairs Department of State for Finance & Economic Affairs The Quadrangle Banjul Tel: 4227221 - 4227529 Fax: 4227954 - 4226969	H.E. Mr. Abdou B. Touray Permanent Secretary Department of State for Finance and Economic Affairs The Quadrangle, Banjul Tel: 4227221 - 4227529 Fax: 4227954-4226969

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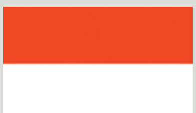
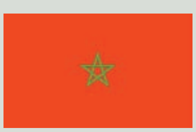
	Country	Governor	Alternate Governor
18.	Republic of Guinea 	H.E. Mr Alkaly Mohamed DAFFE Governor Central Bank of Guinea Central Bank of Guinea P.O. Box: 692 Conakry Fax: 414898 Tel: 412651	H.E. Mme Baldé Hadja Fatoumata DIOP National Director, Public Investments programming National Directorate for Public Investments programming Ministry of planning P.O.Box 221 - Conakry Fax: 413059 Tel: 413495 E.mail : baldefatoudiop@yahoo.fr
19	Republic of Guinea Bissau 	H.E. Mr. João Aladje Mamadu Fadia Minister Finance Ministry Finance P.O.Box 67, Bissau Fax :(245) 205156 / 205267 / 201626 Tel : (245) 20 32 11 – 20 32 08	H.E. Mr. Issofo Sanha Minister of Economy Ministry of Economy P.O.Box 67, Bissau Fax : (245) 204870 / 201626 Tel : (245) 204870 / 203208
20.	Republic of Indonesia 	H.E.Mr.Jusuf Anwar Minister of Finance Ministry of Finance Jakarta Tel: 3449230 Fax: 3453710 - 3451205	H.E. Mr. Burhanuddin Abdullah Governor of Bank Indonesia Bank of Indonesia Jl. MH. Thamrin 2 Jakarta 10110 Indonesia Tel: (62-21) 381-7187 Fax: (62-21) 350-1867
21.	Islamic Republic of Iran 	H.E. Dr. Safdar Hosseini Minister of Economic Affairs and Finance Ministry of Economic Affairs and Finance Tehran Tel: 3911652 - 300024 Fax: 3911165	H.E.Dr. Mohammad Khazaee Vice Minister for International Affairs and President, Organization for Investment, Economic and Technical Assistance of Iran Ministry of Economic Affairs and Finance, Tehran Tel: 3911655 Fax: 3901033
22.	Republic of Iraq 	H.E. Dr. Senan AL Shabebi Governor, Central Bank of Iraq P. O. Box 84 Rasheed Str. - Baghdad Tel: 8884115 - 8865171	
23.	Hashemite Kingdom of Jordan 	H.E. Mrs. Suhair Al Ali Minister of Planning and International Cooperation Ministry of Planning and International Cooperation P. O. Box 555 Amman 11118 Fax: 4649341- 4642247 Tel: 4644466-70 e.mail: mop@mop.gov.jo	H.E. Dr. Omaya Toqan Governor, Central Bank of Jordan Central Bank of Jordan P. O. Box 37 - Amman Tel: 4634511 Fax: 643121

	Country	Governor	Alternate Governor
24.	Republic of Kazakhstan 	H.E. Mr. Sauat M. Mynbayev Deputy Prime Minister and 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 Ministry of Economy and Budget Planning 33 Pobedy Str. 473000 Astana Tel : (3172) 717555 Fax : (3172) 717166 – 717129
25.	State of Kuwait 	H.E. Mr. Bader Mishari Al Humaidhi Minister of Finance Ministry of Finance Ministries' Compound P.O.Box 9 Al Safa 13001 Kuwait Tel: 2420018 - 2420019 Fax: 2446361 - 2434862 E.mail: Minister@mof.gov.kw	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. Tursun Turdumambetov Osmonalievic Acting Chairman State Committee of the Kyrgyz Republic on State Property 151,Moskovskaya str. 720017 Bishkek Fax (996312) 660236 Tel: (996312) 626832	H.E. Mr. Emirlan Toromyrzaev Permanent Secretary Ministry of Finance 58, Erkindik Str. 720040 Bishkek Kyrgyz Republic Tel: (996 312) 661350 Fax: (996 312) 661645 e.toromyrzaev@mf.gov.kg
27.	Republic of Lebanon 	H.E. The IDB Governor C/O H.E. Mr. Hisham Ibrahim Al Shaar Advisor Lebanese Council of Ministers Government Palace Beirut Fax : 865630 - 867593	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

	Country	Governor	Alternate Governor
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: 888 23556 - 888 23000 Fax: 888 23579 – 888 24286	H.E. Dato' Izzuddin bin Dali Secretary General to the Treasury Ministry of Finance Complex Precint 2, Federal Government Administration Center 62592 Putrajaya Kuala Lumpur Tel: 88823000 Fax: 88823579 – 88823578 88824286
30.	Republic of Maldives 	H.E. Mr. Fathullah Jameel Minister of Foreign Affairs Ministry of Foreign Affairs Male Tel: 323400 Fax: 323841	H.E. Mr. Mohamed Ahmed Assistant Executive Director Ministry of Finance & Treasury Male Tel: (960) 322343 - 314869 Fax: (960) 324432
31.	Republic of Mali 	H.E. Abou Bakar Traore Minister of Economy and Finance Ministry of Economy, and Finance B.P. 234 - Bamako Fax: 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: 2295161 Tel: 229 5158 - 2295162
32.	Islamic Republic of Mauritania 	H.E. Mr. Mohamed Sidiya Ould Mohamed Khaled 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 5110 Tel: 5251365
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. Mr. Manuel Chang Minister of Finance Ministry of Finance Maputo Fax: 428170 Tel: 420648	H.E. the Vice Minister of Planning and Development Minister of Planning and Development Maputo

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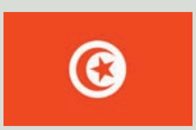
	Country	Governor	Alternate Governor
35.	Republic of Niger 	H.E. Mr. Ali Mahaman Lamine Zeine Minister of Economy and Finance Ministry of Economy and Finance P. O. Box 389 Niamey Tel: 722374 Fax: 735934 - 735934	H.E. Mr Hamida Arzake Secretary of State for Economic Reforms Ministry of Economy and Finance Niamey Fax: 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: 24738201 Fax: 24737840 - 24738140	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 : 24738201 Fax: 24737840 – 24739863
37.	Islamic Republic of Pakistan 	H.E. Ms Hina Rabbani Khar State Minister for Economic Affairs Ministry of Economic Affairs and Statistics (Economic Affairs Division) Islamabad Fax: 920 5971 Tel: 920 2894	H.E. Mr. Shuja Shah Secretary, Economic Affaires Division (EAD) Ministry of Economic Affairs and Statistics (Economic Affairs Division) Islamabad, Fax: 9205971 - 9204086 Tel: 9210629 - 9212769 E.mail: secretaryead@moeas.gov.pk
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: 2827327 Office 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: 821703 Tel: 2827327 Office 2825771 Home
39.	State of Qatar 	H.E. Mr. Yussouf Hussein Kamal Minister of Finance Ministry of Finance P.O.Box 3322 - Doha Fax: 4431177 - 4414418 Tel : 4413300	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

	Country	Governor	Alternate Governor
40.	Kingdom of Saudi Arabia 	H.E.Dr. Ibrahim Bin Abdel Aziz Al Assaf Minister of Finance Ministry of Finance Riyadh, Tel : 4014423 - 4016014 Fax: 4057304 – 4059202 - 4059441	H.E. Mr. Hamad Saud Al Sayyari Governor Saudi Arabian Monetary Agency Riyadh, Fax: 4633703 – 4662040 Tel : 4662000
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 - 8221267 - 8211630	H.E. M. Massar Wague Director of Economic and Financial Cooperation Ministry of Economy and Finance Dakar Fax: 8224195 - 8221267 - 8211630
42.	Republic of Sierra Leone 	H.E. Mr. Joseph Bandabla Dauda Minister of Finance Ministry of Finance Freetown Fax: 228472 - 225826 Tel: 225612 – 222211	H.E. the Financial Secretary Ministry of Finance Freetown Fax: 228472 Tel: 227720
43.	Republic of Somalia 	H.E. Dr. Salim Aliow Ibrow Deputy Prime Minister and 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: 777563 - 784378 Fax: 776081 – 772600	H.E. Dr Saber Mohammad Hassan Governor, Bank of Sudan Bank of Sudan P.O.Box 313 Khartoum Fax : 249 11 780273 - 780561 Tel : 249 11 780123 - 774419
45.	Republic of Suriname 	H.E. Mr. André Telting President, Centrale Bank Van Suriname Waterkant 20 P.O.Box 1801 Paramaribo Fax: 476444 Tel: 473741 - 474788	H.E. Mr. Hendrik Asgarali Alimahomed Ambassador and Permanent Secretary Ministry of Foreign Affairs Paramaribo

	Country	Governor	Alternate Governor
46.	Syrian Arab Republic 	H.E. Dr. Amer Housni Lot Minister of Economy and Trade Ministry of Economy and Trade Damascus Fax: 2323050 – 2225695 Tel: 2213514- 2213513- 2324684 E.mail: alutfi@mail.sy econ-min@net.sy	H.E. Mr Abdullah Al Dardari Head, State Planning Authority Council of Ministers State Planning Authority Damascus Fax: 2235689 / 5121415 Tel: 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) 510077-273434	H.E. Mr. Shirinov Abdujabbor First Deputy Chairman of National Bank of Tajikistan National Bank of Tajikistan Rudaki Av. 23/2 P. O. Box 734025 Dushanbe Tel: 21 26 28 - 21 30 09 Fax: 2126 38 / 21 25 02 - 510077
48.	Republic of Togo 	H.E. Mr. Débaba BALE Minister of Economy, Finance and Privatisation. Ministry of Economy, Finance and Privatisation. LOME Fax: 2210905/ 2213753	H.E. Mr. M'Ba Legzim Undersercretary Ministry of Economy, Finance and Privatization in-charge of the Budget LOME Fax: 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 : 71353278	H.E. Mr. Moncef Bouallagui General Director of Regional Financial Cooperation Ministry of International Cooperation and External Investment 98 Avenue Mohamed V Tunis Tel: 796616 – 798522 Fax : 799069
50.	Republic of Turkey 	H.E. Mr. Ibrahim H. çanakci Undersecretary of Treasury Under secretariat of Treasury The Prime Ministry Ismet Inonu Bulvari No36 Emek/Ankara Fax: 2122297 Tel: 2128630	H.E. Mr.Memduh Aslan AKçAY Director General of Foreign Economic Relations Under secretariat of Treasury General Directorate of Foreign Economic Relations Ismet Inonu Bulvari No 36 Emek Ankara Fax: 2128550 Tel: 21368734

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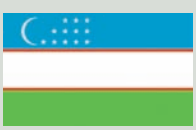
	Country	Governor	Alternate Governor
51.	Republic of Turkmenistan 	H.E.Mr.Guvanchmurad Geoklenov Chairman of the Board of State Bank for Foreign Economic Affairs 22 Asudalyk Str. 744000 Ashgabat Fax: 510070 - 510270 Tel: 350036 - 350252	H.E. Mr. Serdar Bayriev First Deputy Minister of Economy and Finance 2 Nurberdi Pomma Str. 744000 Ashgabat Fax: 511823 Tel: 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: 230163 Tel: 234700	H.E. Chris M. Kassami Permanent Secretary/ Secretary to the Treasury Ministry of Finance, Planning and Economic Development Kampala Fax: 230163 Tel: 234700
53.	United Arab Emirates 	H.H. Shaikh Hamdan bin Rashid Al Maktoom Deputy Ruler, Dubai Emirate and Minister of Finance and Industry Ministry of Finance and Industry P. O. Box 433 Abu Dhabi Tel: 6726000 Fax: 6773301	H.E. Dr. Mohamed Bin Khalfan Bin Khirbash Minister of State for Finance and Industry Ministry of Finance and 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: 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: 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

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APPENDIX VI
BOARD OF EXECUTIVE DIRECTORS

	Executive Director[1]	Countries Represented[2]	Votes[3]	Total
1.	Dr. 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	1,307	
		Kazakhstan	996	
		Kyrgyz Republic	996	
		Tajikistan	996	
		Turkmenistan	750	
		Uzbekistan	750	6,545
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	55,735	55,735
7.	Dr. Salim Cafer Karatas (Turkey)	Turkey	52,222	52,222
8.	Mr. Abdul Aziz Nur Hersi (Somalia)	Comoros	750	
		Guinea	2,536	
		Guinea Bissau	996	
		Morocco	4,569	
		Sierra Leone	996	
		Somalia	750	
		Sudan	3,728	
		Tunisia	2,115	
		Uganda	2,535	18,975
9.	Mr. Faisal Abdul Aziz Al-Zamil (Kuwait)	Kuwait	81,977	81,977
10.	Mr. Mohammed Azzaroq 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.	Dr. Mehdi Ahmad Kerbasian (Iran)	Iran	57,878	57,878
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	2,443	
		Senegal	2,540	
		Togo	996	18,817
12.	Dr. Waqar Masood Khan (Pakistan)	Afghanistan	757	
		Bangladesh	8,582	
		Pakistan	20,878	30,217

[1]In Arabic alphabetical order. [2]State of Qatar is not yet represented on the Board of Executive Directors. [3]As on 10:02:1426H (20:03:2005).

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APPENDIX VII
SENIOR OFFICIALS

MANAGEMENT

Dr. Ahmad Mohamed Ali	President
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 Banking Industry & Institutions
Dr. Abdullah Abed Faleh	Director, Office of the President
Mr. Mohameden Ould M. Sidiya	Technical Assistant

ISLAMIC RESEARCH AND TRAINING INSTITUTE

Mr. Bashir Ali Khallat	Deputy Director
Dr. Mohamed Fahim Khan	Division Chief, Islamic Economics and Cooperation
Dr. Munawar Iqbal	Division Chief, Islamic Banking and Finance
Dr. Ahmad Ibrahim Iskanderani	Chief, Information Center (IRTIC)

ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

Dr. Abdel Rahman Al-Tayib 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 Solaiman	CEO & General Manager
Mr. Khaled Mohamed 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

LEGAL DEPARTMENT

Dr. Hamza Kunna	Director
Dr. Essamaldine I. Al-Kalyoubi	Deputy Director

OPERATIONS EVALUATION AND AUDIT OFFICE

Mr. Bader Eddine Nouioua	Adviser, Operations Evaluation and Audit
Dr. Abdul Razzaq Lababidi	Head, Internal Audit Office
Dr. Djalloul Abdelkader Al-Saci	Head, Operations Evaluations Office

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IDB GROUP STRATEGIC PLANNING OFFICE

Dr. Mohamed Ghazali Mohammed Noor	Director

RISK MANAGEMENT OFFICE

Mr. Hassine Jeddah	Head

COOPERATION OFFICE

Mr. Abdul Aziz M. Al-Kelaibi	Director

SPECIAL ASSISTANCE AND SCHOLARSHIP OFFICE

Dr. Suleiman M. Shamsaldeen	Director
Dr. Mohamed Hassan Salim	Head, Special Assistance Office
Dr. Ahmed Shah Bin M. Noor	Head, Scholarship Programme

OFFICE OF SAUDI ARABIAN PROJECT FOR THE UTILIZATION OF HAJJ MEAT

Mr. Abdullah S. Al Subali	Supervisor

WORLD WAQF FOUNDATION

Mr. Abdul Mohsen M. Abdul Aziz Al-Othman	Adviser

AL AQSA FUND

Mr. El Mansour Feten	Coordinator
Mr. Mahmoud Khalid Ezzedin	Assistant Coordinator

AL-QUDS FUND

Dr. Suleiman M. Shamsaldeen	Coordinator
Dr. Mohammad Hassan Salem	Acting Coordinator

OFFICE OF THE VICE PRESIDENT (TRADE & POLICY)

Mr. Nabie Musa Turay	Senior Technical Assistant to the Vice President (T&P)

BANK SECRETARIAT DEPARTMENT

Dr. Abderrahim Omrana	Bank Secretary & Director
Mr. Oumar Sarr	Assistant Bank Secretary in-charge of Languages Division
Mr. Khaled A. Nazer	Division Chief, Information and External Relations
Mr. Mohamed Ibrahim Mohamed	Division Chief, Conferences and Board Services

ASSETS MANAGEMENT DEPARTMENT

Mr. Nabil A. Naseef	Adviser in-Charge
Mr. Mohamed H. Djarraya	Deputy Director

TRADE FINANCE AND PROMOTION DEPARTMENT

Eng. Hani Salim Sunbul	Director
Mr. Nik Najib Husain	Deputy Director
Mr. Ali Essa Sulais	Division Chief, Credit and Resource Mobilization

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Mr. Mohamed Abdel Kader Al Sayed	Division Chief, Trade Finance

ECONOMIC POLICY AND STRATEGIC PLANNING DEPARTMENT

Dr. Faiz Mohammed	Acting Director
Dr. Lamine Doghri	Division Chief, Strategic Planning
Dr. Siddig Abdelmageed Salih	Division Chief, Economic Policy

ISLAMIC BANKS OFFICE

Dr. Omar Zuhair Hafez	Director

OFFICE OF THE VICE PRESIDENT (CORPORATE RESOURCES AND SERVICES)

Dr. Abdul Aziz Mustapha	Adviser in-Charge, Human Resources Management Department and Adviser (Human Resources & Knowledge Management)
Mr. Mighdad Hamid El Rasheed	Adviser, Finance
Mr. Radwan Yousef Ghanimeh	Technical Assistant

TREASURY DEPARTMENT

Mr. Mohamed Tariq	Director
Mr. Zainol Mohamud	Division Chief, Treasury Operations
Mr. Abdulmonem Jamil Addas	Division Chief, Resource Mobilization

FINANCE DEPARTMENT

Mr. Muhammad Abdus Sattar	Adviser in-Charge
Mr. Khalifa Taha Hamoud	Division Chief, Disbursement
Mr. Alieu Badarr Koroma	Division Chief, Operations Financing

ADMINISTRATIVE SERVICES DEPARTMENT

Eng. Essam Shatta	Director
Mr. Adel Abdullah Abu Al Khair	Deputy Director
Eng. Mohamed Essam Fadel Al-Shangiti	Division Chief, Engineering and Maintenance
Mr. Ahmad Salem Nejaim	Division Chief, Property, Communications and Documents Management

HUMAN RESOURCES MANAGEMENT DEPARTMENT

Mr. Fareed Zaki Al Sayed	Director
Mr. Jalal Muslet	Division Chief, Human Resources Planning and Development
Mr. Abdullah M. Saeed Matbouly	Division Chief, Personnel Management

INFORMATION TECHNOLOGY DEPARTMENT

Dr. Nabeil Al Madani	Director
Mr. Mohamed Hadi Khairallah	Deputy Director

ORGANISATION AND MANAGEMENT DEVELOPMENT OFFICE

Mr. Mohamed Kada	Director
Mr. Farid Abuzeid	Acting Division Chief, Records and Documents Management

BANK LIBRARY

Mr. Tijani Ben Dhia	Chief Librarian

OFFICE OF THE VICE PRESIDENT (OPERATIONS)

Dr. Bashir Omar Fadlallah	Advisor, Policy

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Mr. Moustafa Amadou Diouf	Deputy Director, Special Assignment

OPERATIONS PLANNING AND SERVICES DEPARTMENT

Mr. Mohammed Ennifar	Director
Mr. Farook uz Zaman	Adviser (Operations) and Head , NDFIs Unit
Mr. Moulaye Hassan Al-Mahdi	Division Chief, Procurement
Mr. Walid Addas	Division Chief, Programme and Portfolio Monitoring
Mr. Abdullah Kiliaki	Acting Division Chief, Procedure and Coordination

COUNTRY OPERATIONS DEPARTMENT- 1

Mr. Anwar Khanani	Director
Mr. Waleed Abdul Wahab	Division Chief, Infrastructure and Finance
Mr. Yousef Khan	Acting Division Chief, Programme
Dr. Najad Alsubaie	Acting Division Chief, Poverty Reduction

COUNTRY OPERATIONS DEPARTMENT-2

Dr. Tareq El-Reedy	Director
Mr. Alpha Bocar Nafo	Division Chief, Programme
Mr. Saidou Barry	Division Chief, Infrastructure and Finance
Mr. Sangore Amar	Division Chief, Poverty Reduction

COUNTRY OPERATIONS DEPARTMENT-3

Mr. Sulaiman Ahmed Salem	Director
Mr. El Mansour Feten	Deputy Director
Dr. Rami M. Saeed	Division Chief, Infrastructure and Finance
Eng. Waleed Faqih	Division Chief, Poverty Reduction
Mr. Salam M. Sassi	Acting Division Chief, Programme

TECHNICAL COOPERATION OFFICE

Mr. Mohammed M. Awad	Director
Mr. Mansour Sy	Deputy Director

SCIENCE AND TECHNOLOGY OFFICE

Mr. Muhammad Baghdadi	Director

IDB REGIONAL OFFICES

Rabat Office – Morocco	
Mr. Abdul Aziz Khalaf	Director
Kuala Lumpur Office – Malaysia	
Mr. Ahmed Hariri	Director
Almaty Office – Kazakhstan	
Mr. Nik Zeinal Abidin	Director

INTERNATIONAL CENTRE FOR BIOSALINE AGRICULTURE, DUBAI, UAE

Dr. Mohammed H. Al Attar	Director General

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STATISTICAL APPENDICES

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Table 1

Selected Basic Indicators

Sl. No.	Country	Total Population (million)	Annual Growth Rate of Population (Percent)	Life Expectancy at Birth (Years)	GNI per Capita (current) ($)	GNI per Capita Purchasing Power Parity (PPP) ($)	Growth Rate of GNI per Capita* (Percent)	Exchange Rate (National Currency Per $)
		2003	2003	2002	2003	2003	2003	End 2004
1	Afghanistan	28.8	2.7	43	..	..	..	3,000.00
2	Albania	3.2	0.6	74	1,741	4,703	..	92.64
3	Algeria	31.8	1.6	71	1,892	5,945	7.4	72.61
4	Azerbaijan	8.2	0.7	65	815	3,382	9.7	4,903.00
5	Bahrain	0.7	2.0	73	..	..	..	0.38
6	Bangladesh	138.1	1.7	62	395	1,869	3.4	60.74
7	Benin	6.7	2.5	53	445	1,114	3.0	481.58
8	Brunei	0.4	1.4	77	..	..	..	1.63
9	Burkina Faso	12.1	2.3	43	296	1,175	5.0	481.58
10	Cameroon	16.1	2.0	48	639	1,983	2.7	481.58
11	Chad	8.6	2.8	48	245	1,102	6.3	481.58
12	Comoros	0.6	2.4	61	448	1,760	-3.6	361.18
13	Cote d'Ivoire	16.8	1.9	45	663	1,394	-4.5	481.58
14	Djibouti	0.7	1.7	44	912	2,199	..	177.72
15	Egypt	67.6	1.8	69	1,389	3,942	3.1	6.13
16	Gabon	1.3	2.2	53	3,581	5,697	0.2	481.58
17	Gambia	1.4	2.3	53	311	1,824	6.6	..
18	Guinea	7.9	2.1	46	426	2,097	0.0	..
19	Guinea-Bissau	1.5	2.9	45	136	660	4.8	481.58
20	Indonesia	214.5	1.3	67	805	3,215	2.5	9,290.00
21	Iran	66.4	1.3	69	2,002	7,190	6.5	8,793.00
22	Iraq	24.7	2.2	63	..	..	..	..
23	Jordan	5.3	2.6	72	1,846	4,286	-0.4	0.71
24	Kazakhstan	14.9	0.4	62	1,780	6,172	15.6	130.00
25	Kuwait	2.4	2.3	77	..	..	..	0.29
26	Kyrgyz Republic	5.1	1.0	65	326	1,659	5.2	41.62
27	Lebanon	4.5	1.3	71	4,043	4,839	-0.1	1,507.50
28	Libya	5.6	2.0	72	..	..	..	1.24
29	Malaysia	24.8	1.9	73	3,781	8,944	..	3.80
30	Maldives	0.3	2.1	69	2,300	..	..	12.80
31	Mali	11.7	2.4	41	294	955	7.9	481.58
32	Mauritania	2.7	2.4	51	432	2,006	..	..
33	Morocco	30.1	1.6	68	1,317	3,947	4.8	8.22
34	Mozambique	18.8	1.9	41	207	1,074	..	18,899.30
35	Niger	11.8	2.9	46	201	824	..	481.58
36	Oman	2.6	2.4	74	..	..	..	0.38
37	Pakistan	148.4	2.4	64	466	2,060	3.8	59.12
38	Palestine**	3.2	4.1	73	1,109	..	-5.6	
39	Qatar	0.6	2.3	75	0	..	..	3.64
40	Saudi Arabia	22.5	2.9	73	..	..	..	3.75
41	Senegal	10	0.4	52	554	1,658	5.1	481.58
42	Sierra-Leone	5.3	1.9	37	151	535	1.4	2,860.49
43	Somalia	9.6	3.2	47	..	0	..	n.a.
44	Sudan	33.5	2.3	58	458	1,882	4.8	250.63
45	Suriname	0.4	1.1	70	..	..	..	2.72
46	Syria	17.4	2.3	70	1,163	3,430	4.3	11.23
47	Tajikistan	6.3	0.6	67	194	1,042	-3.7	3.04
48	Togo	4.9	2.1	50	307	1,495	2.4	481.58
49	Tunisia	9.9	1.2	73	2,245	6,843	4.7	1.20
50	Turkey	70.7	1.5	70	2,789	6,691	4.7	1,339,500.00
51	Turkmenistan	4.9	1.4	65	1,116	5,845	..	..
52	Uganda	25.3	2.7	43	244	1,439	2.7	1,738.59
53	United Arab Emirates	4	7.4	75	..	..	..	3.67
54	Uzbekistan	25.6	1.3	67	421	1,717	4.2	..
55	Yemen Republic	19.2	3.0	57	516	824	3.9	185.87
	Aggregate	1,220.4	1.9	63	931	3,031	--	--

* Calculated from constant price GNI in local currency GNI = Gross National Income (formally called GNP) .. Data not available

**Refers to Gaza and West Bank.

Sources: 1. IMF, International Financial Statistics Online, April 2005.
2. World Bank, World development Indicators Online, April 2005.

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Table 2
Consumer Price Indices (2000=100)

Sl. No.	Country	1998	1999	2000	2001	2002	2003
1	Afghanistan	..	..	..	..	..	..
2	Albania	100	100	100	103	111	112
3	Algeria	97	100	100	104	106	108
4	Azerbaijan	..	..	..	..	..	..
5	Bahrain	102	101	100	100	101	..
6	Bangladesh	92	98	100	102	105	111
7	Benin	96	96	100	104	107	108
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	101	100	100	105	107	109
10	Cameroon	101	102	100	105	107	..
11	Chad	103	96	100	112	118	116
12	Comoros	..	..	..	..	..	..
13	Cote d'Ivoire	97	98	100	104	108	111
14	Djibouti	..	..	..	..	..	..
15	Egypt	94	97	100	102	105	110
16	Gabon	101	99	100	..	..	..
17	Gambia	98	100	100	108	113	..
18	Guinea	..	..	..	..	..	..
19	Guinea-Bissau	94	92	100	103	107	103
20	Indonesia	80	96	100	112	125	133
21	Iran	73	87	100	111	127	148
22	Iraq	..	..	..	..	..	..
23	Jordan	99	99	100	102	104	106
24	Kazakhstan	82	88	100	108	115	122
25	Kuwait	95	98	100	102	103	104
26	Kyrgyz Republic	62	84	100	107	109	113
27	Lebanon	..	..	..	..	..	..
28	Libya	..	..	..	..	..	..
29	Malaysia	96	98	100	101	103	104
30	Maldives	98	101	100	101	102	99
31	Mali	102	101	100	105	110	109
32	Mauritania	93	97	100	105	109	114
33	Morocco	97	98	100	101	103	105
34	Mozambique	86	89	100	109	127	144
35	Niger	99	97	100	104	107	105
36	Oman	101	101	100	99	98	98
37	Pakistan	92	96	100	103	107	110
38	Palestine	..	..	..	..	..	..
39	Qatar	96	98	100	101	102	104
40	Saudi Arabia	103	101	100	99	99	100
41	Senegal	98	99	100	103	105	105
42	Sierra-Leone	75	101	100	102	99	106
43	Somalia	..	..	..	..	..	..
44	Sudan	82	95	100	106	..	..
45	Suriname	32	63	100	139	160	197
46	Syria	108	104	100	103	104	..
47	Tajikistan	..	..	..	..	..	..
48	Togo	98	98	100	104	107	106
49	Tunisia	95	97	100	102	105	108
50	Turkey	39	65	100	154	224	280
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	91	97	100	102	102	110
53	United Arab Emirates	..	..	..	..	..	..
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Republic	88	96	100	112	126	139
	Aggregate	**89**	**95**	**100**	**106**	**111**	**--**

.. 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, April 2005.

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Table 3
Value of Merchndise Trade

($ million)

Sl. No.	Country	Exports (f.o.b)					Imports (c.i.f)				
		1999	2000	2001	2002	2003	1999	2000	2001	2002	2003
1	Afghanistan	167	186	113	101	204	411	550	551	950	1,236
2	Albania	264	261	305	330	453	1,140	1,091	1,331	1,504	1,864
3	Algeria	12,525	22,031	19,350	19,130	23,000	9,162	9,152	9,700	10,791	11,926
4	Azerbaijan	930	1,745	2,314	2,168	2,592	1,036	1,172	1,431	1,500	2,626
5	Bahrain	4,363	6,195	5,577	5,786	6,364	3,698	4,634	4,306	4,985	5,116
6	Bangladesh	5,458	6,399	6,085	6,102	6,991	7,694	8,360	8,350	7,914	9,020
7	Benin	422	392	374	448	554	749	613	602	679	743
8	Brunei	2,551	2,855	2,796	2,901	3,419	1,397	1,505	1,267	1,640	1,937
9	Burkina Faso	255	209	234	237	326	678	611	656	739	855
10	Cameroon	1,526	1,534	2,101	2,276	2,904	1,318	1,489	1,852	1,796	2,148
11	Chad	243	183	189	185	301	316	315	679	997	826
12	Comoros	5	7	14	19	11	80	72	98	85	112
13	Cote d'Ivoire	4,662	3,888	3,946	5,275	5,844	2,766	2,402	2,418	2,456	3,320
14	Djibouti	12	12	54	85	63	153	152	143	162	155
15	Egypt	3,559	4,689	4,128	4,708	5,357	16,022	14,010	12,756	12,552	14,764
16	Gabon	2,394	2,462	2,649	2,100	2,583	841	994	859	1,010	1,155
17	Gambia	12	16	9	10	7	192	187	134	148	183
18	Guinea	636	666	731	886	517	556	612	601	667	679
19	Guinea-Bissau	51	62	63	54	69	51	49	62	58	69
20	Indonesia	48,666	62,124	56,447	58,120	62,631	24,003	33,515	31,010	25,388	41,682
21	Iran	21,030	28,461	23,904	28,186	38,962	12,683	14,347	17,626	21,180	27,543
22	Iraq	12,800	20,603	15,905	13,520	14,548	6,900	11,153	11,000	12,000	10,275
23	Jordan	1,832	1,899	2,293	2,770	3,372	3,717	4,597	4,844	5,020	6,049
24	Kazakhstan	5,872	8,812	8,639	9,709	12,900	3,655	5,040	6,446	6,584	8,327
25	Kuwait	12,164	19,436	16,203	15,369	19,371	7,617	7,157	7,869	9,001	10,794
26	Kyrgyz Republic	454	505	476	486	582	600	554	467	587	717
27	Lebanon	677	715	870	1,046	1,524	6,207	6,230	7,293	6,447	7,171
28	Libya	7,947	12,687	11,187	10,970	14,900	3,861	3,751	4,458	5,700	6,466
29	Malaysia	84,621	98,229	88,005	93,265	99,369	65,389	81,963	73,866	79,869	81,948
30	Maldives	64	76	76	90	113	402	389	393	392	471
31	Mali	571	551	725	885	930	605	592	735	745	1,130
32	Mauritania	373	358	348	321	343	305	324	374	356	354
33	Morocco	7,367	6,961	7,144	7,851	9,080	9,925	11,534	11,038	11,879	14,618
34	Mozambique	263	364	703	680	880	1,139	1,158	1,063	1,350	1,364
35	Niger	287	283	272	279	339	394	393	370	400	551
36	Oman	7,231	10,852	11,037	11,172	11,669	4,674	5,040	5,798	6,005	6,572
37	Pakistan	8,424	9,028	9,238	9,913	11,930	10,207	10,864	10,191	11,233	13,038
38	Palestine	..	..	..	..	..	..	..	..	..	..
39	Qatar	7,061	11,594	10,870	11,032	13,926	2,500	3,252	3,758	4,052	5,163
40	Saudi Arabia	50,761	77,583	68,064	72,550	93,338	28,011	30,238	31,223	32,312	34,822
41	Senegal	1,027	920	1,003	1,067	1,331	1,564	1,519	1,730	1,942	2,454
42	Sierra-Leone	6	13	29	49	92	81	149	182	264	303
43	Somalia	191	193	285	297	351	340	343	449	454	526
44	Sudan	780	1,807	1,699	1,850	2,775	1,415	1,553	2,342	2,493	2,093
45	Suriname	144	399	521	530	638	298	246	535	540	601
46	Syria	3,464	4,634	5,248	5,540	5,616	3,832	3,815	4,752	5,220	6,360
47	Tajikistan	689	780	652	650	832	664	696	711	724	1,014
48	Togo	391	363	357	427	616	489	485	516	579	844
49	Tunisia	5,872	5,850	6,631	6,874	8,027	8,475	8,567	9,529	9,526	10,910
50	Turkey	26,587	27,775	31,334	34,561	46,576	40,671	54,503	41,399	49,663	65,637
51	Turkmenistan	2,289	2,333	1,850	2,016	2,465	1,001	1,014	1,150	1,037	1,242
52	Uganda	519	460	456	443	562	1,342	1,536	1,594	1,111	1,252
53	United Arab Emirates	36,474	49,835	47,572	47,275	60,086	33,231	38,139	30,075	32,180	38,403
54	Uzbekistan	3,302	3,217	3,255	2,965	3,710	3,028	3,247	3,287	2,899	3,585
55	Yemen Republic	2,440	4,079	3,215	3,458	3,832	2,008	2,324	2,310	2,604	3,045
	Aggregate	**402,672**	**527,573**	**487,546**	**509,016**	**609,772**	**339,491**	**398,196**	**378,179**	**402,368**	**476,058**

.. Data not available "c.i.f" means "cost, insurance, & freight" "f.o.b" means "free on board"
Source: UNCTAD Handbook of Statistics CD ROM 2004.

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Table 4
Selected Indicators of Merchndise Trade

Sl. No.	Country	Trade Balance			Average Annual Growth Rate* (%)				Terms of Trade	
		2001	2002	2003	1984-1993	1994-2003	1984-1993	1994-2003	1992	2002
1	Afghanistan	-438	-849	-1,032	-18.9	-2.3	-12.8	12.0	..	..
2	Albania	-1,026	-1,173	-1,412	..	11.6	..	12.6	..	..
3	Algeria	9,650	8,339	11,074	0.6	10.7	-1.2	1.9	71	90
4	Azerbaijan	883	668	-34	..	20.2	..	12.7	..	..
5	Bahrain	1,271	800	1,248	4.0	6.0	4.3	3.3	..	..
6	Bangladesh	-2,265	-1,811	-2,030	11.4	9.6	5.2	5.8	99	..
7	Benin	-228	-231	-189	14.8	0.9	4.0	2.2	85	102
8	Brunei	1,529	1,261	1,482	-1.4	4.0	13.2	-3.5	..	..
9	Burkina Faso	-422	-502	-529	-0.7	5.3	6.6	7.3	116	110
10	Cameroon	249	480	756	13.5	5.8	-1.5	7.0	64	100
11	Chad	-490	-812	-525	8.0	1.5	3.2	15.8	102	165
12	Comoros	-85	-66	-101	9.1	5.1	5.8	8.2	79	140
13	Cote d'Ivoire	1,528	2,819	2,524	-1.2	5.0	3.2	1.3	163	118
14	Djibouti	-90	-78	-92	-0.7	23.5	0.6	-2.3	..	..
15	Egypt	-8,628	-7,844	-9,407	-1.6	4.7	-3.8	2.3	125	98
16	Gabon	1,791	1,090	1,428	3.9	-1.4	0.3	2.2	135	142
17	Gambia	-125	-138	-176	3.6	-10.6	12.3	-4.4	100	100
18	Guinea	130	220	-163	3.5	-0.3	11.2	-1.0	93	100
19	Guinea-Bissau	1	-4	-0.2	2.1	2.9	4.6	-9.9	104	105
20	Indonesia	25,437	32,732	20,949	8.6	4.2	12.6	-2.0	89	100
21	Iran	6,278	7,006	11,420	7.9	7.1	10.3	6.7	..	..
22	Iraq	4,905	1,520	4,273	-31.9	59.1	-29.1	45.0	..	..
23	Jordan	-2,551	-2,250	-2,678	6.4	7.7	1.9	5.2	106	97
24	Kazakhstan	2,193	3,125	4,573	..	12.7	..	8.8	..	..
25	Kuwait	8,334	6,368	8,577	-8.4	4.8	-0.2	2.7	..	..
26	Kyrgyz Republic	9	-101	-135	..	3.1	..	2.6	..	..
27	Lebanon	-6,423	-5,401	-5,647	-1.6	9.5	7.8	0.0	..	..
28	Libya	6,729	5,270	8,434	-0.2	4.7	1.4	-0.9	..	..
29	Malaysia	14,139	13,396	17,421	14.7	4.8	18.3	1.8	109	98
30	Maldives	-317	-301	-358	9.9	8.4	18.9	7.0	..	..
31	Mali	-10	140	-200	14.8	10.6	8.6	2.7	113	100
32	Mauritania	-26	-35	-11	3.5	-4.9	8.4	-3.3	110	88
33	Morocco	-3,894	-4,029	-5,538	7.1	3.4	8.8	4.6	92	107
34	Mozambique	-360	-670	-484	7.2	22.0	8.6	6.6	141	..
35	Niger	-98	-121	-212	1.3	1.6	2.8	2.6	143	..
36	Oman	5,239	5,166	5,097	9.7	9.1	4.6	5.0	..	..
37	Pakistan	-953	-1,320	-1,108	12.7	3.6	6.7	1.4	105	95
38	Palestine	..	..	..	..	..	..	..	..	..
39	Qatar	7,112	6,980	8,763	0.8	20.3	7.5	6.9	..	..
40	Saudi Arabia	36,841	40,238	58,516	7.4	7.0	2.1	3.2	..	..
41	Senegal	-727	-875	-1,123	2.2	3.3	2.5	7.2	172	96
42	Sierra-Leone	-153	-216	-211	0.2	-2.6	0.4	7.3	18	164
43	Somalia	-165	-156	-175	7.3	9.4	-22.1	19.9	..	..
44	Sudan	-644	-643	682	-3.5	21.7	..	7.2	100	119
45	Suriname	-14	-10	37	1.4	1.2	7.4	-0.4	..	..
46	Syria	496	320	-744	11.7	6.7	-0.6	0.8	..	..
47	Tajikistan	-59	-74	-182	..	2.5	..	2.2	..	..
48	Togo	-159	-152	-228	0.5	3.0	0.7	6.0	128	104
49	Tunisia	-2,898	-2,652	-2,883	11.5	4.7	10.6	4.4	97	104
50	Turkey	-10,065	-15,101	-19,061	9.5	8.5	11.9	7.3	115	98
51	Turkmenistan	700	979	1,223	..	0.9	..	5.4	..	..
52	Uganda	-1,138	-669	-689	-11.6	0.5	1.2	3.4	120	87
53	United Arab Emirates	17,497	15,095	21,684	8.0	9.4	13.9	6.8	..	..
54	Uzbekistan	-32	66	126	..	0.2	..	0.0	..	..
55	Yemen Republic	905	854	787	2.1	12.6	4.0	4.9	..	..
	Aggregate	**109,366**	**106,648**	**133,714**	**6.1**	**7.0**	**6.5**	**3.7**	**--**	**--**

* Computed by IDB Staff.
.. 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 2004.

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Table 5
Current Account Balances

($ million)

Sl. No.	Country	1998	1999	2000	2001	2002	2003
1	Afghanistan	..	..	..	..	..	..
2	Albania	-65	-155	-156	-217	-408	-407
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	-1365	-600	-168	-52	-768	-2021
5	Bahrain	-777	-37	830	227	-513	-68
6	Bangladesh	-35	-364	-306	-535	739	132
7	Benin	-151	-191	-111	-160	..	..
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	..	-392	-381	..	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote d'Ivoire	-290	-120	-241	-61	768	353
14	Djibouti	..	..	..	..	..	..
15	Egypt	-2566	-1635	-971	-388	622	3743
16	Gabon	-596	390	..	..	..	..
17	Gambia	..	..	..	..	..	..
18	Guinea	-184	-214	-155	-102	-200	-188
19	Guinea-Bissau	..	..	..	-27	-9	..
20	Indonesia	4097	5783	7992	6901	7824	7252
21	Iran	-2139	6589	12645	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	14	405	59	-4	361	963
24	Kazakhstan	-1225	-171	676	-1109	-843	-39
25	Kuwait	2215	5010	14672	8324	4251	7567
26	Kyrgyz Republic	-413	-252	-124	-56	-75	-95
27	Lebanon	..	..	..	..	..	..
28	Libya	-351	2136	..	..	..	..
29	Malaysia	9529	12604	8488	7287	7190	13381
30	Maldives	-22	-79	-51	-59	-36	-30
31	Mali	-208	-253	-255	-310	-149	-271
32	Mauritania	77	..	..	..	..	..
33	Morocco	-146	-171	-501	1606	1472	1552
34	Mozambique	-429	-912	-764	-657	-712	-516
35	Niger	..	..	..	..	..	..
36	Oman	-3164	-460	3263	2008	1770	1446
37	Pakistan	-2248	-920	-85	1878	3854	3573
38	Palestine	-1213	-1327	-1023	-641	..	..
39	Qatar	..	..	..	..	..	..
40	Saudi Arabia	-13150	412	14336	9366	11889	28085
41	Senegal	-247	-320	-332	-245	-317	..
42	Sierra-Leone	-33	-99	-112	-98	-73	-80
43	Somalia	..	..	..	..	..	..
44	Sudan	-957	-465	-557	-618	-1008	-955
45	Suriname	-155	-29	32	-84	-131	-159
46	Syria	58	201	1061	1221	1440	728
47	Tajikistan	..	..	..	..	-15	-5
48	Togo	-140	-127	-140	-169	-140	..
49	Tunisia	-675	-442	-821	-840	-746	-730
50	Turkey	1984	-1344	-9819	3390	-1521	-7905
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	-503	-711	-825	-368	-411	-390
53	United Arab Emirates	..	..	..	..	..	..
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Republic	-472	358	1337	667	538	149
	Aggregate	--	--	--	--	--	--

.. 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, April 2005

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Table 6
Net Resource Flows*

($ million)

Sl. No.	Country	1998	1999	2000	2001	2002	2003
1	Afghanistan	148.1	148.5	161.9	389.5	1,284.9	1,535.4
2	Albania	255.0	511.9	232.3	345.4	322.2	376.6
3	Algeria	229.7	-884.85	-400.25	92.5	-270.5	2,238.5
4	Azerbaijan	532.2	689.0	682.2	490.4	686.3	1,530.9
5	Bahrain	952.5	(620.1)	1,479.5	2,601.8	168.4	178.3
6	Bangladesh	1,320.1	1,190.2	1,229.2	985.1	894.5	1,279.2
7	Benin	167.4	224.7	226.7	291.2	234.8	298.8
8	Brunei	780.0	-81.69	-92.63	22.0	-123.6	-89.4
9	Burkina Faso	391.5	435.5	343.5	391.3	489.7	468.4
10	Cameroon	376.2	577.0	222.3	305.7	1,110.4	562.1
11	Chad	234.9	206.7	-225.39	200.7	247.2	305.5
12	Comoros	99.4	138.9	-1.92	15.5	-105.4	25.5
13	Cote d'Ivoire	-193.9	555.3	729.6	-100.9	884.0	199.3
14	Djibouti	100.5	271.5	91.4	70.7	94.4	97.3
15	Egypt	4,118.7	1,771.3	3,221.6	3,163.4	1,958.7	1,650.9
16	Gabon	149.8	227.7	76.7	46.0	-165.1	168.9
17	Gambia	36.8	33.3	44.7	45.9	47.3	55.9
18	Guinea	316.7	235.4	331.9	229.9	231.8	229.3
19	Guinea-Bissau	96.3	53.2	84.3	58.8	60.3	93.3
20	Indonesia	6,734.3	9,020.3	2,345.5	104.3	16.0	1,769.4
21	Iran	-230.75	1,040.0	18.3	1,620.5	3,127.9	3,896.7
22	Iraq	-5.59	74.0	107.5	137.2	84.7	2,205.3
23	Jordan	610.5	510.8	573.9	445.8	749.2	1,272.1
24	Kazakhstan	2,012.7	944.5	750.1	1,865.5	1,743.8	1,003.6
25	Kuwait	-330.3	25.6	122.7	380.0	188.5	-172.4
26	Kyrgyz Republic	258.9	317.0	222.7	157.3	121.5	195.6
27	Lebanon	611.5	309.3	49.0	-539.0	486.5	1,382.7
28	Libya	64.17	-271.93	-929.1	-18.64	117.7	-28.7
29	Malaysia	-831.68	1,378.8	-307.22	383.2	3,501.0	446.0
30	Maldives	33.0	31.8	10.9	37.5	51.6	34.9
31	Mali	408.3	470.4	385.3	332.7	329.8	540.0
32	Mauritania	118.9	263.5	211.1	259.7	305.7	218.5
33	Morocco	894.8	587.4	603.4	273.5	251.0	1,640.3
34	Mozambique	1,280.2	1,150.1	1,146.7	1,057.2	1,942.1	853.9
35	Niger	245.3	189.2	185.5	229.2	194.3	481.3
36	Oman	527.7	239.9	167.9	-414.18	-76.6	-51.2
37	Pakistan	1,687.4	719.4	166.6	1,763.9	1,875.3	353.5
38	Palestine*	620.7	561.9	507.2	812.1	1,579.9	958.4
39	Qatar	521.5	272.0	-169.86	-258.63	-151.0	449.0
40	Saudi Arabia	2,801.7	380.2	-971.27	540.2	-512.1	-352.1
41	Senegal	555.4	656.9	473.9	456.4	540.7	531.3
42	Sierra-Leone	70.1	76.1	186.9	343.0	352.9	288.7
43	Somalia	84.5	119.6	103.0	153.2	197.1	179.6
44	Sudan	211.3	230.5	320.5	173.0	422.6	599.8
45	Suriname	-68.49	35.9	23.5	12.1	61.5	0.0
46	Syria	165.9	283.0	210.9	-23.91	3.2	116.5
47	Tajikistan	170.3	132.2	117.7	166.6	165.3	128.1
48	Togo	268.0	-31.36	60.5	43.5	60.0	63.0
49	Tunisia	499.5	622.1	660.6	1,020.1	617.9	562.9
50	Turkey	3,780.9	3,432.6	8,722.5	1,415.9	-1,171.3	302.4
51	Turkmenistan	401.0	457.3	286.2	42.7	-241.8	-60.7
52	Uganda	699.3	591.9	804.7	756.8	628.6	963.9
53	United Arab Emirates	181.1	166.8	-1189.77	832.3	2,278.3	109.5
54	Uzbekistan	825.9	205.9	448.0	238.8	101.6	180.4
55	Yemen Republic	353.4	770.6	289.2	495.7	759.2	394.4
	Aggregate	**36342.86**	**31647.32**	**25152.39**	**24940.32**	**28752.68**	**32,661.1**

* (also called "Total Receipt") is the sum of the Net Official Development Assistance (ODA), Net Other Official Flows and Net Private Sector.
Source: OECD: Development Assistance Committee (DAC) Statistics Online, 2004.

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Table 7
Overall Balance of the Balance of Payments

($ million)

Sl. No.	Country	1998	1999	2000	2001	2002	2003
1	Afghanistan	..	..	..	..	..	..
2	Albania	52	107	120	147	36	98
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	-59	133	326	73	34	124
5	Bahrain	-17	25	200	123	35	44
6	Bangladesh	288	-189	-31	-144	497	889
7	Benin	-87	-89	-20	-46	..	..
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	..	-192	-187	..	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote d'Ivoire	-650	-708	-608	-86	-278	-758
14	Djibouti	..	..	..	..	..	..
15	Egypt	-1,387	-4,614	-2,030	-1,345	-804	-407
16	Gabon	-667	-398	..	..	..	..
17	Gambia	..	..	..	..	..	..
18	Guinea	-158	-76	-63	-117	-80	-229
19	Guinea-Bissau	..	..	..	-13	6	..
20	Indonesia	-3,437	1,916	3,926	-15	4,958	3,647
21	Iran	-991	451	1,083	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	-536	752	693	-244	930	1,348
24	Kazakhstan	-443	253	570	385	535	1,534
25	Kuwait	258	918	2,268	2,905	-973	-1,824
26	Kyrgyz Republic	-73	-50	-62	-30	1	4
27	Lebanon	..	..	..	..	..	..
28	Libya	-426	688	..	..	..	..
29	Malaysia	10,018	4,712	-1,009	1,000	3,657	10,181
30	Maldives	20	9	-4	-30	40	26
31	Mali	-46	-13	63	-47	138	137
32	Mauritania	43	..	..	..	..	..
33	Morocco	-640	-69	-1,166	861	-52	-2,062
34	Mozambique	-393	-326	-416	-485	-1,439	35
35	Niger	..	..	..	..	..	..
36	Oman	-771	205	2,263	1,015	309	656
37	Pakistan	-3,110	-2,516	-2,627	2,197	4,084	2,908
38	Palestine*	-53	-35	84	-39	..	..
39	Qatar	..	..	..	..	..	..
40	Saudi Arabia	-719	2,815	2,665	-1,909	2,736	1,608
41	Senegal	-248	-268	-231	-194	-247	..
42	Sierra-Leone	2	-16	10	30	-20	-29
43	Somalia	..	..	..	..	..	..
44	Sudan	73	115	124	-151	245	327
45	Suriname	8	-4	10	78	-19	7
46	Syria	434	259	814	1,020	1,050	695
47	Tajikistan	..	..	..	..	2	28
48	Togo	-17	32	37	-2	30	..
49	Tunisia	-138	738	-205	288	139	380
50	Turkey	441	5,354	-3,934	-12,888	-214	4,087
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	-41	-455	-464	91	-154	34
53	United Arab Emirates	..	..	..	..	..	..
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Republic	-581	74	1,594	553	425	330
	Aggregate	--	--	--	--	--	--

.. 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, April 2005.

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Table 8
Gross International Reserves in Months of Imports

Sl. No.	Country	1998	1999	2000	2001	2002	2003
1	Afghanistan	..	..	..	..	..	..
2	Albania	..	..	..	..	..	..
3	Algeria	8.8	5.9	15.3	21.2	24.6	33.3
4	Azerbaijan	..	..	..	..	..	..
5	Bahrain	3.6	3.9	4.2	4.3	4.1	4.2
6	Bangladesh	3.1	2.4	2.1	1.9	2.4	3.4
7	Benin	4.2	7.0	9.0	10.8	10.4	8.2
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	6.4	5.5	4.6	4.5	4.7	6.1
10	Cameroon	0.0	0.0	1.5	2.2	3.8	3.6
11	Chad	4.3	3.6	2.7	1.8	2.9	2.7
12	Comoros	7.4	5.9	6.1	8.2	9.8	10.1
13	Cote D'Ivoire	3.4	2.9	3.3	5.0	7.7	8.1
14	Djibouti	5.1	5.6	5.5	5.5	5.6	7.8
15	Egypt	13.5	11.6	11.8	12.3	11.6	11.0
16	Gabon	0.2	0.2	2.5	0.1	1.5	2.0
17	Gambia	6.1	7.0	8.2	9.0	3.9	..
18	Guinea	5.2	4.1	2.9	3.8	1.5	..
19	Guinea-Bissau	7.5	8.4	14.4	13.9	19.4	28.7
20	Indonesia	10.6	11.0	10.6	11.6	11.1	10.1
21	Iran	..	..	..	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	5.6	7.6	8.5	7.5	8.6	10.3
24	Kazakhstan	..	..	..	..	..	..
25	Kuwait	5.8	7.8	11.3	14.1	11.2	8.4
26	Kyrgyz Republic	..	..	..	..	..	..
27	Lebanon	11.9	15.0	10.5	8.8	12.8	21.0
28	Libya	18.7	23.0	36.4	35.0	28.2	36.3
29	Malaysia	5.0	5.0	4.5	4.8	5.1	6.5
30	Maldives	3.8	3.9	3.8	2.8	3.7	4.1
31	Mali	7.1	7.0	6.9	5.7	7.6	9.6
32	Mauritania	7.3	8.5	9.6	9.4	13.4	14.1
33	Morocco	5.3	6.4	5.1	8.9	9.2	11.4
34	Mozambique	7.6	6.8	7.8	7.1	7.2	8.8
35	Niger	1.5	1.2	2.5	3.3	3.4	2.5
36	Oman	4.5	6.8	5.3	4.8	6.1	6.6
37	Pakistan	1.3	1.7	1.7	4.1	8.0	10.1
38	Palestine	..	..	..	..	..	..
39	Qatar	4.2	5.4	4.0	4.0	4.1	6.8
40	Saudi Arabia	5.9	7.0	7.6	6.6	7.4	7.8
41	Senegal	3.4	3.1	2.8	2.9	3.5	3.9
42	Sierra Leone	6.0	4.1	3.6	2.8	3.6	2.6
43	Somalia	..	..	..	..	..	..
44	Sudan	0.7	1.5	1.5	0.6	2.3	4.9
45	Suriname	3.0	1.7	1.9	2.7	2.2	2.1
46	Syria	..	..	..	..	..	..
47	Tajikistan	..	..	..	..	..	..
48	Togo	2.6	3.0	3.7	2.8	3.5	2.6
49	Tunisia	2.6	3.2	2.4	2.5	2.7	3.2
50	Turkey	5.4	5.9	5.6	5.0	5.6	6.2
51	Turkmenistan	..	..	..	..	..	..
52	Uganda	6.3	6.4	6.2	8.7	9.5	10.4
53	U. A. Emirates	3.8	3.6	4.8	5.5	5.2	4.7
54	Uzbekistan	..	..	..	..	..	..
55	Yemen Rep.	5.7	8.2	15.0	17.9	18.7	19.7
	Aggregate	**6.1**	**6.3**	**6.7**	**7.2**	**7.7**	**8.7**

.. Data not available.
Source: UNCTAD, Handbook Of Statistics CD ROM 2004.

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Table 9
Indicators of External Debt for the Year 2003

Sl. No.	Country	Total Debt Stock ($ mn)	Interest Payments ($ mn)	Total Debt Service ($ mn)	Net Transfers ($ mn)	Total Debt		Interest Payments 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	1,482	19	55	222	69.3	23.6	0.9	2.6	71.8
3	Algeria	23,386	1,085	4,301	-2,481	..	36.2	..	..	12.9
4	Azerbaijan	1,681	28	245	54	51.5	25.1	0.9	7.5	52.7
5	Bahrain	..	..	..	..	..	..	..	..	..
6	Bangladesh	18,779	176	672	340	168.5	34.3	1.6	6.0	93.2
7	Benin	1,828	18	60	-35	..	53.0	..	..	90.1
8	Brunei	..	..	..	..					
9	Burkina Faso	1,845	19	52	95	397.3	44.1	4.1	11.2	86.9
10	Cameroon	9,189	185	449	-590	..	78.2	..	..	56.9
11	Chad	1,499	13	46	88	..	64.2	..	..	83.2
12	Comoros	288	1	3	1	..	89.0	..	..	86.9
13	Cote d'Ivoire	12,187	142	572	-622	181.3	93.8	2.1	8.5	40.9
14	Djibouti	396	3	16	12	..	61.8	..	..	89.3
15	Egypt	31,383	783	2,763	-1,854	133.0	38.2	3.3	11.7	71.9
16	Gabon	3,792	134	375	-496	..	72.9	..	..	25.7
17	Gambia	629	9	20	11	..	170.1	..	..	87.4
18	Guinea	3,457	34	131	-202	398.9	96.1	4.0	15.1	80.6
19	Guinea-Bissau	745	5	15	2	794.7	326.6	4.8	16.2	89.5
20	Indonesia	134,389	4,195	18,453	-9,650	189.0	67.5	5.9	26.0	27.4
21	Iran	11,601	394	1,654	1,583	26.9	8.5	0.9	3.8	6.7
22	Iraq	..	..	..	..	..	..	..	..	..
23	Jordan	8,337	180	1,158	-760	118.3	85.2	2.6	16.4	46.1
24	Kazakhstan	22,835	793	5,293	3,937	148.9	81.5	5.2	34.5	3.6
25	Kuwait	..	..	..	..	..	..	..	..	..
26	Kyrgyz Republic	2,021	17	136	17	237.6	109.4	2.0	16.0	68.2
27	Lebanon	18,598	1,431	3,252	-241	377.9	102.6	29.1	66.1	6.3
28	Libya	..	..	..	..	..	..	..	..	..
29	Malaysia	49,074	2,183	9,487	-3,428	40.2	50.2	1.8	7.8	7.1
30	Maldives	281	5	21	-7	47.5	41.3	0.9	3.6	64.1
31	Mali	3,129	20	77	39	..	75.3	..	..	91.9
32	Mauritania	2,360	17	55	24	..	203.6	..	..	83.1
33	Morocco	18,795	1,329	4,293	-2,341	103.1	43.7	7.3	23.5	29.1
34	Mozambique	4,930	27	88	70	388.2	120.0	2.1	6.9	57.4
35	Niger	2,117	12	34	134	..	77.9	..	.	78.6
36	Oman	3,886	162	1,275	-941	31.4	..	1.3	10.3	28.1
37	Pakistan	36,346	848	3,028	-1,700	191.5	45.4	4.5	16.0	66.5
38	Palestine	..	..	..	..	..	..	..	..	..
39	Qatar	..	..	..	..	..	..	..	..	..
40	Saudi Arabia	.	..	..	..	..	..	..	..	..
41	Senegal	4,419	80	244	-140	188.2	69.0	3.4	10.4	79.8
42	Sierra-Leone	1,612	11	25	41	789.0	211.2	5.2	12.4	74.2
43	Somalia	2,838	..	..	..	..	..	..	..	55.4
44	Sudan	17,496	4	34	-38	459.6	107.0	0.1	0.9	27.4
45	Suriname	..	..	..	..	..	..	..	..	..
46	Syria	21,566	174	339	-339	265.7	104.6	2.1	4.2	68.2
47	Tajikistan	1,166	16	89	-8	120.3	79.7	1.6	9.1	73.6
48	Togo	1,707	2	16	-73	203.1	100.5	0.3	1.9	70.4
49	Tunisia	15,502	581	1,594	637	126.1	64.8	4.7	13.0	21.7
50	Turkey	145,662	6,684	28,183	-1,780	198.8	61.1	9.1	38.5	3.5
51	Turkmenistan	..	..	..	..	..	..	..	..	..
52	Uganda	4,553	27	84	238	385.8	73.8	2.3	7.1	87.6
53	United Arab Emirates	..	..	..	.	..	..	..	..	.
54	Uzbekistan	5,006	151	813	-223	131.4	50.9	4.0	21.3	26.5
55	Yemen Republic	5,377	58	176	-150	95.7	53.6	1.0	3.1	86.1
	Aggregate	**658,167**	**22,053**	**89,673**	**-20,554**	**127.3**	**53.3**	**4.3**	**17.7**	**30.4**

XGS = Exports of Goods and Services Net Transfers = Disbursements less Total Debt Service GNI = Gross National Income mn = million

.. Data not available.

Source: World Bank, Global Development Finance Online, April 2005.

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Table 10
Total ODA* Commitments

($ million)

Sl. No.	Country	1998	1999	2000	2001	2002	2003
1	Afghanistan	129.8	160.8	121.3	430.9	1718.7	2,103.2
2	Albania	249.9	707.9	324.9	222.9	302.3	349.1
3	Algeria	250.4	200.1	260.0	192.4	267.9	410.3
4	Azerbaijan	316.9	341.0	172.9	136.7	201.7	193.5
5	Bahrain	20.5	60.8	117.1	11.1	50.5	14.5
6	Bangladesh	1,677.1	2,175.7	1,167.0	1,455.5	1490.0	1,445.0
7	Benin	235.4	336.7	318.1	186.1	201.8	401.6
8	Brunei	0.3	0.2	0.4	0.3	1.2	0.6
9	Burkina Faso	349.3	504.6	370.9	548.8	504.8	563.6
10	Cameroon	988.9	529.0	366.0	653.5	630.9	1,012.2
11	Chad	182.1	245.5	322.0	219.7	180.5	254.3
12	Comoros	41.4	16.4	18.9	28.1	11.8	15.0
13	Cote d'Ivoire	1,358.3	582.2	385.5	198.1	1448.1	398.7
14	Djibouti	68.9	106.6	72.0	75.7	84.0	69.1
15	Egypt	2,483.0	1,467.8	1,779.4	1,193.2	1506.5	1,157.7
16	Gabon	127.1	88.6	78.9	99.9	131.7	127.3
17	Gambia	89.2	92.4	38.6	80.9	51.5	18.7
18	Guinea	287.3	347.9	199.7	397.5	254.6	191.7
19	Guinea-Bissau	87.6	97.4	88.0	59.1	91.81	107.9
20	Indonesia	3,646.5	2,117.7	1,986.3	3,227.1	1785.7	3,881.4
21	Iran	118.2	118.2	152.8	68.4	72.5	121.3
22	Iraq	104.6	63.8	83.1	107.0	68.4	5,281.5
23	Jordan	569.6	654.7	574.2	409.4	541.4	1,345.7
24	Kazakhstan	284.1	117.3	302.8	157.5	154.3	300.9
25	Kuwait	6.0	5.5	1.9	3.0	3.1	2.1
26	Kyrgyz Republic	295.5	263.4	276.1	196.2	160.4	149.3
27	Lebanon	180.2	265.6	161.5	175.0	267.8	204.9
28	Libya	7.2	7.6	12.1	8.8	5.1	7.4
29	Malaysia	88.8	1,107.0	1,189.9	71.7	98.5	83.0
30	Maldives	38.2	33.8	35.0	33.9	14.9	15.7
31	Mali	433.0	438.3	458.8	495.5	375.5	523.6
32	Mauritania	263.9	270.5	240.1	296.5	288.2	258.8
33	Morocco	1,070.0	753.0	693.1	630.9	621.0	753.0
34	Mozambique	877.9	1,288.4	1,117.6	1,104.3	2157.5	856.7
35	Niger	370.4	142.5	304.4	345.1	244.4	444.8
36	Oman	72.6	14.3	151.2	9.6	3.8	38.9
37	Pakistan	871.0	462.8	1,188.1	2,428.5	2771.8	6,440.5
38	Palestine	591.1	625.9	680.6	562.7	643.6	766.5
39	Qatar	1.3	2.3	1.1	0.8	2.1	1.7
40	Saudi Arabia	25.6	28.8	18.3	11.1	14.0	12.1
41	Senegal	556.5	871.8	560.8	526.2	441.8	465.7
42	Sierra-Leone	101.9	72.6	311.0	275.4	263.8	418.3
43	Somalia	74.2	102.0	79.5	94.2	139.2	246.0
44	Sudan	281.9	274.1	284.7	177.5	354.3	418.5
45	Suriname	24.2	34.6	22.4	187.8	51.1	71.6
46	Syria	242.2	318.0	122.9	231.1	119.3	92.2
47	Tajikistan	142.8	158.6	152.4	181.7	298.8	186.3
48	Togo	145.0	93.9	53.2	35.5	58.8	76.5
49	Tunisia	468.1	512.9	578.2	516.7	345.8	475.3
50	Turkey	397.9	1,131.9	688.3	410.1	683.7	1,427.5
51	Turkmenistan	12.1	84.0	20.3	13.4	16.0	15.4
52	Uganda	911.8	790.8	848.2	1,063.8	936.5	675.8
53	United Arab Emirates	3.5	2.4	2.6	2.7	3.6	5.4
54	Uzbekistan	100.6	253.6	94.6	166.4	454.1	188.3
55	Yemen Republic	237.2	399.5	428.7	332.5	407.0	370.2
	Aggregate	**22,558.9**	**21,943.3**	**20,078.1**	**20,748.0**	**23,997.7**	**35,456.7**

* ODA refers to Official Development Assistance.
Source: OECD: Development Assistance Committee (DAC) Statistics Online, 2004.

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GLOSSARY

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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 Scientific and Technological 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. Hijra Year. 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 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)**: A member of IDB Group 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, as a principal sponsor, and other investors for private equity investments in infrastructure projects in IDB member countries.

16. **Instalment 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)**: An entity of IDB Group, which was established in 1981 (1401H) and undertakes research, training

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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. Its objective is to mobilize resources and channel them to finance trade and projects operations.

21. **Islamic Dinar**: A unit of account of IDB which is equivalent to one Special Drawing Right (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 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.

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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 (1984).

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 Programme (TCP)**: A collaborative instrument established by IDB to enhance 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 (1979) for financing Special Assistance operations, Scholarship Programme, Technical Cooperation Programme (TCP), the Islamic Research and Training Institute (IRTI), Technical Assistance, LDMCs Special Account, and Saudi Arabian Project for the Utilisation of Hajj Meat.

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 percent on net assets and to be spent on specified beneficiaries as prescribed by Shari'ah.

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