Annual Report 1426H (2005 - 2006)

Islamic Development Bank

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ISLAMIC DEVELOPMENT BANK

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ANNUAL REPORT 1426H
(2005-2006)

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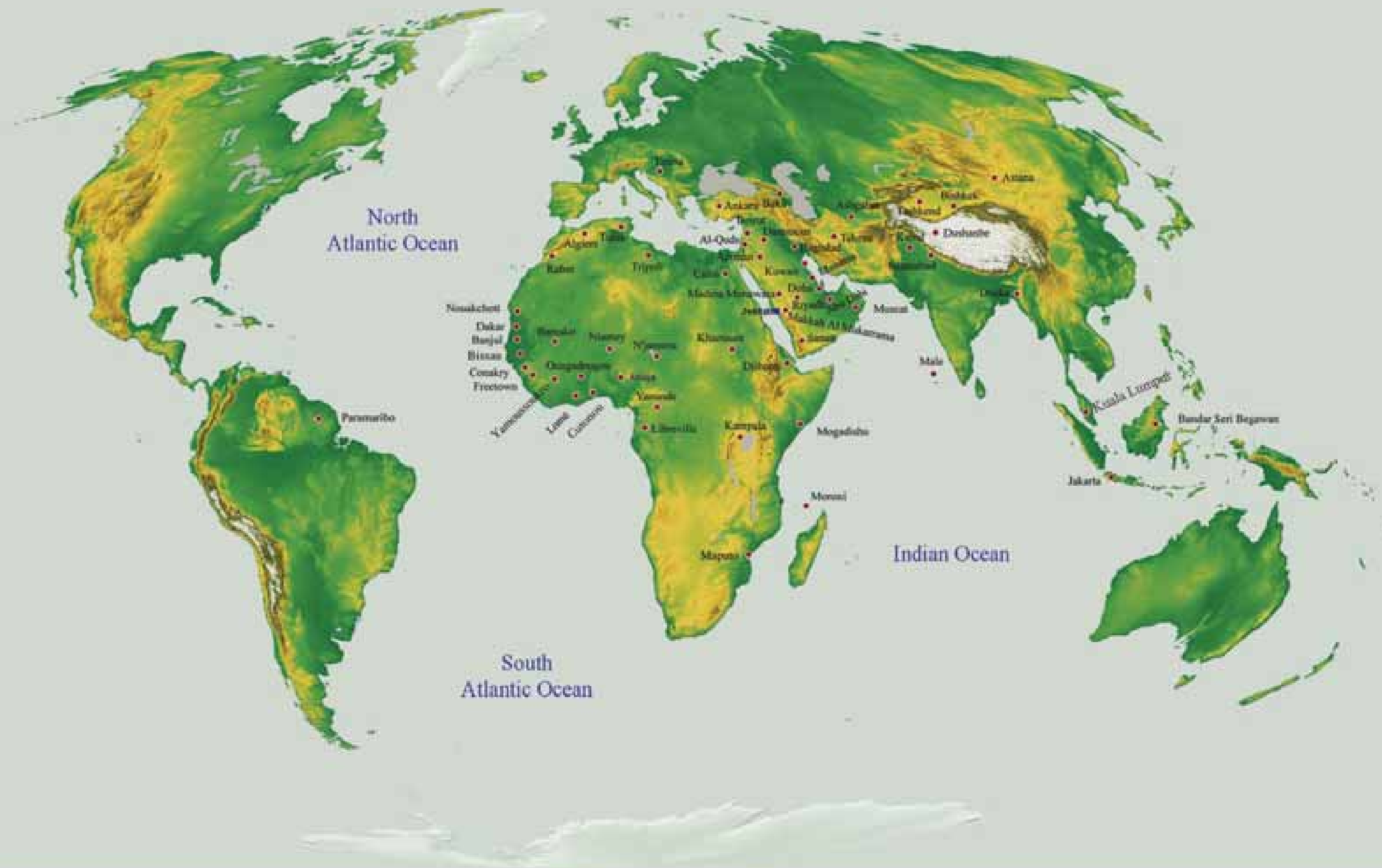
Capital Cities of IDB Member Countries



In the Name of Allah,
the Beneficent, the Merciful

13 Rabi Awwal 1427H
11 April 2006

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 1426H (2005-2006).

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

A. M. Ali

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

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. Agus Muhammad

Hon. Arslan Meredovich Yazyyev

Hon. Dr. Tahmaseb Mazaheri

Hon. Jamal Nasser Rashid Lootah

Hon. Zeinhom Zahran

Hon. Dr. Selim Cafer Karatas

Hon. Somone Mibrathu

Hon. Aissa Abdellaoui

Hon. Faisal Abdul Aziz Al-Zamil

Hon. Md. Ismail Zabihullah

Hon. Mohammad Azzaroog Rajab

Hon. Yakoubou Mahaman Sani

Hon. Issufo Sanha

CORPORATE PROFILE OF THE ISLAMIC DEVELOPMENT BANK GROUP (ENTITIES, FUNDS, AND AFFILIATES)

ISLAMIC DEVELOPMENT BANK

Establishment

The Islamic Development Bank (IDB) 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 Shariah i.e., Islamic Law.

Functions

The functions of the Bank are to provide various forms of development assistance, including trade financing, poverty alleviation through human development, forging economic cooperation, and enhancing the role of Islamic finance in the social and economic development of member countries. 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 mobilize financial resources through Shariah-compliant 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 Shariah.

Membership

The present membership of the Bank consists of 56 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 of the Bank, is equivalent to one SDR - Special Drawing Right of the International Monetary Fund. From Muharram 1413H (July 1992), in accordance with a Resolution of the Board of Governors, the Authorized Capital was increased to ID6 billion. Its Issued Capital also increased to ID4.1 billion. In 1422H, the Authorized Capital of the Bank was increased to ID15 billion and the Issued Capital to ID8.1 billion. Out of this, the Subscribed Capital is ID8 billion of which the Callable Capital is ID5.3 billion and the Paid-up Capital of the Bank as of the end-1426H was ID2.7 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. 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.

ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

IRTI was established in 1401H (1981) to help the Bank in discharging its functions in the fields of research and training assigned according to its statutes.

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 Shariah 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 Economic Cooperation and Development Division, Islamic Banking and Finance Division, Training Division and an Information Centre. The support units are: Special Assignments Unit, Publication Unit and the Administrative Services Unit.

Research

IRTI's research activities aim at organizing and conducting basic and applied research with a view to developing models and methods for the application of Shariah in the fields of economics, banking and finance. It also sets out to develop the capabilities of personnel in Islamic economics to meet the research and training needs of Shariah observing agencies. IRTI's research output takes various forms, such as in-house research papers, background and discussion papers, seminar proceedings, books, lectures, translations and articles published in IRTI journal. Research seminars and conferences constitute vital part of activities of IRTI through which the Institute mobilizes external expertise.

Training

In accordance with its mandate, IRTI provides training opportunities and capacity building to staff engaged in development activities in member countries with a view to contribute to the improvement of their human capital. Being aware of the challenges posed by globalization, IRTI is continuously striving to diversify the contents of its courses in order to ensure their compatibility with evolving training needs. Furthermore, special emphasis is being placed on training programmes in the areas of Islamic banking and finance as a response to the increasing demand for training in this vital area.

Information

In order to provide the requisite services, the Institute has evolved a number of information systems platforms. These include: Islamic Banks' Information System (IBIS), IDB Database on Experts (IDBDE), Model IT Strategy, Awqaf Databank, IRTI Publications Management System, and IRTI Newsletter.

Other Professional Activities

The Institute has also evolved a number of programmes to popularize Islamic economics, banking and finance. These programmes include the IDB Prize in Islamic Economics and Banking, Encouragement and Promotion Programme, IDB Prize Lecture Series, IRTI Shariah Lectures, and Visiting Scholars Scheme.

ISLAMIC BANKS PORTFOLIO FOR INVESTMENT AND DEVELOPMENT (IBP)

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 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-1426H, 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 a 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 deposit. The unit of account for the IBP is the US dollar.

IDB UNIT INVESTMENT FUND (UIF)

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 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 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 sixteen years, the size of the Fund has grown from $100 million to $325 million. The Fund is held by 20 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.

ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (ICIEC)

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 Shariah-compliant Export Credit and Investment Insurance as Credit and Political Risk mitigation instruments."

Objectives

ICIEC's objective is to increase the scope of trade transactions from the OIC member countries and to facilitate foreign direct investments into member countries and to provide reinsurance facilities to Export Credit Agencies (ECAs) in member countries. ICIEC fulfills these objectives by providing appropriate Islamic Shariah-compliant credit and country risk insurance and reinsurance instruments.

Structure

The Authorized Capital of ICIEC is ID100 million ($144 million). As of end-1426H, the Subscribed Capital of ICIEC stood at ID97.24 million ($140 million). IDB subscribed ID50 million ($72 million) while thirty-five member countries have subscribed ID47.24 million ($68 million). Some IDB member countries are at various stages of completing the membership process of ICIEC and it is expected that the remaining capital amounting to ID2.76 million ($3.98 million) will be fully subscribed.

Functions

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 relation with foreign investments in member countries;
- Reinsurance of operations covered by ECAs in member countries.

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

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 its member countries so as to accelerate economic growth, and to provide a wide range of Shariah compliant financial products and services. As of end-1426H, out of 50 member countries that have signed the Articles of Agreement of the ICD, 44 countries had ratified them in addition to the IDB and 5 public financial institutions.

Structure

The Authorized Capital of the ICD is $1 billion, of which $500 million is available for subscription. The IDB has subscribed 50 percent of its capital, while member countries and public financial institutions in member countries have subscribed up to 30 and 20 percent, respectively. As of end-1426H, the total Paid-up Capital of ICD stands at $282.21 million.

Functions

The main functions of the ICD are to provide direct financing (equity, term financing, structured finance, lines of financing); mobilization of additional resources for the private sector in member countries; asset management; short-term corporate finance; development of Islamic financial and capital markets; and advisory Services to private and public companies.

INTERNATIONAL CENTRE FOR BIOSALINE AGRICULTURE (ICBA)

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.

AWQAF PROPERTIES INVESTMENT FUND (APIF)

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.

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 has increased to $57 million. 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.

IDB INFRASTRUCTURE FUND (IIF)

IIF was established in 1422H (2001). It 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 Shariah-compliant facility, is to be deployed only in conjunction with the Fund's equity investment.

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.

Sectoral Focus

The main focus of the Fund's investments is 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.

WORLD WAQF FOUNDATION (WWF)

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 to:

- Promote 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, and
- Support 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.

OICNETWORKS SDN BHD

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 Authorized and Paid-up capital of OICnetworks is $2.6 million.

SAUDI ARABIAN PROJECT FOR THE UTILIZATION OF HAJJ SACRIFICIAL MEAT

The Saudi Arabian Project for the Utilization of Hajj Sacrificial Meat, is managed by the Bank by virtue of a Memorandum of Understanding signed with the Government of Saudi Arabia on 29 Dhul Qada 1409H. The Project lies outside the normal range of IDB operations, which is implemented with due respect for religious norms. The Project serves Hajj pilgrims by performing the slaughter and related services on their behalf.

The sacrificial animals include sheep, cows, and camels. The utilization of meat goes through a series of operations that include packaging, chilling, freezing, storage, and transportation in order to keep the sacrificial meat fit for human consumption. The skin and offal of these animals are sold and the proceedings are distributed among the poor in the Makkah area. A company has been established to extract gelatin.

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.

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LIST OF ABBREVIATIONS		
AAOIFI	-	Accounting and Auditing Organization for Islamic Financial Institutions
AsDB	-	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
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 of the OECD
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 for Investment and Development
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
ICT	-	Information and Communication Technologies
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 Goals
MDRI	-	Multilateral Debt Relief Initiative
MENA	-	Middle East and North Africa Region
MFIs	-	Multilateral Financing Institutions

MTN	-	Medium-term Note
NDFIs	-	National Development Financial 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
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-1426H (1 Jan. 1976-30 Jan. 2006)[1]

(Amount in million)[2]

	1396H –1423H		1424H		1425H		1426H		1396H-1426H	
	No.	ID/$	No.	ID/$	No.	ID/$	No.	ID/$	No.	ID/$
Project Financing[3]										
Loan	514	2,210.11	52	230.01	47	250.25	47	223.55	660	2,913.92
		2,851.53		*313.36*		*330.79*		*329.87*		*3,825.54*
of which:										
LDMCs Loans	103	155.55	14	20.97	8	13.29	13	23.00	138	212.81
		211.58		*28.46*		*19.04*		*33.86*		*292.94*
Equity	121	488.42	5	39.26	15	123.84	26	206.90	167	858.42
		639.80		*61.22*		*183.74*		*299.12*		*1,183.88*
of which:										
Infrastructure Fund	4	116.79	1	32.11	3	84.30	4	140.18	12	373.37
		160.00		*48.00*		*124.67*		*202.36*		*535.03*
Leasing	186	2,286.14	34	280.46	37	464.89	26	509.80	283	3,541.29
		3,059.62		*407.14*		*689.50*		*732.11*		*4,888.37*
of which:										
Sukuk	1	51.93	8	103.33	8	192.32	1	87.74	18	435.31
		69.80		*146.73*		*285.29*		*125.00*		*626.83*
Instalment Sale	171	1,548.83	11	81.52	12	106.75	8	107.80	202	1,844.91
		2,054.68		*114.36*		*155.41*		*158.59*		*2,483.03*
Combined Lines of Financing	24	230.34	4	14.72	2	17.20	7	14.27	37	276.52
		298.95		*22.00*		*25.00*		*21.00*		*366.95*
Profit Sharing/Musharaka	7	89.85	0	0.00	1	6.74	0	0.00	8	96.59
		120.20		*0.00*		*10.14*		*0.00*		*130.34*
Istisna'a	56	849.48	21	364.03	16	334.71	11	276.02	104	1,824.24
		1,114.75		*497.99*		*487.65*		*409.83*		*2,510.20*
Others[4]	27	193.00	6	74.25	10	82.91	14	192.39	57	542.55
		262.13		*111.00*		*124.71*		*277.74*		*775.57*
Total Project Financing	1,106	7,896.16	133	1,084.24	140	1,387.30	139	1,530.72	1,518	11,898.43
		10,401.64		*1,527.07*		*2,006.92*		*2,228.25*		*16,163.87*
Technical Assistance (TA)	397	120.91	25	8.13	55	13.58	48	8.22	525	150.85
		154.49		*11.24*		*19.63*		*12.05*		*197.41*
Total Project Financing + T.A.	1,503	8,017.07	158	1,092.37	195	1,400.88	187	1,538.95	2,043	12,049.27
		10,556.13		*1,538.30*		*2,026.55*		*2,240.30*		*16,361.28*
Trade Financing Operations[5]										
Import Trade Financing Operations (ITFO)	1,116	11,608.46	70	997.91	74	1,275.71	42	783.88	1,302	14,665.96
		14,759.61		*1,416.64*		*1,885.59*		*1,143.94*		*19,205.79*
Export Financing Scheme (EFS)	164	569.37	10	87.44	18	175.56	11	113.51	203	945.87
		768.27		*121.80*		*261.50*		*166.75*		*1,318.32*
Islamic Banks Portfolio (IBP)	132	1,471.55	14	114.55	15	204.79	15	216.09	176	2,006.99
		2,024.03		*171.25*		*308.00*		*311.96*		*2,815.24*
Unit Investment Fund (UIF)	55	315.82	14	67.89	14	110.38	15	70.16	98	564.25
		425.95		*101.50*		*166.00*		*101.29*		*794.74*
Awqaf Properties Investment Fund (APIF)	1	1.46	6	8.86	3	3.32	2	2.77	12	16.42
		2.00		*13.25*		*5.00*		*4.00*		*24.25*
Islamic Corporation for Developmnt (ICD)[6]	0	0.36	0	0.91	5	13.30	2	5.20	7	19.76
		0.46		*1.36*		*20.00*		*7.50*		*29.32*
Treasury Operations	2	39.84	2	10.03	9	108.70	0	0.00	13	158.58
		50.00		*15.00*		*163.49*		*0.00*		*228.49*
Total Trade Financing Operations	1,470	14,006.86	116	1,287.59	138	1,891.76	87	1,191.62	1,811	18,377.83
		18,030.32		*1,840.80*		*2,809.59*		*1,735.44*		*24,416.14*
Special Assistance Operations	972	434.09	45	16.70	67	13.82	42	7.68	1,126	472.28
		542.02		*23.47*		*20.51*		*11.33*		*597.33*
NET APPROVED OPERATIONS	3,945	22,458.02	319	2,396.66	400	3,306.46	316	2,738.25	4,980	30,899.39
		29,128.47		3,402.57		4,856.65		3,987.07		41,374.76
GROSS APPROVED OPERATIONS	4,629	26,901.42	347	2,682.75	413	3,397.93	317	2,739.63	5,706	35,721.73
		35,038.25		*3,805.76*		*4,992.35*		*3,989.07*		*47,825.43*
DISBURSEMENTS		16,771.64		1,452.64		1,990.10		1,783.68		21,998.07
		21,743.85		*2,170.56*		*2,992.56*		*2,575.23*		*29,482.20*
REPAYMENTS		12,932.23		1,041.46		1,224.30		1,834.22		17,032.21
		16,687.84		*1,556.73*		*1,841.35*		*2,647.90*		*22,733.82*
NUMBER OF STAFF AT END OF YEAR			911		934		973			
Memorandum Items										
OCR-IDB (in ID million)										
Total Assets				4,457.66		4,760.05		5,891.00		
Gross Income				222.22		207.91		272.00		
Net Income				58.62		69.31		145.15		
Reserves: Capital				26.27		26.27		26.27		
General				1,187.23		1,242.42		1,308.00		
Subscribed Capital				8,000.00		8,000.00		8,000.00		
Administrative Budget: Approved				53.96		54.89		54.12		
Actual				48.30		48.08		49.34		
Number of Member Countries			55		55		56			
ICIEC's Operations (in ID/$ million)	1417H-1423H								1417H-1426H	
Insurance Commitments[7]		602.00		192.00		315.00		560.00		1,669.00
		798.00		*287.00*		*475.00*		*808.00*		*2,368.00*
Business Insured[8]		242.00		98.00		223.00		428.00		991.00
		321.00		*147.00*		*337.00*		*618.00*		*1,423.00*

(1) All figures on operations are net of cancellation, unless otherwise specified.
(2) $ amounts are in italic.
(3) Figues include IBP, ICD, UIF, APIF & Treasury Operations.
(4) Refers to investment in Sukuk (1423H-1426H) and in Financial Institutions (mainly IBP,1408H-1422H).
(5) Mainly through Murabaha mode of financing
(6) When two or more modes are used to finance a project, to avoid double counting, the modes with the largest amount is assigned the project while the amounts are recorded under the respective modes.
(7) Amount of Insurance commitments (contigent liability assured).approved/issued during the year.
(8) Amount of shipments/disbursements/investments declared to the Corporation by policyholders for the period under consideration.

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Table 0.2
IDB Group[1] Development Assistance
1396H-1426H (1 Jan. 1976 - 30 Jan. 2006)

(Amount in million)

Country	Total Project Financing			Technical Assistance			Total Trade Financing			Special Assistance Operations			Grand Total		
	No.	ID	$	No.	ID	$	No.	ID	$	No.	ID	$	No.	ID	$
Afghanistan	2	20.0	30.0	1	0.3	0.4	0	0.0	0.0	18	10.7	14.4	21	31.0	44.8
Albania	12	50.7	70.3	3	0.4	0.5	0	0.0	0.0	2	1.0	1.3	17	52.0	72.2
Algeria	42	463.8	615.6	8	4.2	5.5	190	1522.8	1934.4	7	4.5	5.6	247	1995.4	2561.1
Azerbaijan	14	175.4	245.6	8	1.5	2.1	0	0.0	0.0	4	1.5	2.0	26	178.4	249.6
Bahrain	58	533.7	741.0	5	0.8	1.2	14	166.4	231.5	0	0.0	0.0	77	700.9	973.7
Bangladesh	57	341.9	468.3	3	0.8	1.1	134	2394.3	3209.2	10	28.5	35.3	204	2765.6	3713.8
Benin	30	118.3	160.6	12	4.3	5.0	5	19.0	23.6	1	1.3	1.4	48	142.9	190.6
Brunei	3	35.8	45.2	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	3	35.8	45.2
Burkina Faso	42	183.1	245.2	17	8.9	11.0	3	10.3	13.8	8	8.1	8.6	70	210.5	278.7
Cameroon	21	119.8	158.0	7	2.5	3.1	0	0.0	0.0	3	1.3	1.7	31	123.7	162.8
Chad	30	119.4	164.7	16	3.4	4.4	1	2.1	3.2	10	9.9	10.8	57	134.8	183.1
Comoros	6	15.6	20.1	5	1.6	2.0	3	5.9	7.5	2	0.7	0.9	16	23.9	30.5
Cote D'Ivoire	6	42.8	57.2	0	0.0	0.0	0	0.0	0.0	6	1.0	1.2	12	43.8	58.5
Djibouti	20	32.6	43.1	7	1.4	1.8	0	0.0	0.0	8	1.4	1.9	35	35.5	46.8
Egypt	38	426.1	583.4	8	1.6	2.2	104	1125.3	1561.4	3	0.9	1.2	153	1553.9	2148.2
Gabon	16	176.9	244.8	3	1.7	2.2	0	0.0	0.0	0	0.0	0.0	19	178.5	247.0
Gambia	23	67.9	92.9	13	2.7	3.5	7	11.9	14.0	4	1.7	1.8	47	84.2	112.3
Guinea	46	215.3	285.2	19	7.3	9.4	6	37.9	48.8	5	6.0	7.6	76	266.5	351.0
Guinea Bissau	1	1.4	1.5	6	1.3	1.5	2	11.6	15.0	3	1.1	1.3	12	15.4	19.3
Indonesia	62	483.2	665.7	5	0.6	0.8	23	458.0	616.5	3	2.2	3.4	93	944.0	1286.4
Iran	53	800.2	1114.5	5	0.8	1.0	119	1037.1	1441.5	7	10.0	13.3	184	1848.0	2570.3
Iraq	4	32.4	38.5	2	0.4	0.5	35	264.9	301.3	7	3.6	4.9	48	301.4	345.2
Jordan	49	421.2	559.4	14	3.8	5.0	58	590.0	687.3	1	0.2	0.3	122	1015.3	1252.0
Kazakhstan	15	77.3	107.4	7	1.2	1.6	8	43.4	64.0	5	0.7	0.9	35	122.6	174.0
Kuwait	13	133.9	185.4	5	1.1	1.6	33	388.0	562.5	4	6.5	7.5	55	529.5	756.9
Kyrgyz Rep.	6	30.2	42.1	7	1.2	1.6	0	0.0	0.0	4	1.2	1.7	17	32.6	45.4
Lebanon	42	471.9	644.2	5	0.7	0.9	8	145.4	202.5	17	5.3	7.3	72	623.2	854.9
Libya	14	246.7	333.0	2	2.2	2.9	10	230.0	299.8	2	2.9	3.8	28	481.8	639.4
Malaysia	33	484.2	646.2	6	0.7	1.0	41	265.5	367.6	5	8.8	11.5	85	759.2	1026.2
Maldives	16	44.2	60.0	9	1.2	1.6	1	8.1	11.7	1	0.3	0.5	27	53.8	73.8
Mali	38	158.7	207.7	19	7.5	9.6	7	66.9	100.6	8	13.7	14.8	72	246.8	332.8
Mauritania	35	132.9	173.4	26	15.3	20.7	6	51.0	69.5	6	9.6	10.9	73	208.8	274.5
Morocco	47	583.4	807.0	13	2.5	3.3	101	1123.1	1465.3	4	1.2	1.5	165	1710.3	2277.1
Mozambique	14	62.8	86.5	3	0.5	0.6	0	0.0	0.0	5	1.8	2.2	22	65.0	89.4
Niger	29	99.2	128.7	24	8.4	10.8	18	102.8	128.4	13	8.6	9.8	84	219.0	277.6
Nigeria	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	29	5.7	7.6	29	5.7	7.6
Oman	36	502.7	675.2	6	1.8	2.4	1	1.4	2.0	2	0.4	0.5	45	506.3	680.1
Pakistan	57	545.2	749.4	6	0.9	1.3	234	3476.9	4656.0	7	7.9	10.8	304	4030.9	5417.5
Palestine	20	64.5	57.9	8	2.7	3.7	0	0.0	0.0	38	39.1	50.1	66	106.3	111.8
Qatar	17	168.1	238.9	1	0.1	0.1	2	5.1	7.6	0	0.0	0.0	20	173.2	246.6
Saudi Arabia	32	424.9	599.3	14	1.9	2.6	97	886.6	1235.7	2	0.1	0.1	145	1313.5	1837.8
Senegal	43	228.6	302.6	20	7.3	9.0	20	122.7	164.6	7	12.9	14.2	90	371.5	490.4
Sierra Leone	17	47.0	62.8	14	3.8	4.5	0	0.0	0.0	3	2.4	3.0	34	53.1	70.3
Somalia	0	0.0	0.0	1	0.3	0.4	4	36.1	46.2	24	6.2	8.5	29	42.5	55.1
Sudan	57	284.4	385.8	13	2.1	2.9	23	170.5	228.3	17	18.6	22.2	110	475.6	639.2
Suriname	5	22.2	31.8	0	0.0	0.0	1	7.4	10.0	2	0.1	0.2	8	29.7	42.0
Syria	28	373.3	512.2	3	0.4	0.6	12	86.3	95.8	1	0.2	0.3	44	460.2	608.8
Tajikistan	13	76.3	105.3	11	2.0	2.7	0	0.0	0.0	4	0.4	0.6	28	78.7	108.7
Togo	9	42.0	58.1	3	0.9	1.2	0	0.0	0.0	2	1.4	1.7	14	44.3	61.0
Tunisia	47	338.4	438.9	6	0.9	1.2	156	767.6	1035.9	4	3.3	4.2	213	1110.2	1480.3
Turkey	84	633.4	838.4	3	3.3	4.2	264	2159.7	2829.0	5	17.0	20.4	356	2813.4	3692.0
Turkmenistan	7	54.7	74.4	2	0.4	0.5	0	0.0	0.0	2	0.2	0.3	11	55.4	75.2
U.A.E	26	183.3	256.7	5	0.6	0.8	14	148.1	195.7	0	0.0	0.0	45	332.0	453.2
Uganda	7	21.5	28.6	7	2.0	2.3	5	11.3	13.9	7	3.1	4.0	26	37.9	48.8
Uzbekistan	13	83.1	122.3	3	0.5	0.7	0	0.0	0.0	8	1.4	1.9	24	85.0	124.9
Yemen	36	171.0	224.7	18	5.6	7.0	38	346.4	411.6	7	7.0	8.4	99	529.9	651.8
Regional Operations[2]	9	68.9	95.1	87	20.6	28.4	0	0.0	0.0	85	32.0	43.1	181	121.5	166.6
Special Programme	4	62.5	85.0	0	0.0	0.0	1	14.8	20.0	0	0.0	0.0	5	77.3	105.0
Non-Member Countries	**14**	**99.6**	**147.7**	**1**	**0.1**	**0.1**	**2**	**55.2**	**83.0**	**684**	**156.8**	**204.1**	**701**	**311.7**	**434.9**
Net Aproval	**1,518**	**11,898.4**	**16,163.9**	**525**	**150.8**	**197.4**	**1,811**	**18,377.8**	**24,416.1**	**1,126**	**472.3**	**597.3**	**4,980**	**30,899.4**	**41,374.8**
Gross Approval	**1,747**	**13,814.7**	**18,656.9**	**571**	**161.5**	**211.0**	**2,262**	**21,273.2**	**28,360.2**	**1,126**	**472.3**	**597.3**	**5,706**	**35,721.7**	**47,825.4**

1. Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.
2. Operations benefiting a group of member countries or institutions in one or more regions.

H.E. Humayun Akhtar Khan, Minister for Commerce, Government of Pakistan along with the President, IDB Group chairing the IDB-sponsored Ministerial Consultative Meeting of the OIC Member Countries on the eve of the 6th WTO Ministerial Conference in Hong Kong.

1426H IN REVIEW: BOARD OF EXECUTIVE DIRECTORS' REPORT

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 Board of Governors. This is the 31st Annual Report of the IDB which covers the period from 1 Muharram 1426H (10 February 2005) to 29 Dhul Hijjah 1426H (29 January 2006).

The Annual Report highlights new policy initiatives launched by the Bank and presents an annual review of the operational activities and financial performance during 1426H (2005-2006). Major developments in the world economy and recent economic performance of member countries provide the setting for the IDB Group to achieve its strategic objectives; namely, poverty alleviation, promotion of economic cooperation and Islamic finance.

The Annual Report, 1426H consists of six chapters covering these strategic objectives and begins by examining economic performance and major developments affecting member countries. It then turns to presenting role of IDB Group in fostering economic development, forging intra-trade and economic cooperation, enhancing the role of Islamic finance, investing in human capital, achieving institutional effectiveness, and financial results.

The 1426H in Review begins with highlighting major global development issues and important features of the overall macroeconomic performance of member countries. In the context of addressing challenges of socio-economic development in member countries, the Review presents new initiatives launched by the IDB Group during 1426H to forge greater economic cooperation and enhance the impact and effectiveness of its development assistance. The Review then concludes by presenting the key aspects of operational activities and financial performance of the IDB Group during 1426H.

Major Global Development Issues

Global GDP growth decelerated from 3.8 percent in 2004 to 3.2 percent in 2005 and is projected to continue growing at the same rate in 2006. Economic growth in developing countries remained fairly robust at 5.9 percent in 2005, which is almost one percentage point below the growth recorded in 2004. Except for South Asia and Sub-Sahara Africa regions, the slowdown in economic growth during 2005 was experienced across all regions of the world. In the case of Sub-Saharan Africa region, the relatively weak economic growth, which registered an increase of 10 basis points to reach 4.6 percent in 2005, is unlikely to make a dent in poverty reduction and sustain progress in achieving other Millennium Development Goals (MDGs).

A notable feature of the global economic performance during 2005 was its resilience in the face of higher energy prices. In many industrialized countries, economic activity is close to its maximum rate while many emerging economies continued to expand output at a robust rate. However, global economic performance, particularly those belonging to the category of oil-importing developing countries, remain vulnerable to the rising risk premium as exemplified by the future energy market scenarios. Furthermore, meeting the energy needs of underserved population in developing countries is likely to lead to both massive environmental degradation and soaring prices. Such a vulnerability to long term and sustainable economic growth can be addressed by forging an equitable global energy compact that embodies security, access, and greater investment in developing alternative sources of energy.

Considerable progress in poverty reduction has been made in all regions except the Sub-Saharan Africa region. The overall number of people in the world living in extreme poverty, i.e. on less than $1 per day, is projected to fall to 617 million by 2015 from 1,218 million in 1990 and 1,011 million in 2002. However, in the case of the Sub-Saharan African region, the incidence of extreme poverty was 303 million people in 2002, which is actually higher than 227 million in 1990 and is projected to rise to 336 million by 2015. These disturbing projections galvanized the international donors community to launch new and innovative initiatives to support the poverty reduction efforts and attainment of other MDGs in the least developed countries. In September 2005, the Multilateral Debt Relief Initiative (MDRI) was launched which will cancel the debt of the eligible least developed countries owed to the International Development Association, the African Development Fund, and the IMF. Another innovative proposal, which is to levy an international tax on airline travel in order to fund fight poverty alleviation programmes in the developing world received support from seventy-nine countries during the United Nations General Assembly meeting in September 2005. The IDB Group along with the international community is committed to assisting the people of Africa towards economic emancipation. Nevertheless, it is essential that peace, security, and rule of law remain paramount in order to ensure effective utilization of development assistance. IDB Group efforts during 1426H to assist the least developed member countries progress towards achieving MDGs is presented in the Cooperation section below.

Growth in world trade decelerated from 10.2 percent in 2004 to 6.2 percent in 2005 and is projected to recover slightly to 7 percent in 2006. The slowdown in world trade was mainly due to lower growth in exports of industrialized and oil-importing developing countries. Export growth of many developing countries was significantly influenced by the removal of textile quotas after January 2005. Excluding China and India, 23 developing countries, including 9 IDB member countries, experienced growth in the export of textile-related products. At the WTO Ministerial Meeting, held in December 2005 in Hong King, the most significant gain for developing countries was the commitment of industrialized countries to end export subsidies in the agriculture sector by 2013 and to eliminate trade-distorting domestic support in the cotton sector of industrialized countries by end-2006. However, these gains could be undermined by potential wrangling over the details. In this context, IDB Group assistance to member countries on WTO-related matters is presented in the Cooperation section below.

Finally, globalization has provided opportunities for developing countries to benefit from improved market access, heightened capital flows, especially in the form of foreign direct investment, and technology transfer. Nevertheless, the year 2005 also witnessed disturbing incidents of protectionist measures in trade and investment areas. For instance, EU's re-imposition of textile quotas after surging imports from China, and decisions by the U.S.A. not to allow foreign direct investment from the developing countries in the energy sector and port infrastructure, appear to suggest the need by developed countries to resist resorting to protectionist measures that are based on economically specious claims. Moreover, the rising cultural and religious intolerance could potentially undermine the growth of trade and investment relations, which are the hallmarks of globalization. A continuation of such trends can only accentuate the rift. If unabated, the growth of globalization, which needs to be shaped in terms of compassion for the poorest and for providing equality of opportunities as opposed to economic and cultural dominance, would suffer.

Economic Performance of Member Countries

In line with global trends, economic growth in IDB member countries, as a group, decelerated from 6.2 percent in 2004 to 5.5 percent in 2005 and is expected to slightly edge up to 5.8 percent during 2006. The least developed member countries of the IDB (LDMCs) defied this trend as their real GDP sustained growth of little over 6 percent both in 2004 and 2005 and is projected to accelerate to 7.9 percent during 2006. Inflation in member countries, as a group, rose by 120 basis points to reach 8.4 percent in 2005. Compared to developing countries, inflation in member countries was higher by 2.5 percentage points in 2005. A sustained and relatively higher inflation in member countries could undermine poverty alleviation efforts and also undercut their export competitiveness.

While national savings in member countries, as a group, has been gradually rising to reach 27.7 percent of GDP in 2005, the divergence in the savings rate compared to developing countries has been steadily growing from 38 basis points in 2000 to 3.2 percentage points in 2005. The overall investment rate in member countries, as a group, has not only stagnated during the past five years but the divergence with the overall investment rate of developing countries has been growing as well. The investment rate of the private sector in member countries, as a group, appears to have stagnated during the last two years. These trends in savings and investment rates of member countries indicate a need to launch new generation of policy and structural reforms which will underpin a return to higher and longer term economic growth and private sector activity.

The current account surplus of member countries, as a group, surged from 5.5 percent of GDP in 2004 to 9.6 percent in 2005 and is expected to further rise to 11.3 percent during 2006. The evolving current account surplus mainly reflects the higher earnings of oil-exporting member countries. In contrast, the current account deficit of LDMCs, as a group, was reduced from 4.6 percent of GDP in 2004 to 3.9 percent in 2005 and is projected to further fall to 1.7 percent during 2006. A narrowing of current account deficit of LDMCs reflects the combined effect of debt relief under the HIPC Initiative and a tapering of the trade deficit, which started to gradually reduce from 2003 and is projected to be evenly balanced during 2006. In recent years, the annual increase in the stock of external debt of LDMCs, as a group, ranged between $3 to $4 billion, which appears to be sustainable as the debt servicing ratio is gradually declining from 12.8 percent in 2000 to a projected 7.7 percent in 2006.

On the trade front, total exports of IDB member countries, as a group, increased from $609 billion in 2003 to $801 billion in 2004, representing a growth of 31.5 percent, which mainly reflects the rise in oil prices of oil-exporting member countries. Nevertheless, the share of total exports of member countries in global exports rose by 70 basis points to 8.8 percent in 2004. The value of intra-exports of member countries increased by 45 percent to $108 billion in 2004, which is reflected in an increase of the intra-exports ratio from 12.2 percent in 2003 to 13.5 percent in 2004. The average level of intra-exports among member countries rose from $1.13 billion in 2002 to $1.96 billion in 2004. Exports of fifteen member countries amounting to over $88 billion were higher than the average in 2004, which represents a share of 82 percent of total intra-exports of member countries.

Enhancing Economic Cooperation Among Member Countries

Since its inception, promotion of trade and economic cooperation among member countries has been an overarching feature of IDB development financing activities. In particular, the Bank seeks to strengthen cooperation through financing of intra-trade operations, capacity building of economic institutions, and development and exchange of science-based human capital.

In addition to promoting intra-trade among member countries, the IDB Group is now focused on promoting intra-investment flows as a means for scaling up economic cooperation among member countries. During 1426H, the IDB Group launched the 'Technical Assistance Programme for Promotion of Intra-investment', which aims to assist institutional capacity building of member countries to attract foreign direct investment, as well as to encourage joint ventures among member countries in key sectors such as energy, telecommunications, transport, and water. In addition, the Bank organized four major events in Jeddah and Kuala Lumpur, concerned with the promotion of intra-investment. The Bank's support for such promotional activities is aimed at raising greater awareness of the potential for realizing intra-investment opportunities in member countries.

In 1426H, IDB began implementing the 'Capacity Building Programme for OIC Countries', which is a new initiative to strengthen technical cooperation by facilitating the exchange of institutional resources and expertise between relatively developed member countries and the least developed member countries. The Bank approved $24 million to support four pilot projects in Sierra Leone, Mauritania, Bangladesh, and Indonesia.

Prior to the WTO Ministerial Conference held in Dhul Qa'dah 1426H (December 2005), the Bank organized a Ministerial-level consultative meeting in Hong Kong, which was attended by delegates from 35 member countries and other international organizations. This meeting provided an opportunity to share ideas and sensitize the delegates on latest developments on the agenda items of the WTO Ministerial Conference. In addition, during 1426H, the Bank organized eleven WTO-related courses and workshops, and also organized two expert-level meetings on enhancing cooperation and strengthening the competitiveness of cotton sector in member countries.

As part of its efforts to broaden partnerships for economic development in member countries, in 1426H the Bank organized a Roundtable meeting on the Niger Basin initiative. The Roundtable was attended by members of the Coordination Group and a number of other international and regional donor agencies to develop financing packages for construction of two major dams, namely the Taoussa Dam in Mali and the Kandadji Dam in Niger.

As part of its strategic objective, IDB continued to support the growth of the Islamic financial industry and to participate in the strengthening and capacity building of infrastructure institutions. During 1426H, the Bank participated in the capital increase of five financial institutions, which comprised of equity investments amounting to $20.7 million in four Islamic banks and an equity investment amounting to $12 million in one re-takaful (re-insurance) company. A major joint initiative undertaken by the Bank and the Islamic Financial Services Board during 1426H was the launching of a 'Ten-Year Master Plan Framework for the Islamic Financial Services Industry', which proposes a vision and strategy to develop Islamic financial intermediation at national and international levels. Another major activity in 1426H was the joint development with the Liquidity Management Centre of a Shariah-compliant short-term and tradable liquidity instrument called 'Short-term Sukuk Programme (STS)' in which the Bank supports the market-making function which is expected to ease the perennial issue of liquidity management in Islamic financial institutions.

Initiatives to Enhance Operational Effectiveness

During 1426H, the Board of Executive Directors (B.E.D.) held seven meetings in addition to a number of meetings of the Standing, Special and ad-hoc Committees of the Board. During these meetings, the B.E.D. considered 339 agenda items related, inter alia, to projects and trade financing operations, Waqf Fund operations, policy issues, and review of progress reports. The 30th Annual Meeting of the Board of Governors was held in Putrajaya, Malaysia, in June 2005 at which a number of decisions were taken aimed at consolidating and improving the institutional effectiveness of the Bank's operations.

The Third Extraordinary OIC Summit, which was held on 5-6 Dhul Qa'dah 1426H (7-8 December 2005) in Makkah Al-Mukarramah, Saudi Arabia, marks a watershed event for the social revival and economic progress of OIC member states. The OIC Summit adopted a 'Ten-Year Programme of Action to Meet the Challenges Facing the Muslim Ummah in the 21st Century', under which new initiatives for the IDB Group are envisaged in the following areas: specific measures to strengthen IDB, strengthening economic cooperation, supporting development and poverty alleviation in Africa, social solidarity in the face of natural disasters, and promoting higher education in science and technology. In particular, the Third Extraordinary OIC Summit commissioned the Board of Governors of the IDB to increase the authorized, subscribed, and paid-up capital of the Bank, and also to establish an IDB Poverty Alleviation Fund. Consequently, the IDB Board of Governors, during the 31st Annual Meeting to be held on 3-4 Jumad Awwal 1427H (30-31 May 2006) in Kuwait, will consider a resolution for approval to call-in the remaining 70 percent of the second general increase in subscribed capital amounting to ID1.3 billion ($1.9 billion). In addition, the Bank has commenced preparatory work for establishing the IDB Poverty Alleviation Fund by initiating wide ranging consultations with stakeholders in member countries. Further progress on establishing this Fund is expected to be made during 1427H.

The Board of Governors of the IDB approved the establishment of the International Islamic Trade Finance Corporation (ITFC) which marked a turning point in consolidating IDB Group-wide financing of trade operations. The ITFC will commence operations with an authorized capital of $3 billion and subscribed capital of $500 million. It will bring under one entity all the trade financing operations hitherto conducted by the various Funds of the IDB. During 1426H, progress was made to complete legal and procedural documentations and the new entity is expected to commence its operations after clearance of its Articles of Agreement during the 31st Annual Meeting of the IDB Board of Governors in Kuwait.

The IDB launched the 1440H Vision initiative, which is aimed at developing long term goals for a comprehensive development in member countries. To this end, IDB 1440H Vision Comission was established under the chairmanship of H.E. Tun Dr. Mahathir Mohamad. The Commission held four regional workshops in Kuala Lumpur, Almaty, Dubai, and Ouagadougou to gather stakeholder inputs. The Commission has already developed proposals for the long term direction of the Bank. These proposals are meant to further enhance the Bank's institutional effectiveness and impact on economic development and social progress in member countries.

Under the IDB Strategic Plan, the resource requirement for OCR operations was estimated at $1 billion for 1426H. To mobilize these resources, an innovative $1 billion Sukuk structure, called Medium-Term Note (MTN) programme, was issued in Jumad Awwal 1426H (June 2005). This programme, inter alia, provided flexibility by allowing for the issue of some tranches of the Sukuk in different currencies and on either fixed or floating rate basis. With the triple-A credit risk rating of the IDB, the issue received an overwhelming response from investors both from member as well as non-member countries.

In 1426H, IDB also developed a "reverse murabaha" arrangement for mobilization of short-term funds from the financial market. Under this arrangement, financial institutions place their funds with the IDB on agreed terms. During the review year, the Bank approved a limit of ID500 million for reverse murabaha for a maturity period of up to one year. This innovative product was successful in generating interest among financial institutions and central banks in the IDB member countries.

During 1426H, the IDB revised its terms and conditions for ordinary modes of financing in order to reduce cost of financing for the beneficiaries in the member countries. These revisions included an extension of the repayment period from 15 years to a maximum of 20 years, including a gestation period of 5 years. The financing ceiling per project was increased from ID35 million per project to ID80 million ($114 million) per project for ordinary modes of financing. Also, the mark-up for ordinary financing was reduced from 6 percent to 5.1 percent and the rebate for timely repayment was discontinued.

In the area of trade finance, the IDB approved revised guidelines for trade financing through syndications and Two-Step Murabaha Financing (2SMF). Approval limits and basket of currencies were increased. In addition, funds mobilized through these modes can now be used to finance imports from a wider range of suppliers' origins.

The Bank further strengthened its on-going programmes for the development of science-based human capital in member countries. In order to catalyze science-based development of human capital, a new policy was announced in 1426H under which the Bank would consider approving at least 10 percent of a member country's annual programme in the science & technology projects.

Following the massive earthquake that hit parts of the Islamic Republic of Pakistan in October 2005, the Bank approved in two stages an assistance programme totaling $501.6 million to support the Government of Pakistan in the massive reconstruction efforts of the areas affected by the earthquake. The assistance included $81 million in concessional financing, $220 million in ordinary financing, and 200 million in trade financing with soft terms.

Financing Operations

In 1426H, IDB Group approved net financing of ID2,738.25 million ($3,987.07 million), representing a decline of 17.2 percent over net approvals in 1425H. During the year under review, the IDB Group approved 316 operations in 46 member and 16 non-member countries. As of end-1426H, cumulative net approvals of the IDB Group reached ID30,899.39 million ($41,374.76 million) for the period 1396H to 1426H. Of the IDB Group cumulative approvals, the share of project financing and technical assistance stood at 40 percent, trade financing operations stood at 59 percent, and the remaining 1 percent share was for Waqf Fund (Special Assistance) operations.

IDB Group net approvals for project financing and technical assistance posted an exceptional growth of 28.2 percent in 1425H over net approvals in 1424H. Despite this robust growth, the total net approvals of the IDB Group increased from ID1,400.88 million ($2,026.55 million) in 1425H to ID1,538.95 million ($2,240.3 million) in 1426H, representing a growth of 9.9 percent.

Project financing and technical assistance from the ordinary capital resources (OCR), excluding those financed from Sukuk resources, increased from ID859.7 million ($1,218.6 million) in 1425H to ID913.1 million ($1,338.5 million) in 1426H, which represents a growth of 6.2 percent. Project financing by Entities and Funds increased from ID348.9 million ($522.62 million) in 1425H to ID538.07 million ($776.76 million) in 1426H, representing an increase of 54.2 percent.

The sectoral distribution of approved OCR operations, excluding those financed from Sukuk resources, was: public utilities - 49 percent; transport and communications - 15 percent; social sector i.e. education and health - 18 percent; agriculture/agro-industry - 6 percent; industry and mining - 9 percent; and financial services and other sectors - 3 percent.

Concessional financing approved for member countries in the Africa region totalled ID154.33 million ($227.65 million), which is more than twice the approvals for member countries in the Asia region, which reached ID65.84 million ($97.46 million). The approved OCR operations in the least developed member countries (LDMCs) in 1426H totalled ID290.53 million ($423.39 million). Of this, the Bank approved 79 percent of the total concessional financing to LDMCs totalling ID177 million ($260.67 million).

The adoption of the 'Declaration on IDB Group Cooperation with Africa' in 1423H (2002) provided a platform to extend targeted development assistance of $2 billion over five years in order to spur economic growth and assist Sub-Saharan African member countries achieve MDGs. During 1426H, the IDB Group approved ID289.34 million ($424.2 million) for project and trade financing operations and technical assistance activities in Sub-Saharan African member countries. Under the Declaration, the cumulative approvals by the IDB Group reached $1.2 billion.

IDB Group trade financing operations grew by 18.3 percent in 1424H and then by 46.9 percent during 1425H to reach ID1,891.76 million ($2,809.59 million). During 1426H, the Group's trade financing operations totalled ID1,191.62 million ($1,735.44 million), representing a decline of 37 percent over 1425H. In fact, the downturn in Group's trade operations was mainly driven by the 38.6 percent decline of ITFO approvals totaling ID783.88 million ($1,143.94 million) in 1426H over approvals amounting to ID1,275.71 million ($1,885.59 million) in 1425H. The underlying reason for recent spikes in the growth of trade financing operations reflects the trade-off against the booking of translation losses in the ID-denominated OCR balance sheet. The bulk of trade financing operations are conducted in U.S. dollar while they are funded from the OCR, which is ID-denominated, and therefore have to be hedged against currency fluctuations. The Bank is now in the process of implementing Shariah-compliant hedging instruments which will limit exposure to exchange rate fluctuations. The transitory adjustment of trade financing operations in 1426H was necessitated by the requirement to meet statutory and prudential financials in order to maintain the sound balance sheet position of the Bank.

Financial Performance

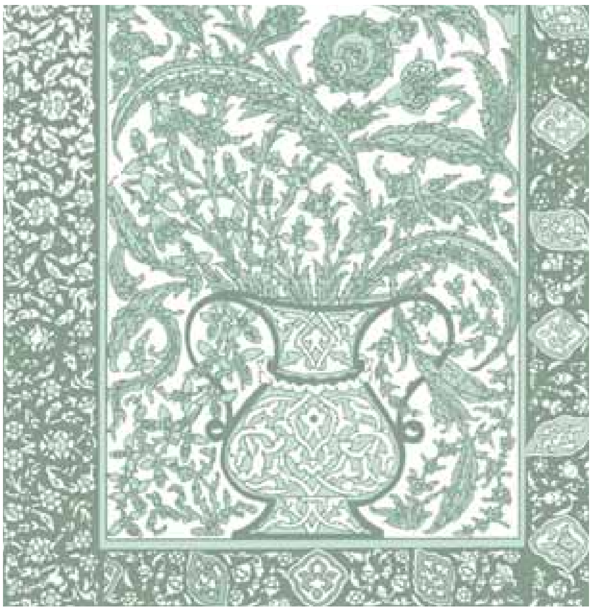
Total income of the IDB rose from ID208.0 million in 1425H to ID272.5 million in 1426H, resulting in net OCR income of ID145.1 million, which was highest in the history of the Bank. Net income in 1426H was double the level in 1425H, mainly because of the increase in gross income, tighter control on administrative expenses, and write-back of provisions for impaired assets which amounted to ID37.1 million. Even if the write-back is excluded, the growth in net income in 1426H would still be 55.8 percent higher as compared to 1425H.

Total OCR disbursements in 1426H amounted to ID1.41 billion ($2.03 billion), compared to ID1.65 billion ($2.48 billion) in 1425H, thus registering a decline of 14.5 percent which was mainly due to decrease in disbursements in ITFO operations. Cumulative disbursements by the IDB Group stood at ID22 billion ($29.5 billion).

Total repayments received by the Bank in 1426H amounted to ID1.49 billion ($2.15 billion) compared to ID1.08 billion ($1.62 billion) in 1425H, reflecting a growth of 38 percent. This was mainly due to increase in ITFO operations. Cumulative repayments to the IDB Group was about ID17 billion ($22.7 billion).

The IDB draws its resources mainly through capital subscription by member countries. The Authorized and Subscribed capital of the Bank remained at ID15.00 billion ($21.65 billion) and ID8 billion ($11.69 billion) respectively in 1426H. The ordinary resources of the Bank consist of the members' subscriptions (paid-up capital), plus reserves and net income during the year. These had increased from ID4.27 billion in 1425H to ID4.62 billion in 1426H, which was mainly due to an increase in fair value reserves and retained profits for the year.

The IDB follows a prudent risk management policy as required by article 21 of its Articles of Agreement. Detailed risk management guidelines related to each mode of financing are in place, including allocation of resources for financing operations in member countries, internal ratings, scoring systems and limits for counterparties. The Bank has guidelines for country risks and for accepting guarantees and assignment of receivables. Also, policies have been established regarding capital adequacy, liquidity, loan provisioning, operational exposure and concentration risks. The Bank enjoys the highest credit rating as the Standard and Poor's rating for both Long- and Short-term was reaffirmed at AAA and A-1+, respectively, in Ramadan 1426H (October 2005). This rating reflects the strong financial standing of the Bank as well as its excellent credit risk history and the backing of its member countries.



CHAPTER 1

ECONOMIC PERFORMANCE AND MAJOR DEVELOPMENT ISSUES AFFECTING MEMBER COUNTRIES

During 1426H, work began on the Expansion Phase of the Salalah Seaboard Project, Sultanate of Oman, at a total cost of $251 million.
IDB had approved $49.5 million financing facility for construction of two additional berths and development of breakwater.
Upon completion, the Project will increase Salalah Port capacity from 2 million TEU up to 3 million TEU per annum.

HIGHLIGHTS

World Economy and IDB Member Countries

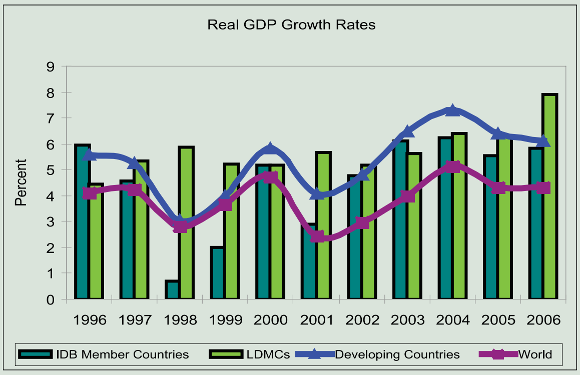
- Slowdown in the world economic growth in 2005.
- Concerns over growing global financial imbalances and its impact .
- Overall GDP growth rate of 5.6 percent for member countries in 2005.
- Slight rise in inflation and the widening gap between saving and investment rate in member countries.

Intra-Trade and FDI Performance of IDB Member countries

- Rising trend of intra-export/import shares among IDB member countries.
- No major change in the intra-export/import of major regional economic organizations.
- Considerable increase in FDI inflows to member countries in 2004.
- Improvement of the FDI performance index for some member countries.

Major Developmental Issues

- Significant achievement of the WTO Ministerial Conference in Hong Kong on ending export subsidies in agriculture by 2013.
- Slow progress toward achieving MDGs, especially in the poverty reduction goal.
- Better prospects for LDMCs with new multilateral debt relief initiative.
- Member countries need to improve the business environment.



Developments in the global economy and economic performance of member countries have important bearings on the overall operational environment for institutions like the IDB. This chapter presents an overview of the major issues related to the world economy and IDB member countries' economies during 1426H (2005-06). The chapter is divided into four sections. Section 1 analyses global economic developments and the economic performance of IDB member countries during 1426H. Section 2 discusses intra-trade and investment performance in member countries, while section 3 presents trends in foreign direct investment and evaluates the performance of member countries in this regard. Section 4 concludes with the analysis of recent development challenges that could impact the economic prospects of member countries.

I. MACROECONOMIC PERFORMANCE[1]

1. Overview of the World Economy

The world economy recorded its best performance in 2004 with a growth of 5 percent. The recovery of the world economy slowed down in 2005 with a registered growth of 4.3 percent. At aggregate level the growth prospect for the advanced countries as a group was estimated to be around 2.5 percent in 2005, compared to 3.3 percent in 2004. However, the output growth of advanced countries is slightly higher than their past 5 years' average. Meanwhile, the performance of the emerging markets and developing countries was encouraging with an estimated output growth of 6.4 percent in 2005.

Within the advanced economies, the euro zone region grew by 1.2 percent during 2005 and is expected to pick up to 1.8 percent in 2006. The growth outlook of the euro zone economy remains somewhat bleak, as persistent high unemployment continues to erode consumer confidence and consumption demand. Amongst other major economies of advanced countries, the U.S. output growth declined from 4.2 percent in 2004 to 3.5 in 2005, while Japan's economy is gaining momentum. Following a mild recession in 2004, the GDP rose sharply in the first quarter of 2005 and registered an overall growth of 2 percent during the year. Japan's improvement in private consumption, coupled with buoyant private investment and less reliance on exports for growth, is likely to sustain the turnaround.

[1] Data and projections used in this section are based on the IMF's World Economic Outlook: September 2005.

The economies in the developing Asia region expanded at 7.8 percent in 2005, with India and China as two of the key players. The 9 percent GDP growth in China has continued to exceed expectations, albeit, with substantial liquidity remaining in the banking system, risks of a rebound in credit and investment growth remains a concern. Growth in India remained robust at 7.1 percent with the continued expansion in services, including information technology, and accelerating production.

The African region experienced a decline in output growth by 0.8 percentage point from 5.3 percent in 2004 to 4.5 percent in 2005. The slow down is partly attributable to lower growth in most of the oil-producing African countries. In other countries of Africa, non-oil commodity prices did not rise as strongly as in 2004 and for some commodities, such as cotton, a decline in world prices was observed. Countries with a large textile sector are also being affected as result of the elimination of world textile trade quotas. It is also expected that further depreciation of dollar against euro will negatively impact non-oil exports of the African countries.

Central and Eastern Europe and countries in Latin America and Caribbean also witnessed a decline in output growth in 2005. These two regions recorded an average of 4.2 percent of output growth in 2005. In the Central and Eastern Europe regions, domestic demand slowed in 2005 as exports were affected negatively by the weak demand in the Western Europe. Furthermore, rising oil prices and weak confidence in the euro area have contributed to a slowdown in region's growth in 2005.

In the Latin America region, growth declined as a result of higher oil import bills in the countries of Central America and the Caribbean, and weak manufacturing exports due to a slowdown in global manufacturing. Also, the slowdown in the region's economy was partly due to country-specific factors such as a fall in domestic demand in Brazil during early 2005 in response to monetary tightening to contain inflation.

On the other hand, rising oil production and prices have continued to support GDP growth in the Middle East region where an average growth rate of 5.4 percent was recorded in 2005, which is about the same as in 2004. The boost in oil export revenues has led to terms-of-trade gains, and major improvement in current account and fiscal balances.

World trade also experienced a robust expansion of 7 percent in 2005, though with some pullback from the vigorous expansion of 2004. A major development in world trade was the downswing in the production cycle of high-technology industries which negatively affected industrial production.

However there are downside risks associated with the current positive economic growth prospects. These include excessive dependence on global consumption, the elevated level of asset prices, particularly housing, less investment, and the high and volatile price of oil. As for other major variables in the world economy, global inflation picked up slightly in response to higher oil prices, but remained at a moderate level of 2.2 percent in 2005, compared to 2 percent in 2004. U.S. inflation registered 3 percent and in the euro area, inflation has remained in the neighbourhood of 2.1 percent since 2004. Inflationary pressures rose with a slight margin in emerging markets and developing countries estimated at 5.9 percent in 2005 as compared to 5.8 percent in 2004. As the expectations in developing countries are generally less well anchored, the impact of external shocks will inevitably be more pronounced.

Emerging market financing conditions have been favorable during 2005. Long-run interest rates and credit spread have stayed low, reflecting the strength of savings (especially from emerging markets), historically high corporate profits in industrial countries, and levels of private non-residential investment that appear to have lagged cyclical norms. As a result, liquidity has been ample, equity markets are generally up and the "search for yield" continues to support valuations of riskier assets and to encourage leverage. However, the risk of rising inflation and tightening financial market conditions is of particular concern. In such circumstances, the housing markets will be negatively affected and there exist potential downside risks related to complex arbitrage and leveraged investment strategies, especially in emerging markets.

2. Economic Performance of IDB Member Countries

The current economic performances of IDB member countries and their future prospects are largely influenced by a combination of individual country specific factors and global development, particularly in the major industrial countries and emerging economies. This section reviews the economic performances of the IDB member countries with respect to their major macro-economic variables such as GDP growth, saving and investment, inflation, fiscal balance, current account, trade balances and external debt.

2.1 Real GDP Growth Rates

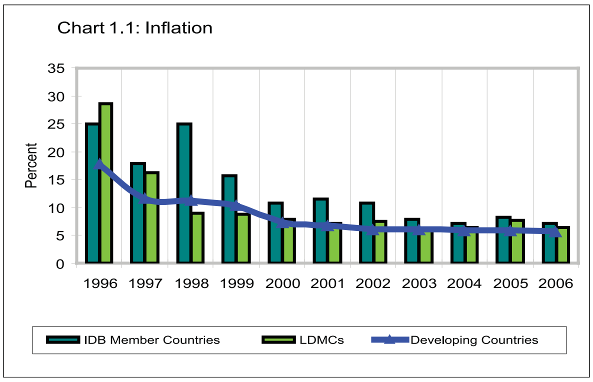
In 2004, real GDP growth was at a record high for all regions of the world However, the pace could not be sustained in 2005 and most of the regions experienced a decline. The real GDP growth of IDB member countries increased from an average of 2.9 percent in 2001 to 6.2 percent in 2004 and then decelerated to 5.5 percent in 2005 (see Table 1.1)[2]. It is expected that the output growth will slightly increase to 5.8 percent in 2006. For developing countries as a group, the output growth increased from 4 percent in 2001 to 7.3 percent in 2004 and then decelerated to 6.4 percent in 2005. Current projections indicate a slight downward trend in GDP growth in 2006. The above trends clearly show that there has been a tendency towards convergence of GDP growth rates of the member countries and those of developing countries.

The growth performance of the IDB Least Developed Member Countries (LDMCs) appears to be more promising. Economic reforms and structural adjustment programmes implemented in these countries have significantly contributed to macroeconomic stability in the past few years. Since the turn of the century, the LDMCs have outperformed other IDB member countries as a group and their annual GDP growth has never been less than 5 percent. The LDMCs' GDP growth increased from 5.7 percent in 2001 to 6.4 percent in 2004 and continued to sustain at this rate in 2005. The economic performance of LDMCs has continued to be underpinned by the strength of global demand, improved domestic macroeconomic policies, progress with structural reforms, and fewer armed conflicts.

2.2 Inflation and Monetary Expansion

The inflation rate for the world has risen from 3.4 percent in 2002 to 3.8 percent in 2005. Measured by the annual percentage change in consumer prices, inflation has been more stable in developing countries and averaged at 5.9 percent during the last four years. The inflation rate for IDB member countries as a group declined from 11.6 percent in 2001 to 7.2 percent in 2004, before picking up to reach 8.4 percent in 2005 (see Table 1.1)[3]. As compared to developing countries, a higher and sustained build up of inflationary pressures could undermine poverty reduction efforts and also undercut the export competitiveness of IDB member countries.

LDMC inflation rates remained lower as compared to the IDB member countries as a group. In fact, the inflation rate in LDMCs was comparable to the average recorded by developing countries as a group and has been stabilized around 6.3-7.5 percent since 2001, with the exception of 2005 which edged up to 7.7 percent (Chart 1.1).



The available data suggests that majority of member countries followed expansionary monetary policies. The growth of M1 and M2 for the year 2004 was exceeded by 10 percent for more than half of the IDB member countries[4]. More specifically, in 2004, the growth of M1 has been more than 19 percent for 17 member countries, and between 10-19 percent in 14 member countries. The M2 growth was modest compared with M1. Fifteen IDB countries recorded a growth rate of more than 19 percent; 19 member countries recorded growth rates between 10 and 19 percent; and 9 member countries reported single-digit growth rates.

2.3 Saving and Investment Rates

Global saving and investment rates have fallen markedly since the late-1990s. A major factor contributing to this trend is a reduction in the saving and investment

[2]Member country data on Real GDP, GNI per Capita (current and PPP) is given in Table S.1.

[3]Member country data on inflation (based on CPI - index) is given in Table S.2. Differences in group averages is due to different data sources and cut-off dates.

[4]Member country data on growth of narrow (M1) and broad (M2) money is given in Table S.3.

Table 1.1
Highlights of the Economic Performance of Member Countries

	2000	2001	2002	2003	2004	Estimated 2005	Projections 2006
Real GDP Growth Rates (Annual percent change)							
IDB Member Countries	5.15	2.89	4.78	6.10	6.24	5.55	5.81
LDMCs	5.17	5.67	5.16	5.63	6.41	6.30	7.89
Developing Countries	5.84	4.05	4.80	6.49	7.28	6.39	6.11
Inflation (Annual percent change)							
IDB Member Countries	10.9	11.57	10.92	8.00	7.18	8.38	7.34
LDMCs	7.9	7.34	7.53	6.35	6.54	7.72	6.45
Developing Countries	7.27	6.74	5.94	5.99	5.78	5.87	5.71
Gross National Savings (percent of GDP)							
IDB Member Countries	24.91	23.72	23.32	24.36	26.18	27.72	28.18
LDMCs	16.23	15.64	17.11	17.79	19.27	19.15	20.29
Developing Countries	25.29	24.73	25.94	27.71	29.35	30.93	31.34
Gross Capital Formation (percent of GDP)							
IDB Member Countries	20.38	20.38	20.36	20.25	20.92	20.89	21.17
LDMCs	19.69	19.64	20.75	21.86	22.60	22.63	23.09
Developing Countries	24.64	25.01	25.70	27.31	28.32	29.10	29.46
Gross Private Capital Formation (percent of GDP)							
IDB Member Countries	16.61	15.87	16.61	16.38	17.57	17.00	17.09
LDMCs	14.86	15.01	16.02	17.42	17.70	17.03	17.19
Developing Countries	17.32	17.35	17.63	18.52	n.a.	n.a.	n.a.
Fiscal Balance (percent of GDP)							
IDB Member Countries	-1.15	-3.57	-3.71	-2.24	-0.78	1.31	2.23
LDMCs	-3.60	-3.36	-3.13	-2.97	-3.00	-3.16	-2.69
Developing Countries	-3.04	-3.26	-3.49	-2.89	-1.70	-1.12	-0.68
Current Account Balance (percent of GDP)							
IDB Member Countries	5.84	4.33	2.78	4.32	5.51	9.55	11.29
LDMCs	-3.63	-4.31	-3.97	-4.56	-4.55	-3.91	-1.72
Developing Countries	1.42	0.67	1.33	1.98	2.67	4.11	4.45
Trade Balance (percent of GDP)							
IDB Member Countries	10.71	8.99	7.9	9.1	10.08	13.52	14.88
LDMCs	-3.07	-3.96	-3.68	-3.79	-2.58	-1.72	0.97
Developing Countries	3.47	2.62	3.07	3.47	3.95	5.02	5.18
External Debt ($ billion)							
IDB Member Countries	841.77	832.51	865.82	912.61	963.04	965.57	963.46
LDMCs	82.43	83.67	87.45	92.92	95.99	98.52	102.78
Developing Countries	2,511.80	2,536.23	2,605.21	2,836.27	3,035.22	3,180.96	3,321.14
Debt Service/Total Exports (percent)							
IDB Member Countries	16.58	18.91	16.79	15.05	12.47	10.39	9.24
LDMCs	12.77	11.82	11.06	10.28	9.62	8.39	7.74
Developing Countries	22.57	23.43	20.31	18.28	14.01	12.54	11.41

Source: Data supplied by the International Monetary Fund, October, 2005.

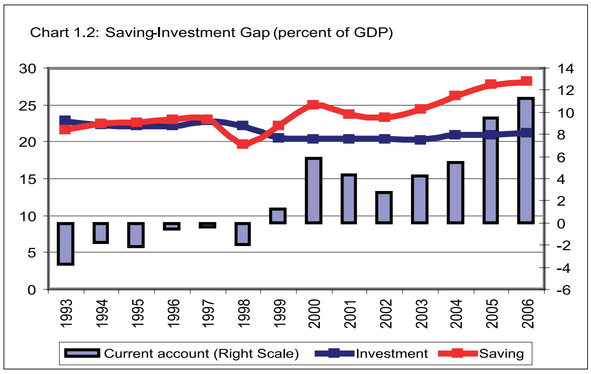
rates of developed economies. However, in emerging markets, saving has continued to rise while investment has not recovered since its fall in the aftermath of the Asian financial crisis. The decline in global saving and investment is mainly due to a decline in public savings in the U.S., a slow down in investment in Asian countries (except China) and demographic changes in Japan and Europe. The low investment rates have resulted in an excess supply of savings that is likely to underpin a low level of real long-term interest rates in the future.

Table 1.1 gives statistics on national saving rates, gross fixed capital formation and gross private capital formation. The national saving rates as a percentage of GDP for IDB member countries, though slightly lower, have followed the same pattern for developing countries from 2000-2005. The rate for IDB member countries has fluctuated around 24 percent over 2000-2003, and rose steadily to almost 28 percent. The divergence between the national saving rates of IDB member countries and the developing countries has been increasing steadily from 38 basis points in 2000 to 3.21 percentage points in 2005, showing less accumulation of saving in IDB member countries compared to other developing countries.

Taken as a group, the LDMCs have maintained a trend of an increasing national saving rate, rising from 16.2 percent in 2000 to 19.1 percent in 2005. It is interesting to note that, there is a difference between the national saving rates of LDMCs and the developing countries as a group. The sustained upward trend in national savings in LDMCs reflects the positive impact of implementing macroeconomic reforms.

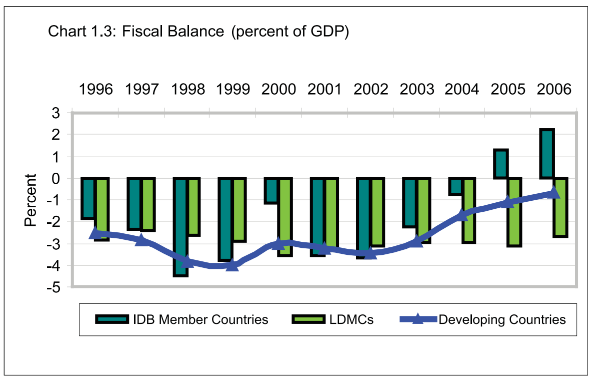
The investment rate defined as the ratio of gross fixed capital formation to the GDP has increased by half a percentage point since 2000 to reach 20.9 percent in 2005. This is not compatible with the performance of the developing countries, where it increased from 24.6 percent in 2000 to 29.1 percent in 2005. Moreover, the LDMCs have outperformed the IDB member countries as a group with investment rates increasing from 19.6 percent in 2000 to 22.6 percent in 2005, showing an improved environment for investment in these countries.

With a relatively low rate of growth in investment in IDB member countries, the gap between the saving rate and the investment rate is widening (Chart 1.2). The resource surplus almost doubled from about 4 percent in 2000 to 8 percent in 2005. In contrast, the narrowing of the saving-investment gap of LDMCs, which was around 4 percent in 2000 and became almost negligible in 2005, needs to be sustained.



2.4 Public Finance

Given that fiscal positions in industrialized countries remain a key risk in the global economy, the improvement of IDB member countries' fiscal balance is a positive development. While the fiscal deficit of the LDMCs has not changed significantly since 2000, hovering in the negative range (-3.1 percent of their GDP), the overall fiscal deficit of IDB member countries as a group has declined from a peak of -3.7 percent in 2002 to -0.8 percent in 2004 and has turned to a surplus of 1.31 percent in 2005 (Table 1.1). Likewise, the fiscal deficit of the developing countries followed a similar trend (Chart 1.3). Many factors contributed to the improvement of fiscal positions of IDB member countries, such as favourable global financial market conditions, improved public sector debt management capacity, and higher revenues of the oil exporting member countries.



2.5 Trade and Current Account Balances

The IDB member countries have maintained a current account surplus since 2000. The magnitude of the current account balance increased from $78.4 billion

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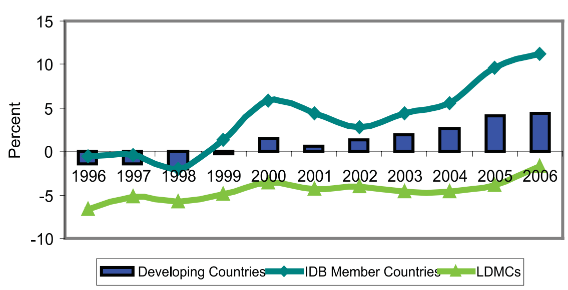
in 2003 to $239.1 billion in 2005. As a share of GDP, the current account balance of IDB member countries witnessed a sharp rise, and almost doubled, from 5.5 percent in 2004 to 9.5 percent in 2005 (Table 1.1)[5].

Unlike the trend in IDB member countries, the current account balance of LDMCs remains in deficit ($8.2 billion in 2005), as was the case in previous years (Chart 1.4). The current account deficit of LDMCs is partly due to persistent trade deficit. On the other hand, the current account deficit of LDMCs as percentage of GDP which improved in 2005 appears to have resulted from the relative favourable terms of trade for these countries.

Chart 1.4: Current Account Balance (percent of GDP)



The trade surplus of IDB member countries as a percentage of their GDP has experienced some fluctuations since the turn of the century. The ratio declined from 10.7 percent in 2000 to 7.9 percent in 2002 and picked up thereafter[6]. The trend is on the rise and the ratio witnessed a jump of almost 3.5 percentage points in 2004-2005, rising from 10 percent in 2004 to 13.5 percent in 2005. Greater trade openness, along with increase in price of oil and non-oil commodities, appears to have contributed to this increase in trade surpluses of IDB member countries. Despite spikes in oil prices in recent years, it should be noted that the trade deficit of LDMCs as a percentage of their GDP, which hovered around 3.6 percent over the period 2000-2003, has decreased considerably to 2.58 percent in 2004 and 1.72 percent in 2005.

2.6 External Debt

The total external debt of the IDB member countries increased by almost $2 billion to $965.5 billion in 2005. Data presented in Table 1.1 suggests that the rate of growth in the external debt is in decline and the increase in total external debt from 2003 has significantly moderated[7]. For the LDMCs, the external debt increased from $82.4 billion in 2000 to $98.5 billion in 2005, with a cumulative growth rate of 3.6 percent. However, the rate of growth in the last two years has been reduced to around 2.7 percent a year. As a share of external debt of developing countries, the external indebtedness of the IDB member countries has declined from 33.5 percent in 2000 to 30.3 percent in 2005.

3. Short-term Prospects and Challenges

Current projections of the world economy indicate a more moderate pace of growth in 2006, compared to a strong performance in 2004. It is expected that the growth rate for 2006 will remain the same as in 2005 at 4.3 percent. The economies of advanced countries are projected to grow by 2.7 percent with a strong growth performance in the U.S. The slow growth of the euro region may turn into a slightly better performance with growth estimated at 1.8 percent in 2006. The newly industrialized Asian countries will maintain their growth momentum with an increase in output from 4 percent in 2005 to 4.7 percent in 2006; while the GDP growth in the emerging markets and developing countries will continue to record a growth rate of 6.1 percent in 2006.

The output growth of the IDB member countries as a group is projected to increase from 5.5 percent in 2005 to 5.8 percent in 2006. The growth of real GDP for LDMCs is projected to accelerate from 6.3 percent in 2005 to 7.9 percent in 2006. Compared to the developing countries, the projected output growth of IDB member countries during 2006 is likely to be lower by 0.3 percentage point. The growth stimulus in IDB member countries is likely to emanate from a number of different factors. For the oil exporting member countries of the Middle East and Africa regions, rise in oil prices will be a significant factor, while for others a

[5] Member country data on current account balances and overall balance of the balance of payments are given in Tables S.4 and S.5, respectively. Differences in group averages is due to different data sources and cut-off dates.

[6] Member country data on exports, imports, and trade balances and their growth rates are given in Tables S.6 and S.7. Differences in group averages is due to different data sources and cut-off dates.

[7] Member country data on indicators of external debt for 2004 and adequacy of foreign exchange reserves in months of imports are given in Tables S.8 and S.9, respectively. Differences in group averages is due to different data sources and cut-off dates.

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higher import growth by advanced countries along with a rise in investment rate and improvement in external demand will contribute to growth.

The increase in the growth rate of IDB member countries in 2006 is projected to be accompanied by a slow down in inflation rate from 8.4 percent in 2005 to 7.3 percent in 2006. As far as the saving and investment rates in member countries are concerned, the current projections show that the national saving rate is expected to continue its upward trend to 28.2 percent in 2006, while the investment rate in 2006 is likely to remain unchanged. It is expected that the investment rate of LDMCs could outperform the IDB member countries as a group and marginally go up from 22.6 percent in 2005 to 23.1 percent in 2006. However, the saving rate of LDMCs is projected at around 20 percent of their GDP in 2006.

The current account balance of IDB member countries is projected to further increase to 11.3 percent in 2006. The total external debt of the IDB member countries is projected to decrease by about $2 billion from $965.6 billion in 2005 to $963.5 billion in 2006. Likewise, the debt servicing capacity, as measured by the ratio of debt servicing to total exports, is projected to continue its improvement, falling from a record high of 19 percent in 2001 to 10.4 percent in 2005 and down to 9.2 percent in 2006.

Despite the favourable economic prospects of IDB member countries, concerns remain over the impact of global risks on their economies. The foremost risks are related to the effect of potentially higher commodity prices on consumer confidence, inflationary pressures, interest rates, and supply-side effects in both developed and developing countries. Adverse movements of terms of trade of primary commodities exporting member countries could affect their balance of payments position.

Many LDMCs are critically dependent on exports of raw cotton and related textile products. World cotton prices remain well below their average in recent years and real cotton prices have exhibited a long-term downward trend as well as short-term volatility, setting real prices near to a 40-year low. Therefore, a combination of a long-term trend towards declining prices, large cotton subsidies by developed countries, inadequate reform initiatives, and trade distorting actions, will jeopardize the macroeconomic stability and growth prospects in some LDMCs, especially those located in Sub-Saharan Africa.

There is also a risk of emerging capital market tightening conditions, which is likely to adversely affect resource mobilization and FDI flows to member countries. A rising trend of U.S. long-run interest rates is of particular concern, as this could prompt significant financial market de-leveraging and a downward adjustment of riskier assets, which could lead to a tightening in some of the member countries financing conditions.

Growing global imbalances and the dependence of global economic prospects on the economic performance of the U.S. and China pose further concern to IDB member countries. It is projected that the current account imbalances could widen substantially over the next two years, with the U.S. external deficit exceeding 7 percent of GDP in 2007 while China and Japan move into extremely large surpluses. Such unsustainable imbalances could adversely affect the growth prospects of the developing countries, particularly those enjoying a boom cycle after years of structural adjustment programmes, macroeconomic stability and accumulation of foreign exchange reserves. The main impact of such imbalances may be reflected in an abrupt and disorderly adjustment of major exchange rates, combined with a higher-than-expected rise in international interest rates. A sharp depreciation of the U.S. dollar could result in large capital losses in local-currency terms for developing countries with substantial dollar reserves. Higher global interest rates could also contribute to wider spreads of emerging-market bonds.

The successful trade negotiation of the Doha Round, along with the policies required for the achievements of the MDGs, remain among other critical concerns in the world economy and in the IDB member countries as well. On the other hand, the recent initiative of 100 percent debt cancellation and an increase in overall development assistance could have a positive impact on growth of LDMCs provided that sustainable policies are implemented in such a way as to absorb the additional resources efficiently.

For member countries as a whole, risks and uncertainties arising from these factors generate concerns for their future economic development prospects and may setback the gains achieved through wide-ranging market reforms, sectoral restructuring, trade liberalization, and integration measures, implemented over the past two decades.

II. INTRA-TRADE PERFORMANCE

The increasingly integrated global trading system provides numerous opportunities for the developing countries to advance their development goals. Promoting trade accelerates economic growth by stimulating national productivity and encourages economic diversification. From the outset, one of the strategic objectives of the IDB Group has been the promotion of trade and investment among member countries. The Bank recognizes trade as an engine of growth and a core instrument for promoting economic cooperation and regional integration.

In assessing the member countries progress toward promoting trade and integration into the world economy, the sections below review recent trends in trade performance, which are analyzed in terms of the structure and direction of exports, intra-trade performance of each member country, and includes those of major regional economic organizations.

1. Structure and Direction of Trade of Member Countries

An insight into the cause and nature of intra-trade among IDB member countries requires an initial understanding of their relative trade performance in the world. The flow and direction of trade within different country groupings on one hand, and the trade share of member countries over time, give us a fairly good understanding of how the member countries interact with their trade partners. In this regard, Table 1.2 provides the 2002-2004 statistics on inter and intra-exports of different country groupings, approximating the structure and direction of trade for member countries.

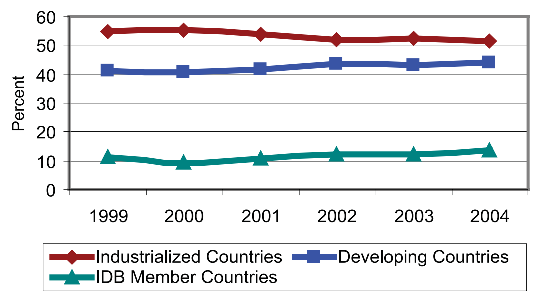
Strong economic growth in 2004 underpinned the vigorous trade expansion as the volume of world exports recorded its highest growth since 2000, rising by 21.3 percent to $9,098 billion. During that year, the structure and direction of exports by developed countries to the rest of the world did not change significantly. As shown in Table 1.2, the intra-export volume of industrialized countries increased by only one percent to $3,821 billion and the intra-exports share of industrialized countries decreased slightly from 71.2 percent to 70.1 percent. The export volume of industrialized countries to the developing countries reached $1,597 billion with an increase of 21.7 percent in 2004. Share of total exports of the industrialized countries destined to the member countries as a group was 5.8 percent at $318 billion. Also in 2004, the growth of exports from industrialized countries to the member countries accelerated from 7.7 percent in 2002 to 22.3 percent.

The export share of developing countries, including member countries, to the industrialized world has followed a declining pattern since 1999. The share of exports to the industrialized countries, which was 58.3 percent in 1999, declined to 54.9 percent in 2002 and then to 52.9 percent in 2004. The share of exports among developing countries increased from 32.6 percent in 1999 to 45.4 percent in 2004. The amount of intra-exports recorded the highest increase in 2004 (30.8 percent) and reached a magnitude of $1,655 billion, of which $331 billion (9.1 percent share of total exports of developing countries) was destined for member countries.

The export performance of member countries, as a group, improved significantly in terms of their intra-exports, as well as their exports to the developing countries, industrialized countries and to the world. In 2004, total exports by member countries reached $801 billion, which denotes a 31.5 percent annual growth. In the same year, exports from member countries to the industrialized countries increased by 29.3 percent totaling $412 billion, while exports to the developing countries totaled an amount $353 billion, representing an increase of 34.6 percent compared to 2003.

Notably, the highest increase was recorded in intra-exports among the member countries, totaling $108 billion, a growth of 45 percent in 2004. The exports share of member countries to the industrialized countries was reduced by almost 1 percentage point in 2004 to 51.5 percent, while the share of member countries exports to the developing countries and among themselves increased by almost 1 percentage point to 44.1 and 13.5 percent respectively (Chart 1.5).

Chart 1.5
Export Shares of the IDB
Member Countries to the Rest of the World



2. Intra-trade Among Member Countries

In order to develop a fuller understanding of the exceptionally strong intra-export performance by IDB

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Table 1.2
World Exports, Inter- and Intra-Exports of Industrial, Developing and Member Countries

From ------------------>To	World[1]			Industrial Countries			Developing Countries			IDB Member Countries		
Exporter \ Partner	**2002**	**2003**	**2004**	**2002**	**2003**	**2004**	**2002**	**2003**	**2004**	**2002**	**2003**	**2004**
World												
Exports ($ billion)	**6,428**	**7,499**	**9,098**	**4,192**	**4,842**	**5,748**	**2,161**	**2,579**	**3,254**	**427**	**506**	**650**
Percent Share	100.0	100.0	100.0	65.2	64.6	63.2	33.6	34.4	35.8	6.6	6.7	7.1
Annual Percent Change	4.7	16.7	21.3	3.1	15.5	18.7	7.9	19.3	26.2	10.6	18.5	28.4
Percent Share in World Exports	100	100	100									
Industrial Countries												
Exports ($ billion)	**4,034**	**4,638**	**5,453**	**2,877**	**3,302**	**3,821**	**1,131**	**1,312**	**1,597**	**223**	**260**	**318**
Percent Share	100.0	100.0	100.0	71.3	71.2	70.1	28.0	28.3	29.3	5.5	5.6	5.8
Annual Percent Change	3.1	15.0	17.6	2.4	14.7	15.7	4.7	16.0	21.7	7.7	16.4	22.3
Percent Share in World Exports	62.8	61.9	59.9									
Developing Countries												
Exports ($ billion)	**2,391**	**2,858**	**3,642**	**1,314**	**1,539**	**1,926**	**1,029**	**1,266**	**1,655**	**203**	**246**	**331**
Percent Share	100.0	100.0	100.0	54.9	53.9	52.9	43.0	44.3	45.4	8.5	8.6	9.1
Annual Percent Change	7.6	19.5	27.5	4.5	17.2	25.1	11.8	23.0	30.8	13.4	20.9	34.8
Percent Share in World Exports	37.2	38.1	40.0									
IDB Member Countries												
Exports ($ billion)	**505**	**609**	**801**	**263**	**319**	**412**	**220**	**263**	**353**	**63**	**75**	**108**
Percent Share	100.0	100.0	100.0	52.1	52.4	51.5	43.5	43.1	44.1	12.4	12.2	13.5
Annual Percent Change	1.8	20.7	31.5	-1.9	21.3	29.3	5.8	19.6	34.6	12.5	19.1	45.0
Percent Share in World Exports	7.9	8.1	8.8									

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 December, 2005.

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member countries, it is important to assess each member country's individual contribution and performance. Annex Table 1 provides exports and imports data, along with their corresponding shares and annual growths, for each member country in 2004.

The total volume of intra-exports of member countries was recorded at $108 billion in 2004, while their total exports to the world totaled $801 billion. The Table also shows a wide variation in terms of intra-export growth. In 2004, forty-seven member countries have shown positive growth, six countries recorded an increase of more than 100 percent, while intra-exports of eight countries have decreased. Comoros achieved the highest positive growth of intra-exports while Maldives experienced the most negative growth.

An interesting feature of intra-export data of member countries in 2004 is the substantial increase in the average amount of intra-exports which rose from $1.13 billion in 2002 and $1.33 billion in 2003 to $1.96 billion in 2004. Fifteen IDB member countries performed better than the average in 2004, compared to 12 countries in 2003[8]. The total exports of these fifteen countries was over $88 billion in 2004, representing a share of 82 percent of the total intra-exports of member countries.

In terms of each member country's intra-export share, only Somalia, Lebanon and Djibouti achieved a share exceeding 50 percent in 2004, while the 13.5 percent average for the whole group was exceeded by twenty-nine member countries. The total exports of these twenty-nine countries amounted to $364 billion which was 45 percent of the total exports by member countries to the world.

The intra-imports of member countries recorded an average increase of 48.1 percent in 2004, compared to 30 percent increase in 2003. The share of intra-imports increased from 14.4 percent in 2003 to 16 percent in 2004. As for the volume, total imports of all member countries totaled $700 billion, out of which intra-imports accounted for $112 billion.

Fifty-two member countries increased their imports in 2004 and twelve of them had increases of more than 50 percent, whereas intra-imports of three member countries decreased by a margin of 4 to 6 percent. The average volume of intra-imports showed a significant increase from $1.4 billion in 2003 to $2 billion in 2004. Nineteen countries performance was higher than the intra-imports averages[9] with the total volume amounting to $94.3 billion or 84 percent of the total intra-imports of the member countries. Forty member countries ratio of intra-imports to total imports was higher than the overall average ratio of 16 percent in 2004, which is indicative of improved performance by a majority of member countries in promoting intra-trade.

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

Almost all member countries belong to one or more regional-level trade cooperation organizations[10]. Though holding different mandates, the main objectives of these organizations is to promote intra-trade and economic cooperation among their member countries. Consequently, IDB supports and cooperates with these organizations in achieving their goals. Recent developments related to intra-trade performance of selected regional organizations are discussed below.

Table 1.3 presents data on exports shares of member countries within regional groupings and also with other countries. Intra-exports among regional member countries are calculated as annual average shares of their total exports for the years 2001-2003. To further understand the export flows of regional organizations, Table 1.3 shows the distribution of exports of member countries in each region for 2004 among different groups of partner countries, such as intra-regional, member countries outside the region, developing countries excluding IDB member countries, and industrialized countries. Total exports are also given to show the magnitude of exports in each case. Finally,

[8]The countries that performed better than average include: Algeria (with a figure very close to the average), Egypt, Indonesia, Iran, Kazakhstan, Kuwait, Libya, Malaysia, Nigeria, Oman, Pakistan, Saudi Arabia, Syria, Turkey, and U.A.E

[9]Algeria and Bangladesh are also included in this figure, since their intra-imports were very close to the average level of $2 billion.

[10]The regional groupings and trade cooperation organizations of which some of the IDB member countries are a part, include: the League of Arab States (Arab League), the Arab Maghreb Union (AMU), the Association of South East Asian Nations (ASEAN), the Commonwealth of Independent States (CIS), the Common Market of Eastern and Southern Africa (COMESA), the Economic Cooperation Organization (ECO), the Economic Community of West African States (ECOWAS), the Gulf Cooperation Council (GCC), the South Asian Association for Regional Cooperation (SAARC), the Customs Union of Central African States (UDEAC) and the Economic and Monetary Union of West Africa (UEMOA). The Arab League, AMU, CIS, ECO, and UEMO are composed of IDB member countries only, whereas in other organizations, IDB members are partners with non-member countries.

Table 1.3

Export Shares of Member Countries in Regional Organizations (2001-2003, 2004)

Regional Organizations	No of Member Countries / Total Membership	Intra-Exports [1] among regional IDB MCs: Average % share (2001-2003)	2004						
			Percen Share of Regional IDB Member Countries to:[2]				Total Regional MCs Exports ($ million)	Top Intra-regional Exporters and their Share among Regional IDB MC's	
			Regional IDB MCs	Non-Regional IDB MCs	Non-IDB Developing Countries	Industrial Countries		Countries	% Share[3]
Arab League	22/22	8.5	9.8	6.5	26.1	51.6	387,080	Saudi Arabia, UAE & Syria	62.9
AMU	5/5	2.6	1.9	6.2	7.0	84.1	71,396	Tunisia & Libya	70.4
ASEAN	*3/10*	2.7	3.3	4.8	44.4	47.5	202,568	Indonesia & Malaysia	95.8
CIS	*6/6*	5.6	4.8	11.7	48.4	32.3	31,156	Kazakhstan & Uzbekistan	71.7
COMESA	*5/20*	1.1	1.3	15.1	14.4	65.1	36,141	Egypt, Libya & Sudan	94.3
ECO	*10/10*	6.0	6.3	9.1	28.5	49.6	148,470	Turkey, Iran & Kazakhstan	66.0
ECOWAS	*12/15*	7.4	6.4	5.3	20.9	65.6	42,796	Cote D'ivoire, Nigeria & Senegal	86.1
GCC	*6/6*	5.7	5.0	10.5	34.1	42.0	250,017	S. Arabia & UAE	71.4
SAARC	*3/7*	1.6	1.1	15.9	13.4	64.7	20,993	Pakistan & Bangladesh	100.0
UDEAC	*3/11*	1.1	1.3	3.3	21.6	68.8	9,066	Cameroon	97.6
UEMOA	*8/8*	12.4	13.2	13.9	24.5	45.7	9,203	Cote D'ivoire & Senegal	77.0

Above export figures are based on only IDB member countries in each regional organization, 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 developing and industrial countries(column 4 to 7) does't add to their World total (i.e 100%).
3. Top performers in term of their combined shares in intra-exports amongst the IDB member countries in the regional organization.
Source: IMF, Direction of Trade Statistics, CD-Rom, December 2005.

the top performers in each regional grouping category along with their shares of exports are given in the last two columns of Table 1.3.

As shown in Table 1.3, the ratio of annual average intra-exports to total exports has been below 3 percent for AMU, ASEAN, COMESA, SAARC and UDEAC. UEMOA recorded the highest share – 12.4 percent - of intra-exports among regional IDB member countries. Overall, the comparison of figures with the previous years' averages clearly indicate either stagnating or declining pattern in intra-export shares among regional IDB member countries. The most significant decline occurred in the ECOWAS region which experienced a reduction of intra-exports shares from 13.1 percent over 2000-2002 to 7.4 percent in 2001-2003. In the Arab League, ASEAN, GCC and SAARC, the increase in shares of intra-exports was marginal and less than one percent.

It is also evident from Table 1.3 that exports from regional groups is higher in volume to industrialized countries and non-IDB developing countries, averaging an 81 percent share in 2004. In contrast, the share of exports to member countries did not exceed an average of 5 percent. The share of regional groups exports to non-regional IDB member countries averaged 9 percent in 2004. In the case of UDEAC, ASEAN and the Arab League, the data indicates that more than 90 percent of their exports are destined to non-IDB member countries and industrialized countries.

In the majority of regional groupings, between two and three countries are top performers with the highest share of intra-exports. Of the eleven regional groups, the top performers are ASEAN, COMESA, SAARC and UDEAC with more than 94 percent share of intra-exports, followed by AMU, CIS, GCC, ECOWAS and UEMOA with over 70 percent share of intra-exports. The best performers in the remaining regional groupings are the Arab League and ECO with a minimum of 63 percent of the intra-export shares among regional member countries.

III INTRA-INVESTMENT PERFORMANCE

1. FDI Performance and Potentials in Member Countries

Enhanced and sustained Foreign Direct Investment (FDI) inflows spur international competitiveness and stimulate economic growth in developing countries. Overall, there is a rising trend of FDI inflows to the developing countries, but these are mainly directed to major emerging economies in the Asian region, especially China and India. With sustained world economic recovery and improved profitability of multinationals, the volume of FDI inflows is likely to further increase. As it is well known, beside the capital inflow, FDI brings indirect benefits such as new technology, managerial skills, marketing expertise and market access. To benefit from these positive externalities and for promoting intra-investment, a considerable flow of FDI needs to be re-directed to member countries. This section analyzes the current FDI performance and potential of IDB member countries.

According to the UNCTAD data, for the first time in four years, global FDI inflows showed a modest increase of 2 percent to reach $648 billion in 2004. The developing countries inflows of FDI surged by 40 percent in 2004, to $233 billion, while the developed countries experienced a 14 percent drop in their inward FDI. Developing countries as a group held a share of 36 percent of the global FDI inflows, with geographic distribution uneven across the world. The Africa region did not experience a growth in FDI inflows in 2004, reaching only $18 billion. Asia-Oceania region attracted the largest volume of FDI inflows at $148 billion, representing an increase of 46 percent over 2003. Latin America and Caribbean FDI inflows reached $68 billion with 44 percent increase in 2004 while five countries - China, Hong Kong, Brazil, Mexico and Singapore - accounted for over 66 percent of the total flows. Thirty-five of the 50 least developed countries also received higher FDI inflows in 2004.

The FDI inflows to IDB member countries reached $38.9 billion in 2004, registering a growth rate of 46 percent compared to 2003 (Table 1.4). While the share of member countries in the global FDI inflows rose from 4.2 percent in 2003 to 6 percent in 2004, the same share compared to developing countries did not increase as much and stood at around 16 percent in 2004. FDI inflows to 42 member countries increased, but declined in 11 member countries (Chart 1.6).

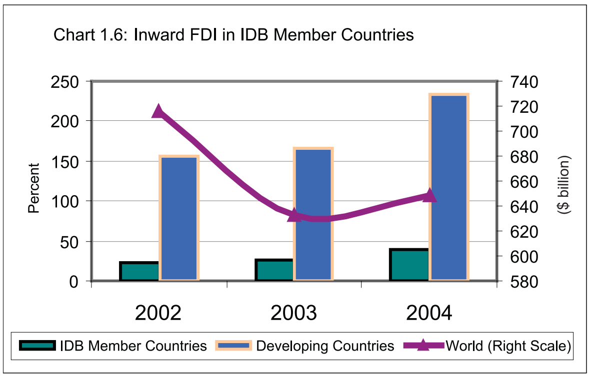
The regional share of FDI for IDB Member Countries is shown in Chart 1.7. Member countries in the Africa region attracted $9.8 billion of FDI inflows, which was 27 percent of total FDI inflows to all member countries in 2004. The Sub-Saharan Africa member countries received the highest inflow in the region with an estimated volume of $6 billion, which is up by 5 percent over 2003. The top two recipients of

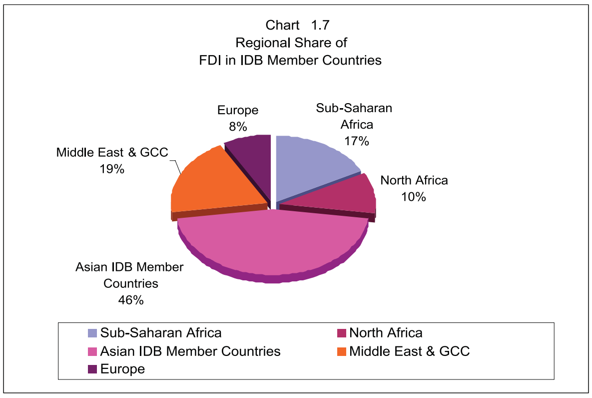
Table 1.4
FDI Inflows[1] for Member Countries by Geographical Regions

($ million)

	Country/Group	1985-95 (Annual Average)	2001	2002	2003	2004	Annual Percent Change in 2004
North Africa							
1	Algeria	67	1,196	1,065	634	882	39
2	Egypt	867	510	647	237	1,253	428
3	Libya	-81	-133	145	143	131	-8
4	Morocco	244	2,825	481	2,314	853	-63
5	Tunisia	254	486	821	584	639	9
Sub-Saharan Africa							
6	Benin	39	44	14	45	60	33
7	Burkina Faso	5	6	15	29	35	21
8	Cameroon	5	-	-	-	-	-
9	Chad	15	460	924	713	478	-33
10	Comoros	3	1	-	1	2	100
11	Côte d'Ivoire	88	273	213	165	360	118
12	Djibouti	2	3	4	11	33	189
13	Gabon	-5	-89	30	206	323	57
14	Gambia	9	35	43	25	60	140
15	Guinea	13	2	30	79	100	27
16	Guinea-Bissau	2	-	4	4	5	25
17	Mali	11	122	244	132	180	36
18	Mauritania	7	92	118	214	300	40
19	Mozambique	17	255	348	337	132	-61
20	Niger	19	23	2	11	20	82
21	Nigeria	1,004	1,277	2,040	2,171	2,127	-2
22	Senegal	18	32	78	52	70	35
23	Sierra Leone	-8	10	2	3	5	67
24	Somalia	-	-	-	-	-	-
25	Sudan	11	574	713	1,349	1,511	12
26	Togo	12	64	53	34	60	76
27	Uganda	30	151	203	211	237	12
Middle East							
28	Bahrain	144	80	217	517	865	67
29	Kuwait	6	-147	7	-67	-20	70
30	Oman	96	390	26	528	-18	-103
31	Qatar	34	296	624	625	679	9
32	Saudi Arabia	-201	504	453	778	1,867	140
33	UAE	126	1,184	1,307	30	840	2,700
34	Iran	-37	61	548	482	500	4
35	Iraq	3	-6	-2	5	300	5,900
36	Jordan	15	120	64	424	620	46
37	Lebanon	9	249	257	358	288	-20
38	Palestine	-	-	5	-	-	-
39	Syria	350	947	1,030	1,084	1,206	11
40	Yemen	148	136	102	6	-21	-450
Asia							
41	Azerbaijan	176	227	1,392	3,285	4,769	45
42	Kazakhstan	749	2,835	2,590	2,088	4,269	104
43	Kyrgyzstan	48	5	5	46	77	67
44	Tajikistan	10	9	36	32	272	759
45	Turkmenistan	138	170	100	100	150	50
46	Uzbekistan	27	83	65	70	140	100
47	Afghanistan	9	1	1	2	1	-50
48	Bangladesh	5	79	52	268	460	72
49	Brunei	67	526	1,035	2,009	103	-95
50	Indonesia	1,364	-2,978	145	-597	1,023	271
51	Malaysia	2,924	554	3,203	2,473	4,624	87
52	Maldives	6	12	12	14	13	-7
53	Pakistan	265	383	823	534	925	73
Europe							
54	Turkey	522	3,266	1,063	1,753	2733	56
55	Albania	50	207	135	178	426	139
South America							
56	Suriname	-62	-27	-74	-76	-60	21
	Total IDB	**9,639**	**17,387**	**23,459**	**26,653**	**38,891**	**46**
World				716,128	632,599	648,146	2
Developing countries[2]				155,528	166,337	233,227	40
Developed cuntries				547,778	442,157	380,022	-14

Notes: 1. FDI inflows are based on 196 reporting economies comprising 169 developing and 27 developed economies and are recorded on net basis.
2. Sum of developing countries is computed based on all reporting countries excluding China.
"-" represents the negligible value or non-availability of data.
Source: World Investment Report 2005.





inflows in 2004 were Nigeria and Sudan with $3.6 billion, representing a 60 percent share of the Sub-Saharan region. Chad, Mozambique and Nigeria were among the countries in the Sub-Saharan region that experienced a decrease of FDI inflows in 2004 compared to 2003. In the North Africa region, Morocco had the sharpest decline of inflows of $1.4 billion while Egypt experienced a four-fold increase in inflows from $237 million in 2003 to $1.2 billion in 2004.

The share of member countries in the Asia region was 45 percent share of the total FDI inflows to all member countries. Within the Asia region, only Brunei experienced a sharp decrease in FDI inflows from $2 billion in 2003 down to $103 million in 2004. Malaysia and Indonesia held the largest share of FDI inflows with $5.6 billion. Member countries in the CIS region performed well in 2004, holding a 26 percent share of the FDI inflows to all member countries. Azerbaijan and Kazakhstan attracted the bulk of the FDI inflows at $9 billion in 2004, which was 93 percent of the regional total. The rest of the countries in the region, though attracting lower FDI volume, experienced sharp growth compared to 2003.

In the Middle East region, including the GCC countries, FDI share was 19 percent share of all member countries. Only three countries viz. Oman, Lebanon, and Yemen, experienced a negative growth of FDI inflows. The rest of the countries in the region, particularly UAE and Iraq, had higher FDI inflows compared to 2003. In the European region, Turkey and Albania showed positive growth in FDI inflows with a combined share of 8.6 percent of all member countries in 2004.

The average FDI inflows attracted by member countries rose from $310 million in 2001 to $694 million in 2004. FDI was below the 2004-average for 38 member countries and above the average in only 15 countries. Kazakhstan and Malaysia attracted more than $2 billion increase in FDI inflows while Indonesia, Azerbaijan, Saudi Arabia and Egypt, each showed an increase of inflows between $1-2 billion. Turkey and UAE attracted increased FDI inflows in the range of $500-999, while the rest of the member countries showed increases of less than $500 million in 2004.

In 2004, global FDI outflows increased by 18 percent to $730 billion, of which $637 billion or 87 percent was held by the developed countries. While developed countries remain the major source of FDI, outflows from developing countries have increased considerably since 2000 recording a growth of 187 percent over 2003-2004. Outflows from developing countries reached $83 billion in 2004, of which only $2.9 billion was attracted by IDB member countries. The FDI outflows of member countries constitute only 0.4 percent of global outflows and 3.5 percent of the total outflows from developing countries.

FDI outflows from member countries increased from $1.6 billion in 2003 to $2.9 billion in 2004. The volume of FDI outflows in 2004 was negative in six member countries, while of those with positive outflows the highest volume was recorded by Malaysia and Azerbaijan. In terms of growth of FDI outflows over 2003-2004, 17 member countries showed an increase in outflows, while seven countries experienced a decline, with Algeria having the highest positive growth and Kazakhstan the highest negative growth.

An analysis of the Inward FDI Performance and Inward Potential Indices[11] gives insight into the prospects for increasing FDI inflows by member countries. Table 1.5 ranks member countries in terms of the FDI Performance

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

Table 1.5
Inward FDI Potential/Performance Index of Member Countries

No	IDB Country	Inward FDI Potential Index[1]		Inward FDI Performance Index	
		2002	2003	2003	2004
1	Albania	78	80	50	42
2	Algeria	74	71	92	95
3	Azerbaijan	100	82	3	1
4	Bahrain	28	29	56	27
5	Bangladesh	113	115	132	122
6	Benin	133	134	101	97
7	Brunei	44	45	2	3
8	Burkina Faso	129	129	121	115
9	Cameroon	111	110	137	137
10	Côte d'Ivoire	124	122	89	87
11	Egypt	73	75	124	108
12	Gabon	91	92	109	57
13	Gambia	105	106	9	6
14	Guinea	119	124	104	85
15	Indonesia	87	91	139	136
16	Iran	59	57	131	130
17	Jordan	61	60	79	48
18	Kazakhstan	64	59	7	11
19	Kuwait	38	41	138	138
20	Kyrgyz Republic	120	111	105	77
21	Lebanon	60	64	91	90
22	Libya	37	34	133	116
23	Malaysia	32	35	77	56
24	Mali	116	112	33	37
25	Morocco	92	87	35	65
26	Mozambique	80	79	12	23
27	Niger	128	130	123	128
28	Nigeria	97	97	41	44
29	Oman	52	53	93	110
30	Pakistan	127	125	113	102
31	Qatar	6	7	66	63
32	Saudi Arabia	31	31	130	121
33	Senegal	103	107	110	101
34	Sierra Leone	139	139	126	131
35	Sudan	118	116	24	18
36	Suriname	95	88	140	140
37	Syria	93	95	43	39
38	Tajikistan	134	127	87	19
39	Togo	115	119	55	66
40	Tunisia	68	67	64	67
41	Turkey	70	72	106	111
42	U.A.E.	22	22	95	104
43	Uganda	102	108	60	54
44	Uzbekistan	121	117	114	105
45	Yemen	85	77	112	132
Average for Reported IDB Countries		**76**	**75**	**64**	**58**

1. Based on availability of data for 45 IDB Member Countries.
2: 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.
3: 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: World Investment Report, 2005.

Index and shows that their average performance has improved from an average of 79 in 2000 to 58 in 2004.

The FDI Performance Index in 2004 reveals that 29 member countries are below the average and only 15 countries are above the average. A noteworthy result is that many of the top FDI inflow performers belong to the LDMCs. For example, five out of the top ten performers are from LDMCs in Africa and CIS regions, with Azerbaijan in first place followed by Gambia in second place. On the other hand, eighteen member countries were ranked 100 and above in the FDI Performance Index.

As for the Inward FDI Potential Index, 28 IDB member countries are placed above the average and only 17 member countries have an index ranking of less than the average, indicating that they better potential to attract FDI inflows. Most of the oil-exporting member countries are placed in this category.

The economic impact of FDI inflows on growth and exports is dependent on their type and quality. Certain kinds of FDI tend to have more favourable developmental externalities than others. In this context, member countries need to adopt policies that will encourage types of FDI that are synergistic to their developmental needs.

2. Legal Framework for Investment Flows in Member Countries

In 2004, bilateral investment treaties (BITs) and bilateral double taxation treaties (DTTs) signed by IDB member countries continued to expand at a faster rate than the average for developing countries and the rest of the world. This trend implies that south-south cooperation is increasing. The framework of BITs and DTTs is becoming more complex encompassing a broader range of issues such as trade in goods and services, and the movement of natural persons and capital. These developments show that, in future, member countries will have to operate within an increasingly complicated set of investment rules.

The number of BITs in the world increased to 2,392 in 2004, denoting a growth of 3.1 percent. The number of BITs in IDB member countries increased by 59 treaties, a growth of 4.7 percent, from 1,190 agreements in 2003 to 1,249 agreements in 2004. Egypt leads the member countries with 90 BITs, followed by Turkey with 71, Malaysia with 66, and Indonesia with 58. Thirty-one member countries signed new BITs, of which the highest number was 8 new BITs signed by Lebanon followed by Turkey with 4 new BITs. Region-wise, member countries in the North Africa region recorded the highest total number of 224 BITs, followed by the Asia region with 204 BITs.

In 2004, fifty-eight new DTT agreements were concluded by 22 member countries; a share of more than 50 percent of all new DTTs in the world. While new DTTs signed globally rose by 3.4 percent in 2004, the total number of new DTTs in member countries increased by 7.5 percent from 769 in 2003 to 827 in 2004. Azerbaijan led member countries with 6 new DTTs in 2004, followed by Iran with 4 new DTTs.

Annex Tables 1.2 and 1.3 provides data on the number of BITs and DTTs signed between member countries as well as those signed with non-member countries. Up to June 2005, 792 BITs were signed by member countries, of which 468 (59 percent) were between member countries. The highest number of BITs signed between member countries were Egypt (34), Turkey (25), Malaysia (24), Pakistan, Iran, Tunisia and Lebanon (each with 21), followed by Morocco (20). In the Africa region the average number of BITs between member countries does not exceed ten.

IV. MAJOR ISSUES AND DEVELOPMENTS AFFECTING ECONOMIC PROSPECTS OF MEMBER COUNTRIES

IDB member countries face a number of issues which could impact on their economic prospects. Perennial challenges include issues related to international capital flows, in particular the prospects of direct foreign investment, recent debt relief initiatives to mitigate the unsustainable debt servicing burden of the severely indebted countries, and progress made in implementing the MDGs. In addition, there are other development challenges that are of broad relevance to member countries. These include multilateral trade issues and the outcome of the Hong Kong WTO Ministerial Meeting, improving the investment climate for growth of business activities in member countries, and the developmental consequences of brain drain in member countries.

1. Current Trends in International Capital Flows to Developing Countries

Official Development Assistance (ODA) to developing countries increased from $69 billion in 2003 to $78.6 billion in 2004, its highest level ever[12]. Taking into account inflation and the U.S. dollar depreciation, ODA increased by 4.6 percent in real terms between 2003 and 2004 compared to 4.3 percent growth recorded during 2002-2003. The total amount of ODA in 2004 represented 0.25 percent of DAC members' combined gross national income (GNI), the same level as in 2003, but up from 0.23 and 0.22 percent in 2002 and 2001 respectively. In real terms, the increase of $3.1 billion in ODA in 2004 mainly emanated from increased contribution to the international organizations, aid to Iraq and Afghanistan, debt relief grants, and technical cooperation grants by DAC countries.

In 2004, five countries namely, the U.S.A., Japan, France, the United Kingdom and Germany, remained the largest aid donors in volume terms with 66 percent share in the total ODA, with the U.S.A. contributing the largest aid of $19 billion. Fifteen of the twenty-two DAC member countries reported increased ODA in 2004, of which the following countries exceeded the UN target for ODA of 0.7 percent of GNI: Denmark, Luxembourg, the Netherlands, Norway and Sweden.

Assuming that the major OECD donors deliver their stated commitments, the latest simulation by the DAC Secretariat indicates that Official Development Assistance from the main OECD donors will increase by $50 billion. This would take ODA from a little under $80 billion in 2004 to approximately $130 billion in 2010. The sharpest percentage increase is likely to be in Africa, where an additional $25 billion will take the level of aid to about $50 billion in 2010. Already, several OECD countries have announced that they will double their own aid to Africa over the next few years. Even though as a proportion of GNI, the level in 2010, which is 0.36 percent for OECD DAC members as a whole, remains well below the level of over 0.50 percent achieved in the early years of the Committee's existence. Given the pressures on public budgets in many OECD countries, delivering such increases will be a challenge.

Globally, the flow of remittances now constitutes the largest source of financial flows to developing countries after Foreign Direct Investment, and indeed in many countries they now exceed FDI flows. The volume of workers' remittances has more than doubled since 1996 to $126 billion in 2004 and since 2001 and has shown an annualized growth of 15 percent. Latin America and the Caribbean, and South Asian developing countries account for more than 61 percent of the total remittances received. In the East Asia and the Pacific region, where in 2004 Malaysia and Indonesia received $2.3 billion equivalent to a share of 11 percent of the remittances in this region. In Europe and Central Asia, Turkey and Albania received a 12 percent share of the region amounting to $1.6 billion. The Middle East region received $17 billion of remittances in 2004, with Egypt, Jordan, Lebanon, and Morocco having the largest amount equal to $11.5 billion or 68 percent of the share in the region. In South Asia, Bangladesh and Pakistan received $7.5 billion equivalent to a share of 23 percent of the remittances in the region. The total volume of remittances in the Africa region in 2004 is estimated to be around $6.1 billion, of which $3.3 billion was received by Nigeria which had the largest share at $1.8 billion, followed by Sudan with $1.2 billion, and Senegal with $0.3 billion. In general, thirteen IDB member countries are included among the major recipients of the remittances. These member countries received $30 billion or 24 percent of the total remittances to developing countries in 2004.

2. Outcome of the WTO Ministerial Conference in Hong Kong

The launch of the new multilateral trade negotiations in Doha, 2001, was deemed to be a major step towards achieving the objectives envisioned by the Marrakech Declaration at the conclusion of the Uruguay Round of trade negotiations. The Doha Round is called the Doha Development Round as it focuses on the developmental aspects of its work programme. Hence, when the Doha Round of trade negotiations started in 2001, developing countries, and the LDCs, expected that the outcome would meet their economic development needs. The expectations of the developing countries were, that the Doha Round would help to remove supply-side constraints, improve trade-related infrastructure, diversify export capacities, enhance productivity and competitiveness, and above all improve their market access.

Given that the WTO Ministerial Conferences in Seattle and Cancun faltered, the Hong Kong Ministerial Conference gained added importance. The credibility of the multilateral trading system was to some extent restored when the Conference reached various agreements that carried forward the Doha Work programme. Nevertheless, the trade negotiators face

[12] Data on net resource flows and total ODA commitments to member countries are given in Tables S.10 and S.11, respectively.

intense pressure to complete the "full modalities" in agriculture and non-agricultural market access within the new deadlines.

The most significant achievement of the WTO Ministerial Conference held in December 2005 in Hong Kong, was the agreement to end export subsidies in agriculture by 2013. EU's export subsidies comprise around 2 percent of total farm subsidies and the Hong Kong Declaration states that the agreed date is conditional. In order to even make this commitment effective, some of the issues related to hidden export subsidies in credit, food aid, and sales of exporting state enterprises must be addressed. On the issue of domestic support, the Declaration states that there would be three bands of tariff reductions in final bound total "aggregate measure of support (AMS)". In the overall reduction in trade-distorting domestic support, there would be higher linear cuts in higher bands. However, the cuts in subsidies are subject to further negotiations[13]. Also, the Declaration does not adequately address issues related to dumping caused by "excessive" levels of domestic support in the industrial countries, both in terms of cutting the amount spent and closing gaps that enable countries to exempt their subsidies via the Green Box.

For the cotton sector, the deadline for elimination of domestic subsidies is end-2006. In addition, cotton exports from least-developed countries will be allowed into developed countries without import duty or quotas from the start of the period for implementing the new Agriculture Agreement. The Declaration also states that trade-distorting domestic subsidies on cotton will be cut by more than would normally apply under the new Agreement.

With respect to negotiations on market access for non-agriculture products, members agreed to adopt the "Swiss Formula",[14] which primarily aims to cut higher tariff rates proportionally more than lower tariff rates. As yet, there is no agreement on the specific parameters to be adopted but the choice of parameters is to be guided by a number of development-related considerations.

In terms of trade in services, the Declaration states that negotiations must include the setting of qualitative targets, the level and type of liberalization, and reduction or elimination of economic needs tests (ENTs). The Declaration also requires members to increase their level of engagement in the negotiations. As for the negotiation techniques, there has been an agreement to supplement the bilateral approach of negotiations with a plurilateral[15] approach. Developing countries viewed this approach as altering the architecture of General Agreement on Trade in Services (GATS), which ensures and protects the concept of progressive liberalization, the right to regulate and the opening up of sectors and modes of supply depending on the development needs of developing country members. The insistence by developed country members for expanding and expediting the sectoral and modal coverage in GATS negotiations could potentially undermine the position of the developing countries.

The WTO Declaration does not reflect the concerns of developing countries with regard to a number of development issues. The text of the Declaration simply calls upon members to "redouble their effort" on a range of issues including special and differential treatment, implementation related issues, the particular problems faced by small economies, trade, debt and finance, trade and transfer of technology, commodities and preference erosion. Regarding Aid for Trade, which is an emerging concept, a negotiating structure is yet to be constituted; however, the WTO Director General has been requested to form a task force, which will submit its recommendations by July 2006.

Prior to the Conference in Hong Kong and within the framework of its WTO-related Technical Assistance Programme for the OIC Member Countries, IDB organized a Ministerial-level consultative meeting for the OIC member countries. Held in Hong Kong, the meeting was attended by 22 Ministers and 157 delegates representing 35 OIC member countries and several regional and international organizations. The Ministerial-level consultative meeting provided the OIC member countries with a forum to exchange views and share information on the latest developments in the

[13]In WTO terminology, subsidies in general are identified by "boxes" which are given the colours of traffic lights: green (permitted), amber (slow down — i.e. be reduced), red (forbidden). The Agriculture Agreement has no "red box", although domestic support exceeding the reduction commitment levels in the "amber box" is prohibited; and there is a "blue box" for subsidies that are tied to programmes that limit production. In order to qualify, "green box" subsidies must not distort trade, or at most cause minimal distortion. They have to be government-funded not by charging consumers higher prices and must not involve price support.

[14]The "Swiss Formula" is a special kind of harmonizing method of tariff cut. It uses a mathematical formula to produce a narrow range of final tariff rates from a wide set of initial tariffs, with a built-in maximum tariff no matter how high the original tariff was. Usually the required cuts are then divided into equal annual steps.

[15]Such WTO agreements are called "plurilateral" as opposed to "multilateral" because not all WTO members have signed them.

Doha Work Programme with emphasis on agriculture, non-agricultural market access, services, accession and cotton issues, particularly in the OIC least developed member countries in West Africa.

The meeting requested the Bank to organize a workshop for OIC member countries that are currently in the WTO accession process, with a view to benefiting from the experiences of those member countries which have recently acceded. The meeting also provided an opportunity to explore how best to enhance cooperation on WTO-related issues, particularly in terms of evaluating the outcome of the 6th WTO Ministerial Conference.

IDB's support to member countries on WTO related matters is presented in Chapter 3. In addition, the Bank supported initiatives to promote competitiveness of cotton-producing member countries. During 1426H, IDB organized an Expert Group meeting as well as a Conference to explore ways of addressing challenges to enhance competitiveness and export of cotton and its value added products from member countries, particularly in Sub-Sahara region (Box 1.1).

3. Update on Progress in Implementing MDGs, and Poverty-reducing Growth Strategies

With just ten years remaining to achieve the Millennium Development Goals (MDGs), progress remains very much uneven with regards to eight Goals incorporating targets for reducing poverty, improving aspects of human deprivation, and promoting sustainable development[16].

Progress to halve the number of people living on below $1 a day in IDB member countries in Sub-Saharan Africa and CIS regions appears to be seriously lagging. Almost half of member countries are experiencing slippages toward achieving the Goal related to extreme poverty and hunger. In Sub-Saharan African member countries, the proportion of the population living below $1 a day has not changed since 1990. Over the period 1995-2003 more than 50 percent of the population in Nigeria, Uganda and Niger are living on below $1 a day. Between 26 and 50 percent of the population in Mauritania, Burkina Faso and Mozambique are in the extreme poverty level, and in Senegal, Cote d'Ivoire and Cameroon extreme poverty ranges from 11 to 25 percent. Algeria, Morocco, Tunisia, and Egypt are classified as having an extreme poverty level of less than 10 percent of their population[17]. On the other hand, the profile of extreme poverty is relatively less acute in other regions. In Uzbekistan, Turkmenistan, Pakistan, and Yemen the percentage of the population living on less $1 a day ranges from 11 to 25 percent.

However, nine member countries experienced more than 30 percent in child malnutrition over the period

Box 1.1
IDB's Support to
Cotton-Producing Member Countries

The Expert Group Meeting (EGM) on **Enhancing Production Efficiency and International Competitiveness in IDB Cotton-Producing Member Countries** was held on 12-13 Safar 1426H (22-23 March 2005) at IDB HQ in Jeddah. The meeting discussed the main issues and challenges faced by the Bank's cotton-producing member countries, proposed concrete actions to tackle these issues, and established a general framework and action plan for enhancing cooperation among these countries. The meeting was attended by eighteen experts from public and private companies and productivity centres of the member countries that are heavily dependent on the cotton sector, including Benin, Burkina Faso, Egypt, Mali, Pakistan, Sudan, Syria, Turkey and Uganda. A number of recommendations were developed designed to facilitate cotton production and trade among OIC member countries.

The Bank supported the Government of Burkina Faso to organise a Conference on **Cooperation between OIC Member Countries for Cotton Industry Development**, which was held on 09-10 Rabi'1 1426H (18-19 April 2005) in Ouagadougou, Burkina Faso. Ninety delegates, representing governments of cotton producing member countries of the OIC, international institutions and the private sector involved in cotton production, marketing and processing, attended the Conference. The participants discussed the current status of the cotton sector and the constraints to the development of trade and joint venture industries between OIC member countries. The delegates also examined practical ways and means to promote cooperation among OIC cotton-producing member countries. Benefiting from the outcomes of the above two activities, the Bank is in the process of preparing an implementation plan for enhancing cooperation among IDB member countries in the cotton sector.

[16]The MDGs, comprising of 18 quantitative targets to be achieved by 2015, aim at reducing poverty and hunger, achieving universal primary education, promoting gender equality, reducing child mortality, improving maternal health, combating communicable diseases, ensuring environmental sustainability and global partnership for development.

[17]The data was not available for the rest of the African member countries.

of 1995-2003 and constitute 40 percent of the world in this category. While in many countries more than 90 percent of all children complete primary school, there are eight member countries where less than 50 percent of children completed primary education over the period 2000-2003, with Chad and Niger having the lowest record of 25 percent. Fifteen member countries have a primary education completion rate of between 50 to 75 percent. Compared to the target of 75 percent, only 41 percent of children in member countries achieve primary education completion. There is only one member country, Saudi Arabia, where public expenditure per student as a percentage of GDP, exceeded 20 percent between 1998 and 2002. Thirteen member countries spent less than 10 percent and the rest of the member countries fall somewhere in between.

In promoting gender equality (the third MDG), the gender parity index in primary and secondary education over the 1998-2002, is less than 70 percent in eleven member countries with Afghanistan experiencing the lowest rate of 52 percent. Globally fourteen countries are facing severe gender inequality in employment of less than 20 percent, defined as the percentage of women wage earners in non-agricultural sector, of which eleven are member countries.

The progress on fourth MDG which is related to reducing child mortality slowed down in all regions during the 1990s. Only 33 countries in the world are making enough progress to reduce under-five mortality rates to one third of their 1990 level. As for the member countries, twenty-one countries have an under-five mortality rate (per 1000) of more than 100, accounting for 50 percent globally. Member countries with the highest rates of child mortality rate are Sierra Leone and Niger with 284 and 262 child deaths per 1000 - the highest anywhere.

Regarding the fifth MDG, improving maternal health, more than 50 million women suffer from serious pregnancy-related illnesses and disability, and every year more than half-a-million die from complications of pregnancy and childbirth. Maternal death rates in nineteen member countries was over 500 in the year 2000 with Sierra Leone and Afghanistan experiencing the highest rates close to 2000. Fourteen member countries have maternal death rates of less than 100 and the rest of member countries have rates somewhere between 100 and 500 deaths per 100,000 live births. Kuwait and Saudi Arabia have the lowest maternal death rates of 5 and 23 deaths per 100,000 live births, respectively.

The sixth MDG is related to combating diseases. There are 300-500 million cases of malaria each year, of which more than one million are fatal. Almost 90 percent of cases occur in Sub-Saharan Africa, and most deaths from malaria are among children under five years. Tuberculosis kills some 2 million people a year, most of them 14-45 years old. There are eleven member countries that had a TB rate of between 240 and 499 per 100,000 people in 2003. The incidence of this disease is between 100-249 in eighteen member countries compared to the rest of the member countries which have a rate of less than 100 per 100,000 population. Such diseases are spreading rapidly due to a number of factors including drug resistance, the spread of communicable viruses, and the growing number of refugees and displaced people.

In terms of the seventh MDG, progress has been made in achieving environmental sustainability, access to safe drinking water and basic sanitation. However, in 2002, there were still around 1.1 billion people that lack access to uncontaminated sources of water and 2.4 billion people still needed improved sanitation services. In six member countries in 2002 more than 50 percent of the population did not have access to improved water resources. In 23 member countries in 2002, 50-80 percent of the population had access to safe water and in the rest the rate exceeded 81 percent.

The IDB supports the commitment of its member countries, especially those in the Africa region, to intensify their efforts for promoting growth, good governance, trade integration, and achieving peace and stability. The Bank also supports the initiatives of international donors to double the amount of aid to Africa by 2010 together with debt cancellation for heavily indebted poor countries. Broadly, an improved level of accountability and ownership of development programmes and better institutional settings will reinforce efforts to achieve the MDGs.

One of the three IDB strategic objectives is to focus efforts on poverty alleviation. The Bank has extended development assistance to those sectors that will have the greatest impact on reducing poverty, namely human development, agriculture, and infrastructure projects such as rural roads, electrification, irrigation, and public utilities. A major priority of the Bank has been social and economic development in the 23 least developed member countries (LDMCs). The Banks accords the highest levels of concessionality to financing development projects in LDMCs. Furthermore, in 2002, under the Ouagadougou Declaration, IDB pledged overall financing of $2 billion over a period of five years to support LDMCs in the Africa region. The operational activities of the IDB Group during 1426H are presented in Chapter 2.

4. Implications of the New Multilateral Debt Relief Initiative (MDRI)

After its introduction in 1996, the Heavily Indebted Poor Countries (HIPC) initiative was enhanced in 1999 to provide deeper and faster debt relief to a larger group of eligible countries and to increase the programme's links with ongoing poverty reduction efforts. Despite its groundbreaking nature, there was a growing consensus that the HIPC initiative has had limited impact. This was because the volume of debt relief provided under HIPC was limited and generally insufficient to fund poverty alleviation programmes. The limited success of the HIPC initiative coupled with the prospects of slippages in achieving MDGs led the international donors to consider debt cancellation as well as to substantially increase ODA.

The G8 Summit launched the debt cancellation initiative to HIPCs, which was subsequently endorsed at the Annual Meetings of the World Bank and the IMF, in September 2005. This initiative is now known as the Multilateral Debt Relief Initiative (MDRI) and is designed to provide 100 percent cancellation of HIPCs debt owed to IDA, IMF and the African Development Fund (AfDF). The MDRI will assist HIPCs to reach the MDGs while preserving the financial integrity of the creditor institutions. MDRI entails a total debt cancellation of at least $57 billion, to be funded entirely by donor payments to IDA and the AfDF, and mostly by internal resources in the case of IMF.

The potential benefits of the new debt cancellation initiative for the IDB member countries are many. Debt relief generally has lower transaction costs than other forms of aid and provides resources that can be used for meeting development needs. Eligible countries could also set aside a portion of the annual forgone debt service as a buffer for expenditure needs created by future exogenous shocks. Once implemented, MDRI will potentially restore long-term external debt sustainability of the member countries. For the post-completion point HIPCs, the average NPV debt/exports ratio is expected to fall from 140 percent after current HIPC relief to a projected 52 percent after the implementation of the MDRI. Furthermore, resource transfers in the form of additional official aid will assist the eligible countries to achieve their MDGs. Without additionality, debt cancellation would only alter the composition of external assistance, leaving overall ODA volumes unchanged. In addition, recipients of debt relief should maintain adequate performance standards, including in the areas of governance, accountability and transparency, to ensure that savings from debt relief are used for economic development.

Current estimates indicate that IDA would carry about three quarters of the costs of debt relief under the new plan. For IDA, depending upon the cut-off date, implementation date, and eligible credit coverage, the cost of providing 100 percent debt cancellation to 38 HIPCs (beyond HIPC relief already committed) is presently estimated at some $42.5 billion in forgone principal and service payments. On similar basis, the preliminary cost estimates for the AfDF of about $10 billion and for the IMF in the order of $5 billion.

Table 1.6 presents information on the potential IDA's debt relief to be provided to the member countries within the group of HIPCs. As shown, the debt cancellation directed toward post-completion point member countries is estimated to be around $11 billion or 38 percent of the total IDA debt relief for this category of countries. Post-decision point member countries will be receiving about $4 billion or 56 percent for this category. The total debt relief for 14 HIPC-eligible member countries amounts to $15.5 billion or 41 percent of the total debt relief granted by IDA. Five pre-decision point member countries will have a share of $3.2 billion and the two sunset clause member countries, Kyrgyz Republic and Bangladesh, are potential beneficiaries of almost $9.7 billion or 79 percent of the total share for these groups of countries.

Implementation of MDRI will further assist the HIPCs to achieve MDGs. In this context, the multilateral financial institutions face challenges in terms of balance sheet implications. Without efficient fiscal practices, greater accountability and transparency, and a sound risk management framework, the growth trajectory and achieving MDGs by HIPCs will be at risk.

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

A vibrant private sector led by entrepreneurial drive is central to the development process. The contribution of private enterprises to the economy can be strengthened by

Table 1.6
HIPCs, Sunset Clause, and Member Countries: Cost-Estimate of MDRI to IDA
($ million)

	Total Cost to IDA
Total Cost for Post -Completion Point IDB Member Countries	**11,500**
Benin	775
Burkina Faso	941
Mali	1,419
Mauritania	626
Mozambique	1,600
Niger	876
Senegal	2,159
Uganda	3,104
Total Cost for Post-Decision Point IDB Member Countries	**4,039**
Cameroon	1,052
Chad	886
The Gambia	248
Guinea	1,224
Guinea-Bissau	174
Sierra Leone	455
Total 14 HIPCs	15,539
Total Cost for Pre-Decision Point IDB Member Countries	**3,209**
Comoros	100
Cote D'Ivoire	1,739
Somalia	154
Sudan	570
Togo	646
Total 19 HIPCs	**18,748**
Total Cost for Sunset Clause Member Countries	**491**
Kyrgyz Republic	491
Total Cost for Other Countries with Currently Incomplete Date (Sunset Clause)	**9,218**
Bangladesh	9,218

Source: The G-8 Debt Relief Proposal: Assessment of Costs, Implementation Issues, and financing Options, The World Bank, IDA, Sept. 2005.

a sound business environment and government policies related to issues such as property rights, regulations and taxation. Efficient functioning of financial and labour markets also play a key role in shaping the investment climate. With intense competitive pressures and rising economic expectations, a sound investment climate encourages further investment, increases productivity, unleashes the entrepreneurial talents of people and, ultimately, economic growth.

Results from a recent World Bank survey provide fresh insights into the investment climates of IDB member countries. The Doing Business survey focuses on regulatory issues and benchmarking in more than 130 countries. Analysis of selected regulatory indicators such as starting a business, employment contracts, getting credit and closing a business were presented in Chapter 1 of the IDB Annual Report, 1425H. In this section, the investment climate in member countries is analyzed by focusing on the following indicators: registering property, dealing with licenses, paying taxes, and trading across borders. These indicators are graphically presented in Chart 1.8 in terms of averages for world, OECD countries, and IDB member countries.

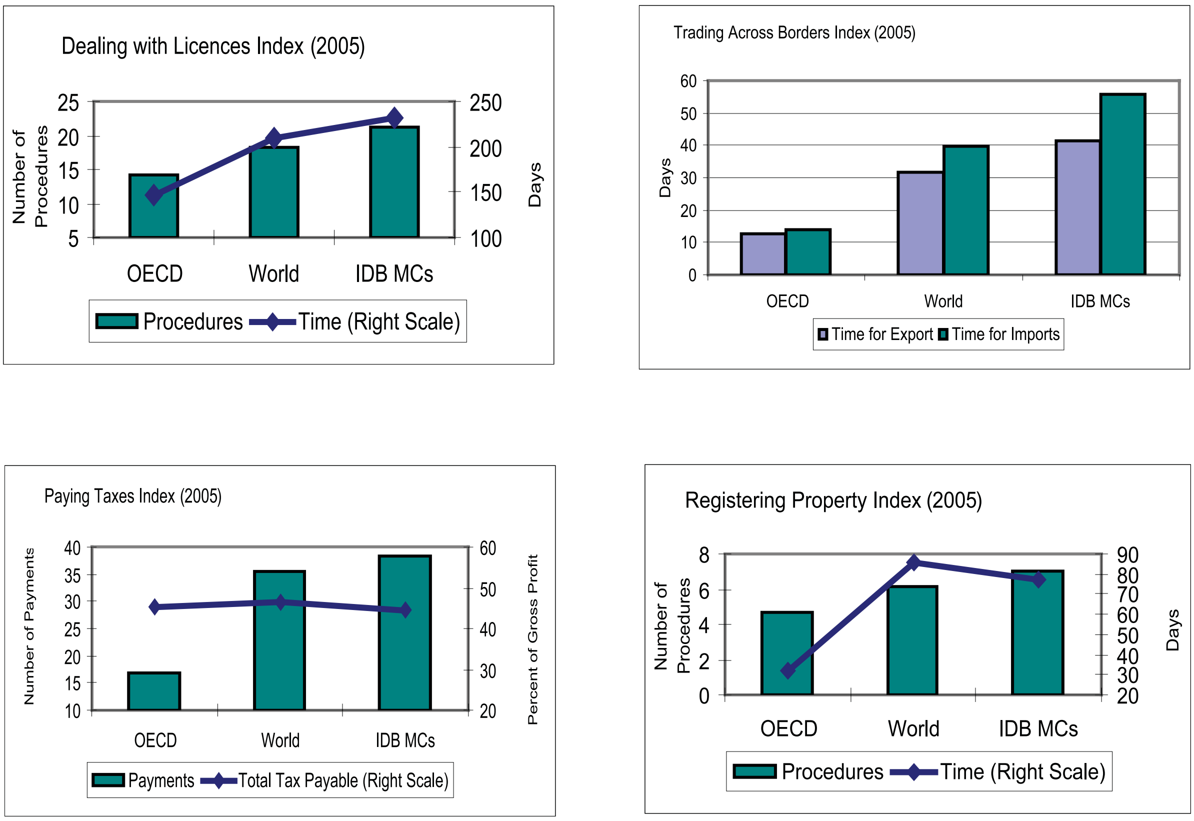
Annex Table 1.4 presents the global ranking for ease of doing business along with other indicators for the IDB member countries. Of the 40 member countries included in the database, only four rank among the top-50 in terms of ease in doing business. Among member countries, Malaysia has the highest rank of 21 out of all 155 countries, followed by Maldives, Saudi Arabia and Kuwait. Thirteen member countries rank between 51-100 in terms of ease of doing business and 24 member countries rank between 101 and 155. Burkina Faso is ranked 154 among all countries in the world.

Securing rights to properties such as land and buildings strengthens incentives to invest and also facilitates trade. The Doing Business survey measures the ease of registering property by recording the minimum number of days to complete all legal requirements. The total cost of registering properties, including transfer taxes, stamp duties, public agencies and lawyer fees, is measured as a percentage of the property value. In 2005, on average, to register property rights it took businesses in member countries 7 steps and 77.6 days with a 9.2 percent of the property value, which is comparable to the world average but compared to the OECD averages they are double in terms of the number of days and cost. Among the member countries, Nigeria is reported to have the highest number with 22 procedures, followed by Algeria and Uzbekistan (Annex Table 1.5). In Bangladesh and Nigeria it takes the highest number of days to register a property, 363 and 274 days, respectively. The highest cost of registering a property is in Syria where it amounts 30 percent, followed by Nigeria where it costs 27 percent of the property value.

Globally, on average it takes 18.3 procedures and 209 days to obtain a warehouse construction license, while the average for a business firm in a member country is 21.1 procedures and 232 days[18]. The average for the

[18]The Doing Business survey divides the process of building a standardized warehouse into distinct procedures such building permits, completion of all required notifications and inspections and submission of relevant documents to the authorities. The cost of completing each procedure is calculated with reference to standard benchmarks.

Chart 1.8
Doing Business Environment in IDB Member Countries (2005)



same activity in OECD countries stands at 14 procedures and 147 days, respectively. Sierra Leone has the highest number with 48 procedures and Maldives recorded the lowest number with 9 procedures, which is well below the world and OECD averages. In terms of the number of days required to complete procedures, Iran ranks highest with 668 days, almost three time above the world and IDB member country averages, while in Jordan it takes 122 days to complete the procedure, which is well below the world and OECD averages. Clearly, with fewer start-up burdens, the construction sector will expand and, furthermore, more businesses will be legally registered and remain in the formal economy (Annex Table 1.5).

Globally and on average, businesses go through 35.4 stages of tax payments, spent 354 hours on preparing, filing and processing taxes, and pay about 46.5 percent of profits in taxes[19]. In OECD countries the averages are much lower, almost half of world average, except for tax on profits which is in the same range. Among member countries, Uzbekistan has the highest number with 118 taxes paid and withheld, whereas Maldives had the lowest number, only one. As far as the hours spent on filing taxes, in Cameroon it took 1300 hours, the highest number, while in UAE it takes 12 hours, which is the lowest number. Taxes as a percentage of profits are highest in Sierra Leone and Yemen at163 and 129 percent, respectively, and lowest in Saudi

[19]The Doing Business survey records the tax that a medium-size company must pay or withhold in a given year, and measures the administrative burden involved. Taxes are measured at all levels of government, ranging from corporate tax to vehicle and road tax. It also measures the time required to prepare, file and pay taxes in hours per year, and the total amount of taxes payable (as percentage of profits) by the businesses in the second year of their operation (except labour taxes).

Arabia at only 1.4 percent. Though taxes are essential to provide public services and infrastructures which benefit businesses and society alike, there are always more efficient methods of tax collection. Simple and moderate taxes, together with efficient administration, mean less burden for businesses and higher revenue to governments.

For trade across border indicators,[20] the world average to complete exports documentation, the number of signatures or stamps, and the number of days required to comply stands at 7.4, 11 and 31.8, while the same indices for imports are estimated to be 10.8, 16.5 and 39.9, respectively. For member countries, the number of documents for export and import procedures is very close to the world average. However, the indices for signature and time for exports and imports are well above the world average. Among the member countries which have the highest number of documents required for export and import formalities, Uganda has 13 required documents for exports, and Iraq and Niger have 19 procedures for imports, which are also among the highest in the world. In Azerbaijan, signatures required for exports are the highest at 40, and Malaysia, Indonesia and U.A.E. have the lowest number at 3 for each country. Signatures required for imports are lowest in the U.A.E. at 3 and the highest in Mali at 60. The number of days for an export to take place is highest in Iraq at 105 and the lowest is Senegal at 6. For imports, the highest number of days recorded is for Uzbekistan and the lowest is in the U.A.E.

6. Brain Drain (or Gain) in IDB Member Countries: Developmental Consequences

The international transfer of skilled people is commonly known as brain drain and is generally believed to deprive a country of its most valuable resource, namely the intellectual capital needed for its economic development. Brain drain from developing countries is a negative externality on the stock of human capital as it takes away skills that are essential to social and economic development.

During the last two decades there has been increase in the brain drain, leaving some developing countries short of critically needed skilled people. However, new perspectives have recently emerged, suggesting that migration might not be detrimental providing it does not cause a severe loss of skills and intellectual capital. In recent years, some developing countries have begun to benefit from a reversal of brain drain to brain gain in the form of remittances, return-investment, and returning migrants who bring back newly acquired skills and expertise. Another indirect benefit is that migration increases expected return on education and fosters domestic enrollment in educational institutions. These perspectives suggest the need to better understand the recent brain gain phenomenon and develop policies that support absorption of returning migrants in public institutions and the private sector in member countries.

To promote understanding of the developmental implications for member countries, an IDB Occasional Paper has been prepared for distribution during the 31st Annual Meeting of the IDB. The Paper analyzes the migration data and correlates with the socio-economic performance of selected member countries, and reviews their national strategies and policies aimed at reducing brain drain or converting it into brain gain. Specifically, the Paper assesses the impact of intra-migration on both labour-exporting member countries (LEMCs) and labour-importing member countries (LIMCs). In this regard, the Paper studies the relationship between intra-migration or intra-brain drain on the one hand and intra-trade and intra-investment on the other. Accordingly, a number of policies for both LEMCs and LIMCs are proposed that are based on collaboration among member countries to develop trade and investment potential from intra-migration. These policies include establishing national and regional centres of excellence to attract the return of doctors, scientists and engineers, and support the role of their diasporas in economic development. The findings of the Paper are provide stakeholders with insights that can be used to address challenges and optimize the opportunities presented by brain gain.

[20]The Doing Business survey measures the procedural requirements for exporting and importing a standardized cargo of goods. This includes all documents and signatures required for clearance of goods across borders and official procedures. For importing goods, procedures range from the vessel's arrival at the port of entry to the cargo's delivery at the factory warehouse. For exporting goods, procedures range from the packing of the goods at the factory to their departure from the port of exit. Some of the relevant indexes measures factors such as the number of documents, time and the number of signatures required to complete either export or import formalities

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Annex Table 1.1
Intra-Trade and World Shares of Member Countries

	Countries	Exports 2004		Percent of World	Annual % change in 2004	Imports 2004		Percent of World	Annual % change in 2004
		IDB MCs	World			IDB MCs	World		
1	Afghanistan	72.5	185.4	39.1	49.5	834.1	2002.2	41.7	21.7
2	Albania	16.2	535.3	3.0	248.7	218.7	2,293.7	9.5	42.4
3	Algeria	1,936.2	31,881.5	6.1	9.2	1,905.0	20,714.9	9.2	32.9
4	Azerbaijan	486.7	2,391.0	20.4	81.0	886.4	4,242.4	20.9	30.0
5	Bahrain	1,648.2	13,524.0	12.2	47.4	2,486.1	5,882.8	42.3	28.1
6	Bangladesh	261.6	7,585.6	3.4	10.7	1,963.9	11,590.0	16.9	47.2
7	Benin	92.1	348.5	26.4	26.7	330.0	2,028.0	16.3	14.9
8	Brunei	284.2	4,514.3	6.3	2.1	393.1	1,641.0	24.0	28.2
9	Burkina Faso	69.5	372.1	18.7	73.7	345.2	1,019.2	33.9	21.8
10	Cameroon	309.6	3,449.1	9.0	47.8	421.8	2,252.3	18.7	19.0
11	Chad	4.0	1,111.0	0.4	-41.9	117.3	409.2	28.7	36.0
12	Comoros	1.9	34.4	5.5	1,627.3	19.7	114.6	17.2	66.0
13	Côte d'Ivoire	1,458.4	5,993.6	24.3	29.3	921.7	3,495.3	26.4	23.1
14	Djibouti	223.9	250.2	89.5	27.6	297.8	987.2	30.2	27.6
15	Egypt	2,916.5	12,100.5	24.1	92.4	3,860.9	27,966.5	13.8	36.7
16	Gabon	104.3	4,505.7	2.3	53.8	146.9	1,614.3	9.1	29.5
17	Gambia	3.2	36.7	8.7	34.7	168.0	575.1	29.2	39.6
18	Guinea	6.8	559.7	1.2	-89.9	240.7	1,113.5	21.6	118.8
19	Guinea-Bissau	17.9	115.5	15.5	26.0	84.3	175.8	47.9	37.9
20	Indonesia	6,903.7	71,546.4	9.6	20.9	7,372.4	46,520.5	15.8	41.6
21	Iran	4,116.7	40,921.0	10.1	42.2	7,265.9	38,257.0	19.0	21.1
22	Iraq	1,145.1	16,129.6	7.1	144.1	5,481.8	10,230.8	53.6	202.4
23	Jordan	1,597.0	3,530.4	45.2	18.2	3,002.7	8,163.7	36.8	57.1
24	Kazakhstan	2,208.0	20,814.1	10.6	55.5	756.5	14,775.6	5.1	45.6
25	Kuwait	3,585.6	25,513.1	14.1	57.5	2624.8	12,982.9	20.2	29.1
26	Kyrgyz Rep.	349.3	702.8	49.7	33.8	382.9	1,340.8	28.6	50.0
27	Lebanon	1,300.2	1,930.4	67.4	97.6	2,139.4	9,208.3	23.2	59.2
28	Libya	2,190.6	19,313.9	11.3	35.7	1,276.2	8,123.5	15.7	27.9
29	Malaysia	9,199.9	126,507.0	7.3	27.4	6,988.1	104,294.0	6.7	41.0
30	Maldives	1.7	122.8	1.4	-70.8	168.8	645.0	26.2	91.7
31	Mali	68.8	326.7	21.0	114.1	422.1	1,857.6	22.7	37.3
32	Mauritania	106.2	783.2	13.6	27.1	161.1	1,123.8	14.3	21.8
33	Morocco	665.2	9,738.3	6.8	19.0	2,456.7	17,623.5	13.9	39.8
34	Mozambique	17.4	1,503.9	1.2	143.1	66.3	2,034.8	3.3	-4.0
35	Niger	61.3	222.5	27.6	-15.4	174.9	588.0	29.7	-4.4
36	Nigeria	2,529.6	32,811.7	7.7	45.7	1,719.0	20,282.5	8.5	74.8
37	Oman	2,410.2	12,839.9	18.8	3.5	2,480.8	7,703.8	32.2	14.5
38	Pakistan	3,306.9	13,284.3	24.9	4.3	7,039.0	17,756.2	39.6	33.4
39	Qatar	1,370.0	18,545.8	7.4	69.3	1,372.6	6,052.0	22.7	36.7
40	Saudi Arabia	18,031.7	112,507.0	16.0	44.8	5,851.5	44,744.8	13.1	16.6
41	Senegal	480.4	1,269.4	37.8	11.5	624.3	2,834.2	22.0	20.8
42	Sierra Leone	2.4	184.8	1.3	-11.9	105.0	530.6	19.8	44.3
43	Somalia	163.8	188.1	87.1	36.0	260.5	576.3	45.2	30.0
44	Sudan	517.0	3,773.7	13.7	-40.8	1,314.5	4,085.9	32.2	39.6
45	Suriname	55.4	881.3	6.3	30.2	7.9	749.6	1.1	51.5
46	Syria	10,101.5	23,585.9	42.8	525.2	8,673.9	26,331.4	32.9	511.7
47	Tajikistan	259.4	914.9	28.4	-21.4	544.2	1,191.2	45.7	19.9
48	Togo	245.6	555.3	44.2	23.9	257.6	1,720.3	15.0	124.0
49	Tunisia	883.3	9,679.0	9.1	6.0	1,288.3	12,724.4	10.1	18.4
50	Turkey	10,191.7	62,923.3	16.2	41.6	10,587.2	97,337.4	10.9	29.2
51	Turkmenistan	1,122.2	3,809.6	29.5	18.0	882.5	2,736.7	32.2	21.1
52	Uganda	56.8	667.9	8.5	78.2	162.6	1,452.4	11.2	-6.1
53	U.A.E.	11,641.1	67,087.1	17.4	35.2	9,654.7	74,268.0	13.0	66.5
54	Uzbekistan	714.6	2,523.8	28.3	34.6	490.7	3,144.0	15.6	16.3
55	Yemen	578.8	4,144.2	14.0	-7.5	2,478.0	5,844.0	42.4	34.1
	Total	**108,092.7**	**801,276.8**	**13.5**	**45.0**	**112,176.7**	**699,953.4**	**16.0**	**48.1**

Source: IMF, Direction of Trade Statistics, CD-ROM of December 2005.

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Annex Table 1.2
Double Taxation Treaties and Bilateral Investment Treaties Signed by Member Countries

Year	1995		2000		2003		2004	
Type of Treaty / Region/Economy	Double Taxation Treaties	Bilateral Investment Treaties	Double Taxation Treaties	Bilateral Investment Treaties	Double Taxation Treaties	Bilateral Investment Treaties	Double Taxation Treaties	Bilateral Investment Treaties
North Africa								
Algeria	9	5	18	25	22	27	23	29
Egypt	29	35	42	84	43	88	43	90
Libya	5	4	5	6	5	10	5	13
Morocco	25	17	33	34	37	45	37	46
Tunisia	30	30	40	42	43	46	44	47
Sub-Saharan Africa								
Benin	2	3	2	3	2	11	2	13
Burkina Faso	1	2	1	5	2	12	2	13
Cameroon	3	7	4	9	4	13	4	13
Chad	-	4	1	6	1	10	1	12
Comoros	1	1	1	1	1	6	1	6
Côte d'Ivoire	8	7	9	9	9	10	9	10
Djibouti	-	-	-	2	-	5	-	5
Gabon	1	6	1	10	1	12	1	12
Gambia	6	1	7	1	7	3	7	3
Guinea	-	4	1	7	1	15	1	17
Guinea-Bissau	-	1	-	1	-	1	-	1
Mali	1	3	2	6	2	12	2	12
Mauritania	2	5	2	5	3	11	3	13
Mozambique	1	1	2	9	2	17	2	19
Niger	1	3	1	5	1	5	1	5
Nigeria	11	4	12	8	12	14	13	14
Senegal	5	11	7	16	12	18	12	19
Sierra Leone	4	1	4	2	4	3	4	3
Somalia	-	1	-	1	-	1	-	1
Sudan	3	5	4	19	7	22	9	23
Togo	2	3	2	3	2	3	2	3
Uganda	5	3	9	7	11	15	13	16
Gulf Cooperation Council								
Bahrain	1	1	3	8	7	13	8	14
Kuwait	9	17	15	28	23	40	26	41
Oman	2	9	10	16	19	21	21	24
Qatar	1	-	12	12	17	18	19	18
Saudi Arabia	10	2	10	7	10	11	10	11
UAE	11	12	16	22	20	26	37	30
Middle East								
Iran	10	7	19	30	28	47	32	48
Iraq	1	2	1	2	1	2	1	2
Jordan	8	8	10	20	12	30	14	31
Lebanon	4	4	14	28	23	39	25	47
Palestine	-	-	-	2	-	2	-	2
Syria	5	4	15	15	23	21	23	22
Yemen	1	6	3	18	6	28	6	29
CIS								
Azerbaijan	2	4	7	18	7	20	13	22
Kazakhstan	8	16	27	30	29	33	30	35
Kyrgyzstan	1	10	6	21	8	26	10	26
Tajikistan	1	8	1	12	7	19	8	20
Turkmenistan	2	12	8	18	8	18	8	18
Uzbekistan	6	16	23	35	27	40	28	40
Asia								
Afghanistan	1	-	1	-	1	-	1	1
Bangladesh	17	13	22	22	22	24	24	24
Brunei	1	-	2	5	2	5	2	5
Indonesia	38	25	51	52	58	58	58	58
Malaysia	42	42	53	63	57	66	58	66
Maldives	1	2	1	2	1	2	1	3
Pakistan	47	21	55	39	56	44	58	47
Europe								
Turkey	31	36	43	63	47	67	48	71
Albania	8	22	13	29	15	34	16	35
South America								
Suriname	1	1	1	1	1	1	1	1
IDB Countries	**425**	**467**	**652**	**944**	**769**	**1190**	**827**	**1,249**
World	**1,663**	**1,097**	**2,217**	**1,917**	**2,475**	**2,319**	**2,559**	**2,392**
Developing Countries	**973**	**792**	**1,284**	**1,420**	**1,429**	**1,731**	**1,476**	**1,790**

Source: World Investment Report, 2005.

Annex Table 1.3
Bilateral Investment Treaties Among Member Countries and With Others (as of June 01, 2005)

No.	Country	Bilateral Investment Treaties (BITs)		
		Partner(s) IDB Member Countries	No	Other Countries
1	Afghanistan	-	1	1
2	Albania	Egypt, Iran, Malaysia, Tunisia, Turkey	5	30
3	Algeria	Egypt, Indonesia, Iran, Jordan, Malaysia, Mali, Mozambique, Niger, Oman, Turkey, Yemen	11	19
4	Azerbaijan	Iran, Kazakhstan, Kyrgysztan, Lebanon, Pakistan, Turkey, Uzbekistan	7	15
5	Bahrain	Egypt, Iran, Jordan, Lebanon, Malaysia, Sudan, Syria, Yemen	8	6
6	Bangladesh	Indonesia, Iran, Malaysia, Pakistan, Turkey, Uzbekistan	6	18
7	Benin	Burkina Faso, Chad, Guinea, Lebanon, Mali, Mauritius	6	8
8	Brunei	Oman	1	4
9	Burkina Faso	Benin, Chad, Comoros, Guinea, Malaysia, Mauritania, Tunisia	7	7
10	Cameroon	Egypt, Guinea, Mali, Mauritania	4	10
11	Chad	Benin, Burkina Faso, Egypt, Guinea, Lebanon, Mali, Morocco	7	5
12	Comoros	Burkina Faso, Egypt, Mali	3	4
13	Côte d'Ivoire	Tunisia	1	11
14	Djibouti	Egypt, Malaysia	2	3
15	Egypt	Albania, Algeria, Bahrain, Cameroon, Chad, Comoros, Djibouti, Gabon, Guinea, Indonesia, Jordan, Kazakhstan, Kuwait, Lebanon, Libya, Malaysia, Mali, Morocco, Mozambique, Niger, Oman, Pakistan, Palestine, Saudi Arabia, Senegal, Sudan, Syria, Tunisia, Turkey, Turkmenistan, Uganda, UAE, Uzbekistan, Yemen	34	56
16	Gabon	Egypt, Lebanon, Mali, Morocco	4	10
17	Gambia	-	-	3
18	Guinea	Benin, Burkina Faso, Cameroon, Chad, Egypt, Lebanon, Malaysia, Mali, Mauritania, Morocco, Tunisia	11	6
19	Guinea-Bissau	-	-	1
20	Indonesia	Algeria, Bangladesh, Egypt, Jordan, Kyrgyzstan, Malaysia, Morocco, Mozambique, Pakistan, Sudan, Suriname, Syria, Tajikistan, Tunisia, Turkey, Turkmenistan, Uzbekistan, Yemen	18	40
21	Iran	Albania, Algereia, Azerbaijan, Bahrain, Bangladesh, Kazakhstan, Kyrgyzstan, Lebanon, Malaysia, Morocco, Oman, Pakistan, Quatar, Sudan, Syria, Tajikistan, Tunisia, Turkey, Turkmenistan, Uzbekistan, Yemen	21	27
22	Iraq	Kuwait, Morocco	2	-
23	Jordan	Algeria, Bahrain, Egypt, Indonesia, Kuwait, Lebanon, Malaysia, Morocco, Sudan, Syria, Tunisia, Turkey, Yemen	13	18
24	Kazakhstan	Azerbaijan, Egypt, Iran, Kuwait, Kyrgyzstan, Malaysia, Pakistan, Turkey, Uzbekistan	9	26
25	Kuwait	Egypt, Iraq, Jordan, Kazakhstan, Lebanon, Malaysia, Morocco, Pakistan, Tajikistan, Tunisia, Turkey, UAE, Yemen	13	28
26	Kyrgyz Republic	Azerbaijan, Indonesia, Iran, Kazakstan, Malaysia, Pakistan, Tajikistan, Turkey, Uzbekistan	9	17
27	Lebanon	Azerbaijan, Bahrain, Benin, Chad, Egypt, Gabon, Guinea, Iran, Jordan, Kuwait, Malaysia, Mauritania, Morocco, Pakistan, Senegal, Sudan, Syria, Tunisia,Turkey, UAE, Yemen	21	26
28	Libya	Egypt, Morocco, Syria, Tunisia	4	9
29	Malaysia	Albania, Algeria, Bahrain, Bangladesh, Burkina Faso, Djibouti, Egypt, Guinea, Indonesia, Iran, Jordon, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Morocco, Pakistan, Saudi Arabia, Senegal, Sudan, Turkey, Turkmenistan, UAE, Yemen	24	42
30	Mali	Algeria, Benin, Cameroon, Chad, Comoros, Egypt, Gabon, Guinea, Tunisia	9	4
31	Mauritania	Burkina Faso, Cameroon, Guinea, Lebanon, Tunisia	5	8
32	Morocco	Chad, Egypt, Gabon, Guinea, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Malaysia, Oman, Pakistan, Qatar, Senegal, Sudan, Syria, Tunesia, Turkey, UAE	20	26
33	Mozambique	Algeria, Egypt, Indonesia	3	16
34	Niger	Algeria, Egypt, Tunisia	3	2
35	Nigeria	Turkey, Uganda	2	12
36	Oman	Algeria, Brunei, Egypt, Iran, Morocco, Pakistan, Sudan, Tunisia, Yemen	9	15
37	Palestine	Egypt	1	1
38	Pakistan	Azerbaijan, Bangladesh, Egypt, Indonesia, Iran, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Morocco, Oman, Qatar, Syria, Tajikistan, Tunisia, Turkey, Turkmenistan, UAE, Uzbekistan, Yemen	21	27
39	Qatar	Iran, Morocco, Pakistan, Senegal, Sudan, Turkey	6	12
40	Saudi Arabia	Egypt, Malaysia	2	9
41	Senegal	Egypt, Lebanon, Malaysia, Morocco, Qatar, Tunisia	6	13
42	Sierra Leone	-	0	3
43	Somalia	-	0	1
44	Sudan	Bahrain, Egypt, Indonesia, Iran, Jordan, Lebanon, Malaysia, Morocco, Oman, Qatar, Syria, Turkey, UAE, Yemen	14	9
45	Suriname	Indonesia	1	0
46	Syria	Bahrain, Egypt, Indonesia, Iran, Jordan, Lebanon, Libya, Morocco, Pakistan, Sudan, Turkey, UAE, Yemen	13	10
47	Tajikistan	Indonesia, Iran, Kuwait, Kyrgystan, Pakistan, Turkey, UAE	7	13
48	Togo	Tunisia	1	2
49	Tunisia	Albania, Burkina Faso, Cote d'Ivoire, Egypt, Guinea, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Mali, Mauritania, Morocco, Niger, Oman, Pakistan, Senegal, Togo, Turkey, UAE	21	26
50	Turkey	Afghanistan, Albania, Algeria, Azerbaijan, Bangladesh, Egypt, Indonesia, Iran, Jordon, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Morocco, Nigeria, Pakistan, Qatar, Sudan, Syria, Tajikistan, Tunisia, Turkmenistan, Uzbekistan, Yemen	25	46
51	Turkmenistan	Egypt, Indonesia, Iran, Malaysia, Pakistan, Turkey, Uzbekistan	7	11
52	Uganda	Egypt, Nigeria	2	15
53	U.A.E	Algeria, Egypt, Kuwait, Lebanon, Malaysia, Morocco, Mozambique, Pakistan, Sudan, Syria, Tajikistan, Tunisia, Turkmenistan, Yemen	14	17
54	Uzbekistan	Azerbaijan, Bangladesh, Egypt, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Turkey, Turkmenistan	10	30
55	Yemen	Algeria, Bahrain, Egypt, Indonesia, Iran, Jordon, Kuwait, Lebanon, Malaysia, Oman, Pakistan, Sudan, Syria, Turkey, UAE	15	15
	Total		**468**	**792**

Source: World Investment Report, 2005.
Note: Details of 3 BITs signed by Maldives were not available.

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Annex Table 1.4
Member Country Ranking for Doing Business Environment in 2005

Economy	Ease of Doing Business	Starting a Business	Dealing With Licenses	Hiring and Firing	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business
Malaysia	21	57	101	34	53	6	5	19	36	61	43
Maldives	31	25	10	5	..	134	63	1	52	50	100
Saudi Arabia	38	147	34	28	3	56	74	5	87	95	67
Kuwait	47	87	95	26	79	52	71	8	69	98	45
Oman	51	61	114	33	19	147	50	4	79	87	76
Tunisia	58	40	88	101	67	102	133	64	53	6	31
Pakistan	60	38	80	91	43	72	20	127	103	134	36
Bangladesh	65	52	53	22	151	44	17	92	125	75	77
United Arab Emirates	69	134	67	73	10	104	96	6	19	133	130
Uganda	72	100	92	10	97	127	66	57	145	33	41
Jordan	74	119	59	68	104	65	124	15	61	58	70
Kyrgyz Republic	84	27	65	63	54	35	49	135	150	147	93
Kazakhstan	86	33	112	29	68	117	70	48	142	68	92
Yemen, Rep.	90	151	32	53	41	137	108	112	68	57	68
Turkey	93	46	137	141	49	103	75	66	95	37	125
Nigeria	94	105	117	27	152	38	42	91	139	119	61
Lebanon	95	99	90	49	85	66	102	43	94	142	98
Azerbaijan	98	96	139	81	51	43	109	110	140	44	57
Morocco	102	50	125	124	58	146	117	126	98	29	51
Iran	108	54	145	112	98	64	138	23	132	55	94
Mozambique	110	139	54	113	94	70	..	88	105	115	115
Iraq	114	117	70	102	44	133	85	3	155	74	148
Indonesia	115	144	107	120	107	63	58	118	49	145	116
Albania	117	108	131	127	66	41	136	132	100	113	73
Syrian Arab Republic	121	135	78	94	76	124	105	42	146	149	65
Afghanistan	122	16	..	25	150	153	145	7	128	93	142
Palestine	125	152	76	75	86	129	..	96	75	88	155
Mauritania	127	146	89	126	56	67	..	153	111	94	124
Algeria	128	109	100	96	138	138	97	149	84	131	46
Benin	129	107	135	121	72	108	34	136	104	146	121
Cameroon	130	133	121	106	122	91	35	142	127	152	80
Senegal	132	125	68	128	137	136	126	137	46	109	97
Sierra Leone	136	64	134	151	139	122	93	115	85	121	122
Uzbekistan	138	67	..	76	149	128	106	134	151	80	119
Egypt	141	115	146	140	129	142	114	87	70	118	106
Guinea	144	145	144	97	133	144	83	139	118	101	81
Cote d’Ivoire	145	130	133	99	147	141	80	123	110	116	112
Mali	146	143	123	147	91	135	88	108	148	86	127
Togo	149	148	108	152	128	151	120	122	99	124	107
Niger	150	142	129	153	90	119	91	105	154	99	137
Sudan	151	68	..	77	..	123	..	..	144	151	153
Chad	152	154	102	134	108	112	79	104	135	150	146

Source: Doing Business Survey, World Bank, 2005.

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Annex Table 1.5
Business Environment in Member Countries and Selected Indicators of Doing Business in 2005

Country	Year	Dealing with Licenses			Registering Property		
		Procedures (number)	Time (days)	Cost (% of income per capita)	Procedures (number)	Time (days)	Cost % of property value)
World Average	**2005**	**18.3**	**209.6**	**646.2**	**6.1**	**85.6**	**6.7**
IDB Average	**2005**	**21.1**	**232.6**	**823.8**	**7**	**77.6**	**9.2**
Afghanistan	2005	..	..	..	11	252	9.5
Albania	2005	22	344	227.4	7	47	3.6
Algeria	2005	25	244	70.5	16	52	9
Azerbaijan	2005	28	212	1,326.20	7	61	0.4
Bangladesh	2005	13	185	290.9	11	363	11
Benin	2005	22	335	287.9	3	50	15.1
Burkina Faso	2005	46	241	5,002.30	8	107	16.2
Cameroon	2005	15	444	1,094.20	5	93	19
Chad	2005	16	199	1,703.10	6	44	21.3
Egypt	2005	30	263	1,067.10	7	193	6.1
Guinea	2005	29	278	512.2	6	104	15.6
Indonesia	2005	19	224	364.9	7	42	11
Iran	2005	21	668	818	9	36	5
Iraq	2005	14	210	311.5	5	8	7.7
Jordan	2005	17	122	506.3	8	22	10
Kazakhstan	2005	32	258	68.3	8	52	1.6
Kuwait	2005	26	149	278.9	8	75	0.6
Kyrgyz Republic	2005	16	152	325.2	7	10	5.3
Lebanon	2005	16	275	214.6	8	25	5.9
Malaysia	2005	25	281	82.7	4	143	2.3
Maldives	2005	9	131	40.3	..	..	..
Mali	2005	17	260	4,903.00	5	44	20
Mauritania	2005	19	152	987.1	4	49	6.8
Morocco	2005	21	217	1,302.80	3	82	6.1
Mozambique	2005	14	212	148.6	8	42	5.2
Niger	2005	27	165	2,920.30	5	49	14
Nigeria	2005	16	465	355.8	21	274	27.1
Oman	2005	16	271	1,013.90	4	16	3
Pakistan	2005	12	218	1,170.70	5	49	3.2
Saudi Arabia	2005	18	131	82.1	4	4	0
Senegal	2005	18	185	175.9	6	114	18
Sierra Leone	2005	48	236	268.9	8	58	15.4
Sudan	2005	..	..	..	..	..	..
Syria	2005	20	134	359.8	4	34	30.4
Togo	2005	14	273	1,223.40	6	212	7.5
Tunisia	2005	21	154	340	5	57	6.1
Turkey	2005	32	232	368.7	8	9	3.2
Uganda	2005	19	155	861.8	8	48	5.1
United Arab Emirates	2005	21	125	2.1	3	9	2
Uzbekistan	2005	..	..	..	12	97	10.5
Palestine	2005	18	144	779.2	7	58	4.7
Yemen	2005	13	131	274.4	6	21	3.9

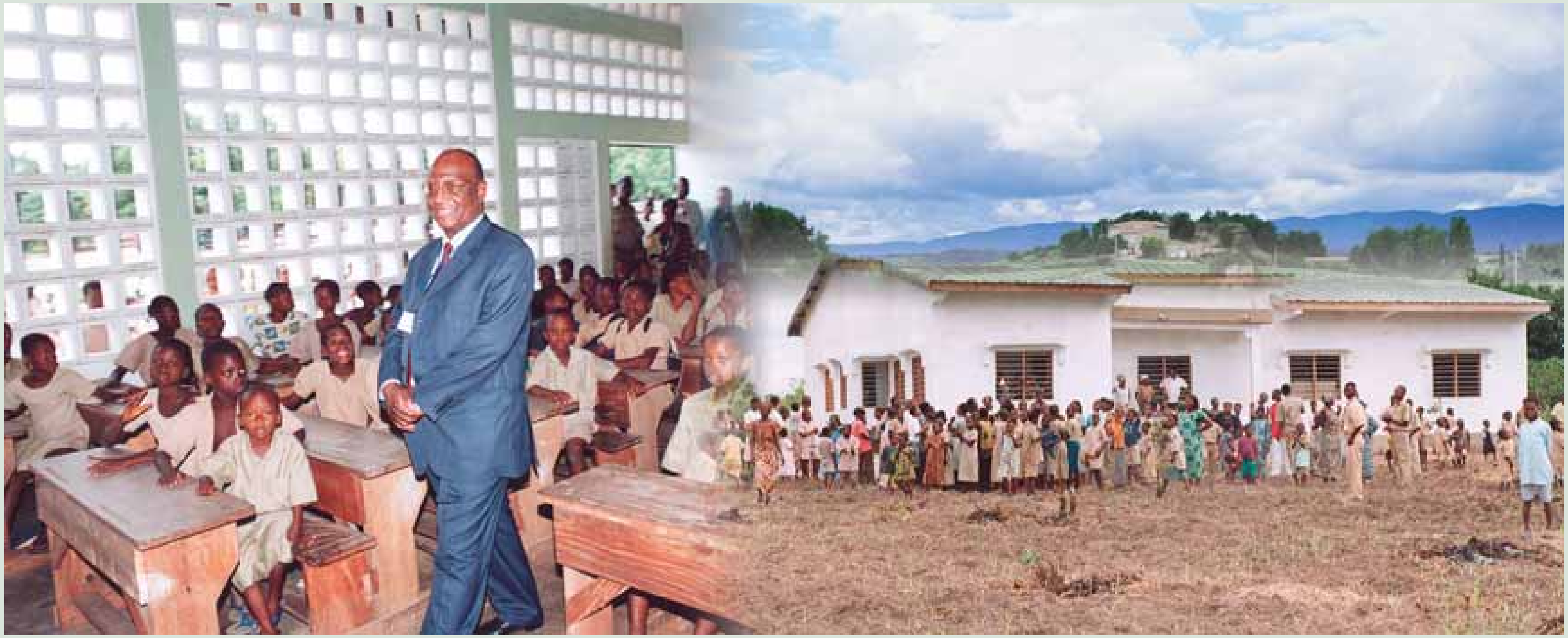
Annex Table 1.5 (Continued)
Business Environment in IDB Member Countries and Selected Indicators of Doing Business in 2005

Country	Year	Paying Taxes			Trading Across Borders					
		Payments (number)	Time (hours)	Total tax payable (% gross profit)	Documents for export (number)	Signatures for export (number)	Time for export (days)	Documents for import (number)	Signatures for import (number)	Time for import (days)
World Average	**2005**	**35.4**	**354.3**	**46.5**	**7.4**	**11**	**31.8**	**10.8**	**16.5**	**39.9**
IDB Average	**2005**	**38.3**	**351.1**	**44.6**	**7.9**	**15.7**	**41.2**	**12.5**	**26.4**	**55.6**
Afghanistan	2005	2	80	21.4	..	..	..	10	57	97
Albania	2005	53	240	71.6	6	13	37	12	17	38
Algeria	2005	63	504	58.5	8	8	29	8	12	51
Azerbaijan	2005	35	756	41.4	7	40	69	18	55	79
Bangladesh	2005	17	640	50.4	7	15	35	16	38	57
Benin	2005	75	270	53.1	8	10	36	11	14	49
Burkina Faso	2005	40	270	48.3	9	19	71	13	37	66
Cameroon	2005	51	1,300	47.6	10	11	39	14	20	53
Chad	2005	65	122	51.3	7	32	87	14	42	111
Egypt	2005	39	504	32.1	8	11	27	9	8	29
Guinea	2005	55	416	51.2	7	11	43	12	23	56
Indonesia	2005	52	560	38.8	7	3	25	10	6	30
Iran	2005	28	292	14.6	11	30	45	11	45	51
Iraq	2005	13	48	5.6	10	70	105	19	75	135
Jordan	2005	10	101	39.8	7	6	28	12	5	28
Kazakhstan	2005	34	156	41.6	14	15	93	18	17	87
Kuwait	2005	14	..	8.2	5	10	30	11	12	39
Kyrgyz Republic	2005	95	204	59.4	..	..	..	18	27	127
Lebanon	2005	33	208	30.4	6	15	22	12	35	34
Malaysia	2005	28	..	11.6	6	3	20	12	5	22
Maldives	2005	1	0	5.5	7	4	24	12	4	29
Mali	2005	60	270	44	10	33	67	16	60	61
Mauritania	2005	61	696	75.8	9	13	42	7	25	40
Morocco	2005	28	690	54.8	7	13	31	11	17	33
Mozambique	2005	35	230	50.9	6	12	41	16	12	41
Niger	2005	44	270	49.4	..	..	..	19	52	89
Nigeria	2005	36	1,120	27.1	11	39	41	13	71	53
Oman	2005	13	52	5.2	9	7	23	13	9	27
Pakistan	2005	32	560	57.4	8	10	33	12	15	39
Saudi Arabia	2005	13	70	1.4	5	12	36	9	18	44
Senegal	2005	59	696	45	6	8	6	10	12	26
Sierra Leone	2005	20	399	163.9	7	8	36	7	22	39
Sudan	2005	..	..	..	9	35	82	15	50	111
Syria	2005	22	336	20.8	12	19	49	18	47	63
Togo	2005	51	270	50.9	8	8	34	11	14	43
Tunisia	2005	31	112	52.7	5	8	25	8	12	33
Turkey	2005	18	254	51.1	9	10	20	13	20	25
Uganda	2005	31	237	42.9	13	18	58	17	27	73
United Arab Emirates	2005	15	12	8.9	6	3	18	6	3	18
Uzbekistan	2005	118	152	75.6	..	..	..	18	32	139
Palestine	2005	49	..	42	6	10	27	9	18	42
Yemen	2005	32	248	128.8	6	8	33	9	20	31

Source: Doing Business Survey, World Bank, 2005.

CHAPTER 2

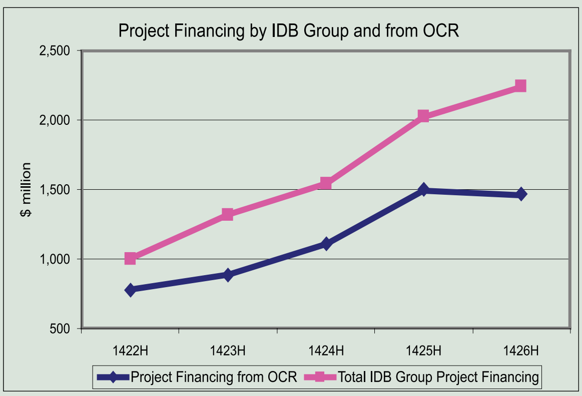
FOSTERING ECONOMIC DEVELOPMENT



Vice President (Operations) on a visit to the IDB-financed First Primary Education Project in Kope village, which is 100 km away from Lome, capital city of Togo.

HIGHLIGHTS OF IDB GROUP OPERATIONS

- **Net Approvals of the IDB Group: ID2.7 billion ($4 billion).**
- **Number of Approvals: 316**
- **Disbursements: ID1.8 billion ($2.6 billion).**
  - Project Financing from Ordinary Capital Resources: ID1,000.9 million ($1,463.5 million)
  - Project Financing by Affiliates and Funds: ID538.1 ($776.8 million).
  - Co-financing by IDB: ID252.6 million ($368.4 million), or 25 percent of total project financing approvals.
  - Technical Assistance: ID8.2 million ($12.1 million).
  - Trade Financing: ID1,191.6 million ($1,735.4 million).
  - Special Assistance Operations: ID7.7 million ($11.3 million).
  - 130 Projects (including 1 from Sukuk resources).
  - 57 Projects by Affiliates and Funds.
  - 48 Technical Assistance Operations.
  - 87 Trade Financing Operations.
  - 42 Special Assistance Operations.
  - Share of IDB Financing in Co-financed Projects: 22 percent.
  - LDMCs' Share in Total Loan Financing: 79 percent.



I. INTRODUCTION

This Chapter provides an overview of IDB Group operational activities during the year 1426H, including financing activities by IDB entities, affiliates and funds, i.e. ICIEC, ICD, IBP, UIF, IDB Infrastructure Fund, APIF and WWF. It is basically divided into four major themes focused on (i) long-term public and private sector financing; (ii) partnerships for development; (iii) global outreach; and (iv) managing for development effectiveness. Trade financing activities are covered separately in Chapter 3, but are included in Table 2.1, which presents a consolidated view of IDB Group operations. The IDB operations reported in this Chapter mainly deal with development assistance covering project financing and technical assistance operations and grant programmes and operations financed through the Waqf Fund[1]. (Special Assistance Programme, including emergency and relief operations).

II. REVIEW OF POLICIES, INITIATIVES AND OPERATIONS DURING 1426H

The IDB Group Strategic Framework, which was adopted during 1424H, led to the development of a five-year operational plan for the period 1426H-1430H. In implementing this plan, the Bank's development assistance aims to focus on four major operational themes: (i) development effectiveness, with a special focus on poverty alleviation by better alignment of Bank's assistance with member countries' development strategies; (ii). strategic partnerships by enhancing cooperation with development partners to achieve greater development impact; (iii) operational efficiency through measures that will result in timely implementation of approved operations and faster disbursements; and (iv) client-focus through stronger field presence in order to improve responsiveness and service delivery. Greater synergy and impact of assistance by the IDB Group is to be achieved through improved sectoral focus and selectivity.

1426H was the first year of implementation of the IDB's five-year operational plan. In order to support implementation of the plan, the Bank put in place a major project portfolio quality improvement programme and

[1]The Waqf Fund is a trust fund set up in 1399H (1979) for financing IDB grant programmes, namely, the Special Assistance Programme (in member and non-member countries), IDB Scholarship Programmes, Technical Cooperation Programme (TCP), Islamic Research and Training Institute (IRTI), Technical Assistance operations, LDMCs Special Account, and Saudi Arabia's Project for the Utilisation of Hajj Meat.

Table 2.1
Net Financing of IDB Group by Major Categories (1424H-1426H and 1396H-1426H)

	1424H			1425H			1426H			1396H - 1426H		
	No.	ID million	$ million	No.	ID million	$ million	No.	ID million	$ million	No.	ID million	$ million
I. Project Financing from OCR *of which*:	119	804.50	1,105.22	152	1,051.98	1,503.93	130	1,000.88	1,463.54	1746	9,381.42	12,599.05
Financing from Sukuk resources	8	103.33	146.73	8	192.32	285.29	1	87.74	125.00	18	435.31	626.83
Technical Assistance	25	8.13	11.24	55	13.58	19.63	48	8.22	12.05	525	150.85	197.41
II. Project Financing by Funds/Entities (UIF, IBP, APIF, ICD, & Treasury)	39	287.87	433.09	43	348.90	522.62	57	538.07	776.76	297	2,667.85	3,762.23
III. Total IDB Group Project Financing (=I+II)	**158**	**1,092.37**	**1,538.30**	**195**	**1,400.88**	**2,026.55**	**187**	**1,538.95**	**2,240.30**	**2043**	**12,049.27**	**16,361.28**
IV. Trade Financing Operations (ITFO, EFS, IBP, UIF, APIF, ICD & Treasury)	116	1,287.59	1,840.80	138	1,891.76	2,809.59	87	1,191.62	1,735.44	1811	18,377.83	24,416.14
V. Special Assistance	45	16.70	23.47	67	13.82	20.51	42	7.68	11.33	1126	472.28	597.33
Overall Financing of IDB Group	**319**	**2,396.66**	**3,402.57**	**400**	**3,306.46**	**4,856.65**	**316**	**2,738.25**	**3,987.07**	**4980**	**30,899.39**	**41,374.76**

has adopted new procurement guidelines to improve the efficiency, transparency and equitability of its procurement process, while ensuring greater alignment with best practices. The Bank has also deployed additional resources for project implementation follow-up and supervision, through enhanced field presence and dedicated follow-up field visits by IDB headquarters staff as well as Regional Offices staff.

In order to align its assistance with the emerging needs and development priorities of member countries, the Bank undertook a major review of its financial products[2]. As a result, the Bank launched in the second half of 1426H a new set of ordinary financial products by upgrading its ordinary financing modes in response to member countries' needs and expectations. The new features of financial products are presented in Box 4.1 of Chapter 4.

Capacity building is central to development effectiveness. In addition to project financing, the strengthening of local institutions is now widely recognized as an essential element to achieving development effectiveness. A major area of focus of IDB's capacity building is to enhance technical and economic cooperation among member countries. During 1426H, the Bank began implementing the 'Capacity Building Programme for OIC Countries', which aims to facilitate the exchange of expertise among member countries, especially to enhance institutional capacities in least developed member countries (see Box 2.1).

Towards the end-1426H, in response to the devastation caused by the massive earthquake in Pakistan, the IDB announced at a donors conference held in Islamabad in November 2005 a major programme totalling $501.6 million to assist in the recovery and reconstruction phase. Details of this initiative are given in Box 2.2.

The harmonization process continued to gather momentum during 1426H following the Paris Declaration on Aid Effectiveness adopted at the High Level Forum on Aid Effectiveness (HLF-2) held in Paris in March 2005. The Bank was actively involved in the preparatory process leading up to HLF-2 and hosted the regional consultation on harmonization and alignment targeting the Middle East and North Africa region, which ultimately fed into HLF-2[3]. Held in

[2]In April 2005, the Bank hosted in its headquarters a meeting of high-level officials from member countries to review the terms and conditions of its ordinary financing products. The meeting, which targeted mainly non-LDMCs as these are the main users of ordinary financing, was attended by representatives from Algeria, Bangladesh, Egypt, Indonesia, Iran, Jordan, Morocco, Oman, Pakistan, Tunisia and Turkey. Some Executive Directors also participated in the meeting.

[3]HLF-2, which builds on the Monterey Consensus on Financing Development (2002) and the Rome Declaration on Harmonization (2003), aims at improving aid effectiveness through greater country ownership, donors alignment with country priorities, harmonisation of donors procedures, results-focus and mutual accountability. In addition to identifying qualitative objectives, the Paris Declaration spells out specific quantitative targets to be used as key indicators of progress.

Box 2.1
Capacity Building Programme for OIC Countries

Launched in Kuala Lumpur in December 2004, the 'Capacity Building Programme for OIC Countries' aims at improving the performance and poverty alleviation impact of key sectors in selected least developed member countries. The Programme is overseen by a Steering Committee comprising 18 OIC countries: Algeria, Bangladesh, Brunei, Egypt, Indonesia, Iran, Jordan, Kuwait, Morocco, Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Senegal, Turkey, UAE and Yemen; in addition to the OIC Secretariat and the IDB.

Phase I of the Programme is targeting (i) the fisheries sector in Bangladesh; (ii) the oil sector in Mauritania; (iii) the palm oil industry in Sierra Leone; and (iv) small enterprises and microfinance in Aceh province in Indonesia. IDB has earmarked $24 million towards the financing of these four pilot projects, which are described below:

Sierra Leone (*Capacity Building for the Palm Oil Industry*): The project seeks to improve the competitiveness of the palm oil industry in Sierra Leone and comprises 6 components: (i) experts to be provided by Malaysia; (ii) training and supply of tools and inputs; (iii) support to extension services; (iv) equipment and vehicles; (v) support to marketing; and (vi) project management unit and audit. The total cost of the project is estimated at $9 million, of which IDB will provide a Loan of $5.6 million and $0.4 million in grant, Malaysia will provide $2 million, and the Government of Sierra Leone will contribute $1 million. The project will be completed in 3 years, starting from January 2006.

Mauritania (*Exploration of Oil and Mineral Resources and Capacity Building in the Administrative, Planning and Management Functions*): The project aims at strengthening the capacity of the Government of Mauritania in the fields of strategic planning and the emerging oil sector, with a view to linking oil revenues to poverty reduction programmes. The project is to be implemented through a quadripartite partnership involving (i) the IDB (ii) the Government of Malaysia (iii) the private sector (Petronas) and (iv) the Government of Mauritania. The project will assist in formulating a policy and procedural framework for the effective management of oil resources and their revenues, including the establishment of a national oil company. The first phase of the project is estimated at $6 million, of which IDB will provide $4.3 million, comprising a Loan of $4 million and a grant of $0.3 million. The project is expected to be completed in 2 years.

Bangladesh (*Capacity Building for the Fisheries Sector*): The main objective of the project is to build the capacity of the Department of Fisheries to properly monitor, control and undertake surveillance on Bangladesh's marine fisheries resources. The project scope encompasses (i) procurement of a research and survey vessel; (ii) procurement of equipment for survey including equipment for MCS hardware and VTMS (Vessel Tracking and Monitoring System); (iii) project start-up workshop; (iv) project financial auditing; (v) training including field visits; and (vi) setting up of project management unit (PMU). The total cost of the project is estimated at $12.79 million, a large portion of which involves the acquisition of a marine survey vessel. IDB will provide a total financing of $9.57 million, inclusive of a grant of $0.29 million, and a Loan of $9.28 million. The project is to be completed over a five-year period.

Indonesia (*Capacity Building for the Development of Small Enterprises and Microfinance Scheme*): This project aims to assist the tsunami victims in the Aceh province through a capacity building programme in microfinance. The project cost is estimated at $1.6 million, of which IDB's contribution amounts to $1.5 million, including a pilot microfinance line of $1.2 million that will provide seed capital to selected microfinance institutions who will also benefit from a capacity building technical assistance grant of around $0.3 million.

Phase II of the Programme is expected to include 8 projects in Burkina Faso, Comoros, Guinea, Jordan, Maldives, Palestine, Senegal and Somalia.

February 2005, in partnership with the OECD-DAC and the World Bank, this meeting gathered high-level representatives from a number of IDB member countries, members of the Coordination Group[4] and delegates representing AfDB and IFAD. In addition to showcasing the harmonisation experience of the Coordination Group, the meeting provided a unique opportunity to share knowledge and lessons on country-level harmonisation experiences and develop a common understanding of the harmonization process and expected deliverables.

During the past three years, the IDB Group experienced rapid expansion and diversification of operational activities. In 1426H, Group operational activities underwent consolidation through a strategic shift

[4]Established in 1975, the Coordination Group is an aid coordination forum of Arab national and regional development aid institutions, in addition to two institutions where Arab countries are the main shareholders. The current members of the Coordination Group are (in alphabetical order): the Abu Dhabi Fund for Development, the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa (BADEA), the Arab Gulf Programme for United Nations Development Organisations (AGFUND), the Islamic Development Bank, the Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development, and the Saudi Fund for Development.

Box 2.2
IDB Supports Earthquake Recovery in Pakistan

Following the massive earthquake that devastated parts of Pakistan on 8 October 2005, particularly, in the areas of Azad Jammu and Kashmir and the North West Frontier Province, IDB approved, in two stages, an assistance programme totalling $501.6 million to assist the Government of Pakistan in the reconstruction of the areas affected by the earthquake.

In view of the widespread devastation and human suffering caused by this cataclysm, which resulted in the loss of up to 73,000 lives, 100,000 people injured and 2.8 million people made homeless, the Bank responded by announcing a substantial commitment to support the recovery and reconstruction efforts. IDB's assistance includes $81.6 million in concessional financing, of which $1.6 million is in the form of grant and $80 million Loan financing on highly concessional terms to support a community-driven housing reconstruction and rehabilitation project. The other components of the pledged financing are $220 million in ordinary financing and $200 million in trade financing facility on soft terms.

towards greater operational efficiency and development effectiveness. For the first time in many years, the total IDB Group annual approvals for development assistance exceeded those for trade financing operations. In 1426H, the share of IDB Group's project financing and trade operations stood at 60 percent and 40 percent, respectively, of the total Group financing.

During 1426H, the total IDB Group project financing grew by 9.9 percent to reach ID1,538.95 million ($2,240.3 million)[5]. Despite strong growth of net approvals during 1425H,[6] project financing from ordinary capital resources (OCR), excluding those financed from Sukuk resources, increased from ID859.66 million ($1,218.63 million) in 1425H to ID913.14 million ($1,338.54 million) in 1426H, which represents a growth of 6.2 percent (see Table 2.1).

Approvals of projects financed from Sukuk[7] resources declined from ID192.32 million ($285.29 million) in 1425H to ID87.74 million ($125 million) in 1426H. Only one project financed from Sukuk resources was approved during 1426H. This was primarily due to the fact that the first $500 million tranche of Sukuk resources, which was mobilised under a $1 billion medium-term note (MTN) programme, only became available in the latter part of 1426H.

In recent years, IDB Group's trade financing operations have increased at a heightened pace. The Group's trade financing operations grew by 18.3 percent in 1424H and then by 46.9 percent during 1425H to reach ID1,891.76 million ($2,809.59 million). Growth of Group's trade financing operations during 1424H and 1425H was exceptionally high. During 1426H, the Group's trade financing operations totalled ID1,191.62 million ($1,735.44 million), which is a decline of 37 percent over 1425H (see Table 2.1). Compared to 1423H as a base year, the growth of Group's trade financing operations in 1426H was 9.5 percent, which is consistent with its normal growth pattern. The reason for the downturn in 1426H is that the bulk of trade financing operations are in U.S. dollar while they are funded from the OCR, which is ID-denominated, and therefore have to be hedged against currency fluctuations. The Bank is now in the process of implementing Shariah-compliant hedging instruments which will limit exposure to exchange rate fluctuations. The transitory adjustment of trade financing operations in 1426H was necessitated by the requirement to meet statutory and prudential financials in order to maintain the sound balance sheet position of the Bank.

In 1426H, the IDB Group approved 316 operations in 46 member and 16 non-member countries amounting to ID2,738.3 million ($3,987.1 million). These included 82 project financing operations from OCR (including Sukuk resources) totalling ID992.7 million ($1,451.5 million), 48 technical assistance operations of ID8.2 million ($12.1 million), 57 project financing operations by affiliates and funds totalling ID538.1 million ($776.8 million), 87 trade financing operations of ID1,191.6 million ($1,735.4 million), and 42 special assistance operations amounting to ID7.7 million ($11.3 million).

At the end of 1426H, cumulative net approvals of the IDB Group reached ID30.9 billion ($41.4 billion). Share of project financing and technical assistance operations, and trade financing operations stood at 38.9 percent and 59.5 percent, respectively, while special assistance operations received 1.5 percent of cumulative net approvals.

[5]Percentages in this section are calculated with respect to ID values.

[6]In Table 2.1, project financing from OCR increased by 22.6 percent in 1425H. Compared to the growth rate reported in IDB Annual Report 1425H, the change in growth rate of project financing from the OCR for 1425H has resulted from adjustments in the figures for different years on account of revised data on cancellation of approved projects.

[7]Sukuk issues are Shariah-compliant resource mobilisation programme aimed at complementing IDB's OCR through the securitisation of leased assets and the issuance of asset-backed securities.

III. DEVELOPMENT ASSISTANCE BY SECTOR AND REGION

In recent years, IDB member countries, including the LDMCs, have made significant strides in economic growth (see Table 1.1, Chapter 1). There are, however, immense challenges related to policies and initiatives that spur economic growth and create opportunities for the people to live a better social and economic life. In order to address these challenges of development effectiveness there is a need to continuously improve the quality of economic policies and their effective implementation at the national level. As a member of the donor community, IDB and its development partners, especially the multilateral development banks, have been working closely to improve the design and delivery of their development assistance.

The design of IDB Group's development assistance is to assist member country's efforts to accelerate their economic growth and to support their poverty alleviation programmes. In this regard, the Bank's strategic plan identified, inter alia, human development, infrastructure development, and agricultural development and food security, as priority sectors of interventions in member countries. In line with its strategic plan, the Bank has sustained growth in its operational activities.

During 1426H total approvals for ordinary operations (project financing and technical assistance, excluding financing from Sukuk resources) grew by 9.8 percent over 1425H,[8] and reached ID913.14 million ($1,338.54 million) compared to ID859.66 million ($1,218.63 million) in the previous year. However, including financing from Sukuk resources, annual approvals decreased slightly by 2.7 percent from ID1,051.98 million ($1,503.93 million) in 1425H to ID1,000.88 million $1,463.54 million) in 1426H, for reasons explained earlier.

The Bank's net cumulative approvals for project financing and technical assistance, including financing from Sukuk resources, 1426H totalled ID9,381.42 million ($12,599.05 million), covering 1,746 operations in 55 member countries. Of these, project financing accounted for 98.4 percent, or ID9,230.57 million ($12,401.64 million), while technical assistance operations accounted for 1.6 percent, or ID150.85 million ($197.41 million), covering 1,221 and 525 operations, respectively.

1. Distribution of Approved Operations by Sector

In 1426H, the sector-wise distribution of IDB financing was as follows: public utilities - 49 percent; transport and communications - 15 percent; social sector i.e. education and health - 18 percent; agriculture/agro-industry - 6 percent; industry and mining - 9 percent; and financial services and other sectors - 3 percent (see Table 2.2). The cumulative sectoral distribution of approved projects and technical assistance operations, up to the end of 1426H, is shown in Chart 2.1.

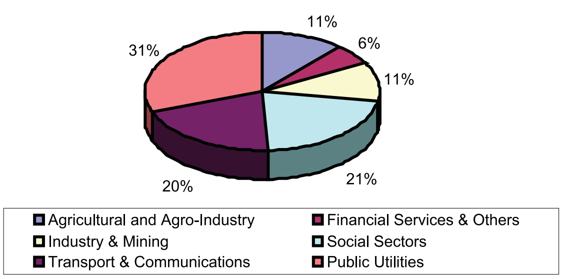
Table 2.2
Sectoral Distribution of Projects and Technical Assistance Financed from OCR

	1422H		1423H		1424H		1425H		1426H		1396H-1426H	
Sector	No.	ID million	No.	ID million	No.	ID million	No.	ID million	No.	ID million	No.	ID million
Agricultural and Agro-Industry	15	39.54	14	79.25	22	116.24	12	59.13	14	60.04	305	1,069.60
Financial Services & Others	14	35.98	17	44.34	17	15.24	43	48.25	40	30.98	241	531.05
Industry & Mining	3	42.07	2	85.93	2	24.68	8	88.06	2	90.73	139	997.34
Social Sectors	41	136.27	36	190.13	35	199.69	44	190.23	39	183.59	472	2,014.84
Transport & Communications	21	164.69	17	133.52	24	257.92	22	299.66	11	143.53	294	1,888.22
Public Utilities	17	182.81	13	144.21	19	190.75	23	366.66	24	492.02	295	2,880.38
Total	**111**	**601.36**	**99**	**677.38**	**119**	**804.52**	**152**	**1,051.99**	**130**	**1,000.89**	**1,746**	**9,381.43**

Investment in infrastructure development, particularly in rural areas, reduces poverty through higher growth

[8]Percentages reported from this section onwards are calculated with respect to $ values

Chart 2.1
Cumulative Sectoral Distribution of Projects and Technical Assistance (1396H-1426H)



in the agriculture sector and increases rural non-farm employment opportunities. In recent years the volume of the Bank's assistance for infrastructure development in member countries has grown rapidly from ID277.73 million ($353.95 million) or 58 percent share in 1423H to ID635.55 million ($928.97 million) or 63 percent share of total net approvals in 1426H. IDB's assistance in infrastructure development targeted mainly power generation; electrification, water supply and sanitation; and expanding road networks, particularly in member countries in Central Asia and Sub-Saharan Africa regions. In addition, IDB assistance to support rural electrification programmes has allowed access to basic services at prices affordable by the poor, thereby improving their quality of life.

The Bank's assistance to the agriculture/agro-industry, in terms of percent share of total net approvals, has declined from a peak of 14 percent in 1424H to about 6 percent in 1426H. Although, the average share of agricultural output in member countries is estimated at 15 percent,[9] yet, over the past decade, both ODA and government expenditure in the agriculture sector have shown a declining trend. To further sensitize member countries on the importance of increasing public sector investments in agriculture and rural development, the Bank and the IFAD jointly organized a seminar on "*Rural Investment and the MDGs*" on the occasion of the IDB Annual Meeting held in Putrajaya in June 2005. The seminar highlighted the need to reverse declining investment trend in the agriculture sector in order to reduce poverty in rural areas. The seminar also recommended greater innovation and flexibility on the part of donors and multilateral development banks in financing agriculture sector development.

The MDG for water supply and sanitation aims to halve by 2015 the proportion of people who lack access to safe drinking water and sanitation. Improving water supply and sanitation is known to reduce mortality and protect health while promoting gender equality, education opportunity and environmental sustainability. From its inception, IDB has been supporting the development of the water sector in member countries. In 1426H, the Bank approved financing of 16 water-related projects and technical assistance totalling $288 million, including 12 projects in 11 countries costing $595 million. Of these approvals, $239 million targeted water supply and sanitation projects in 7 countries. The Bank provided $112 million to support 2 major sanitation programmes costing $257 million in 2 cities in Turkey and 9 cities in Oman. It is also approved $128 million for 5 water supply projects, 3 of which will mainly benefit dispersed rural communities in Cameroon, Gambia and Morocco. In 1426H the Bank approved $49 million to improve irrigation and drainage systems primarily in Sub-Saharan African countries, by targeting rehabilitation projects in Mauritania and Mozambique and supporting greenfield and expansion projects in Burkina Faso and Cameroon (see Annex 2.1).

2. Approved Operations from Sukuk Resources

In order to mobilise additional resources and develop Islamic capital markets, IDB launched its debut Sukuk issue in 1424H which raised $400 million. During 1426H, the Bank mobilised $500 million under the Sukuk medium-term note programme (MTN) of $1 billion. Between 1423H and 1426H, the Bank financed 18 operations from Sukuk resources totalling ID435.31 million ($626.83 million). In 1426H, only one operation was approved from Sukuk resources. Another three operations totalling $195 million were in the processing pipeline in 1426H, but could not be approved by year-end primarily due to the fact that Sukuk resources from the IDB Sukuk MTN programme only became available in the third quarter of 1426H.

During the past two years, global energy prices have increased dramatically, primarily due to rising demand emanating from emerging economies in Asia coupled with refining capacity constraints. A number of major oil producing countries have launched major investment programmes to expand both production and refining capacity to meet the rapidly rising demand. In 1426H, the IDB Group approved financing of $150 million for the Saudi Aramco-sponsored Rabigh Refinery and Petrochemical Project, which is expected to cost $9.9

[9] *"Key Socio-Economic Statistics on IDB Member Countries—Statistical Monograph No. 25"*, 1426H (2005), Economic Policy and Strategic Planning Department, IDB.

billion. IDB is participating in the Islamic tranche of $600 million of this project, of which $125 million is being funded from the Bank's Sukuk resources and $25 million from the Unit Investment Fund. Upon completion in 2009, the project will be able to produce 17.2 million tons per annum of refined products, which is over half percent of the global market, and 2.4 million tons of petrochemicals, representing 2.5 percent of the current global market. With increased global refining capacity, this project will contribute to alleviating the current supply-side constraints.

3. Regional Distribution of Projects and Technical Assistance Approvals in 1426H

During 1426H, 44 member countries and a number of regional and international organisations benefited from IDB financing. These included 21 Asian member countries and 20 African member countries. Table 2.3 presents the regional distribution of the Bank's approvals for 1426H. Concessional financing approved for member countries in the Africa region totalled $227.65 million, which is more than twice the approvals for member countries in the Asia region, which reached $97.46 million.

In 1426H the share of member countries in Asia and Africa of the total amount approved for project financing and technical assistance stood at 63 percent and 31 percent respectively, while the remaining 6 percent went to other countries and regional projects. In cumulative terms, the Bank's total commitment to member countries in Africa and Asia regions reached $5,256.5 million and $6,565.96 million respectively.

Table 2.3
Distribution of OCR Financing by Regions, 1426H

	No. of Operations	ID million	$ million	Share (%)
Concessional Financing				
African Countries	47	154.33	227.65	15.6
Asian Countries	27	65.84	97.46	6.7
Other Countries	2	10.57	15.30	1.0
Regional	19	1.03	1.51	0.1
Sub-total	**95**	**231.77**	**341.92**	**23.4**
Ordinary Financing				
African Countries	9	152.11	225.31	15.4
Asian Countries	22	570.47	827.92	56.6
Other Countries	4	46.52	68.38	4.7
Regional	-	-	-	-
Sub-total	**35**	**769.10**	**1,121.62**	**76.6**
Grand Total	**130**	**1,000.87**	**1,463.54**	**100**

In 1426H, the share of Loan financing of member countries in the CIS region was 14 percent or $41.6 million. Their overall share in total approvals for project finance and technical assistance was 10 percent, covering 5 project finance operations, and 5 technical assistance operations amounting to $1.3 million on grant basis.

IV. DEVELOPMENT ASSISTANCE TO THE LEAST DEVELOPED MEMBER COUNTRIES

The population of twenty-eight least developed member countries (LDMCs)[10] is 441 million, which constitutes about 33 percent of the total population of IDB member countries. Of the 32 countries classified by the United Nations as "low human development"[11], 17 are LDMCs. In many of these countries more than fifty percent of the population lives below the $1 a day income poverty line. At the OIC-level, economic cooperation between relatively developed OIC countries and LDMCs is gaining further momentum with a renewed focus on human development and poverty reduction goals. The Third Extraordinary OIC Summit, held Dhul Qada 1426H (December 2005) adopted Ten-Year Programme of Action which calls for, *inter alia*, the establishment of a poverty reduction fund to be managed by the IDB (see Section VI, Chapter 3).

In recent years the economic growth of LDMCs has steadily increased and reached over 6 percent in 2005 (see Table 1.1, Chapter 1). The developmental challenges faced by LDMCs and progress made in implementing poverty-reducing growth strategies are covered in Section IV.3, Chapter 1. Along with

[10] 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 as are Albania, Azerbaijan, and Uzbekistan.

[11] The human development index (HDI) focuses on three measurable dimensions of human development: living a long and healthy life, being educated, and having a decent standard of living. Thus it combines measures of life expectancy, school enrolment, literacy and income, to allow a broader view of a country's development than does income alone (Source: Human Development Report, 2005; UNDP).

the international development community, the Bank continues to support LDMCs to achieve the various targets of Millennium Development Goals (MDGs). The Bank financing to LDMCs, which is highly concessional, focuses on addressing both the impact and the underlying causes of poverty, while Technical Assistance is provided for institutional capacity building as well as project formulation and implementation. In addition, under the *Declaration on IDB Group Cooperation with Africa,* launched in 1423H (2002), also known as the Ouagadougou Declaration, the Group committed a $2 billion of assistance over a period of LDMCs. This is in line with the Bank's strategic focus on capacity development and institutional building in LDMCs.

Since inception and up to end-1426H, the Bank approved development assistance to LDMCs totalling ID2,808.07 million ($3,749.38 million), representing 46 percent of aggregate financing approved for all types of operations for LDMCs (see Table 2.4). LDMCs share of cumulative Loan approvals represent 70 percent with a total amount of ID1,884.14 million ($2,484.06).

Table 2.4
Net Approvals for LDMCs, 1426H and 1396H-1426H

Mode of Financing	1426H No.	1426H ID million	1426H $ million	1426H LDMCs Share (Percent)	1396H-1426H No.	1396H-1426H ID million	1396H-1426H $ million	1396H-1426H LDMCs Share (Percent)
Loan (Ordinary Resources)	26	154.00	226.81	76.62	370	1,884.14	2,484.06	70.32
LDMC's Loan	13	23.00	33.86	100.00	138	212.81	292.94	100.00
Equity	-	-	-	-	31	68.13	88.89	22.69
Leasing	5	91.04	129.24	23.61	30	328.80	456.63	14.33
Instalment Sale	1	15.04	22.63	17.70	23	138.62	195.58	9.02
Istisna'a	1	1.62	2.30	0.56	8	62.70	84.23	3.48
Profit Sharing	-	-	-	-	-	-	-	-
Technical Assistance	17	5.83	8.55	70.97	296	95.09	122.22	61.91
Line of Financing	-	-	-	-	4	17.78	24.84	7.44
Sub-total	63	290.53	423.39	28.90	900	2,808.07	3,749.38	29.80
Import Trade Financing Ops (ITFO)	10	216.89	318.77	27.87	236	3,027.52	3,962.76	20.63
Special Assistance (Waqf) Operations	3	0.54	0.79	21.80	229	199.49	241.74	61.50
Grand Total	**76**	**507.96**	**742.95**	**28.45**	**1,365**	**6,035.07**	**7,953.89**	**24.70**

five years to support poverty alleviation and human development programmes, as well as to support private sector development in Sub-Saharan African member countries. Moreover, the Bank is providing debt relief to a number of LDMCs within the framework of the enhanced HIPC initiative.

1. Operations in LDMCs

In 1426H, the Bank approved 79 percent of the total concessional financing to LDMCs. In cumulative terms, 72 percent of the total concessional financing was approved to LDMCs. Similarly, LDMCs received 71 percent of the overall amount allocated for technical assistance in 1426H ($12.1 million), while their historical share stood at around 62 percent, suggesting a growing focus on technical assistance operations in

Progress in the implementation of the Ouagadougou Declaration continued in 1426H, albeit at a slower pace. The Bank adopted the Declaration in 1423H (2002) in response to the call for support to the New Partnership for Africa's Development (NEPAD) by African leaders. Under this Declaration, the IDB Group approved $424.2 million in 1426H for development assistance in Sub-Saharan African member countries. After three years of implementation of the Declaration, the Bank Group has approved a total of $1.2 billion for development assistance in Sub-Saharan African member countries, which represents 60 percent of the $2 billion earmarked under the Declaration for the five-year period 1424-1428H. Table 2.5 provides an update on the implementation of the Ouagadougou Declaration.

Table 2.5
Ouagadougou Declaration:
Gross Approvals by IDB Group

($ million)

	1424H	1425H	1426H	Cumu-lative
OCR Ordinary Operations	273.01	258.53	240.83	772.37
Concessional loans	192.48	155.09	179.41	526.98
Technical Assistance	6.44	8.78	6.65	21.87
Ordinary financing	74.09	94.66	54.77	223.52
Other Project Financing by (Entities and Funds)	27.80	8.00	59.70	95.50
Trade Operations	57.46	111.32	123.65	292.43
Grand Total	**358.27**	**377.84**	**424.18**	**1,160.29**

Sectoral distribution of the development assistance approved under the Declaration during 1426H shows that transport and communications and public utilities received the largest shares, with 28 percent and 27 percent, respectively. Agriculture followed with 26 percent and education with 15 percent. Of the $45.6 million approved in the education sector in Sub-Saharan African member countries, one third was earmarked for the Bilingual Education Programme in Niger.

2. Debt Relief

To reinforce its commitments to assist the least developed countries to achieve the Millennium Development Goals by 2015, particularly in the Africa region, the international donors community endorsed the Multilateral Debt Relief Initiative (MDRI) in September 2005. MDRI will cancel the debt owed to the IDA, African Development Fund, and the IMF, while its implications on the LDMCs are analyzed in section IV.4, Chapter 1. At this stage, implementation modalities of MDRI are being developed and, in the meantime, debt relief under the terms of the enhanced HIPC Initiative is being provided to eligible countries[12].

Out of the 38 eligible HIPCs, fourteen are IDB member countries. Of these, eight member countries, namely Benin, Burkina Faso, Mali, Mauritania, Mozambique, Niger, Senegal and Uganda, have reached completion point. Six member countries, namely, Cameroon, Chad, Guinea, Guinea Bissau, Gambia, and Sierra Leone are in the decision point stage, while five member countries, namely, Cote d'Ivoire, Comoros, Somalia, Sudan, and Togo are in the pre-decision stage.

The cost of IDB's share of debt relief under the Initiative is projected at around $150 million (0.76 percent of the multilateral creditors' share) for 14 HIPC-eligible member countries. A breakdown of IDB's debt relief is given in Table 2.6.

Table 2.6
Estimated NPV of Debt Relief by
IDB to Member Countries

Country	NPV Date	IDB NPV[13] Share ($ million)	BED Approval
Benin	Dec. 1998	4.7	Yes
Burkina Faso	Dec. 1999	20.7	Yes
Cameroon	Jun. 1999	1.9	Yes
Chad	Dec. 2000	2.4	Yes
Gambia	Dec. 1999	2.7	Yes
Guinea	Dec. 1999	16.7	Yes
Guinea Bissau	Jul. 2000	11.0	Dialogue
Mali	Dec. 1998	10.5	Yes
Mauritania	Dec. 1998	15.5	Yes
Mozambique	No exposure at Decision Point Date		
Niger	Dec 1999	21.0	Yes
Senegal	Dec 1998	10.6	Yes
Sierra Leone	Dec 2000	1.1	Yes
Uganda	Jun 1999	4.0	Yes

The Bank has approved participation in the HIPC debt relief packages of all its member countries that have reached their decision points, except for Mozambique where the Bank had no exposure at its decision point, and Guinea Bissau where delivery of IDB's share of debt relief is yet to be finalised. IDB's debt relief packages have been implemented for Benin, Burkina Faso, Mauritania, Niger and Uganda, while for Mali, legal agreement for delivery of debt relief are currently under process.

[12]Eighteen countries have reached the "completion" point and are receiving irrevocable debt relief, while 10 countries have reached their "decision" points and are receiving interim relief. The total cost of the HIPC Initiative for 38 countries is estimated by the World Bank at $38.2 billion in 2004 net present value (NPV) terms. Multilateral creditors contribution to the Initiative stands at around 52 percent of the total cost, which is approximately $19.9 billion in 2004 NPV terms.

[13]NPV of debt relief for each country has been estimated at different decision point dates.

V. PROMOTING PRIVATE SECTOR DEVELOPMENT

Beginning early-1980s, de-regulation and economic liberalization measures adopted by the developing countries shifted the role of the public sector as the 'commanding heights' to private sector development as the 'engine of growth'. As a result of these market-oriented reforms, private sector investment in recent years have averaged over 16 percent of the combined GDP of IDB member countries. Recent estimates suggest that the size of the private sector in member countries was over 81 percent of their combined GDP. Furthermore, rapid private-sector led economic growth in some developing countries has resulted in large-scale poverty reduction within a generation. Therefore, supporting the growth of the private sector is critical for sustaining higher economic growth as well as necessary to reduce poverty in member countries.

Private sector development covers a multitude of inter-related issues such as pursuing macroeconomic stability, re-regulation by improving business environment, implementing appropriate legal reforms by addressing matters such as corporate governance, encouraging public-private partnerships in provision of infrastructure services, and broad-based privatization of state-owned enterprises. In this context, the IDB Group promotes private sector growth in member countries through a range of initiatives and channels. For instance, the Bank established the Islamic Corporation for the Development of the Private Sector (ICD) in 1420H (1999) to support private sector growth in member countries. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in 1415H (1994) to facilitate the flow of foreign direct investment in member countries by providing Shariah-compliant insurance and risk mitigation facilities. As affiliates of the IDB Group, both the Islamic Banks Portfolio for Investment and Development (IBP) and the IDB Unit Investment Fund (UIF) were established to promote capital markets and foreign direct investment (FCI) in member countries. The operational activities of these Entities and Funds during 1426H is presented below.

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

During 1426H, ICD approved financing of 26 operations in the private sector totalling $175.69 million, which is an increase of 67 percent over 1425H. ICD financing mainly supported private sector investment in the transport, financial services, healthcare and pharmaceutical and industrial sectors. Since it began operations in 1421H, ICD cumulatively approved 68 projects totalling $406.94 million (net of cancellations).

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

ICIEC performs a critical role in assisting member countries to expand their export base and put in place a favourable environment for FDI by providing export credit and political risk insurance. In line with the strategic plan adopted by ICIEC in 1425H, ICIEC is now providing risk mitigation facilities for promoting the private sector in the LDMCs. As a reflection of its robust commitment to support private sector growth in member countries, ICIEC continued to post growth in its operational activities. In 1426H, new insurance commitments increased by 70 percent reaching $808 million and the business insured increased by 83 percent to $618 million. Aggregate insurance commitments for the period 1417H-1426H totalled $2.4 billion, while total business insured over the same period stood at $1.4 billion.

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

IBP aims to mobilize resources and support to increase intra-trade among member countries. During 1426H, IBP financed 17 operations totalling $317.96 million, of which 15 were trade financing operations amounting to $311.96 million. Since its inception, a total of 305 operations with an aggregate volume of about $4.45 billion have been approved, including syndicated financing initiated by the Portfolio.

4. IDB Unit Investment Fund (UIF)

UIF mobilizes resources through the securitization of its lease and instalment sale assets and complements the Bank's financing of projects and trade operations. In order to strengthen regional capital markets, a policy decision was made in 1426H to allocate an amount up to 30 percent of the Fund's capital to equity investments in local as well as regional markets. In this regard, the Fund is seeking to develop strategic alliances with regional investment banks specialising in asset management. In order to further strengthen secondary market trading of Shariah-compliant facility, UIF is encouraging institutional investors to actively trade units as principals rather than agents or brokers.

In 1426H, UIF approved financing of 20 operations totalling $147.89 million. Cumulatively, UIF committed $1,675.34 million of financing for a total of 185 operations since it began operations in 1412H.

VI. FORGING PUBLIC-PRIVATE SYNERGY FOR DEVELOPMENT

In developing countries, more than 1.6 billion people have no power, 1.2 billion people lack access to potable drinking water, and 2.4 billion are affected by inadequate sanitation. With over 1.2 billion population and the immense resources required to achieve MDGs by 2015, the need to provide public services and develop public infrastructure to underpin long-term growth and reduce poverty is vital for IDB member countries. The last twenty years witnessed a transformation of the traditional government role in the provision of public services. The generally weak performance of the public sector, inadequate public sector investment programme, and technological developments have all combined to induce governments in developing countries to revisit the public enterprise model and, instead, to involve the private sector in the provision of infrastructure services. However, public-private partnerships, while creating synergy for resource generation, pose considerable challenges in terms of building innovative regulatory and financial structures to deal with complex contractual, political, market, and credit risks, and also for developing credible benchmarks to ensure that projects are environmentally responsive, socially sensitive, economically viable, and politically feasible.

Recent data shows that public-private partnerships to provide public services in member countries is becoming significant, though they still constitute only a small share of such activities in the developing countries. Over 1996 to 2002, public-private sector investment in the telecommunications sector in member countries totalled $36.1 billion compared to $259.8 billion in developing countries; in the energy sector - $31.5 billion in member countries compared to $185.6 billion in developing countries; in the transport sector - $14.6 billion in member countries compared to $87.3 billion in developing countries; and in the water and sanitation sector - $4.2 billion in member countries compared to $28.8 billion in developing countries[14]. In order to engender public-private synergy for infrastructure development and poverty alleviation initiatives in member countries, the Bank launched the IDB Infrastructure Fund in 1422H (2001) and the Awqaf Properties Investment Fund in 1421H (2001). The operational activities of these two Funds is presented below.

1. IDB Infrastructure Fund

As a private investment vehicle dedicated to infrastructure development in member countries, the IDB Infrastructure Fund is a prime example of public-private partnership for development. So far, the Fund has committed a total amount of $535.03 million in 12 operations in 8 countries. The Fund's investment has targeted primarily the power, petrochemical and telecom sectors, which together attracted around 80 percent of the Fund's commitments, while the remaining 20 percent are equally divided between the transport and mining sectors.

2. Awqaf Properties Investment Fund (APIF)

Awqaf organizations are not-for-profit entities that are established to oversee, promote, manage, or carry out other activities regarding facilities, projects or properties that are founded as awqaf[15]. Entities for these purposes include trusts, corporations, unincorporated associations or government agencies. In most member countries, awqaf operate under a legal framework. The IDB has been instrumental in reviving awqaf as modern institutions. Established in 1421H (2001), as a trust fund managed by the IDB, APIF invests in awqaf (endowments) real estate properties that are socially and economically desirable. In addition to its own capital resources of $57 million, APIF has access to $50 million IDB Line of Financing and technical assistance of $250,000 to be utilised for supporting expansion of APIF activities. Besides utilising Shariah-compliant modes of financing, APIF in 1426H introduced BOT investment guidelines for participation in real estate investment opportunities of charitable awqaf organizations.

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[14] "*Key Socio-Economic Statistics on IDB Member Countries—Statistical Monograph No. 24*", 1425H (2004), Economic Policy and Strategic Planning Department, IDB.

[15] Awqaf (singular, waqf) is an Arabic word meaning assets that are donated, bequeathed, or purchased for the purpose of being held in perpetual trust for general or specific charitable causes that are socially beneficial. Perpetuity of awqaf has led, over the years, to a considerable accumulation of societal wealth, such that awqaf has become an important economic sector dedicated to the improvement of the socio-economic welfare in member and non-member countries with significant Muslim population. The beneficiaries supported by Awqaf are not limited to a finite list but mainly include poverty alleviation programmes, disaster relief, free health services, imparting religious and contemporary education, heritage, culture, and environment.

During 1426H, APIF approved 8 operations totalling $63.88 million in 8 countries. Cumulatively, APIF approved 39 operations in 8 member countries and 1 non-member country amounting to $198.93 million. Over 75 percent of APIF project financing was based on Leasing mode of financing.

VII. LEVERAGING DEVELOPMENT PARTNERSHIPS

Forging strategic partnerships and alliances with other development partners has been given new impetus by the adoption of the IDB Group Strategic Framework. Historically, the Bank has maintained a close working relationship with the Coordination Group, Islamic banks, and national development financing institutions (NDFIs). However, this relationship has been extended to a broader spectrum of multilateral and bilateral development donor institutions, including United Nations agencies and civil organisations.

1. Co-financing with National Development Funds and Multilateral Development Banks

Collaboration with other development finance partners may be in the form of co-financing (which enhances IDB's catalytic role); sharing of knowledge and information; staff exchanges; joint missions; and joint advocacy and outreach activities (e.g., hosting of workshops and symposia). Participation in consultative group meetings, round table meetings and similar fora, provides an opportunity to further strengthen the dialogue and partnership amongst donors, governments, 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 OECD member (donor) countries, which is intended to improve aid effectiveness through reduced transactional costs and better coordination and delivery of donor assistance to developing countries.

Co-financing, besides strengthening institutional cooperation, also serves to garner additional resources for development assistance to member countries. During 1426H, 15 operations in 12 countries were co-financed with other institutions as shown in Annex Table 2.1. The total cost of development projects supported was $1,688 million, of which IDB contributed 22 percent ($368 million), while the contribution of other development partners reached 44 percent ($745 million) of the total cost.

2. Co-financing with the Coordination Group

As a member of the Coordination Group, the Bank maintains very strong ties with this forum and its members. With over 30 years of existence, the Coordination Group remains a successful model of cooperation for development assistance, and probably a precursor of the current harmonization drive, which basically aims at replicating and up-scaling this model. Based on a collegial approach with a strong focus on "complementarity", the Coordination Group enables its members to better conjugate their efforts in order to increase the impact of their collective assistance to developing countries. This is usually achieved through coordinated country-level activities and the harmonization of procedures. One example of such coordination is the support given to Mali and Niger in the preparation of two important dam projects on the Niger River (see Box 2.3).

Out of the 15 operations co-financed with other donors, 10 (67 percent) were actually co-financed with members of the Coordination Group, representing around 18 percent ($311 million) of the total cost of the projects or 42 percent of the total contribution of other co-financiers.

VIII. GLOBAL OUTREACH

In its development outreach, the IDB Group is a global institution seeking to enhance the social capital of Muslim minorities in non-member countries. The Bank established the Special Assistance Programme in 1400H to assist Muslim communities in non-member countries in the areas of education and health. The Programme also supports emergency relief and recovery operations to communities afflicted by natural disasters or assistance to refugees in post-conflict member and non-member countries. Since the inception of the Programme, assistance to Muslim communities in non-member countries has focused on developing and strengthening institutions involved in educational, social and healthcare activities to help them improve people's living conditions and preserve their cultural identity. These community-based programmes have targeted more than 60 non-member countries.

In 1426H, the Bank approved 40 community-based operations totalling ID7.27 million ($10.82 million) from the IDB Waqf Fund (formerly known as the Special Assistance Account). Ten operations totalling $3.86 million were approved in 8 member countries and 30 operations amounting to $6.96 million were

Box 2.3
IDB's Participation in the Development of Niger River System

With 4,200 km, the Niger is one of the longest rivers in Africa. It flows from Guinea to Mali, Niger and Nigeria. Its basin, which covers approximately 2.1 million km^2, includes 11 riparian states, all of which are IDB member countries.

Although numerous agricultural schemes along the Niger River have been developed, there have hitherto been limited attempts to properly harness its waters, particularly in Mali and Niger. However, for several decades, both of these two countries have been contemplating the construction of two major dams, namely, the Taoussa (previously Tossaye) Dam in Mali, and the Kandadji Dam in Niger. The two projects would enable both countries to produce cheap electricity and agricultural development of more than 100,000 ha, in addition to improving navigation and fish production.

In order to bring the two projects forward and reaffirm the common vision they share for the development of the Niger River, the Governments of Mali and Niger, with the support of the IDB, decided to organize a Roundtable to discuss the financing package with donors. Held on 6 September 2005 at IDB headquarters in Jeddah, this Roundtable gathered the delegations of Mali and Niger led by their respective Prime Ministers, H.E. Ousmane Issoufi Maiga for Mali and H.E. Hama Amadou for Niger, with a number of development partners. These included the IDB, the Niger Basin Authority (NBA), Nigeria, institutions of the Coordination Group (the Kuwait Fund, the Saudi Fund, the BADEA, and the OPEC Fund represented by IDB), the BOAD (West African Development Bank), the FSA (African Solidarity Fund), the FAGACE (African Fund for Guarantee and Economic Cooperation), the ECOWAS Regional Development Fund, the World Bank, the European Union and the Industrial Development Corporation of South Africa Ltd.

The Roundtable endorsed the importance of the two projects in the framework of the Action Plan of the NBA. An understanding was reached on the financing and finalization of the remaining studies for the two projects and various pledges were made for both projects.

approved for Muslim communities and organisations in 17 non-member countries. Details are given in Annex Table 2.2.

Cumulative approvals of Waqf Fund activities with regard to the Special Assistance Programme shows that by the end of 1426H, a total of $597.3 million was approved for 1,111 operations and programmes, of which $384.56 million was approved for 398 operations in member countries and $212.75 million for 713 operations for Muslim communities and organizations in non-member countries. A summary of Waqf Fund activities is presented in Annex Table 2.3.

IX. MANAGING FOR DEVELOPMENT EFFECTIVENESS

Responsive public management of development resources requires a focus on result-oriented delivery of economic services to the people. This issue now occupies centre stage in the implementation of economic development programmes. Development effectiveness means that, at sectoral level, outputs such as construction of new primary schools or rural healthcare centres are also translated into measurable impact on outcomes such as increase in primary school enrolment or reduction in infant mortality. In order to ensure development effectiveness, countries need to formulate coherent sector policies and undertake reforms that lead to institutional and capacity building.

In partnership with other MDBs, IDB has been supporting member countries' efforts to increase the impact of its development assistance in terms of making progress towards poverty reduction goals and improving socio-economic conditions of the people. To achieve greater development impact, the core strategy of the Bank is to design projects that match member country capacity to implement and sustain its activities into the future. In this regard, the Banks follows three inter-related approaches to ensure that its development assistance leads to discernable improvement in the lives of targeted beneficiaries. Firstly, the Bank's post-evaluation of completed projects is the key tool for learning lessons in order to improve the design of future of development assistance. Secondly, to undertake a critical review of portfolio of on-going projects so as to ensure effective implementation and to cancel dormant projects in order to release resources for new financing. Thirdly, to strengthen the role of regional offices and to increase field presence with a view to rapidly respond as well as harmonize with other stakeholders during the project implementation phase. Some of the important developments in these three areas of the Bank's operations in 1426H are presented below.

1. Operations Evaluation

Development evaluation is being increasingly recognised both as a vehicle for evaluating the development interventions and assessing project implementation performance and impact. The Bank has accorded the utmost importance to operations evaluation with a view to improving the impact of its future development assistance. Within this framework, the Bank conducts evaluation of both completed and on-going projects, as well as other areas of operations evaluation, such as Country Assistance Evaluation (CAE), sector or thematic studies, and impact evaluation.

The evaluation reports provide comprehensive analysis of projects in terms of design, implementation, achievement of objectives, performance assessment, and sustainability. The lessons learned are then fed into the project review process of the concerned operational units. Cross-cutting thematic lessons have revealed a number of areas for improvement. These include greater attention to project selection, executing agency capacity assessment, and project follow-up and supervision.

Since 1411H, a total of 287 operations have been evaluated by the Bank, including evaluations of 247 completed projects, 7 on-going projects, 28 special assistance operations, 4 CAE studies and 1 sector study. Information on the number of operations evaluated from 1411H to 1426H are presented in Table 2.7.

Table 2.7
Evaluation of Operations, 1411H-1426H

Year	Completed Projects	On-going Projects	Special Assistance Operations	CAE	Sector Study	Total
1411H-1422H	182	3	10	-	-	195
1423H	13	-	8	1	-	22
1424H	14	2	2	1	-	19
1425H	19	1	4	1	-	25
1426H	19	1	4	1	1	26
Total	247	7	28	4	1	287

The evaluation activities conducted by the Bank in 1426H totalled 26 operations, including: (i) 19 completed projects; (ii) one on-going project; (iii) 4 special assistance operations; (iv) a CAE for Senegal; and (v) one sector study on the land transport (road) sector in West African member countries. Operations evaluation has focused mainly on three sectors, namely, agriculture and rural development (30 percent), health and education (25 percent), and transport (15 percent).

The study on the road sector in 1426H was initiated as part of the new set of activities by the Bank in the area of sector evaluation and thematic studies. The study was based on a comprehensive review of post-evaluated road projects in West Africa in terms of impact assessment and achievement of objectives. The main findings of the study are presented in Box 2.4.

A central element of any project evaluation exercise is to determine whether a project has been successful in addressing the development issue. Previously, three broad categories were considered for rating the performance of completed projects. With effect from 1426H, new criteria for project performance assessment have been adopted to enlarge the previous rating scale to a four-point scale (*highly successful, successful, partly successful, and unsuccessful*). The new rating scale is aimed at ranking the performance of a project in a more objective manner, and more accurately assessing its performance, particularly in a non-profit sector like social services (e.g.. education and health). Project performance is now based on a quantitative assessment of several aspects such as relevance of objectives, implementation effectiveness, efficiency, and sustainability of evaluated projects.

The main factors identified as contributing to the successful implementation of the Bank's development assistance are: availability of sound feasibility studies at the appraisal stage, complemented by appropriate project preparation and design; detailed and comprehensive appraisal reports based on reliable data and achievable targets; provision of timely budgetary allocations and staff for implementing agencies; satisfactory performance of the executing agency in terms of implementation arrangements; effective sustainability actions undertaken by the managing/executing agencies; commitment and ownership of the project by the Government; and substantial socio-economic impact of the project, if compared to its objectives set at the appraisal time.

Dissemination and feedback of evaluation findings, lessons learned, and conclusion 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, Country Assistance Evaluation Studies, and Annual Evaluation Reports to the Board of Executive Directors, concerned executing agencies, and recipient governments. These reports provide findings, lessons learned, and recommendations for necessary action and follow-up.

Box 2.4
Evaluation of Assistance to the Road Sector in West African Member Countries

In West Africa, roads are still the dominant means of transportation. This dominance is particularly due to geographical obstacles to navigation and the weak development of the railway sector. The Economic Community of West African States has the second least integrated road system, with about 3,000 km of missing links out of a total requirement of 10,578 km. The poor road infrastructure continues to be a major impediment to better access to social services and markets.

IDB-financed road projects in West Africa mainly focused on upgrading and rehabilitating national axis and feeder roads, as well as provision of consulting services for construction supervision. Based on the post-evaluated road projects, 77 percent of the total projected road length (2,035 km), or 1,564 km have been actually upgraded/rehabilitated. As at the end of May 2005, the total approvals for all road projects in West Africa included 26 completed and 27 on-going projects amounting to $466 million. Loan and Technical Assistance were the two main modes of financing. The actual total cost of post-evaluated road projects ($381 million) differed slightly from appraisal estimates ($363 million). Implementation delays ranged from 5 to 60 months and were mainly caused by procurement-related problems such as selection of contractors, design changes, and land acquisition.

IDB-financed road projects in West Africa have led, with varying degrees, to higher traffic volumes. But owing to poor maintenance and weak enforcement of axle load control, some roads have deteriorated faster than predicted under design conditions. Many of them also helped boost socio-economic activities in project areas. For example, the Cap Skirring Zinguinchor Road has facilitated the opening up of 10 fishing villages in Casamance. Similarly, the Bobo-Dioulasso-Orodora Road boosted agricultural development in the south-western region of Burkina Faso. The Sevare-Gao Road improved food self-sufficiency in the eastern provinces of Mali through better transport of passengers and freight (commodities and livestock). There are, however, a few cases where the projected road benefits did not materialise.

Some of the road projects helped enhance the institutional capacity of executing agencies. However, short duration consultancy contracts seem to have had little institutional development benefits. The installation of drainage structures and embankments alongside the roads also helped to prevent soil erosion, except for the Pama Fada N'Gourma Road in Burkina Faso where the use of agricultural land and cutting of trees led to settlement issues and soil erosion.

Following are the main lessons learned arising from IDB's assistance to develop road infrastructure in Africa region:

- Assess road projects within an integrated approach to development where they are regarded as complementary inputs to other essential social services such as education, health and water, etc.
- Encourage member countries to extend their road networks so as to reduce missing links and enhance integration.
- Urge neighbouring countries to develop a regional regulatory framework for transit agreements.
- Assist member countries to increase their Road Fund revenue base through toll payment and better tax collection systems.
- Urge beneficiary member countries to effectively enforce traffic regulations and axle load control.
- Subordinate new financing of road projects to the provision of an Action Plan for their future maintenance.
- Provide technical assistance, such as equipments and training, necessary for adequate road maintenance, regional transport initiatives, and explore ways and means to facilitate road transport in West Africa with a special focus on road maintenance and border-crossing facilitation.
- Undertake a thorough assessment of the capacity of the executing agency at appraisal stage.
- Greater focus on project follow-up and supervision to ensure proper and timely execution.

With a view to adding value to its evaluation activities, the Bank jointly conducted CAE studies for Jordan and Tunisia with the World Bank during 1423H and 1424H, respectively. In 1425H, the Bank conducted a joint CAE for Mauritania with the African Development Bank.

Furthermore, the IDB Regional Offices in Rabat, Almaty, and Kuala Lumpur have played an important role in facilitating the conduct of evaluation exercises in their respective countries of constituency. Several projects were post-evaluated in cooperation with the Regional Offices.

2. Assessment of the Portfolio

In the past, there had been a tendency to rely extensively on Executing Agencies to fully undertake the implementation of approved operations. Furthermore, insufficient resources were made available for operations follow-up. As a result, the actual implementation pace of a number of operations significantly slowed down. This situation resulted in a sizeable build-up of the portfolio, which included a number of projects greatly behind schedule. This, in turn, adversely affected the resource availability of the Bank, as a significant portion of financing was committed without actually being disbursed.

Consequently, the Bank took a number of corrective measures at various levels. These included: greater allocation of staff time for supervision activities, the appointment of field representatives to closely monitor project implementation, improving the institutional capacity of Executing Agencies (through the provision of capacity building assistance whenever warranted), and a review of internal procedures, including procurement, to improve efficiency.

Being a period of consolidation, the year 1426H witnessed continued focus on improving the overall quality of the portfolio, as further efforts were exerted to trim down the portfolio of projects that were eligible for cancellation and to speed up the implementation of approved operations. The overall size of the active portfolio (in terms of number of operations) stands at 814 operations as at end of 1426H, corresponding to a total approved amount of ID5,272 million (see Table 2.8). Out of these, 470 operations (representing 54.5 percent of the total amount) are currently in the disbursing category, while the remaining 344 operations (45.5 percent of the total amount) are yet to enter the disbursement stage.

In line with the current project portfolio quality improvement programme, there is now a stronger focus on quality at entry and the timely implementation of projects. To improve the quality of the portfolio, 231 operations valued at ID1180.43 million (representing around 20 percent of the active portfolio at 1426H) were completed between the beginning of 1425H and the end of 1426H, while 40 operations valued at ID473.76 million were cancelled over the same period.

In 1426H, new project implementation guidelines were introduced with regard to post-entry project processing, especially in terms of the observance of post-approval processing deadlines (e.g., signing of financing agreement, agreement effectiveness, first disbursement date). In principle, delayed projects will be liable for cancellation. These new guidelines, which were formally approved by the Board of Executive Directors, are being implemented gradually in order to cope with the fairly large backlog.

During 1426H, total disbursements from Ordinary Capital Resources (including Sukuk projects) totalled ID491.43 million, comprising ID435.08 million for ordinary resources operations and ID56.35 million for Sukuk operations as compared to total disbursements of ID504.18 million in 1425H. This situation may be explained by the fact that in 1424H annual growth in disbursements peaked at 19 percent. Evidently, it was difficult to sustain the same trend during the subsequent years. Overall, disbursements nearly doubled between 1421H and 1426H.

Table 2.8
Evolution of the Portfolio

(ID million)

	1424H		1425H		1426H	
	No.	Amount	No.	Amount	No.	Amount
Active Portfolio	802	4,688.40	805	4,705.92	814	5,272.62
Disbursing	442	2,486.40	449	2,576.56	470	2,873.34
Non-Disbursing	360	2,202.00	356	2,129.36	344	2,399.28
(i) Unsigned	(90)	(753.70)	(100)	(692.74)	(93)	(853.47)
(ii) Signed but not declared effective	(64)	(404.80)	(69)	(445.92)	(54)	(558.21)
(iii) Effective but not disbursing	(206)	(1,046.40)	(187)	(990.71)	(197)	(986.67)
Completed Operations	**702**	**2,929.30**	**821**	**3,517.86**	**933**	**4,109.73**
Cancelled Operations	**193**	**1,216.50**	**213**	**1,431.50**	**233**	**1,690.26**
Grand Total	**1,697**	**8,834.20**	**1,839**	**9,655.28**	**1,980**	**11,072.61**

Note: The above data on number of operations are higher than the actual number of projects as some projects have more than one mode of financing, i.e. each mode is counted as one operation.

3. The Role of Regional Offices and Field Representatives

The original premise for establishing IDB Regional Offices was mainly to follow-up and address on the ground project implementation-related issues. Over the last decade the role of Regional Offices has expanded and now includes: contributing to country and policy dialogue (through closer interaction with governments and partners), aid coordination, maintaining an adequate project pipeline and ensuring project maturity (e.g., availability of counterpart funding), marketing and providing information on IDB products and services, including its policies and procedures, to both public and private sector partners and prospective partners, exploring partnership and co-financing opportunities, and assisting IDB in strengthening its business relationship with the private sector.

The new structural changes that have been taking place in the member countries and the adoption of a more client-focused approach, as captured in the IDB Group Strategic Framework, have led the Bank to enhance its field presence with a view to improve its responsiveness and effectiveness to achieve the over-arching goal of poverty alleviation.

Furthermore, Regional Offices often act as the interface between IDB Governors and Management, as well as between executing/implementing agencies and the various departments of the Bank. They also have an important representational role as they have often represent the Bank and act as its spokespersons in regional conferences, roundtables, workshops and other fora in their respective regions. Regional Offices can also represent the Bank in the board meetings of companies where IDB is one of the shareholders. Over the past few years, Regional Offices have increasingly engaged in trade finance and special assistance operations.

The volume of activities and transactions handled by Regional Offices has risen steadily, especially over the last five years, following greater delegation of authority. Their geographical proximity has made them particularly effective in host and neighbouring countries, namely, Maghreb countries for the Rabat Regional Office; South-East Asian member countries for the Kuala Lumpur Office; and CIS member countries for the Almaty Regional Office.

On the quantitative side, Regional Offices play a key role in increasing the volume of approved operations as well as disbursement levels. On the qualitative side, Regional Offices bring the Bank where it needs to be i.e. closer to its member countries and stakeholders. They provide an invaluable reservoir of indigenous knowledge, which helps the Bank design and implement well-targeted assistance programmes while building a strong long-term partnership with its member countries. Based on this positive experience, and in line with best practice, the Bank is contemplating enhancing its field presence.

X. PROJECT PROFILES[16] BY COUNTRY-1426H

Brief information on projects and TA operations approved during 1426H from the Ordinary Capital Resources of the Bank is presented in Annex 2.2. 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".

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

IDB supported the training programme of 45 traditional midwives in order to reduce infant and maternal mortalities in 45 villages in Savane Region of Togo. The midwives were trained and equipped to perform their services in various aspects of maternal care, prenatal and postnatal counseling, and initial management and referrals of patients in life-threatening situation.

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Annex Table 2.1
Projects Co-financed with other Institutions in 1426H

Country	Project Name	Mode	Total Cost in $ million	(ID million)	($ million)	Co-financier Name	($ million)
Burkina Faso	Soum Hydro Agricultural Development Phase-II	Loan	20.63	7	10.17	West African Development Bank	7.65
Cameroon	Foumban-Mamki Road	Loan	18.88	7	10.99	OPEC Fund	5.49
Chad	Bokoro-Aroutchatak Road	Loan	27.28	7	10.52	Arab Bank for Economic Development in Africa	12.87
Chad	Natural Resources Development and Management in Southern Reg	Loan	37.02	7	10.53	Arab Bank for Economic Development in Africa	9.3
						African Development Bank/African Develop	9.84
Chad	Natural Resources Development and Management in Southern Reg	Loan	37.02	1.7	2.55	Arab Bank for Economic Development in Africa	9.3
						African Development Bank/African Develop	9.84
Iran	Expansion of Bandar Abbas Shipyard	Istisna'a	361.85	25.11	37.67	Miscellaneous	172.21
						Member Countries, Non Local Private Bank	91.97
						Member Countries, Non Local Private Bank	60
Jordan	Paediatric Hospital	Loan	48.25	6	9	OPEC Fund	15.75
						Abu Dhabi Fund for Arab Economic Development	20
Lebanon	Jabal Amel Water Supply	Istisna'a	21.875	9.96	14.573	France Aid Agency	6.728
Mauritania	Agricultural Development Project in West Brakna	Loan	18.9	4	6.04	African Development Bank/African Develop	9.92
Mozambique	The North of Cabo Delgado Province Rural Electrification	Loan	26.19	6.85	9.72	Arab Bank for Economic Development in Africa	8.92
						OPEC Fund	4.85
Palestine	Pilot Support Program in Favour of Needy Families	Loan	30	3.29	5	Saudi Fund for Development	3
						IFAD	3
						Other Non-Member Funds	2.5
Senegal	Senelec 60 MW Power Plant Phase-II	Leasing	29.282	10.59	14.69	OPEC Fund	11.58
Syria	Dier Al-Zoor Combined Cycle Power Plant	Leasing	552.416	70.46	104.166	European Investment Bank	247.72
						Arab Fund for Economic & Social Development	117.667
Syria	C.B. for the State Planning Commission	T.A.	0.454	0.142	0.208	UNDP	0.191
Syria	Dier Ali Combined Cycle Power Plant	Leasing	477.97	79.54	112.04	European Investment Bank	233.812
						Arab Fund for Economic & Social Development	95.863
Tajikistan	Construction and Equipping of Dangara General Hospital	Loan	17.226	7	10.505	OPEC Fund	5.346

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Annex Table 2.2
Special Assistance Operations Financed from the IDB Waqf Fund in 1426H in Member Countries and for Muslim Communities in Non Member Countries

Countries	Project	$ million
Member Countries		
Indonesia	Urgent Relief for the Victims of Nias Island Earthquake 2004	0.200
Iran	Urgent Relief for the Victims of Earthquake in Southern Iran	0.100
Mali	Emergency Assistance to Mali to Help Mitigate the Effects of Drought	0.200
Maldives	Procurement of Medical Equipment for the Thalassemia Screening	0.035
Pakistan	Urgent Relief for the Victims of 2005 Earthquake in Kashmir	0.300
Somalia	Establishment of an Artificial Limbs Centre for the Handicapped in Mogadishu	0.150
Somalia	Expansion of the University of Hargeisa	0.443
Yemen Arab Republic	Orphans Rehabilitation Programme	0.100
Regional	IDB Prizes for Science & Technology – Third Edition	0.330
Regional	Budget of International Centre for Biosaline Agriculture (ICBA)	2.000
Sub-total		**3.858**
Non-Member Countries		
Australia	Construction of Green Valley Islamic College, Green Valley, Sydney	0.285
Bosnia & Herzegovina	Extension of Behram-Begova Secondary Medresa for Girls in Tuzla,	0.294
Bosnia & Herzegovina	Extension and Equipping of the First Bosniak High School in Sarajevo	0.085
Burundi	Construction of a School and a Primary Health Centre, Kyanza	0.180
Canada	Expansion of Regina Huda School, Regina, Saskatchewan	0.288
Canada	Purchasing & Renovation of the New Building of Calgary Islamic Educational Centre, Calgary, Alberta	0.290
Denmark	Construction of Salam School, Arhus	0.350
Ethiopia	Completion of Phase-1 of Al-Furqan National College	0.200
France	Purchasing a Permanent Building for Ibn Rushd High School	0.339
Greece	Extension of the Islamic Secondary School in Komotini	0.293
Guyana	Urgent Relief for the Victims of Flood in Guyana	0.100
India	Construction of Primary & Vocational Training School, Miraj, District Sangli, Maharashtra	0.150
India	Construction & Equipping of a Boys Secondary School and Hostel, Shrikund, Jharkhand	0.150
India	Construction of Industrial Training Institute for Iqra Educational Society, Jalgaon, Maharashtra	0.150
India	Construction of Maulana Abul Kalam Azad Vocational Training Institution, Hallyan, Howrah District, West Bengal	0.150
India	Construction of a Technical Degree College, Bahiyal, District Ghandinager, Gujarat State,	0.172
India	Construction of an Industrial Training Institute, Burhanpur, Madhya Pradesh State,	0.160
India	Urgent Relief for Victims of Earthquake in Jammu & Kashmir	0.100
India	Construction of Hostel at Al-Irfan Secondary School, Khuldabad, Aurangabad, Maharashtra	0.174
Rwanda	Construction of an Educational and Medical Complex in Kigali Sharif Town	0.232
Singapore	Construction of a School Building for Madrasah Alirsyad Al Islamiah	0.295
Tanzania	Construction of Daarul Taqheed Islamic Secondary School, Sumbawanga, Rukwa Region	0.237
Tanzania	Construction of Qiblatain Secondary School, Dar-es-Salam,	0.254
Nigeria	Expansion of El-Kanemi College, Maiduguri, Borno State	0.251
U.S.A.	Completion of Boston Cultural Centre, Cambridge, Massachusetts, (Grant)	0.250
U.S.A.	Completion of Boston Cultural Centre, Cambridge, Massachusetts, (Loan)	0.750
U.S.A.	Completion of Bilal Islamic School Los Angeles (LA), California	0.230
U.S.A.	Renovation and Equipping of Andalusia School Building for the Bronx Muslim Centre, Yonkers, NY	0.250
Serbia & Montenegro	Equipping of the Maternity Hospital in Ulcinj, Montenegro	0.095
D. R. Congo	Extension of the Islamic Secondary School in Kasongo Dist., Maniema State	0.209
Sub-total		**6.963**

Annex Table 2.3
Summary of Operations Approved from the IDB Special Assistance and Waqf Fund for Member Countries and for Muslim Communities in Non-Member Countries

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	2.248	5	4.000	8	6.248
1402H	6	6.313	1	0.700	7	7.013
1403H	4	3.650	3	3.350	7	7.000
1404H	24	57.431	10	5.827	34	63.258
1405H	10	22.357	24	10.717	34	33.074
1406H	4	0.752	20	10.478	24	11.230
1407H	9	7.075	10	4.441	19	11.516
1408H	40	32.233	26	6.907	66	39.140
1409H	11	28.242	24	8.025	35	36.267
1410H	26	47.647	28	6.942	54	54.589
1411H	29	28.459	31	7.378	60	35.837
1412H	25	9.544	44	30.595	69	40.139
1413H	13	15.063	22	4.319	35	19.382
1414H	25	16.581	43	7.701	68	24.282
1415H	7	1.301	29	6.123	36	7.424
1416H	8	5.612	40	7.170	48	12.782
1417H	10	12.897	28	6.750	38	19.647
1418H	11	5.899	39	9.090	50	14.989
1419H	22	3.865	41	9.223	63	13.088
1420H	14	11.989	51	18.574	65	30.563
1421H	13	10.610	26	6.126	39	16.736
1422H	15	6.079	33	7.614	48	13.693
1423H	11	7.128	30	6.382	41	13.510
1424H	16	17.552	31	6.044	47	23.596
1425H	25	10.204	43	10.306	68	20.510
1426H	10	3.858	30	6.963	40	10.821
Total	**398**	**384.559**	**713**	**212.745**	**1,111**	**597.304**
Share (Percent)		**65**		**35**		**100**

Annex 2.1
IDB and Water

Water has always been of central concern in IDB member countries. Early civilisations emerged on the banks of great rivers (e.g., the Nile in Egypt, the Tigris-Euphrates in Mesopotamia). All of these civilisations developed major irrigation schemes to make land productive. By the same token, civilisations collapsed when water supplies failed or were improperly managed. Traditionally, the vast majority of people in IDB member countries have seen their access to this vital resource as an inalienable right that went well beyond rigid economic considerations. But concerns of the past are dwarfed by those of the present century. Fast-growing populations, rapid urbanisation, expansion of irrigation, and pollution of freshwater, particularly in arid and semi-arid regions, are placing unprecedented pressures on the resource. Furthermore, the burden of water-related problems falls most heavily on the poor and has adverse effects on their health, productivity, and quality of life.

From its inception, IDB has been helping member countries to address their water problems, and water projects have been a central part of the Bank's programmes. Indeed, the very first project approved by IDB, in 1976, was a hydropower scheme, Cameroon's Song-Loulou Hydropower Project. Since then the number of water projects in IDB's portfolio has risen steadily, reflecting its growing recognition of the potential of such projects to contribute to social welfare and economic development in member countries.

Water financing historically accounts for 20 percent of IDB's total commitments in project financing and technical assistance. Over the past thirty years, IDB has provided $2.2 billion of assistance to 45 countries through 240 water-related projects worth in excess of $10 billion. Of this allocation, 60 percent targeted water supply and sanitation, while 35 percent was devoted to irrigation and 5 percent to hydropower projects.

IDB's intervention in the water sector has been steadily increasing. Over the years, the relative importance of the three water sub-sectors (water supply and sanitation, irrigation, and hydropower) has changed in response to member countries' changing needs and priorities. For instance, there has been a gradual shift from irrigation to water supply and sanitation projects. This has been especially so in the Middle East and North Africa (MENA), where demand for domestic water supply is increasing rapidly and the potential for expanding irrigation remains limited. Similarly, environmental concerns in recent years have led to increasing demand for financing water pollution control projects (e.g., wastewater treatment plants), especially in MENA, where treated sewage is being increasingly used for irrigation purposes.

In Sub-Saharan Africa, IDB's assistance targeted primarily rural areas, where water supply and sanitation coverage is often low and agriculture is the main source of income (over 30,000 water points and rural water supply schemes were financed in sub-Saharan Africa). As a result, major water components have featured regularly in Bank-financed agricultural and rural development projects. Furthermore, this region has received more than a third of IDB's assistance in irrigation. Unsurprisingly, given its vast hydropower potential, this region absorbed more than half (60 percent) of IDB's assistance in hydropower.

The Bank is also actively involved in Central Asia, where the water sector has attracted around a quarter (27 percent) of IDB's overall assistance to this region. Basically, the Bank's assistance has been equally divided between water supply and sanitation (55 percent) and irrigation (45 percent). IDB's assistance in water supply and sanitation has generally focused on upgrading decaying water-related infrastructures and improving the delivery of water services in both rural and urban areas. Similarly, assistance in irrigation has primarily targeted the rehabilitation of existing infrastructures, including the improvement of drainage conditions.

Over the years, IDB has adopted a new approach by giving greater attention to the social and environmental dimensions of water projects, through increased water users' participation and improved water use efficiency, while ensuring the financial sustainability and sound management of water services through institutional and capacity building. Also, IDB's experience in water-stressed countries has shown that water issues needed to be tackled in a comprehensive or integrated manner to ensure social welfare, environmental integrity and economic productivity.

The World Water Forum (WWF), organised every 3 years, emanated from the initiative of the Marseille-based World Water Council (WWC), a global water policy think-tank established in 1996 to promote awareness and build political commitment on critical water issues. Since its first edition in 1997 in Marrakesh, the WWF has become the world's largest gathering of water policy-makers and professionals. It is a powerful advocacy forum and has been instrumental in putting water at the top of the global development agenda (e.g., Johannesburg World Summit on Sustainable Development in 2002, G8 Summit in Evian in 2003).

IDB has been associated with the WWF since 1999, when it participated in the regional preparatory process that led to the development of the *Arab Water Vision*, which was subsequently endorsed at the 2WWF in March 2000 at the Hague. It has since been actively involved with the organisation of the WWF and has developed close cooperation with many organisations active in the water sector, including MDBs, the African Ministers Council on Water (AMCOW), the Arab Water Council, the Global Water Partnership (GWP), the WWC, and UN agencies and regional organisations with interest in water. IDB was heavily involved with the organisation of the 4WWF held in March 2006 in Mexico, and is currently a member of the Global Task Force, chaired by the OECD Secretary-General, on "*Financing Water for All*".

Annex 2.2
Profile of Projects Approved during 1426H

Country	Project Name	Mode Of Financing	Approval Date	Total Cost in $	IDB Financing		Description (Scope of Work)
					ID	$	
Albania	Construction of Durres Fishing Port	Loan	23/01/2006	10.05	6.13	8.77	Construction of a new fishing port for fishing vessels to berth & from where they can operate safely.
Azerbaijan	Modular Power Stations Construction	Leasing	06/08/2005	148.26	70	99.398	Construction of two 87 MW modular power generating stations at ASTARA and SHEKI to overcome severe shortage of electricity.
Azerbaijan	Construction of Social Infrastructure Facility/internally Displaced Persons	Loan	20/06/2005	14.543	7	10.272	Construction of education and health facilities as well as drinking water supply system to improve the living standards of Internally Displaced Persons.
Azerbaijan	Strengthening the Capacity of the Ministry of Economic Development	T.A.	21/04/2005	0.388	0.175	0.265	Provision of IT equipment and staff training in order to strengthen the institutional capacity of the secretariat for implementation of the state regional development program(RDP) and its ten regional units.
	Gulf Finanace House (Addisional-I)	Equity	23/01/2006	5.899	4.121	5.899	Participation in the equity capital increase of Gulf Finance House.
Bahrain	Water Transmission Project of Al-Hidd Station (Phase-III)	Leasing	27/11/2005	196.78	53.1	77	Supply of potable water from Al-Hidd power and water station to the consumers through installation of pipelines, pumping stations and water storage tanks in a number of areas of Bahrain.
Bangladesh	Integrated Village Infrastructure Development	Loan	23/01/2006	14.781	7	10.374	Implementation of rural road network and related infrastructure that will expand commercial and agriculture activities in the area and generate employment so as to alleviate poverty of the rural population
Benin	Construction of Dormitories at University of Cotonou-Supplementary	Istisnaa	01/12/2005	10.7	1.616	2.3	This supplementary financing aims to fully cover the cost of the remaining components of the project.
Benin	Solar Energy Project (Supplementary)	LDMCs	16/03/2005	4.76	0.62	0.953	To provide electricity to 24 villages at low cost which aims to improve the living conditions of the population.
Benin	Primary Education Development Project-III	Loan / LDMCs	28/03/2005	16.865	10	14.5	Construction and rehabilitation of primary school infrastructure and enhancing the quality of teaching that will further the National Action Plan for education for all.
Bosnia & Herze	Bosna Bank International (Additional-I)	Equity	28/08/2005	300	1.934	2.835	To meet the increase in the BBI share capital.
Burkina Faso	Soum Hydro Agricultural Development Phase-II	Loan	23/01/2006	20.63	7	10.17	Developing 1500ha of the fertile land potential upstream and downstream the Soum Dam. This will sustain the self-sufficiency and poverty alleviation of the country through increased yield and expansion of the cultivated areas.

Burkina Faso	Hydro-Agricultural Development Project in Northern Region	Loan / LDMCs	08/05/2005	14.472	8.75	12.689	The project scope consists of constructing 3 earthen dams for agricultural development and promotion of livestock and fisheries at Andekanda, Liptougou and Pensa and help alleviate poverty.
Burkina Faso	Blindness Control Campaign	T.A.	13/09/2005	0.09	0.041	0.06	To help restore sight to persons suffering from cataract and improve the skills of the local medical personnel in the field of Ophthalmology.
Cameroon	Mokolo-Mora Water Supply (Supplementary)	Loan	12/05/2005	13.42	0.8	1.1	Provision of services such as access to safe and clean drinking water to populations in the extreme north of the country drinking water.
Cameroon	Rural Land Development Project in Mont Mbapit Region	Loan	06/08/2005	11.63	6.51	9.63	To contribute in reducing rural poverty, improving food security and achieving a sustainable management of natural resources.
Cameroon	Rural Electrification	Loan	11/09/2005	10.62	6.54	9.49	Rural electrification program to improve the electricity coverage in rural areas.
Cameroon	Foumban-Mamki Road	Loan	28/03/2005	18.88	7	10.99	Conversion and expansion of existing earth road which links the littoral and southwest provinces of the country to its northern part so as to promote regional integration in the Central African regions.
Chad	Bokoro-Aroutchatak Road	Loan	08/05/2005	27.28	7	10.52	To improve the existing earth road, reduce cost of transport, and enhance regional integration by facilitating trade & commercial exchange between Chad & Sudan.
Chad	Natural Resources Development and Management in Southern Region	Loan / LDMCs	06/08/2005	37.02	8.7	13.08	To sustain food security and poverty alleviation through preservation of the natural resources with focus on the development of the agricultural production in the southern region where the climate is favorable and the labour force available.
Egypt	Workshop & Training Course on Plasma-Technical Alazhar University	T.A.	10/09/2005	0.06	0.024	0.036	The Workshop aims to create awareness among the young scientists & researchers the immense opportunities & benefits the application of plasma technology could offer in the field of information and communications technology.
Gabon	Koumameyong-Ovan Road	Istisnaa	23/01/2006	44.559	31	44.127	Construction of the 53 km long road linking Koumameyong to Ovan both in central Gabon to help improve movement of goods & services between rural areas and economic centers.
Gambia	Health Facilities Expansion	LDMCs	28/03/2005	11.31	1.072	1.54	Construction of 8 new health centers and upgrading of Faraffenni hospital to help improve access of population in rural areas to health services.
Gambia	Provision of 100 Water Points in 4 Divisions	LDMCs	06/08/2005	5.488	3.34	4.875	To improve access to clean potable water for the population living in the rural areas. This will also improve sanitary conditions of the population leading to better health.

Gambia	Brikama Power Station	Leasing / Loan	20/06/2005	40.37	11.83	17.15	The project consists of the supply, installation and commissioning of a 30 MW power plant in a green-field site in Brikama and the erection of a 2 x 5000 metric tone heavy fuel oil storage tank farm on turn-key basis.
Gambia	Health Facilities Expansion	Loan	28/03/2005	11.31	5.928	8.48	Construction of 8 new health centers and upgrading of Farafenni hospital to help improve access of population in rural areas to health services.
Guinea	Reconstruction of Social Infrastructures along the Southern Borders	LDMCs	20/06/2005	4.173	2.55	3.65	Reconstruct and restore social infrastructure so as to provide basic amenities in the region devastated by rebel action along the borders with Sierra Leone and Liberia.
Guinea	Acquisition of Diesel Engine Generators, Phase-I (Supplementary)	Leasing	23/05/2005	28.7	2.936	4.257	Acquisition of diesel engine generator sets of 35 MW. 3 mobile units with capacity 3x3.5 MW along with mechanical & electrical ancillaries, and 3 diesel engine generator sets with capacity 10.8 MW for each. (note: the original project is "GUI 0088")
Guinea	C. B. to the Islamic Bank of Guinea (BIG)	T.A.	06/08/2005	0.444	0.266	0.389	The objective of the project is to improve the management & efficiency of the Islamic Bank of Guinea (BIG) to guarantee its competitiveness within the banking environment in Guinea and the new ZMAO (west African monetary zone).
Indonesia	Integrated Diponegoro University Development	Istisnaa / I.Sale	23/01/2006	40.25	22	33	Enhance the academic and the research facilities, scientific capability and curricula of the integrated Diponegoro university to carry out quality education, advance research and training activities for students in line with the national socio-economic development plan of Indonesia (2018 vision).
Indonesia	C.B. to Improve the Debt Management System	T.A.	29/01/2006	0.349	0.2	0.298	Design and development of a dedicated IT system to monitor & reconcile debt and financial data processed at various levels and strengthening human resources to operate and sustain the system.
Iran	Research Facilities Expansion Faculty of Engineering -Tehran	I.Sale	23/01/2006	69.12	24.28	36.42	To enhance the research facilities and scientific capability of the faculty of engineering- Tehran University to carry out various research activities and to develop partnership with industry mainly in the areas of petroleum, automobile and cellulose (pulp and paper) engineering.
Iran	Expansion of Bandar Abbas Shipyard	Istisnaa	20/06/2005	361.85	25.11	37.67	To construct 2 dry docks and related workshops for ship building & repair of Very Large Crude Carriers (VLCCs) and LNG tankers with a cap. of 300,000 tons so as to reduce reliance on foreign countries for vessels required to export oil and gas, while at the same time creating job opportunities for the skilled labor.

Iran	Training Course on S&T Policy Formulation and Management	T.A.	07/06/2005	0.07	0.034	0.05	The training course aims at imparting the basic knowledge, operational skills and desktop manuals and such other useful material to public and private sector officials who are involved in formulation, planning and management of national S & T policies and strategies.
Iraq	Primary Education Support	Loan / T.A.	23/01/2006	12.91	8.9	12.91	Construction, equipping & furnishing of 15 primary schools in order to implement the Government's basic education system aimed at expanding access and enhancing quality of education and conditions of learning in primary schools.
Jordan	Pediatric Hospital	Loan	20/06/2005	48.25	6	9	Construction of a 200 bedded referral pediatric hospital in Amman with the objective of reducing by at least 2/3rd, the current child mortality rate of 28/1000 by the year 2015 in line with health millennium development goals.
Kazakhstan	Astana Finance	Line	08/05/2005	2.5	1.65	2.5	Extend financing to Small and Medium Enterprises (SMEs).
Kazakhstan	Valut Tranzit Bank	Line	08/05/2005	3.5	2.3	3.5	Extend financing to Small and Medium Enterprises (SMEs).
Kazakhstan	Bank Caspian	Line	08/05/2005	4.0	2.7	4	Extend financing to Small and Medium Enterprises (SMEs).
Kyrgyz Rep.	Strengthening the Capacity of the Ministry of Finance	T.A.	10/08/2005	0.284	0.17	0.247	Financing to upgrade the IT infrastructure and provide adequate training to the technical personnel of the Ministry of Finance by enhancing its disbursement capacity, upgrading its IT infrastructure & providing adequate training to its technical personnel.
Lebanon	Jabal Amel Water Supply	Istisnaa	28/03/2005	21.875	9.96	14.573	Istisnaa Financing to arrange Potable water supply system to 40 towns and villages by re-constructing, extending and inter-connecting the existing water supply systems.
Lebanon	Tripoli Infrastructure	Istisnaa	11/09/2005	46.3	29.8	43.21	Providing potable water; storm water and waste water network and repairing the road networks so as to upgrade Tripoli's crumbling and deteriorating infrastructure.
Malaysia	Expansion of University Malaysia Sabah (UMS) Phase-II	I.Sale	20/06/2005	49.805	15.91	23.069	To develop the existing university into a full-fledged multi-discipline modern university and enhance its capacity to provide its graduates with a modern mix of skills to meet the standards of the current market.
Malaysia	Expansion of the International Islamic University Malaysia (IIUM) Phase-ii	I.Sale	20/06/2005	45.951	19.64	28.471	To develop and expand the existing Int'l Islamic University Malaysia (IIUM) into a full-fledged multi-discipline university combining Islamic sciences with modern medicine and technology sciences under the umbrella of one institution.

Maldives	Micro-finance Project to the Bank of Maldives	Loan /T.A.	28/03/2005	3.6	2.308	3.53	The project aims to provide entrepreneurs with access to appropriate and reliable micro-finance services and help the Government of Maldives in achieving its objectives of creating long-term and short term employment opportunities.
Maldives	Grant for Care Socit	T.A.	29/01/2006	0.213	0.1	0.147	T.A. to CAREe society to promote academic and social learning for disabled youth, and make them independent and effective citizens.
Mali	Construction of the GAO Bridge (Supplementary)	Loan	08/05/2005	5.06	2.3	3.4	Supplementary financing being extended for the construction of a bridge over the river Niger which will link the town of Gao to the trans-Saharan road network and also connect neighboring countries.
Mauritania	Literacy Development Phase-II	LDMCs	04/01/2006	2.02	1	1.44	2nd Phase of the Project to eradicate illiteracy by the end of 2008 AD among a population of 700,000 and consolidate the achievements of the first phase.
Mauritania	Rehabilitation of the Irrigation in Maghama-III	Loan	27/11/2005	5.955	3.29	4.93	Eradicate rural poverty by improving durability of crop production and agricultural productivity in the controlled irrigated areas and thus improve living conditions.
Mauritania	Agricultural Development Project in West Brakna	Loan	20/06/2005	18.9	4	6.04	Increasing agricultural productivity & crop durability and reducing poverty in the rural areas so as to improve farmers' income & living conditions.
Mauritania	C.B. for Poverty Reduction through Effective Resource Management	T.A.	28/01/2006	5.99	2.9	4.23	T.a. To Help Effective Management Of Oil Resources And Enable The Government In Its Endeavor To Fight Poverty And Reinforcement Of The Strategic Planning Function.
Morocco	Construction of Marrakech Agadir Highway	Istisnaa	20/06/2005	196.453	70	106.28	Financing to help link the Marrakech-Agadir highway (233.5 km) within the network located south of the capital with two significant tourist spots of Morocco (Marrakech & Agadir), and ensure the connection with the large economic concentration in Casablanca..
Morocco	Water Supply for Berrechid and Taza Rural Communities	Istisnaa / Loan	08/05/2005	35.21	20.05	30.08	Expanding and enabling access to potable water supply in urban and rural areas Taza and Berrechid provinces, as well as surrounding rural areas to meet the water demand up to 2030.
Morocco	4th International Conference on Magnetic and Superconducting Materials	T.A.	23/07/2005	0.108	0.01	0.015	(i) To review, assess and share information on the new S&T developments in the fields of super-conductivity and magnetism. (2)To share research findings, explore collaboration opportunities and open new frontiers of academic and industrial importance.
Mozambique	The North of Cabo Delgado Province Rural Electrification	Loan	23/01/2006	26.19	6.85	9.72	Power plant to supply hydro-electricity to rural communities in Cabo Delgado province and contribute to the economical and social development of the area.

Mozambique	Rehabilitation of Secondary and Tertiary Canals	Loan / LDMCs	28/03/2005	12.87	7.66	11.51	Project to repair & restore the infrastructure for irrigation, drainage & service roads in about 7000 hectares of land to contribute to national food security, poverty alleviation by bringing by increased area of land under irrigation.
Niger	Franco-Arabic Basic Education Development	Loan / LDMCs	11/09/2005	16.84	10	14.9	The objective of the project is to support 10 year education development program (PDDE) and more specifically to contribute to the qualitative & quantitative development of Franco-Arabic basic education and thus reach the Education for All target by 2015.
Niger	Blindness Control Campaign	T.A.	25/09/2005	0.078	0.034	0.05	The objectives of the campaign is to help the country restore sight to persons suffering from cataract & improve the skills of the local doctors and para-medical personnel in the field of Ophthalmology.
Niger	Capacity Building of the Ministry of Finance	T.A.	12/11/2005	0.227	0.155	0.222	The T.A. aims at improving the public investment program as a decision tool in matters of economic policy options, sector strategies & allocation of public investments among various regions and sectors of the economy.
Niger	Diffa-Nguigumi-Chad Border Road	T.A.	20/06/2005	0.863	0.517	0.76	T.A to conduct Feasibility Study and engineering design including, economic analysis, environmental study, and preparation of the tender documents for the Diffa-Nguigmi- Chad border road project (185 km).
Oman	Raysut Cement Plant (Additional II)	Equity	28/03/2005	69.46	2.99	4.58	Exercise of pre-emptive rights in the capital increase of Raysut cement plant.
Oman	Sewerage Systems Project for Nine Cities	Istisnaa	06/08/2005	183.306	40.152	60.228	Establish a sewage collection network and build a sewage treatment plant and minimize the contamination of underground water resources facilities in major cities of Oman.
Pakistan	Meezan Bank Ltd. (Additional II)	Equity	28/09/2005	0.529	0.358	0.529	To exercise the IDB pre-emptive rights.
Pakistan	International Symposium on Advanced Materials (ISAM-2005)	T.A	15/03/2005	0.095	0.017	0.025	(i) To assess state-of-the-art advanced materials, their industrial production, performance & economics for high tech. engineering (ii) to consolidate and disseminate this knowledge and (iii) to provide a forum for interaction to top scientists and engineers from IDB member countries.
Pakistan	Ghulam Ishaq Khan Institute of Engineering Science and Technology	T.A.	14/09/2005	0.211	0.1	0.147	T.A to enhance the institute's capacity to conduct cutting edge research, specifically in areas related to computer aided design and analysis.
Pakistan	Support the 2005 Earthquake Reconstruction Effort	T.A.	24/01/2006	0.285	0.2	0.285	T.A to assist the government in rehabilitating & reconstructing areas devastated by the earthquake that shook the northern part of north west frontier province of Pakistan and the Azad Jammu and Kashmir (AJK) on 8 oct.2005.

Palestine	Pilot Support Program in Favour of Needy Families	Loan	29/05/2005	30	3.29	5	Provide phased assistance through self-employment to deprived Palestinian families in West Bank/Gaza to improve their living conditions
Saudi Arabia	National Hail Company for Healthcare	Equity	08/05/2005	32.04	1.75	2.67	Participation in the construction of a world-class 150-bed state-of-the-art health facilities being built by the National Hail Company for health care.
Saudi Arabia	Rabigh Refinery and Pertochemical Project	Leasing	27/11/2005	8,561.06	87.738	125	Supply, Installation and Commissioning of the New Core Facilities designed to process extracted crude to higher value products. The Project Entails The Upgradation Of The Existing Refining Facilities And Development Of An Integrated Petrochemicals Complex At The Site At An Estimated Capital Cost Of Us$ 8.561 Billion Thus Diversifying Into High Value-added Products Downstream. IDB will Participate As A Lead Arranger To Cover The Islamic Tranche Financing For A Total Amount Of Us $ 125 Million.
Saudi Arabia	Jeddah Charitable Blood Bank	T.A.	04/01/2006	6.45	0.1	0.144	The project to provide quality blood supplies to public and private hospitals in coordination with the Ministry of health and improve handling blood services, and increase health awareness among people about the benefits of blood donations.
Senegal	Senelec 60 MW Power Plant Phase-II	Leasing	06/08/2005	29.282	10.59	14.69	Supply and installation of a 60 MW diesel power plant to meet the demand of electricity by 2005-2006 in the general inter-connected grid of Senelec, which supplies electricity to Dakar.
Senegal	Integrated Management of Childhood Illnesses, Podor	T.A.	28/08/2005	0.133	0.037	0.054	To reduce child morbidity/mortality in the targeted villages in Senegal.
Sierra Leone	C. B. for Palm Oil Production and Processing	LDMCs/ T.A.	20/06/2005	1.942	1	1.505	T.A. to study ways of improving palm oil production and processing and contribute in food security and poverty alleviation in Sierra Leone.
Sierra Leone	Diversified Food Production	Loan	11/09/2005	11.87	7	10.5	Diversifying production of crops and rearing of animals so as to alleviate poverty and achieve food security in the rural areas.
Somalia	Expansion of the University of Hargeisa	T.A.	06/08/2005	0.495	0.3	0.443	Construction of class rooms, computer lab and a library and acquisition of furniture and equipment so as to improve access to & the quality of education provided by the University of Hargeisa.
Sudan	Khartoum North Power Station Automation Project	I.Sale	28/03/2005	38.887	15.04	22.63	(i) The installation of a new instrumentation & control system, (ii) the upgrading of the fire fighting system of the plant and (iii) the installation of de-sulphurization unit to minimize the negative environmental affects.
Sudan	Elkhuwei-Ennuhoud Road Supplementary	Loan	27/11/2005	16	4	5.8	The supplement financing aims to foster the implementation of the road.

Sudan	Basic Education Development in Darfur States	Loan /LDMCs	23/01/2006	14.37	8.24	12.04	The project aims to increase access to basic education and to improve its quality in Darfur states as part of a wider government's strategy for human resources development and poverty alleviation.
Suriname	Air Navigation System Upgrading	I.Sale	28/03/2005	10.813	6.42	9.438	Procurement of modern air traffic navigation and control systems such as radar and communications equipment so as to improve the safety and operations of civil aviation.
Suriname	Nieuw Nickerie Port Upgrading	Istisnaa	28/03/2005	13.48	7.51	11.04	Re-building port infrastructure and acquiring basic equipment for Port operations and dredging the Nickerie river. This will remove the constraints to the development of trade
Syria	Dier Al-Zoor Combined Cycle Power Plant	Leasing	06/08/2005	552.416	70.46	104.17	Installation of a new 750 MW combined cycle power plant to serve the fast growing, oil producing eastern part of Syria and satisfying the increasing demand for electricity
Syria	Dier Ali Combined Cycle Power Plant	Leasing	27/11/2005	477.97	79.54	112.04	Installation of a new 750 MW combined cycle power plant to serve the fast growing, oil producing eastern part of Syria and satisfying the increasing demand for electricity
Syria	C.B. for the State Planning Commision	T.A	21/08/2005	0.454	0.142	0.208	To develop a new I.T system for the state planning commission for managing, processing and sharing information related to int'l cooperation.
Tajikistan	Construction and Equipping of Dangara General Hospital	Loan	20/06/2005	17.226	7	10.505	Construction of a new hospital and provision of modern medical equipment for the necessary medical services to provide adequate health services to the population of Khatlon region (oblast) and other neighboring regions.
Tajikistan	Reconstruction of Secondary Schools Phase-II	Loan	11/09/2005	13.024	7	10.549	Phase II of the project involves reconstruction of seven secondary schools in 7 selected districts in Tajikistan in order to provide educational facilities for 4,546 students to pursue secondary education, facilitate direct employment for 1000 teachers & staff.
Tajikistan	C.B. of Amonatbank	T.A	23/02/2005	0.323	0.166	0.241	The project will enhance investment capacity of Amonatbank (State Saving Bank) and assist establishment of a training center at the head office to build capacity of the staff (in-house training).
Tajikistan	F.S. of the Construction of 500KV South-North Transmission Line	T.A	26/07/2005	0.323	0.197	0.284	Feasibility study that includes a preliminary design for construction of 500 KV transmission line connecting the northern and southern regions of the country. The electricity generated will support economic development in the northern parts of Tajikistan.

Togo	Rehabilitation and Upgrading of Aflao-Hillacondji Road	Loan	23/01/2006	12.899	7.68	11.349	Rehabilitation of the coastal Aflao-Hillacondji road linking the east and the west borders of Togo to facilitate goods and passenger transport and contributing to regional integration between Togo and the neighboring countries, i.e.: Ghana, Benin, Nigeria, Burkina Faso and Niger .
Tunisia	C.B.of the Tunisian Agency-for Technical Cooperation (TATC)	T.A	17/08/2005	0.148	0.082	0.119	To support the overall government policy aimed at extending technical co-operation aid to Arab and African countries within an overall objectives of boosting the south-south co-operation.
Tunisia	C.B. of the Educational/Vocational Center for Disable (BASMA)	T.A	02/05/2005	0.687	0.185	0.27	T.A. to develop vocational skills of the disabled in order to facilitate their integration in the socio-economic environment & to enhance their employment capabilities so as to make them independent.
Turkey	Yalova and Bolu Sewerage	Istisnaa / Loan	28/03/2005	73.45	35.1	51.6	Building of 3 waste-water treatment plants in the cities of Yalova Andbolu, particularly in poor areas to improve sanitation services and environmental conditions.
U.A.E	Re-Takaful Co. Sponsored by Arab Insurance Group (ARIG)	Equity	06/08/2005	125	6.909	10	Equity participation in establishing a re-Takaful company (re-insurance company) operating under Shariah principles.
Uzbekistan	Construction and Equipping of Secondary Schools	Loan	27/11/2005	12.155	7	10.287	Construction of 13 new secondary schools to help government initiative in improving the socio-economic standards in the rural areas. This will have a tangible effect of providing modern quality education to 4125 students.
Uzbekistan	C.B.of the Ministry of Finance	T.A	23/02/2005	0.322	0.182	0.278	Establishment of a training center under the Fiscal Policy Center (FPC) of the Ministry of Finance.
Yemen Rep.	The Faculty of Veterinary Medicine and Teaching Hospital	Loan /LDMCs	28/03/2005	16.23	8.38	12.15	Construction of necessary building and facilities for the faculty of veterinary medicine and attached veterinary hospital at the University of Thamar.
Yemen Rep.	Study of Water Resources Assessment in Wadi El-Ger	T.A	25/08/2005	0.332	0.181	0.263	T.A to study proposals for optimum water resources utilization and conservation of ground-water potential and surface water resources.
Regional	International Conference on Contemporary Issues in I.T.	T.A	15/06/2005	0.023	0.016	0.023	To formulate recommendations that encourage the development of IT sector in the OIC member countries.
Regional	ISNET Training Course on Environment Monitoring	T.A	06/03/2005	0.045	0.017	0.025	Training program aims at presenting the latest developments in the environmental sector and discuss the possibility of future cooperation on joint environmental studies among OIC member countries. It will enable better understanding of the complexities & importance of environment and meteorological issues.

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Regional	ISNET International Workshop on Space Technology for Peace	T.A	29/08/2005	0.05	0.017	0.025	The Workshop will present state of the art space technology developments relevant to strategic assessment and mapping of land resources, knowledge transfer and information exchange.
Regional	International Workshop on Protection of Coastal & Marine Environment	T.A	13/09/2005	0.04	0.017	0.025	The workshop aims at sharing experience on recent advances in oceanography providing an opportunity for scientists, decision makers, planners & other public/ private stakeholders.
Regional	Regional Training Workshop in Wardam Amman	T.A	27/12/2005	0.04	0.017	0.025	Transfer of know how from participants in Integrated Water Resources Management (IWRM) to participating MENA countries. The 6 day course will consist of lectures, presentations of case studies, and application of specific tools.
Regional	Ministerial Forum on Technological Support and C.B	T.A	02/06/2005	0.035	0.023	0.035	To promote trade and cooperation among African countries and countries of the south and north on the basis of mutual understanding of the concepts of technology transfer & support for Africa's technological capacity building.
Regional	The General Meeting for the Arab NGOs Network, in Kuwait	T.A	02/07/2005	0.759	0.027	0.04	To enhance the role of Arab NGOs and women's organizations in their fight against poverty, and for socio-economic development.
Regional	International Symposium on Genomics, Bio-information Biotechnology & Economic Development	T.A	15/11/2005	0.045	0.031	0.045	The workshop aims at presenting latest developments in bio-technology, discuss technical, health, ethical issues including Sharia compatibility and opportunities for scientific cooperation among OIC countries.
Regional	The 3rd Forum On Investing in Technology in the Arab Region	T.A	03/08/2005	0.15	0.034	0.05	To present a sample of Arab tech. start-ups with world-wide market potential to explain the impact of investment in technology on economic growth; to showcase studies of successful technology development, to establish an informal network between technology leaders & financial investors.
Regional	C.B. for Iraqi NGOs and Women Organizations	T.A	07/08/2005	0.077	0.034	0.05	Training staff members of local NGOs and women organizations to building up their capacity and improve their living standards.
Regional	2nd Meeting of the Panel Eminent Women - Istanbul	T.A	05/09/2005	0.1	0.035	0.052	The panel will enable the IDB to consult experienced women in formulating and implementing its policies and programs by paying greater attention to women needs, concerns and contributions.
Regional	Summer Camp of Excellence in Science & Math for High School	T.A	30/05/2005	0.23	0.04	0.06	The 3-week summer camp that includes science, mathematics & technology lectures, computer courses, panel discussion, field visits and scientific documentation and cultural activities will provide talented female high school students with science and mathematics skills.

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Regional	Africa Days, the 12th COMSTECH General Assembly Meeting	T.A	10/08/2005	0.105	0.041	0.06	High level forum to address the issues raised by the widening S&T gap between the African member countries of the OIC and the rest of the membership through building awareness of S&T decision-makers. Includes an exhibition displaying current technology trends.
Regional	Cawtar's Program for Microfinance and Poverty Alleviation	T.A	10/08/2005	0.07	0.041	0.06	The objectives of the program are to maximize low income Arab women's benefits from micro-finance providers and open to them new market opportunities.
Regional	IDB Advisory Panel of Eminent Women	T.A	13/03/2005	0.187	0.082	0.127	The panel will enable the IDB to consult experienced women in formulating and implementing its policies and programs by paying greater attention to women needs, concerns and contributions.
Regional	F.S. of Establishing a Railway Network between GCC Countries	T.A	21/02/2005	581	0.106	0.15	T.A to conduct a pre-feasibility study for establishing and operating a railway network between the GCC countries. It will assess the viability of the project by identifying its components, cost, environmental impact, economic and social benefits, as well as the financial and economic rates of return.
Regional	Regional Workshop for Sub-Saharan Africa (SSA)	T.A	21/09/2005	0.2	0.137	0.2	To solicit views over a wide range of issues for final consideration in the IDB group 1440 H vision.
Regional	Study for Restructuring the Secretariat General of GCC	T.A	17/10/2005	0.227	0.138	0.2	To assist the secretariat general of the GCC in improving its organizational structure and enhancing its role and operational effectiveness in boosting regional cooperation and integration.
Regional	C.B. to the West African Economic and Monetary Union (UEMOA)	T.A	13/03/2005	0.282	0.178	0.26	T.A to study ways and means of ensuring balanced development of member countries particularly in the areas of infrastructure such as transport, telecommunication, utilities and social sectors.

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CHAPTER 3

FORGING TRADE AND ECONOMIC COOPERATION

IDB extended ID7 million for the construction of Phase-1 of Shagon-Zigar Road in Tajikistan, which was completed in 1426H. The Road runs along 7-km section of the Tajik-Afghan border and passes through one of the most difficult mountainous terrain in Central Asia. For the first time, Tajikistan will have all-weather direct access linking the capital and western parts of the country with the eastern Autonomous Region of Gorno-Badakhshan as well as provide access to Karachi seaport and international highway network via Karakorum Highway.

HIGHLIGHTS

Trade Operations To Date

- ITFO ID14.66 billion ($19.21 billion).
- IBP ID2.01 billion ($2.82 billion).
- EFS ID945.87 million ($1.32 billion).
- UIF ID564.25 million ($794.74 million).

Trade Operations in 1426H

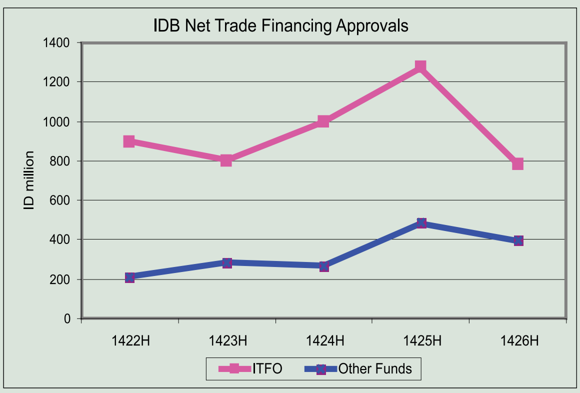
- ITFO ID783.88 million ($1.14 billion).
- IBP ID216.09 million ($311.96 million).
- EFS ID113.51 million ($166.75 million).
- UIF ID70.16 million ($101.29 million).

Establishment of International Islamic Trade Finance Corporation

- Authorized Capital: $3 billion.
- Subscribed Capital: $500 million.

OIC Ten-Year Programme of Action

- Supporting the IDB to Establish a Special Fund for Poverty Alleviation.
- Substantial Increase in the IDB's Authorized, Subscribed and Paid-up Capital.



I. INTRODUCTION

Forging trade and economic cooperation among member countries is part of the major development thrust areas of the IDB. To this end, the Bank's trade financing schemes are specially designed to encourage intra-trade and a number of programmes and procedures are put in place to promote economic and financial relations among member countries. In addition, the Bank actively collaborates with different international and regional organizations particularly the OIC and its affiliated institutions, Islamic banks and national development finance institutions in their programmes and activities that are aimed to promote economic cooperation among its member countries in different fields. During 1426H, the Bank besides consolidating its conventional trade financing activities undertook several initiatives to forge economic and financial cooperation among member countries. The chapter presents an overview of the major efforts and activities of the Bank in these areas during the year.

II. RECENT INITIATIVES TO PROMOTE TRADE INTEGRATION

1. Preparation for the Establishment of the International Islamic Trade Finance Corporation

The IDB Board of Governors approved the establishment of the International Islamic Trade Finance Corporation (ITFC) in its meeting held in Jumad Awwal 1426H (June 2005) marking a turning point in the manner in which the Bank will be performing its trade financing role in the coming years. The ITFC will bring under one entity all the trade financing activities hitherto conducted by the various windows of the IDB (see Box 3.1 for details). During 1426H, the IDB undertook a number of steps in order to bring this new institution into a reality. All the legal and procedural documentations have been completed and the ITFC is expected to commence operations after clearance of Articles of Agreement during the Annual Meeting to be held in 1427H (2006) in Kuwait.

2. Review of Procedures

During 1426H, the Bank approved revised guidelines on the trade financing through syndications and Two-Step Murabaha Financing (2SMF). Funds mobilized from these modes can now be used to finance imports from a broader spectrum of suppliers' origins, an

Box 3.1
Key Features of International Islamic Trade Finance Corporation

The IDB Board of Governors approved the establishment of the International Islamic Trade Finance Corporation (ITFC) in its meeting held in Jumad Awwal 1426H (June 2005). All the legal and procedural documentations have been completed and the ITFC is expected to commence operations after clearance of Articles of Agreement during the Annual Meeting of the IDB to be held in 1427H (2006) in Kuwait. The ITFC will have the following key features and functions:

i. Its Authorized Capital will be $3 billion with a Subscribed Capital of $500 million;
ii. The initial Subscribed Capital will be made up of the existing equity under EFS and IBP;
iii. The IDB Group will maintain a majority shareholding of a minimum of 51 percent and the balance will be held by the member countries;
iv. The new Corporation will consolidate all trade finance activities of the IDB Group and will be the only entity to conduct trade financing;
v. It will be a commercially oriented entity with a development character;
vi. The new entity will undertake fund placement responsibilities as assigned by the member countries.

The major functions of the new Corporation will be:

i. To promote and facilitate intra-trade among OIC member countries using Shariah compliant instruments;
ii. To become a leader in the development and diversification of financial instruments and Shariah compliant products for trade financing;
iii. To facilitate access of member countries and enterprises to international capital markets;
iv. To stimulate development of investment opportunities and enhance export capabilities of member countries;
v. To provide technical assistance and training to local banks in member countries in trade finance related areas;
vi. To offer advisory services to member countries and institutions on matters relevant to its core objectives.

increased basket of currencies and for tenors matching those under ITFO. The limits for approval were also enhanced in order to expedite the financing of trade operations.

3. Assistance to Member Countries on WTO Related Matters

After the establishment of the World Trade Organization (WTO) in 1995, the IDB launched an extensive Technical Assistance Program (TAP) in 1997 for strengthening the human and institutional capacity of OIC member countries and to enable them to better participate in the multilateral trading system. The WTO-related TAP of the IDB consists of a number of activities, such as holding of workshops/seminars on WTO Agreements, organization of Trade Policy Courses, and undertaking of subject-specific studies. The IDB has also been organizing consultative meetings for the OIC member countries as a forum for exchange of views on issues relating to the WTO prior to and after the regular WTO ministerial conferences. In addition, specific technical support is provided to countries acceding or willing to join the WTO.

In 1426H, the Bank undertook eleven different activities to assist member countries on WTO-related matters. These included organizing two seminars, two trade policy courses, one consultative meeting and six WTO specific activities in selected member countries. Details of these activities are presented in Box 3.2.

4. New Initiatives on Intra-Trade

Given the key role of forging trade in economic development, intra-trade plays a vital role in promoting economic cooperation among trading partners. Recently, the Bank took a number of new initiatives to reinforce intra-trade among member countries. Accordingly, 75.3 percent of all ITFO and 100 percent of the EFS operations approved in 1426H were in favour of OIC trade among member countries. In this context, priority was given to financing of non-traditional goods and services.

In order to explore new ways of fostering trade cooperation between member countries, the Bank signed a Memorandum of Understanding (MoU) with the Government of Malaysia on Jumad Awwal, 1425H (June 2004). The MoU covered a broad range of areas with specific objectives of promoting intra-trade and intra-investment. Under a proposed co-financing agreement, a new line of financing will be made available to Malaysian exporters of goods destined for member countries.

The OIC held an Extraordinary Islamic Summit of Heads of 57 Member States in the Holy city of Makkah Al-Mukaramah on 5-6 Dhul Qada 1426H (7-8 December 2005). The Makkah Declaration and Ten-Year Programme of Action, which resulted from the deliberations at the Conference, called upon the

Box 3.2

IDB Support for WTO-related Activities

In 1426H, the IDB organized the following WTO-related activities:

i. Seminar in Arabic, English and French on the State of Play in the Current WTO Negotiations on Agriculture and Non-Agricultural Market Access: Challenges and Opportunities for the OIC Member Countries; Istanbul, Turkey, 29-30 March 2005;

ii. Three-Week Trade Policy Course for Arab Countries Members of the OIC; Tunis, Tunisia, 9- 27 May 2005;

iii. Consultative Meeting for the OIC Member Countries' Permanent Missions in Geneva in preparation for the 6th WTO Ministerial Conference in Hong Kong; Geneva, 15 June 2005;

iv. Ministerial Consultative Meeting on the eve of the Sixth WTO Ministerial Conference in Hong Kong; Hong Kong, 12 December 2005;.

v. Three-Week Trade Policy Course in French; Dakar, Senegal, 23 January - 10 February 2006;

vi. Expert-Level Meeting on Trade Facilitation for the OIC Member Countries, IDB Headquarters, 27-28 September 2005;

vii. Workshop in Russian on WTO Accession for CIS countries in Kyrgyz Republic, 31 January-3 February 2005;

viii. Regional seminar on Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary Measures (SPS) for the CIS Member Countries, in collaboration with the World Trade Organization (WTO), Geneva was held in Baku, Republic of Azerbaijan, 26-27 May 2005;

ix. Participation in the 10th Geneva Week, which was organized in Geneva, Switzerland, 4-8 April 2005;

x. Participation in the 11th Geneva Week, which was organized in Geneva, Switzerland, 14-18 November 2005;

xi. Country-Specific Technical Assistance was provided to Syria by an expert to assist in accession issues.

Member States to sign and ratify all existing OIC trade and economic agreements. The OIC Standing Committee for Economic and Commercial Cooperation (COMCEC) was given mandate to promote measures to expand the scope of intra-OIC trade and to raise it to 20 percent of the overall trade volume during the period covered by the Action Plan (2005-2015).

The OIC Trade Forum was organized as a part of the activities during the 30th Annual Meeting of the Board of Governors of the IDB in Putrajaya, Malaysia which brought together more than 300 business persons from the OIC member countries. The issues covered during the Forum included enhancing intra-OIC trade, harnessing market potentials in the various goods and services sectors, creating business alliances and promoting investment cooperation among OIC member countries. At this forum, the Bank particularly emphasized the need to promote non-reciprocal market access to the LDMCs to promote their trade.

The Trade Negotiating Committee (TNC) set up under the Framework Agreement on Trade Preferential System among the OIC member countries (TPS-OIC) held a special session on the sideline of the 21st Session of the COMCEC in Istanbul, Turkey on 21 Shawal 1426H (23 November 2005). During the session, the Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS) was finalized by the Trade Negotiating Committee (TNC) and submitted to the 21st Session of the COMCEC for adoption and signature by the Ministers of member countries. So far, the Framework Agreement of TPS-OIC has been ratified by 14 member countries[1] while another eight member countries[2] have signed the Agreement but their ratification is still pending. The IDB provided financial support for the TNC meeting.

III. MAIN FEATURES OF TRADE FINANCING

1. Aggregate Financing

During 1426H, the aggregate trade financing approvals stood at a ID1.19 billion ($1.74 billion) as compared to ID1.29 billion ($1.84 billion) in 1424H and ID1.89 billion ($2.81 billion) in 1425H[3]. This downward adjustment in trade financing was necessitated by need to avoid the impact of exchange rate fluctuations on the Bank's ID-denominated OCR balance sheet. Combined net trade financing approvals by ITFO, EFS, IBP, and UIF grew by 16.67 percent in 1424H and 39.33 percent in 1425H (Table 3.1). Maintaining this accelerated trade would have required major reshuffling of the ID-currency basket which in the absence of Shariah-

[1] Bangladesh, Cameroon, Egypt, Guinea, Iran, Jordan, Lebanon, Libya, Malaysia, Pakistan, Senegal, Tunisia, Turkey, and Uganda.

[2] Iraq, Kuwait, Nigeria, Qatar, Saudi Arabia, Sudan, Syria, and United Arab Emirates.

[3] Figure on aggregate trade financing approvals reported in Table 3.1 are not comparable with Table 0.1 as it does not include figures of AFIP, ICD, and Treasury Operations

Table 3.1
Distribution of Trade Financing Approvals from 1397H to 1426H

(ID million)

Year	ITFO[1]		EFS		IBP		UIF		Total[2]	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Till 1420H	943	9,177.66	130	324.62	101	1,065.72	32	134.70	1,206.00	10,702.71
1421H	56	731.56	16	112.90	9	149.72	8	74.86	89.00	1,069.04
1422H	53	896.68	15	108.57	8	66.14	5	35.46	81.00	1,106.84
1423H	64	802.56	3	23.27	14	189.97	10	70.80	91.00	1,086.60
1424H	70	997.91	10	87.44	14	114.55	14	67.89	108.00	1,267.79
1425H	74	1,275.71	18	175.56	15	204.79	14	110.38	121.00	1,766.44
1426H	42	783.88	11	113.51	15	216.09	15	70.16	83.00	1,183.65
Total Net Approvals	**1,302**	**14,665.96**	**203**	**945.87**	**176**	**2,006.99**	**98**	**564.25**	**1,779.00**	**18,183.07**

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

compliant hedging arrangement would have exposed the Bank to untenable currency risk. Nevertheless, the 1426H trade financing was still fairly high and in line with the major upward shift brought about by the Bank in the previous years. Trade financing approvals continued to be in the range of about ID1 billion till 1424H when it gained a new momentum. In this way, the 1426H trade financing approvals were in line with the increased levels achieved since 1421H.

2. Trade Financing Under Import Trade Financing Operations (ITFO)

ITFO is an important instrument developed by the IDB Group with the objectives of facilitating and promoting intra-trade among member countries. In particular, ITFO assists member countries to enhance imports of developmental goods.

Total ITFO approvals in 1426H amounted to ID783.88 million ($1.14 billion) as compared to ID997.91 million ($1.42 billion) in 1424H and ID1.27 billion ($1.88 billion) in 1425H (Table 3.2). The reasons to adjust trade financing approvals are particularly relevant to ITFO financing. These operations being heavily dependent on ID-based OCR have to be adjusted to meet statutory and prudential requirements of the Bank.

Total ITFO approvals in 1426H involved 42 operations in 21 member countries. The distribution by country is shown in Table 3.3. Figures show that 75.28 percent of total approvals were made towards intra-OIC trade which is an improvement over the last two year figures of 72.4 percent in 1424H and 70.3 percent in 1425H (Table 3.4). Annex 3.1 provides a complete list of recipient countries for ITFO approvals during 1426H.

Approvals to Sub-Saharan countries under the Ouagadougou Declaration grew by 22 percent from $95.6 million in 1425H to $117 million in 1426H. In particular, Mauritania, Senegal, Mali, Niger and Sudan benefited more from ITFO approvals during 1426H. However, member countries in the Asia region continue to be the leading beneficiaries of IDB trade financing.

Table 3.2
Comparison between Total Net Approvals & Total Disbursements from 1423H to 1426H

(ID million)

Schemes	1423H		1424H		1425H		1426H	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
ITFO[1]	802.56	725.00	997.91	719.20	1,275.71	1,149.90	783.88	917.83
EFS	23.27	41.00	87.44	40.50	175.56	125.60	113.51	183.51
IBP	189.97	41.00	114.55	25.00	204.79	59.40	216.09	23.72
UIF	70.80	81.00	67.89	83.00	110.38	66.00	70.16	83.78
Total	**1,086.60**	**888.00**	**1,267.79**	**867.70**	**1,766.44**	**1,400.90**	**1,183.65**	**1,208.84**

[1]includes disbursements for 2SMF and Syndication.

Table 3.3
Gross Import Trade Financing Approvals by Country from 1424H to 1426H

Country	1424H		1425H		1426H	
	ID million	$ million	ID million	$ million	ID million	$ million
Algeria	103.29	145.82	13.79	20.00		
Bangladesh	324.55	460.00	294.15	435.00	136.56	200.00
Bahrain	24.52	35.00	33.77	50.00	21.41	32.50
Benin			2.47	3.55		
Burkina Faso			1.70	2.55		
Chad			2.15	3.20		
Egypt	185.06	266.50	218.81	325.00	67.66	100.00
Indonesia	4.38	6.00			17.25	25.00
Iran	163.55	232.19	135.27	200.21	69.30	103.56
Jordan	7.18	10.00	4.61	7.00	4.62	7.00
Kuwait	8.04	12.00	17.25	25.00	75.36	110.00
Lebanon					68.19	100.00
Malaysia	72.94	100.00	6.58	10.00		
Maldives					8.07	11.70
Mali			39.62	61.25	8.12	12.07
Mauritania					27.12	40.00
Morocco					69.14	100.00
Niger	3.50	5.00	6.81	10.00	3.45	5.00
Pakistan	51.76	75.00	220.51	325.00	16.36	25.00
Qatar	3.34	5.00			1.73	2.64
Saudi Aabia	40.16	58.00	147.30	215.00	41.89	60.00
Senegal	20.22	28.64	10.20	15.00	20.37	30.00
Sudan	15.09	21.33	0.66	1.00	19.85	30.00
Turkey	103.54	145.43	90.75	134.00	30.43	44.47
Tunisia	31.15	43.92	74.69	110.00	59.01	85.00
U.A.E			13.57	20.00	21.10	30.00
Yemen			1.36	2.00		
Total	**1,162.26**	**1,649.83**	**1,336.03**	**1,974.77**	**787.00**	**1,153.94**

Table 3.4
Intra-Trade Performance Under ITFO from 1397H to 1426H

Year	No. of Countries	No. of Operations	Amount[1]		Member Country	
			ID million	$ million	$ million	Percent
Till 1420H	60	943	9,177.66	11,616.14	8,503.28	73.20
1421H	11	56	731.56	951.98	772.05	81.10
1422H	14	53	896.68	1,130.50	897.62	79.40
1423H	14	64	802.56	1,061.00	913.52	86.10
1424H	16	70	997.91	1,416.64	1,025.65	72.40
1425H	20	74	1,275.71	1,885.59	1,325.57	70.30
1426H	21	42	783.88	1,143.94	861.11	75.28
Total		**1,302**	**14,665.96**	**19,205.79**	**14,298.80**	**74.45**

[1]Net of Cancellations.

In terms of commodities financed, crude oil and petroleum products still account for the largest single proportion at 37.86 percent of total IFTO approvals during 1397H-1426H. The intermediate goods also figured prominently with 26.17 percent share in the total approvals. The balance was devoted to other import needs of member countries (Table 3.5).

Cumulative approvals under the EFS since its inception in 1408H amounted to ID945.87 million ($1.32 billion) benefiting 19 exporting member countries (Table 3.1). All EFS operations approved are directed towards intra-trade among member countries. Annex 3.3 shows cumulative approvals of operations for both exporting and importing countries during 1408H-1426H.

Table 3.5
Gross Import Trade Financing Approvals by Commodity from 1397H to 1426H

Commodity	1424 H		1425 H		1426 H		1397-1426 H	
	$ million	%	$ million	%	$ million	%	$ million	%
Crude Oil	709.59	43.01	860.00	43.55	275.00	23.83	8,369.21	37.86
Refined Petroleum Products	17.00	1.03	135.00	6.84	390.00	33.80	1,695.80	7.67
Industrial Intermediate Goods	466.64	28.28	533.73	27.03	364.71	31.61	5,785.16	26.17
Rice and Wheat	254.50	15.43	200.00	10.13	25.00	2.17	967.32	4.38
Others	202.10	12.25	246.04	12.46	99.23	8.60	5,285.54	23.91
Total	**1,649.83**	**100.00**	**1,974.76**	**100.00**	**1,153.94**	**100.00**	**22,103.03**	**100.00**

In order to supplement the resources available in the traditional form of share capital and retained earnings, the IDB often mobilizes resources from the market to fund trade operations in member countries. In 1426H, a total of $562 million was mobilized, representing 49.1 percent of the total approved financing for the year. This represented an increase of 2.9 percent compared to mobilized funds of $546 million in 1425H. The increase in the proportion of non-OCR financing shall be the way forward for the IDB and its resource mobilization drive and will be expected to gain even greater prominence under the ITFC.

3. Trade Financing Under Different Funds

- **Export Financing Scheme (EFS)**

Total approvals under the EFS, which is a suppliers' credit scheme, amounted to ID113.51 million ($166.75 million) for 11 operations in 1426H. Adjustment in EFS growth was also necessitated by similar factors mentioned in the case of ITFO. The EFS approvals had grown at a very high rate over the past two years, rising from ID23.27 million ($31 million) in 1423H to ID87.44 million ($121.8 million) in 1424H and ID175.56 million ($261.5 million) in 1425H (Table 3.1). The approvals for 1426H were fairly in line with the trend of the past two years. Table 3.6 shows the net approvals by exporting countries in 1426H and Annex 3.2 provides a complete list of EFS approvals by country during 1426H.

Table 3.6
EFS Approvals by Exporting Countries in 1426H

Countries	ID million	$ million
Indonesia	4.25	6.50
Kuwait	85.28	125.00
Malaysia	20.00	29.30
Saudi Arabia	3.98	6.00
Total	**113.51**	**166.80**
Details in Annex Tables 3.2 and 3.3		

- **BADEA**

Under the MOU, the IDB manages a $50 million fund as a Mudarib, which is used to finance exports of goods from Arab countries to the non-Arab members of the African Union. In 1426H, a total of $13.7 million was approved under this scheme in favour of two countries (Mauritius $9.7 million and Cape Verde $4 million) as listed in Table 3.7. Since the commencement of the scheme in 1419H, $133.3 million has been approved covering 22 operations in 11 member countries.

The Bank has finalized new arrangements with BADEA aimed at increasing the total amount of funding made available under this scheme. This follows the successful implementation of the scheme by the IDB and more financing will be required as trade financing takes a new form following the establishment of the ITFC. The increased financing to be made available under the BADEA scheme will be implemented in 1427H.

Table 3.7
BADEA- EFS Operations Approved from 1422H to 1426H

Year	Exporting Country	Importing Country	$ Million
1422H	Arab Countries	PTA Bank Kenya	4.70
	Arab Countries	Senegal	5.00
Sub-total			**9.70**
1423H	Arab Countries	Mauritius	5.00
	Arab Countries	PTA Bank, Kenya*	2.50
	Arab Countries	Afreximbank*	15.00
	Arab Countries	Seychelles	4.80
Sub-total			**27.30**
1424H	Arab Countries	Zimbabwe	4.90
	Arab Countries	Senegal	5.00
	Arab Countries	Mauritius	9.70
	Arab Countries	Kenya	5.00
	Arab Countries	Gambia	4.90
Sub-total			**29.50**
1425H	Arab Countries	Angola	5.00
	Arab Countries	Tanzania	4.80
	Arab Countries	Seychelles	5.00
	Sub Total		14.80
1426H	Arab Countries	Mauritius	9.70
	Arab Countries	Cap Verde	4.00
Sub-total			**13.70**
Grand Total			**95.00**

- **Islamic Banks Portfolio for Investment and Development (IBP)**

As a part of its efforts to promote trade among member countries, the IBP approved a total amount of ID 216.09 million ($311.96 million) covering 15 trade operations in 1426H, which showed a marginal increase over ID204.79 million ($308 million) approved in 1425H (Table 3.1).

- **Unit Investment Fund (UIF)**

UIF complements IDB's ordinary operations by financing projects and trade operations. In 1426H, UIF approved a total amount of ID70.16 million ($101.29 million) covering 15 trade operations, compared to ID110.38 million ($166 million) approved in 1425H (Table 3.1).

IV. TRADE COOPERATION AND PROMOTION PROGRAMME (TCPP)

The Trade Cooperation and Promotion Programme (TCPP) is another integral part of the IDB trade financing framework. It was established in 1415H (1994) with the primary objective of enhancing intra-OIC trade through promotion and facilitation of trade cooperation and capacity building. Since its inception, TCPP has been very active in the areas especially in rendering support to member countries in the promotion of capacity building for exports.

In 1426H, the IDB through TCPP provided support to member countries towards several trade promotion activities and capacity building, which showed a significant increase compared to activities supported in 1425H as listed in Box 3.3.

V. FUTURE ORIENTATION OF TRADE OPERATIONS

As indicated earlier, the underlying reason for the strategic shift in the manner in which IDB conducts trade financing is geared towards improving the current operations environment. With the establishment of the ITFC, no more trade financing will be undertaken through the existing windows of the Bank. One of the main objectives is to consolidate IDB Group's trade operations under one entity in order to achieve synergy through impact on further enhancing intra-trade among member countries.

In addition to its share capital, the ITFC will be benefiting from an annual allocation of $1 billion from the IDB in the form of a fund placement to enable the new Corporation make the desired impact in the member countries' trade financing needs and towards the goals of intra-OIC trade growth. Since the ITFC will be private sector driven, the proposed placement of specific purpose funds by the member countries will ensure that the developmental objectives of the IDB Group remain fulfilled. Resources mobilization from the financial markets such as syndications, 2SMF and co-financing will also complement trade financing operations of the new Corporation.

Box 3.3
Major TCPP Activities in 1426H

Trade Fairs

i. First Fair on Foodstuffs industries in OIC member countries, Algiers, Algeria, 18-19 April 2005;
ii. Expo 2005, Damascus, Syria, 5-9 September 2005.

Seminars/Workshops and Meetings

i. Workshop on Trade on Cotton among OIC member countries, Ouagadougou, Burkina Faso, 17-20 April 2005;
ii. Meeting on Arab Trade Development Mechanisms, Cairo, Egypt, 20-21 April 2005;
iii. Forum on trade and counter-trade between CIS and other OIC member countries, Almaty, Kazakhstan, 27-28 April 2005;
iv. OIC Business/Trade Forum, Kuala Lumpur, Malaysia, 20-21 June 2005;
v. 76th Session of the Economic and Social Council of the Arab League, Cairo, Egypt, 5–8 September 2005;
vi. World Islamic Economic Forum, Malaysia, 1-3 October 2005;
vii. Seminar on IDB Financial Services, Dubai, 2 October 2005;
viii. 9th International Business Forum, Jeddah, Kingdom of Saudi Arabia, 2-3 October 2005;
ix. Seminar on Arab Export Promotion Centres and the role of IDB, Cairo, Egypt, 22-23 November 2005;
x. 6th International Conference on Islamic Economics and Finance, Jakarta, Indonesia, 21–24 November, 2005;
xi. Seminar on IDB Financial Services, Manama, Bahrain, 28 -29 December 2005;
xii. Seminar on IDB Financial Services, Dhaka, Bangladesh, 24 January 2006.

Training Courses

i. Training on Quality Control, Bamako, Mali, 26–29 December 2005;
ii. Training for Sudanese International Trade Point, Cairo, Egypt, 15–19 January 2006;
iii. On-Job Training for CIS Chambers of Commerce, Istanbul, Turkey, January 2006.

VI. IDB'S COOPERATION WITH THE OIC AND RELATED INSTITUTIONS

As a manifestation of its mission to promote socio-economic and commercial cooperation among its members, the IDB actively collaborates with the Organization of the Islamic Conference (OIC) and its subsidiary organs and affiliated institutions.

1. Cooperation at the OIC Level

Besides working closely with the OIC Secretariat on matters related to socio-economic development of member countries, the Bank has on-going relationships with the OIC institutions such as the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC) in Ankara; the Islamic Centre for Development of Trade (ICDT) in Casablanca; the Islamic University of Technology (IUT) in Dhaka; and the Islamic Chamber of Commerce and Industry (ICCI) in Karachi. The cooperation between them and the IDB includes joint studies, exchange of information, research and training activities; participation in joint working groups, task forces, and activities related to the Islamic Conference of Foreign Ministers (ICFM), and the Islamic Conference Summit. In addition, the Bank participates in Consultative and Sectional Committee meetings on the periphery of the annual Standing Committee for Economic and Commercial Cooperation (COMCEC) and the Islamic Commission for Economic, Cultural and Social Affairs (ICECS).

OIC member states have approved a number of multilateral agreements to facilitate and forge greater economic cooperation in areas such as economic, commercial, guarantee of investments, trade preferential, civil aviation, telecommunication, and standards and metrology (see Annex 3.5). In line with other OIC institutions, the IDB cooperates in the expeditious ratification of these multilateral agreements. Major cooperation activities at the OIC-level undertaken by the Bank during 1426H are highlighted below.

Third Extraordinary Session of the OIC

The IDB took part in the Third Extraordinary Session of the Islamic Summit Conference which was held in Makkah Al-Mukarramah on 5-6 Dhul Qa'dah 1426H (7-8 December 2005). In preparation of the Session, the Bank also participated in the meeting of the scholars who were invited by the Custodian of the Two Holy Mosques in Makkah Al-Mukarramah from 5-7 Shabaan 1426H (9-11 September 2005) to address challenges, develop vision, and identify the way forward. The Third Extraordinary Session of the OIC adopted a Ten-Year Programme of Action to meet the challenges facing member states. Besides calling for substantial increase in the IDB's capital, the programme assigns a special role to the Bank in a number of areas such as supporting economic development, poverty alleviation in Africa, higher education, and science and technology in OIC member countries. Box 3.4 highlights the key areas of action by the Bank as envisaged in the Ten-Year Programme of Action.

Islamic Conference of the Foreign Ministers.

The IDB participated in the meeting of the Islamic Conference of the Foreign Ministers (ICFM) held in Jeddah on 4 Dhul Qaada 1426H (6 December 2005) to prepare for the 3rd Extraordinary Session of the OIC Summit. The Bank also took part in the 32nd Session of the ICFM, Sana'a, Yemen, 21-23 Jumad Awwal 1426H (28-30 June 2005).

OIC Secretariat

During 1426H, the Bank held discussions with the OIC Secretariat on eight different subjects. These meetings were meant to develop better understanding of the selected areas of cooperation among member countries, and review the implementation of on-going initiatives in areas such as intra-trade, training, illiteracy eradication, health, WTO-related technical assistance, participation in the reconstruction of Afghanistan, emergency assistance package for the damage caused by tsunami in Maldives, assistance for reconstruction and development of war-damaged regions in Sudan, emergency earthquake relief assistance to Pakistan, assistance in the management of the OIC-trust fund for the rehabilitation and reconstruction of Sierra Leone, and cooperation related to the Permanent Inter-State Committee for Drought Control in the Sahel – CLISS.

IDB's Participation in Related OIC Activities

The Bank regularly participates in various fora such as the Islamic Conference of Ministers of Tourism, Expert Group Meetings on Tourism, meetings of the Standing Committee for Economic and Commercial Cooperation (COMCEC), the Islamic Commission for Economic, Cultural and Social Affairs (ICECS), consultative and sessional meetings, and UN-OIC focal points meetings. The Bank's participation includes submission of progress reports and co-financing of seminars, courses and workshops related to trade, economics, health, education, e-commerce, SMEs, capacity building, agriculture, water management, information, communication technology, finance, tourism, and transport. Some of the important events, held during 1426H, in which the Bank played a key role are the First Expert Group Meeting on Tourism, Tehran, Iran 5-8 Jumad Awwal 1426H (11-14 July 2005), the Third High Level Meeting between Malaysia and the IDB, Kuala Lumpur, Malaysia, 1-2 Jumad Awwal 1426H (8-9 June 2005), the Eighth Consultative Meeting for Economic & Trade Cooperation among the OIC Affiliated Organs, held at IDB HQ, Jeddah, 25 Rabi I 1426H (4 May 2005), the 28th Session of the Islamic Commission for Economic, Cultural & Social Affairs, Jeddah, 24-26 Rabi I (3-5 May 2005), the Fourth Islamic Conference of Ministers of Tourism, held in Dakar-Senegal, 18-20 Safar 1426H (28-30 March 2005), and the Second High Level Meeting between Malaysia and the IDB, held at IDB Headquarters, Jeddah,11-12 Muharram 1426H (20-21 February 2005).

2. Cooperation with the Standing Committee for Economic and Commercial Cooperation (COMCEC)

The activities of the COMCEC forum, which is the summit-level body of OIC Economy and Trade Ministers, are of significance to achieving IDB's strategic objectives. This Committee convenes annually to discuss specific agenda prepared by the Follow-up Committee of the COMCEC, which is convened each year. The Bank interacts with the summit-level Committee on a wide range of issues concerning commercial and economic cooperation. During these sessions, the IDB participates in consultative meetings with the OIC and the relevant OIC institutions.

During 1426H, the IDB participated in 21st COMCEC Session, held in Istanbul on 20-23 Shawwal 1426H (22-25 November 2005). The Session reviewed several issues related to economic and commercial cooperation among member countries. It adopted the draft protocol on a Preferential Tariff Scheme (PRETAS) and the framework Agreement on the OIC Trade Preferential System (OIC-TPS). The Trade Negotiating Committee thanked the IDB for its financial support of the First Round of Negotiations and requested its support for future Rounds of Trade Negotiations. The COMCEC welcomed the IDB's role in establishing the International Islamic Trade Finance Corporation, and called on member countries for their support by transferring their shares in the Export Financing Scheme (EFS) to the new institution. The Session noted the positive trend in the intra-OIC trade recorded and entrusted IDB and ICDT to follow up its further expansion. The Session commended IDB's technical assistance on WTO matters to member countries and entrusted the Bank and the ICDT to monitor progress on issues

Box 3.4

Role of the IDB Group in the OIC Ten-Year Programme of Action

The Third Extraordinary Session of the OIC Summit was held in Makkah Al-Mukarramah on 5- 6 Dhul Qadah 1426H (7 -8 December 2005). The Summit adopted a "Ten-Year Programme of Action to Meet the Challenges Facing the Muslim Ummah in the 21st Century". This Programme of Action addresses a number of contemporary challenges in politics and economic development.

The OIC Summit called for immediate implementation of the Programme of Action and supported an enhanced and leading role for the IDB Group to address challenges of socio-economic development. New initiatives related to the IDB Group activities in the Ten-Year Programme of Action are highlighted below:

Supporting the Islamic Development Bank

1. The Conference commissioned the IDB Board of Governors to establish a Special Fund designed to provide assistance in areas such as poverty alleviation, job creation, and combating diseases and epidemics. The Conference also commissioned the IDB Board of Governors to devise a mechanism for financing the Fund.
2. The Conference also commissioned the IDB Board of Governors to substantially increase the IDB's authorized, subscribed and paid-up capital, and to strengthen the International Islamic Trade Finance Corporation which was recently established as an entity of the IDB Group.
3. The Conference urged the IDB to develop new programmes aimed at strengthening cooperation with the private sector, promote investment opportunities, intra-OIC trade and joint ventures in member countries.

Strengthening Economic Cooperation

The Conference emphasised the need to achieve greater economic integration by:

1. Considering the establishment of a Free Trade Area between the member countries and raising intra-trade to 20 percent in 10 years.
2. Promote enhanced cooperation between the IDB and regional and international institutions operating in the economic and commercial fields.
3. Support OIC member countries accession to the WTO, and promote concerted positions between member countries
4. Support expanding e-commerce among the OIC member countries.
5. Coordinate environmental policies and positions of member countries to prevent adverse effects on their economic development.

Supporting Development and Poverty Alleviation in Africa

The Conference stressed the need:

1. To promote social and economic development in African countries with focus on industry, trade and investment, transfer of technology, debt relief, poverty reduction, and eradication of diseases.
2. To support programmes aimed at alleviating poverty and capacity building in the least developed OIC member countries.
3. For donor member countries to cancel bilateral and multilateral debts owed by low-income member countries.

Social Solidarity in the Face of Natural Disasters

The Conference also underlined the need to:

1. Assist countries affected by natural disasters to rebuild their buffer stocks.
2. Develop relief action strategy by supporting coordination between member countries and Islamic and international civil society institutions.

Higher Education, Science and Technology

The Conference urged member countries:

1. To set aside at least 1 percent of GDP of OIC member states towards research and development programmes.
2. To reform educational institutions and curricula at all level to promote creativity, innovation, research and development, and to facilitate exchange of knowledge among member countries.
3. To build national strategies to mitigate brain drain and to assimilate highly qualified scientists within the OIC centres of excellence.
4. To create an OIC Award for Outstanding Scientific Achievements by Muslim scientists.
5. To enhance the IDB scholarship programmes for outstanding students and hi-tech specialists.

related to trade in Services and Trade Facilitation. The Session noted the IDB Group's initiative in launching the Technical Assistance Programme for Promotion of Intra-OIC Investment, and its promotional efforts during the meetings of the World Economic Forum and the 9th International Business Forum. It called upon member countries and OIC institutions to follow-up the outcome of the OIC Economic Conference. Regarding the capacity building programme for poverty alleviation in OIC member countries, the Session entrusted the IDB to monitor programme-related activities and report to the next Session of the COMCEC. The Session also decided that "Capacity Building on Facilitation of Trade and Investment" will be the theme for an exchange of views at the 22nd COMCEC Session and requested an IDB report on the results of a workshop on the theme.

3. Cooperation at the COMSTECH Level

The development of scientific and technological capabilities is vital for sustaining the social and economic development of OIC member countries. Accordingly, as part of its OIC-related activities, the IDB continues close cooperation with the Standing Committee for Scientific and Technological Cooperation (COMSTECH), which involves participation in a number of initiatives designed to enhance scientific and technological development. This cooperation is expected to grow further in line with OIC's Ten-Year Programme of Action which calls for the promotion of science and technology in order to assist member countries to develop knowledge-based economies.

The IDB has collaborated with COMSTECH in leveraging science and technology for the development of science-based human capital. Details of such activities undertaken during 1426H are given in Section VI.4, Chapter 4.

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

During 1426H, the IDB undertook several activities related to Four Task Forces established subsequent to the Eighth OIC Summit held in Tehran on 9-11 Shabaan 1418H (9-11 December 1997) in pursuance of the OIC resolution for promoting cooperation among member countries in four specific areas, namely intra-trade, training, health and literacy.

Task Force on Intra-Trade

In the area of Intra-trade, the efforts were aimed to ensure further increase in intra-OIC trade which went-up from 10 percent to 13 percent in 2004. The decision of the IDB Board of Governors to create a new autonomous trade finance entity ITFC within the IDB in June 2005 was a major step in this direction (see Box 3.1 of this Chapter for details).

Task Force on Training

The Training target is 30 percent increase in the number of people to be trained by the various OIC institutions, including the IDB, over a three year period. The Task Force regularly assesses the training needs and seeks out the resources and facilities available within and outside the OIC member countries. During 1426H, the IDB organized following eight major events jointly with OIC-affiliated institutions.

- Experts Group Meeting on Financing for Development, Beirut, Lebanon, 6-8 June 2005, held in collaboration with the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC), Ankara.
- Coordination and Harmonization of Policies to Enhance Agricultural Productivity and Competitiveness within CEN-SAD Community, Tripoli, Libya, 4-5 Jumad II 1426H (10-11 July 2005), held in collaboration with SESRTCIC.
- Experts Group Meeting on International Migration Statistics, Cairo, Egypt, 12-14 Shawwal 1426H (14-16 November 2005), held in collaboration with SESRTCIC.
- Regional Seminar on Trade and Transport Facilitation in the ESCWA East Mediterranean Countries, Cairo, Egypt, 13-15 Shawwal 1426H (15-17 November 2005), held in collaboration with SESRTCIC.
- Training Course on Technology Management, Dhaka, Bangladesh, 18-22 Shawwal 1426H (20-24 November 2005), held in collaboration with the Islamic University of Technology, Dhaka.
- Training of Trainers on Entrepreneurship Development, Karachi, Pakistan, from 17-23 Dhul Hijja 1426H (28 January- 3 February 2005), held

in collaboration with the Islamic University of Technology, Dhaka.

- Training Course on Marketing in the Face of Emerging Challenges of Globalization and the Revolution of Information, Communication and Technology, Tehran, Iran, 12-13 Shawwal 1426H (14-15 November 2005), held in collaboration with the Islamic Chamber of Commerce and Industry (ICCI), Karachi.

- Training Course on Capacity Building in Economic Diplomacy, Casablanca, Morocco, 26 Muharram – 1 Safar 1426H (7-11 March 2005), held in collaboration with the Islamic Centre for Development of Trade (ICDT), Casablanca.

Task Force on Health

The Task Force on Health has developed seven programmes, of which IDB adopted the programme on "Self-Reliance in Vaccine Production" (SRVP). The programme aims at promoting production of affordable quality vaccines and ensuring reliable supplies, enhancing collaboration between vaccine producers and quality control system, promoting collaboration among members in the areas of sales and marketing, as well as providing assistance in obtaining the required international certification. The IDB approved an allocation of $5.6 million for the programme and the Bank also established an internal Coordination Committee to monitor the IDB initiative in SRVP and the implementation of selected projects requested by the member countries. So far, 39 percent of the programme funds have been committed i.e. approximately ID1.59 million ($2.18 million), for six technical assistance operations in Algeria, Egypt, Iran, Kyrgyz Republic, Malaysia and Tunisia. In addition, several technology transfer workshops have been held.

Task Force on Literacy

The Task Force on Literacy, consisting of experts from IDB, ISESCO, ALESCO and UNESCO, had called for the reduction of illiteracy to the minimum in member countries that experience high rates of illiteracy. The Bank allocated $3.5 million for technical assistance in this area. During 1426H, 11 Technical Assistance operations worth of ID2.5 million ($3.32 million) had been approved under the Literacy Program, in favour of ten countries namely Bangladesh, Chad, Djibouti, Gambia, Jordan, Mauritania (2 operations), Morocco, Sierra Leone, Sudan and Yemen.

VII. BROADENING PARTNERSHIPS FOR DEVELOPMENT

In forging greater cooperation among member countries, the IDB aims to boost trade relations and broaden the scope of partnerships for socio-economic development. Improved intra-trade performance helps to alleviate poverty by stimulating economic growth. Key mechanisms for broadening partnerships among member countries include financing intra-trade, facilitating cooperation among Islamic banks, and other institutions, organizing investment conferences and facilitating joint ventures, giving priority to financing regional projects, extending lines of finance to national development financing institutions (NDFIs) for micro and small enterprises, facilitating the sharing of know-how and transfer of appropriate technology, and assisting member countries to cooperate with each other in major international fora such as the World Trade Organization. The major activities undertaken by the Bank in these areas in 1426H are presented below.

1. New Initiatives in Procurement Services

In the framework of the current procurement harmonization process, the IDB's cooperation with other donors will continue through periodical meetings with Multilateral Development Banks, as well as with the Coordination Group to finalize Standard Bidding Documents for small and large contracts and to continue to improve IDB procurement procedures for reducing business transaction costs in the member countries. At the request of member countries, workshops on the IDB procurement procedures will be organized in close coordination with the Executing Agencies and Line Ministries in the member countries.

2. Cooperation with Regional and International Organizations

In order to enhance impact of its development assistance in member countries, one of the Bank's pillars of cooperation consists of forging partnerships with regional and international bodies such as the Coordination Group (which consists of Gulf-based bilateral and multilateral donor agencies, the OPEC Fund and the BADEA), member countries' institutions, multilateral development banks, UN institutions and international agencies.

The IDB maintains strong ties with the Arab Coordination Group and attends all the Group's meetings and events. In recent years, as part of its commitment to continuously enhance cooperation, the Bank has organized round table meetings involving the Coordination Group and a number of member countries in the Commonwealth of Independent States (CIS) and the African Region, with the objective of identifying projects for co-financing by the members of the Group. In 1426H, a round table was held at IDB HQ on financing the construction of two dams; one in Mali and the other in Niger and also the construction of the N'djamen Abeche Sudan Border Road.

In promoting regional economic cooperation and integration, the Bank also seeks to broaden its partnership with regional economic organizations and improve their institutional effectiveness. In this context, the Bank signed MoUs with a number of regional economic organizations that have common membership with the IDB such as the Arab Maghreb Union (AMU), the Economic Cooperation Organization (ECO), the Gulf Cooperation Council (GCC), and the Economic Community of West African States (ECOWAS). For instance, during 1426H, the Bank extended technical assistance to the GCC Secretariat to study ways of further enhancing its institutional role in promoting regional integration (see Box 3.5). In addition, the Bank has strengthened relationships with the some other regional economic organizations that consist primarily of member countries such as the West Africa Economic and Monetary Union (UEMOA), the Common Market for Eastern and the Southern Africa (COMESA), and the Association of South East Asian Nations (ASEAN).

The Bank also undertakes joint activities with multilateral and regional development banks, and international institutions, including the World Bank, the International Monetary Fund (IMF); the Asian Development Bank (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 Program (UNDP); the World Health Organization (WHO); and the World Trade Organization (WTO).

In 1426H, the Bank initiated a review of its relationship with MDBs by preparing updated areas of cooperation and joint activities. In addition, the IDB has further expanded the scope of MoUs signed with UN institutions in order to broaden cooperation and assist member countries to achieve the Millennium Development Goals (MDGs). The Bank is in the final stages of signing an updated MoU with the UNDP based on an agreement signed in 1986. Similarly, the Bank is in the process of updating its MoU with the International Trade Centre (ITC).

Box 3.5

Technical Assistance Grant for Restructuring of the Gulf Cooperation Council Secretariat

On 14 Ramadan 1426H (17 October 2005), the IDB approved a Technical Assistance grant of ID0.138 million ($200,000), representing 88 percent of the total cost, to study restructuring issues of the Secretariat General of the GCC. The main components of the Technical Assistance are provision experts services, on-job-training, and installation of I.T. equipments. The project commenced with the signing of a contract with the Consultant of the Institute of Administrative Development, U.A.E.

The purpose of the IDB's assistance is to support the Secretariat General of the GCC in improving its organizational structure, enhancing operational effectiveness in boosting regional cooperation and integration, with special emphasis on the creation of new departments for Human Development, Women's Promotion, and an I.T. Centre to serve the needs of member countries. The project covers issues of institutional effectiveness by examining and preparing a new organizational structure for the GCC Secretariat General, reviewing policies and procedures pertaining to each level of management, and proposing procedural manuals to support the functions of the Secretariat General.

More recently, the Bank is working closely with the MDBs and other organizations in the water sector by participating in the Nile River and the Niger Basin initiatives. The IDB is a member of the Task Force on "Water for All" comprising MDBs, bilateral donors and the World Water Council, located in Marseille, France. The Bank is also cooperating with international donors in the "Education for All" fast track initiatives in Burkina Faso, Guinea, Mauritania and Niger.

Following the Rome Declaration and the Paris High Level Forum on Harmonization and Alignment among MDBs, the IDB is conducting a study of institutional arrangements with a view to simplifying its business processes and procedures, including disbursements. The Bank also participated in the 2005 Fiduciary Forum, organized by the World Bank, to share experiences and learn best practices to enhance operational effectiveness.

3. Activities and New Initiatives to Promote Intra-Investment

As part of its efforts to promote intra-investment, the IDB initiated and jointly organized the OIC Economic Conference with the COMCEC and the Turkish Union of Chambers and Commodity Exchanges (TOBB) in Istanbul, Turkey, in November 2004. The major thrust of the Conference was to seek active participation of the private sector, through greater networking among the business community. During 1426H, the Bank took a number of steps to follow-up the outcome of the Conference. These included organizing a session on promotion of intra-investment during the 6th Jeddah Economic Forum, held in Muharram 1426H (February 2005); a conference on Knowledge and ICT for Development on the occasion of its 30th Annual Meeting in Malaysia from 14-15 Jumad Awwal 1426H (21-22 June 2005); a meeting on promoting Intra-OIC Investment in Malaysia on 29 Shaaban 1426H (3 October 2005) on the occasion of the World Islamic Economic Forum and a meeting organized by the IDB was entitled "Investment Among OIC Member Countries' in Jeddah on 28 Shaaban 1426H (2 October 2005) on the occasion of the 9th International Business Forum.

Concurrent with its promotional activities, the IDB Group launched Technical Assistance Programme for Promotion of Intra-investment to assist member countries in attracting foreign direct investment (FDI). In this regard, ICIEC has signed an MoU with the Multilateral Investment Guarantee Agency (MIGA) under which MIGA's Capacity Building Unit will assist ICIEC in investment promotion in member countries and be a partner in the Investment Promotion Network. ICIEC also signed a MoU with the Malaysian Industrial Development Authority (MIDA), which is a premier investment promotion agency. These MoUs seek to bring best practices to member countries through investment promotion programmes and institutional capacity building of the investment promotion agencies. The Bank is also reviewing the potential for encouraging joint ventures in member countries in major infrastructure sectors such as energy, telecommunication, transport, and water. In line with the Ten-Year OIC Programme of Action, the Bank is in the process of developing guidelines for strengthening its role in promoting joint venture projects.

VIII. SUPPORTING THEMATIC PROGRAMMES FOR COOPERATION AMONG MEMBER COUNTRIES

Another important dimension of the IDB's strategic objective of promoting economic cooperation is to implement thematic programmes that aim to forge sectoral partnerships and coordination between governments, sector specialists, and beneficiaries. Such partnerships provide an environment that is conducive to greater economic integration at the regional level by sharing knowledge and experiences. In this context, the establishment of the International Centre for Biosaline Agriculture (ICBA) and the OIC Network BHD and the IDB role in managing Saudi Arabian Project for the Utilization of Hajj Sacrificial Meat are among the major initiatives of the Bank.

1. International Centre for Biosaline Agriculture (ICBA)

International Centre for Biosaline Agriculture (ICBA) was established by the Bank in 1999 and significant financial and in-kind support is provided by the Arab Fund for Economic and Social Development (AFESD), the OPEC Fund, and the U.A.E. The aim of ICBA is to serve as an applied research and development centre with its prime focus on saline irrigation water for forages, field and horticultural crops, and trees in arid and semi-arid environments. Major emphasis is placed on serving the IDB member countries. During 1426H, ICBA initiated work on developing its new Strategic Plan 2006-2009. In this connection, questionnaires were sent out to scientists all around the world soliciting their input and the outcome of this exercise will be considered in two workshops to be held during 2006. Following are the major ICBA operational activities during 1426H.

1. Mega project with host country on a Soil Survey for the Emirate of Abu Dhabi: (ICBA) negotiated with the Environment Abu Dhabi (EAD), formerly ERWDA, to implement a four year (2005-2009) survey which will identify all land types in the Emirate, including salt-affected areas. The agreement signed in April 2005 provided AED4.55 million for ICBA, making the project the largest in-country endeavour by the Centre.

2. Regional IFAD/Arab Fund/OPEC Project: Work was initiated on a Forage Project involving seven countries namely U.A.E., Pakistan, Oman, Syria, Tunisia, Jordan and Palestine. Meetings were held by the Steering Committee which approved an operational plan. The project is now being implemented in all seven countries and the preliminary results of using saline irrigation water for forage species are encouraging.

3. Regional Asia Development Fund Project: In 2005 ICBA joined with two CGIAR Centres (IWMI and ICARDA) to implement a three-year project funded by the Asian Development Bank (ADB). The project is being implemented in three IDB member countries namely Uzbekistan, Kazakhstan and Turkmenistan. ICBA is involved in developing salt-tolerant plants and halophytes, as well as capacity building in biosaline agriculture.

In addition, ICBA produced and distributed a range of publications including technical reports, brochures, and a quarterly newsletter titled Biosalinity News. Six MoUs were signed with national agriculture research centres in the IDB member countries. Two workshops were held in Oman and Morocco and another three were conducted at ICBA's headquarters in Dubai. For the first time, ICBA conducted a traveling workshop in order to share experiences between countries. About 90 trainees attended these courses.

2. Saudi Arabian Project for the Utilization of Hajj Sacrificial Meat

The IDB was assigned by the Government of Saudi Arabia to manage the Saudi Arabian Project for the Utilization of Hajj Sacrificial Meat. This 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 meat is then distributed to the needy in member countries and to Muslim communities in non-member countries. To achieve maximum utilization of sacrificial animals, the skin and offal are sold and the revenues earned are given in charity to the poor in the Makkah area under the supervision of the Chief Justice of the Makkah Grand Shari'ah Court. Further, the United Company for Manufacturing Gelatine and Organic Materials was established as a joint effort between the Saudi Arabian Project for the Utilization of Hajj Meat and a number of Saudi companies and businessmen. Initially, a contract has been signed with a Chinese company for designing, manufacturing and installing a factory for extracting 300 tons of halal gelatine and producing one billion hard capsules per year. In 1426H, the number of animals slaughtered for sacrificial Hajj meat was 600,000. Of these, 328,000 sheep, cows and camels were distributed amongst the poor and needy of the Haram area in Makkah Al- Mukarrama, and the remaining 272,000 were distributed worldwide. The distribution of sacrificial meat in different countries from 1423H to 1426H is presented in Annex Table 3.4.

IDB, in partnership with the WHO and International Agency for the Prevention for the Blindness, has been participating in the global initiative "Vision 2020 - the Right to Sight". The Bank supports a team of Tunisian ophthalmologists known as Nadi Al-Bassar to carry out campaigns for restoring sight to people suffering from cataract and to train local doctors and paramedical staff in the field of ophthalmology. Up to the end-1426H, three free of cost campaigns in Niger, and one campaign each in Chad and Mali were carried out leading to examination of 4,422 patients, of which 1,720 cataract operations were performed. In addition, twenty-eight local ophthalmologists and paramedics were trained.

Annex Table 3.1
Net ITFO Approvals by Country in 1426H[1]

No.	Commodity	Source of Supply	ID million	$ million
BANGLADESH				
1	Crude Oil / Refined Petroleum (Min of Power)	MC	16.49	25.00
2	Crude Oil / Refined Petroleum (Min of Power)	MC	102.78	150.00
3	Crude Oil / Refined Petroleum (Min of Power)	MC	17.29	25.00
			136.56	**200.00**
BAHRAIN				
1	Raw Materials (Midal Cables)	NMC	4.88	7.50
2	Raw Materials & Spare Parts (ALBA)	NMC	16.53	25.00
			21.41	**32.50**
EGYPT				
1	Wheat (Min. of Supply)		16.56	25.00
2	Petroleum & Petroleum Products (EGPC)	MC	16.53	25.00
3	Petroleum Products (EGPC)	MC	34.57	50.00
			67.66	**100.00**
INDONESIA				
1.00	Liquified Natual Gas (Government)	MC	17.25	25.00
			17.25	**25.00**
IRAN				
1	Raw Materials for Aluminum (Navard Aluminum Manuf.)	MC/NMC	12.83	19.44
2	Raw Materials (Behshahr Industrial Development Corp.)	MC/NMC	6.17	9.37
3	Raw Materials for Steel Production (Isfahan Steel Public Inc.)	MC/NMC	8.54	13.07
4	Spare Parts, Machines & CKDs (Saipa Diesel Co.)	NMC	16.40	24.76
5	Raw Material for Vegatable Oil (Margarine Manuf. Co.)	MC/NMC	8.51	12.55
6	Raw Materials & Spare Parts (Yasa Tire & Rubber Co.)	MC/NMC	4.23	6.11
7	Raw Material for Vegatable Oil (Behshahr Industrial Co.)	MC/NMC	12.62	18.27
			69.30	**103.56**
JORDAN				
1	10th Line to Jordan (Jordan National Bank)	MC/NMC	4.62	7.00
			4.62	7.00
KUWAIT				
1	Raw Materials & Spare Parts (Kuwait Cement Co.)	MC/NMC	16.34	25.00
2	Raw Materials & Spare Parts (Kuwait Cement Co.)	MC/NMC	17.31	25.00
3	Petroleum & Petroleum Products (IPG)	MC	17.31	20.00
4	Raw Materials & Spare Parts (Kuwait Cement Co.)	MC/NMC	27.94	40.00
			78.90	**110.00**
LEBANON				
1	Petroleum Products (Government)	MC	68.19	100.00
			68.19	100.00
MALDIVES				
1	Misc. Goods (Government)	MC/NMC	8.07	11.70
			8.07	**11.70**
MAURITANIA				
1	Petroleum Products, Food Stuff & Clinker (Central Bank)	MC	27.12	40.00
			27.12	**40.00**
MALI				
1	Basic Food Items (OPAM)	MC	8.12	12.07
			8.12	**12.07**
NIGER				
1	ITFO Line (BINCI)	MC/NMC	3.45	5.00
			3.45	**5.00**

Countinued.....

Annex Table 3.1 (Continued)
Net ITFO Approvals by Country in 1426H[1]

MOROCCO				
1	Crude Oil (SAMIR)	MC	69.14	100.00
			69.14	**100.00**
PAKISTAN				
1	Crude Oil (Min. of Petroleum)	MC	16.36	25.00
			16.36	**25.00**
QATAR				
1	2nd Line to Qatar (First Finance Co.)	MC/NMC	1.73	2.64
			1.73	**2.64**
SAUDI ARABIA				
2	Raw Sugar (United Sugar Co.)	NMC	35.17	50.00
			35.17	**50.00**
SENEGAL				
1	12th Line to Senegal (BIS)	MC	6.66	10.00
2	13th Line to Senegal (BIS)	MC	6.70	10.00
3	14th Line to Senegal (BIS)	MC	7.02	10.00
			20.37	**30.00**
SUDAN				
1	Agricultural Inputs (Government)	MC	19.85	30.00
			19.85	**30.00**
TURKEY				
1	Textile Manufacturing Raw Material (GISAD)	NMC	6.54	10.00
2	Steel & Steel Scrap (Habas Sinai Ve Tibbi Gazlar)	NMC	8.70	21.92
3	Coal (Tayyib Madencilik)	NMC	15.18	12.55
			30.43	**44.47**
TUNISIA				
1	Raw Material (El-Fouladh)	MC/NMC	6.61	10.00
2	Natural Gas (STEG/Min. of Industry & Energy)	MC	17.34	25.00
3	Natural Gas (STEG/Min. of Industry & Energy)	MC	17.61	25.00
4	Natural Gas (STEG/Min. of Industry & Energy)	MC	17.45	25.00
			59.02	**85.00**
UNITED ARAB EMIRATES				
1	Petroleum Products (Fal Oil Co.)	MC	21.10	30.00
			21.10	**30.00**
42	**Grand Total**		**783.83**	**1,143.94**

[1]Net of cancellations.

Annex Table 3.2
EFS Approvals by Country in 1426H

No.	Commodity	Importing Country	ID million	$ million
INDONESIA				
1	Palm Oil (Wilmar Trading PTE LTD.)	Egypt	4.26	6.50
			4.26	**6.50**
KUWAIT				
1	Refined Petroleum Products (KPC)	Bangladesh	10.30	15.00
2	Refined Petroleum Products (KPC)	Bangladesh	10.40	15.00
3	Refined Petroleum Products (KPC)	Bangladesh	10.32	15.00
4	Refined Petroleum Products (KPC)	Bangladesh	10.31	15.00
5	Refined Petroleum Products (KPC)	Bangladesh	10.23	15.00
6	Refined Petroleum Products (KPC)	Bangladesh	16.91	25.00
7	Refined Petroleum Products (KPC)	Pakistan	16.82	25.00
			85.29	**125.00**
MALAYSIA				
1	Fertilizer (Pengedar Bahan Pert. Sdn Bhd)	Indonesia	2.89	4.25
2	Raw Vegtable Oil (Cargil Palm Products)	Saudi Arabia	17.08	25.00
			19.97	**29.25**
SAUDI ARABIA				
1	Agricultural Input (SABIC)	Sudan	3.99	6.00
			3.99	**6.00**
	Grand Total		**113.51**	**166.75**

Annex Table 3.3
EFS Approvals by Exporting & Importing Countries from 1408H to 1426H

Countries	By Exporting Countries		By Importing Countries*	
	ID million	$ million	ID million	$ million
Algeria	19.31	25.00	196.10	255.79
Bahrain	10.81	14.30		
Bangladesh	3.17	4.28	223.80	295.00
Egypt	12.05	15.67	37.45	50.53
Gambia			2.55	3.31
Indonesia	17.87	25.50	2.90	4.25
Iran			119.62	165.64
Iraq			31.20	40.55
Jordan	31.58	41.66	7.76	10.05
Kuwait	305.86	415.12		
Lebanon	20.43	27.27		
Libya	1.55	2.01	0.40	0.51
Malaysia	100.05	137.77	0.72	0.93
Mauritius				
Morocco	12.26	15.92	46.75	60.77
Pakistan	6.34	8.24	236.02	316.95
Saudi Arabia	214.00	279.98	61.96	87.80
Senegal			13.00	18.00
Sudan	1.45	2.00	5.07	7.43
Syria	0.36	0.48	1.40	1.82
Tunisia	59.14	87.96	5.90	7.75
Turkey	213.05	278.09	69.96	92.37
United Arab Emirates	64.23	81.00	0.18	0.23
Uganda			1.77	2.30
Uzbakistan	4.78	6.20		
Total	1,098.29	1,468.44	1,064.51	1,421.98

* Excluding cancellations & EFS Lines of Financing.

Annex Table 3.4
Distribution of Sacrificial Meat during Hajj Seasons from 1423H to 1426H

(Number of Animals)

Country	1423H	1424H	1425H	1426H
Azerbaijan	5,000	5,000	5,000	5,000
Bangladesh	59,000	59,000	59,000	59,000
Burkina Faso	2,500	2,500	-	2,500
Chad	5,000	5,000	5,000	5,000
Comoros	3,000	3,000	-	3,000
Djibouti	7,000	7,000	7,000	7,000
Ghana	500	500	500	500
Guinea Bissau	5,000	5,000	-	5,000
Guinea Conakry	5,000	5,000	5,000	5,000
Jordan	20,000	20,000	20,000	20,000
Lebanon	35,000	55,000	55,000	55,000
Mali	2,500	2,500	2,500	2,500
Mauritania	10,000	10,000	10,000	10,000
Mozambique	4,000	4,000	4,000	4,000
Niger	2,500	2,500	2,500	2,500
Pakistan	10,000	10,000	10,000	10,000
Palestine	30,000	-	-	30,000
Senegal	10,000	10,000	10,000	10,000
Sierra Leone	5,000	5,000	5,000	5,000
Sudan	10,000	10,000	10,000	10,000
Syria	10,000	10,000	10,000	10,000
Tanzania	6,000	6,000	6,000	6,000
Gambia	5,000	5,000	5,000	5,000
Iraq	-	20,000	10,000	-
Total distribution outside the Kingdom	**252,000**	**242,000**	**241,500**	**272,000**
Total distribution to the poor within the Haram area	**377,700**	**331,092**	**262,454**	**328,000**
Grand Total	**629,700**	**593,092**	**503,954**	**600,000**

Annex Table 3.5
Status of Signature and Ratification of
the Multilateral Agreements Among OIC Member Countries

Recognizing the importance of ensuring appropriate legal, institutional, commercial and economic environments among its member countries, the OIC has developed and approved a number of multilateral agreements and statutes to facilitate such cooperation. Details relating to the latest state of these agreements are given below.

i. General Agreement on Economic, Technical and Commercial Cooperation among Member Countries

This Agreement was adopted as per Resolution No 1/8-E of the 8th Islamic Conference of Foreign Ministers (ICFM) held in Tripoli, Libya during 16-22 May 1977. It aims at encouraging capital transfer and investment, and exchange of data and technological skills among member countries. It also aims at facilitating the implementation of a fair and non-discriminatory treatment among these countries while giving special attention to the Least Developed Member Countries. This Agreement became effective from 28 April 1981. So far it is signed by 41 Member States and ratified by 29.

ii. Agreement on the Protection and Guarantee of Investments among Member Countries

This Agreement was adopted as per Resolution No 7/12-E of the 12th Session of the ICFM held in Baghdad, Iraq during 1-6 June 1981. It spells out the basic principles governing the promotion of capital transfers among member countries. The Agreement also covers the protection of investments against commercial risks while guaranteeing the transfer of capital and its proceeds abroad. The Agreement became effective in February 1988 when 10 Member States ratified it. Up to now it is signed by 30 Member States and ratified by 22.

iii. Framework Agreement on Trade Preferential System

This Agreement was adopted as per Resolution No 1 of the 6th Session of COMCEC held in Istanbul, Turkey, during 7-10 October 1990. At the end of 2002, 12 out of the 23 Member States that had already signed the Agreement have also ratified it. Thus, having secured the minimum necessary 10 ratifications, the Framework Agreement became effective in October 2002.

The first round of trade negotiations which was launched in the Nineteenth session of the COMCEC was finalized during the Special Session held during the Twenty First Session of COMCEC held on 20-23 Shawwal 1426H (22-25 November 2005). The Trade Negotiating Committee (TNC) adopted the final version of the Protocol on the Preferential Tariff Scheme for OIC-TPS (PRETAS) during this Special Session and submitted it for signature by member countries.

iv. Statute of the Islamic Civil Aviation Council

Adopted at Niamey, Niger, during 22-26 August 1982. It has been signed by 16 Member States and is ratified by 9 but it has not yet become effective.

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

Adopted as per Resolution No 17/15-E of the 15th ICFM held in Sana'a, Yemen, during 18-22 December 1984. It has been signed by 13 Member States and ratified by 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)

Adopted in Istanbul, Turkey, during 1-4 November 1998. The signing ceremony was held during the 15th COMCEC when 3 Member States signed. Up to now 6 signatures have been recorded and 3 Member States have ratified the Statute.

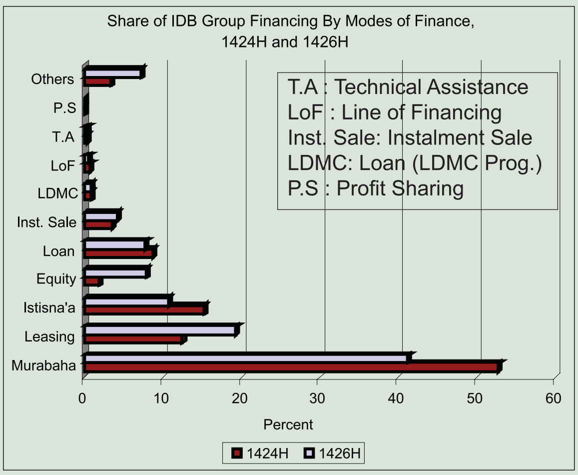
CHAPTER 4

ENHANCING THE ROLE OF ISLAMIC FINANCE AND INVESTING IN HUMAN CAPITAL

Vice-President (CRS), third from left, along with the Joint Lead Managers making the presentation during the roadshow of the IDB Sukuk under MTN Programme in Kuala Lumpur, Malaysia.

HIGHLIGHTS

- Mobilized $500 million under the Sukuk $1 billion Medium-term Note Programme.
- Initiated 'Reverse Murabaha' for Short-term Liquidity Management.
- Rising Trend of Equity and Leasing Modes of Financing.
- Participation in the capital increase of five Islamic financial institutions.
- IRTI and IFSB launched 'Ten-Year Master Plan Framework for the Islamic Financial Service Industry'.
- New policy to encourage development of science-based human capital: IDB will consider approving at least 10 percent of a member country's annual programme in the science and technology sector.
- Three IDB Scholarship programmes benefited over eight thousand science graduates worldwide.



Share of IDB Group Financing By Modes of Finance, 1424H and 1426H

I. INTRODUCTION

The challenges of poverty reduction and improvements in critical aspects of human development, such as education, health, reducing child mortality, and creating youth employment opportunities, are being faced by developing countries, including IDB member countries. A robust and vibrant financial sector and science and technology play vital roles in alleviating perennial challenges of human development and in economic development, by efficiently channelling financial resources towards investments in production and trade, creating employment opportunities and enhancing human development. Consequently, the IDB Group Strategic Framework identifies promotion of the Islamic financial industry and institutions as a strategic objective, coupled with human development, as one of six priority areas to ensure discernible impact on socio-economic development of member countries.

This Chapter highlights the role of the Islamic financial industry in promoting sustainable economic development and summarizes the IDB Group's efforts and initiatives in developing the industry, strengthening soundness and ensuring its future competitiveness and sustainability. It also highlights the use of Islamic finance in IDB's own operations which directly promote the growth of this sector. There is also a summary of IDB's initiatives in knowledge management and capacity building in member countries, so that leveraging science and technology for human development can be ensured.

II. OVERVIEW OF THE ISLAMIC FINANCIAL INDUSTRY AND THE ROLE OF THE IDB GROUP

Access of entrepreneurs to financial services is an important determinant for ensuring broad based participation in the process of economic development and social progress. In this context, provision of financial services consistent with the users' religious beliefs and cultural values is important to expand choices and increase financial intermediation through the formal sector. The soundness and competitiveness of financial institutions and markets depend on evolving regulatory regimes in the face of innovations and external vulnerability caused by globalization. In particular, important issues in promoting Islamic finance are the credibility of Shariah-compliance and adequacy of domestic financial infrastructure for its support.

The Islamic financial industry has shown consistent growth over the past thirty years[1]. According to recent estimates, the industry now consists of more than 300 institutions in over 65 jurisdictions and managing more than $800 billion[2]. The industry has evolved from a banking-based to a relatively financial market-oriented industry. Broader geographical development of the Islamic financial industry has raised harmonization issues related to operational and Shariah standards, and the development of a common regulatory regime to support cross border transactions. This entails coordination amongst the stakeholders in the Islamic financial industry and international regulatory and standard-setting bodies. IDB, along with other multilateral institutions such as the World Bank, IMF, and IOSCO, has endeavoured to improve coordination in the development of internationally acceptable standards related to the Islamic financial industry.

Since its inception, the IDB has played a catalytic role in the promotion of Islamic finance in its member countries, and continues to do so through strategic initiatives in new niche areas. In view of the Bank's role of fostering socio-economic development, and the growing needs of the Islamic financial industry, this year the IDB Group took further steps to enhance the role of Islamic finance commensurate with its emerging needs. In so doing, IDB Group has focused on a four-pronged strategy: developing and using innovative instruments of Islamic finance to mobilize resources for development assistance to member countries; helping the financial industry by promoting and coordinating the creation of financial infrastructure institutions; supporting Islamic banks by participation in their equity and also by providing them co-investment opportunities; and promoting research and training activities in areas critical to Islamic finance. Major developments in 1426H are presented in Sections III to V.

III. MOBILIZING RESOURCES AND UTILIZING ISLAMIC FINANCE

Traditionally, the IDB has relied on its capital resources to finance operational activities. To some extent, the development of the IDB Group has been spurred by the need to mobilise resources through syndication and co-financing of project and trade operations. In view of the increasing need of member countries for development financing and as part of its efforts to develop Islamic capital markets, the Bank has embarked on resource mobilisation from the international financial markets. In this regard, major activities by the Bank during 1426H are presented in sub-sections 1 and 2, while sub-section 3 discusses utilisation of Islamic finance by the Bank to extend development assistance to member countries.

1. Mobilization of Sukuk Resources

Launched in 1424H, the IDB Ijara Sukuk is an innovative Shariah-compliant 5-year financial paper combining the Bank's portfolio of Ijara, Istisna'a, and Murabaha assets, with Ijara as the dominant underlying asset in the pool. Originally the issue targeted $300 million, but this was subsequently increased to $400 million in response to high market demand.

Under the IDB's strategic plan, the resource requirement for OCR was estimated at $1 billion in 1426H. In order to finance development projects in member countries, an innovative $1 billion Sukuk structure called "Medium Term Note" (MTN) programme was issued in Jamad Awal, 1426H (June, 2005). Under the MTN programme, initially $500 million with 5 year maturity and a floating rate payable semi-annually was mobilised from the international financial market. Like the debut Sukuk, IDB's MTN Sukuk was also structured on the basis of Ijara, Istisna'a, and Instalment Sale assets. The MTN programme, *inter alia*, provides flexibility by allowing for the issue of further tranches of the Sukuk, as and when needed, in different currencies and on either fixed or floating rate basis. With 'AAA' rating by Standard & Poor's, the MTN Sukuk offering received an overwhelming response from investors, resulting in its distribution to a wider investor base. Moreover, 44 percent of the Sukuk issued was allocated to institutions in non-member countries. The MTN programme helped the Bank to achieve a downward moving cost curve as it was issued at a lower rate than the previous Sukuk.

2. Mobilization of Short-term Resources

Apart from mobilizing medium term resources through the Sukuk programme, in 1426H the Bank developed a reverse murabaha[3] arrangement for mobilisation

[1]The Islamic financial industry broadly consists of commercial and investment banks; non-bank financial institutions such as including Ijara and Mudharabah companies; insurance (Takaful) services; and capital markets. To support the industry's growth, there exist financial infrastructure institutions offering Shariah-compliant services covering regulatory, rating, standard setting, and liquidity needs.

[2]Source: Islamic Financial Industry: Ten-Year Master Plan Framework; jointly developed by IRTI and IFSB, unpublished.

[3]IDB makes placement of funds with financial institutions under a 'commodity murabaha' arrangement. Reverse murabaha is by definition reversing the arrangement under which a financial institution places its funds with IDB on agreed terms.

of short-term funds from the financial market. This Shariah-compliant arrangement facilitates management of IDB's short-term liquidity. Currently, there is an approved limit of ID500 million for reverse murabaha for a maturity period of up to one year. This innovative product has generated interest among financial institutions and central banks in member countries.

3. Approved Operations by Mode of Finance

IDB Group uses Shariah-compliant modes of finance in project and trade financing operations. Over the years these modes have promoted worldwide development of Shariah-compliant financial intermediation. In addition to its OCR and Treasury-related operations, the Bank also acts as a '*Mudarib*' for the following funds: Islamic Banks Portfolio (IBP); Unit Investment Fund (UIF); and Awqaf Property Investment Fund (APIF). The Bank's financing through equity mode is mainly channelled through the IDB Infrastructure Fund (IIF), in which it holds 13.7 percent share in a $730.5 million Fund.

To achieve developmental impact of its assistance in member countries, the IDB Group is gradually increasing the size of its financing, which will yield economies of scale, thereby allowing it to reduce operational costs. In addition, the Bank is increasingly opting to use the Ijara mode of financing as it is the basis of issuing Sukuk against its asset pool, which will reduce its own funding costs. During 1426H, IDB revised terms and conditions of ordinary modes of financing in order to pass the efficiency gains of both these aspects to member countries in the form of reduced cost of financing (see Box 4.1). In comparison to other MDBs, the Bank's Loan and LDMCs Loans modes of financing are highly concessionary. In addition, concessionality on ordinary financing extended to the LDMCs is achieved through combination with Loan or LDMCs Loans mode of financing.

Annex Table 4.1 provides data on IDB Group net approvals by modes of financing for the three years from 1424H to 1426H. Net approvals by the IDB Group in 1426H totalled $3.99 billion, a decline of 17.8 percent over 1425H[4]. The last three years from 1424H to 1426H have shown a rising trend in Equity and Leasing modes accompanied by a slight upward trend in Instalment Sale mode. Financing through Istisna'a mode declined slightly and there has been no particular trend in Loans and Murabaha modes. In line with efforts to increase financing through the Ijara mode, its percentage share of total IDB Group net approvals increased from 12 percent in 1424H to 18.4 percent in 1426H.

Box 4.1

Reducing Cost of Financing to Member Countries

After extensive consultation with member countries, the Bank revised the following terms and conditions of ordinary modes of financing in order to reduce cost of financing for beneficiaries in member countries:

1. To extend the repayment period for ordinary modes of financing (Ijara, Instalment Sale, Istisna'a) from 15 years to a maximum of period of 20 years, including a gestation period of 5 years.
2. To increase the current financing ceiling per project from ID35 million to ID80 million ($114 million) for ordinary modes of financing.
3. To reduce the current annual mark-up for ordinary financing from 6 percent to 5.1 percent and to discontinue the rebate for timely repayment, which, in practice, member countries had difficulty qualifying for.

Total net approvals from OCR decreased 24 percent to $2.77 billion in 1426H from $3.65 billion in 1425H. Over the past three years from 1424H to 1426H, the Ijara mode has shown an upward trend. In 1426H, this mode acquired significance as the financing approved amounted to $547.44 million, which was 19.7 percent of total OCR approvals. This rise is mainly due to the Bank's efforts to promote the Ijara mode, as leased assets are increasingly being securitised for resource mobilisation through the Sukuk programme. Furthermore, leasing is currently the only mode of financing offering the option of floating rate. However, Murabaha with 47.2 percent share remained a dominant mode. Loan financing (comprising both the ordinary loans that are accessible to all member countries and the LDMC loans that are especially earmarked for LDMCs) represented 35 percent as compared to 9 percent in 1425H and was the second most utilised mode, in ID terms, and the most utilised mode, in terms of the number of operations, with a total of 47 operations, including LDMC loans.

The Islamic Corporation for Development of the Private Sector (ICD) constitutes the private sector investment arm of IDB. The total approved financing from this source had been increasing over the past three years. In 1426H, financing approvals accelerated to $175.69 million, an increase of about 138 percent compared

[4] The reasons for this decline have been explained in Section II, Chapter 2.

to $73.69 million in 1425H. During the same period, there has been a clear upward trend in the use of Equity, Instalment Sale, and Leasing modes of finance in ICD. However, a big increase took place in Equity financing which stood at $49.25 million in 1426H compared to only $6.4 million in 1425H. Thus Equity became 28 percent of the financing operations approved from ICD in 1426H.

In the case of IBP, Murabaha was the dominant mode which constituted 98 percent of financing. While APIF was making more use of Leasing, in 1426H it also used Equity for the first time. Financing from the IDB Infrastructure Fund utilizes Equity mode only.

IV. PROMOTING GROWTH AND STABILITY OF THE ISLAMIC FINANCIAL INDUSTRY

Development of the Islamic financial industry is not only socially inclusive but also crucial for achieving both growth and greater impact of IDB's development financing role in member countries. The growth of the Islamic financial industry in member countries varies considerably as it is primarily related to macroeconomic stability and the state of development and reform agendas in the domestic financial sector. In particular, the extent of liberalization and a supportive regulatory regime in the banking, non-banking and capital market segments influences the entry, growth and stability of Islamic financial institutions. At the international level, IDB is engaged in strengthening the infrastructure of the Islamic financial industry by promoting greater dialogue, coordination, and harmonization in standards and practices among domestic and international stakeholders.

Within the framework of its five-year strategic plan, during 1426H the Bank undertook a number of initiatives related to strengthening infrastructure institutions and supporting growth of the Islamic financial industry through equity investment and technical support, which culminated in the development of a Ten-Year Master Plan for the industry. Major activities carried out during 1426H are covered in the following subsections.

1. Cooperation with Islamic Banks

Despite highly impressive growth, the Islamic financial industry's overall share in the financial sector of member countries is still very small: 9.73 percent in Malaysia; 4.16 percent in Bahrain; 2.7 percent in Turkey and 0.26 percent in Indonesia. Given sustained economic growth and the ample liquidity available in the financial sector, an enabling environment now exists for rapid expansion of the Islamic financial industry worldwide.

IDB supports the establishment of Islamic banks and financial institutions through equity participation. Worldwide, the Bank has equity investment in 29 Islamic financial institutions, both unlisted and listed on stock exchanges, amounting to a total of ID94.35 million ($138.59 million). In 1426H the Bank participated in the capital increase of five financial institutions. Also in 1426H, IDB made additional equity investment totalling ID14.36 million ($20.73 million) in four Islamic banks in Bosnia & Herzegovina, Sudan, Indonesia, and Pakistan.

The growth of takaful (insurance) companies is necessary to support the trade financing operations of Islamic banks. However, it also requires that re-takaful (re-insurance) companies are established in order to diversify the risk of takaful companies in a Shariah-compliant manner. Keeping in view the needs of the industry, in 1426H the IDB Group supported the establishment of a re-takaful company in the U.A.E. with participation through equity investment amounting to $12 million.

2. Cooperation with National Development Financial Institutions

Pro-growth policies for the small and medium scale enterprises (SMEs) sector are important for developing entrepreneurship and ensuring that the benefits of economic growth have an impact on employment generation and poverty alleviation. Therefore, since its inception the IDB has forged strategic partnerships with national development financial institutions (NDFIs) in member countries to support the growth of the SME sector. The IDB Lines of Financing enable SMEs to access financing through Leasing, Installment Sale, and Istisna'a modes for scaling up their technological capabilities. IDB also extends global Line of Financing to several NDFIs in member countries to spur competition and efficiency in the SME sector. Currently, there are 31 Lines of Financing in 15 member countries amounting to ID 244.64 Million ($ 318.94 million).

The Bank also extends technical assistance for capacity building of NDFIs through enhancing the skills of their staff in order to manage a sound SME portfolio. Furthermore, the Bank seeks to promote the effectiveness of NDFIs through exchange of best practices in SME financing in the member countries. In this regard, the Association of National Development Financing Institutions in IDB member countries (ADFIMI) was established in 1406H (1986) with its headquarters in Istanbul, Turkey. ADFIMI provides a forum for exchange of new ideas and experiences to enhance the contribution of SMEs to economic growth, income generation and human resources development. In 1426H, the activities of ADFIMI were reviewed and new thrust areas have been identified for more effective activities in the coming years.

3. Recent Developments in Strengthening Islamic Financial Infrastructure

Over the past twenty years, IDB has played a significant role in the creation and strengthening of specialised activities performed by various financial infrastructure institutions for the Islamic financial industry (see Table 4.1). These include: the Islamic Research and Training Institute (IRTI); the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); the International Islamic Financial Market (IIFM); the General Council of Islamic Banks and Financial Institutions; the Liquidity Management Centre (LMC); the International Islamic Rating Agency (IIRA); the Islamic Financial Services Board (IFSB; and the International Islamic Centre for Reconciliation and Commercial Arbitration (IICRCA).

In order to provide impetus for strategic growth of the industry, the IDB Group and IFSB launched a joint initiative in 1426H to develop a “Ten-Year Master Plan Framework for the Islamic Financial Service Industry”. The Master Plan proposes a vision for the industry and a strategy to develop Islamic financial intermediation at national levels. It focuses on building institutional capacity in various segments of the financial sector and envisages three phases of implementation: building institutional linkages; stimulating competition; and raising performance through international integration of the Islamic financial industry. In order to enhance the efficacy of the industry, a key issue is to develop a Shariah-compliant ‘*insolvency and creditor rights system*’. Since financing by Islamic banks is asset-based and based on risk-sharing principles, a legal system in member countries, which in the event of bankruptcy provides for rapid Shariah consistent realization of rights of Islamic financial institutions, will increase their competitiveness. The Master Plan is a framework and direction-setter for the development of Islamic finance, both at national and international levels.

During 1426H, IDB continued to support, through representation on the governing bodies, various initiatives by infrastructure institutions. In addition, the IDB Group in 1426H provided technical and staff support to assist the development of three IFSB exposure drafts which were related to risk management guidelines, capital adequacy standards, and corporate governance guidelines. The Bank also participated in the technical development of five Shariah standards, which were issued by AAOIFI in 1426H. Also, the Bank collaborated with the LMC during 1426H in the development of Short-term Sukuk (STS) Programme, which is a Shariah-compliant tradable instrument for liquidity management. IDB, in conjunction with other LMC shareholders, supports the market-making functions of this product, which is expected to ease the perennial issue of liquidity management in Islamic financial institutions.

V. KNOWLEDGE BUILDING THROUGH THE ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

Knowledge can be defined as information that has been combined with experience, context, interpretation, and reflection. Given the value of this asset to organisations, the Bank has taken steps towards knowledge management and capacity creation. In this context, knowledge building through the activities of IRTI is essential to advance the present state of the Islamic financial industry.

IRTI’s knowledge building and management is achieved through *research, training, information dissemination, and organizing working groups*. Currently, IRTI’s operational strategy is to further sharpen its focus and involve other stakeholders such as the regulators, and also public and private sector organizations, in its programmes.

1. Knowledge Creation Activities During 1426H

In 1426H, IRTI produced four major research studies and a number of other conference papers. All these were focused on the following four broad areas: (i) sustainable development and poverty alleviation, including the role of zakat and awqaf institutions; (ii) development of financial products and markets; (iii) development of risk management and regulatory, supervision and governance issues in Islamic finance; and (iv) surveys of Islamic economics and finance.

Products and capital market development is critical for

Table 4.1
Development of Islamic Financial Infrastructure Institutions

Year of Establishment	Name	Objectives
1401H (1981)	The Islamic Research and Training Institute, (IRTI) IDB - Jeddah, Saudi Arabia.	To undertake research and impart training in Islamic economics and assist in the development of Shariah-compliant financial sector.
1411H (1991)	The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) - Bahrain.	Develop accounting, auditing and Shariah standards for adoption in the financial reporting of Islamic financial institutions.
1421H (2001)	International Islamic Financial Market (IIFM) - Bahrain.	Develop Shariah enhancement and guidelines for issuance of Islamic financial instruments, and to encourage active secondary market trading.
1422H (2001)	The General Council of Islamic Banks and Financial Institutions - Bahrain.	Promote cooperation amongst Islamic financial institutions, develop concepts, rules, provisions, share related information, and develop better understanding with regulatory bodies.
1423H (2002)	Liquidity Management Centre (LMC) - Bahrain.	Facilitate development of inter-bank money market and to provide short-term investment opportunities with greater Shariah credibility.
1423H (2002)	The International Islamic Rating Agency (IIRA) - Bahrain.	Conduct rating of entities, determine financial strength, fiduciary risk and credit worthiness of the issuer along with assessment of Shariah-compliance.
1423H (2002)	The Islamic Financial Services Board (IFSB) - Malaysia.	Promote development of prudent standards and effective supervision guidelines for the Islamic financial services industry and recommend their adoption by relevant regulatory authorities.
1425H (2004)	International Islamic Centre for Reconciliation and Commercial Arbitration (IICRCA) - Dubai, U.A.E.	Conduct mediation of disputes and to adjudicate on financial and commercial disputes which can arise between Islamic financial institutions, and between these institutions and/or third parties.

the future growth of Islamic finance. Two of the IRTI studies focused on (i) *Islamic Capital Market Products* and (ii) *Challenges of Hedging*. These studies surveyed the size and potential of Islamic stock and sukuk markets and highlighted ways and means to expand the depth and breadth of these markets. In this context, effective product development requires market testing and integration of segmented markets. Another critical aspect is that Islamic financial institutions face limited options for hedging their portfolios, which affects their growth prospects. In this regard, a number of potentially Shariah-compliant instruments are explored for hedging different kinds of risks and enabling conditions necessary for suitable application of these instruments.

Another set of IRTI studies examined (i). *Practice of Islamic banking*, and (ii) *X-efficiency of those practices*. In practice it appears that Islamic banks are mainly focused on a few credit-based modes of financing. In terms of product innovation the overriding concern appears to be to meet Shariah requirements legalistically, while the objective of Islamic law has not received due attention. The efficiency of Islamic banking is another concern of the industry. A study measuring X-efficiency of a sample of Islamic banks worldwide found that, on average, they are less efficient compared to conventional banks. This study highlights the need to explore ways of improving relative efficiency in order to underpin the future growth of Islamic banks.

During 1426H, in addition to research studies, IRTI, in conjunction with other bodies, organised and presented research in eight conferences and seminars. Such events offer important opportunities for generating additional knowledge and also provide a platform for broadening research partnerships with other organisations. Important events which generated new momentum in research during 1426H were: the International Conference on Islamic Capital Markets held in Bahrain; the Sixth International Conference on Islamic Economics and Finance held in Indonesia; and the Second International Conference on Islamic Banking: Risk Management, Regulation and Supervision held in Malaysia (see Annex Table 4.2).

2. Knowledge Sharing and Policy Dialogue

In 1426H, IRTI established two Working Groups, one on Poverty Alleviation and the other on Financial Sector Development. These thematic Working Groups provide a platform for forging strategic partnerships and dialogue with centres of excellence, practitioners and policy makers in member countries. This year the Working Group on Poverty Alleviation prepared a discussion paper on creating inter-linkages between national-level poverty reduction strategies and zakat and awqaf institutions in member countries. This paper forms the basis of deliberation amongst the various stakeholders and civil society organisations in Sub-Saharan African member countries. The Ten-Year Master Plan Framework (see Section IV.3) forms the basis for establishing the Working Group on Financial Sector Development. This Group is now in the process of initiating dialogue with national-level stakeholders to explore ways of strengthening the growth of the Islamic financial industry, including the need for institutional building and supportive policies.

3. Knowledge Instilling Activities – Training

In line with its objectives to develop human capital and competencies in member countries, IRTI organized 27 training programmes in 1426H. These training programmes were conducted in 18 countries and covered the following thematic areas: Islamic economics and banking; private sector development; human resource development; and macroeconomic policies (see Annex Table 4.3). Some of these training programmes were country specific while others were regional. The IRTI training material is available to other training and research institutions in member countries in order to improve the quality of their training programmes.

Further contribution to knowledge instilling activities was made by the production of a training manual on "Managing Risks in Islamic Banks". In 1425H, IRTI launched an important educational and training initiative - the Distance Learning Courses for university students and practitioners in the industry to learn through video conferencing and the Global Distributed Learning Network (GDLN) facility. In 1426H an eleven week course on "Fundamentals of Islamic Economics" was conducted through the GDLN, with the participation of five universities from the UK, Kuwait, Lebanon, Iran, and Pakistan.

4. Knowledge Dissemination Activities

During 1426H a number of conference proceedings, research papers, and lectures were published (see Annex Table 4.2). Two research journals that IRTI publishes on a bi-annual basis, both in English and Arabic, were also issued. An important development in 1426H was making IRTI's research publications downloadable from its website. This initiative will further strengthen knowledge dissemination and widen the outreach of IRTI research.

As part of its knowledge dissemination activities, IRTI in 1426H co-sponsored the OECD Forum, held in Paris, France. During the Forum meeting IRTI made presentations and distributed literature on Islamic finance and the role of the IDB Group in development financing.

5. Knowledge Promotion

IRTI has initiated various programmes to promote knowledge building in Islamic economics and banking. An IDB Prize, alternating between Islamic Economics, and Islamic Banking & Finance, is awarded annually for outstanding contributions by scholars and academics (see Box 4.2). IRTI also offers a Visiting Scholar Scheme whereby academics are invited to spend their sabbatical research leave at IRTI. A series of Eminent Scholar Lectures and Shariah Lectures at IRTI provide a forum for presentation of frontier research and exchange of ideas. IRTI also provides grants and partial funding to doctoral students in order to encourage research on topics related to Islamic economics and finance.

VI. LEVERAGING SCIENCE AND TECHNOLOGY FOR THE DEVELOPMENT OF HUMAN CAPITAL

Creating linkages between scientific and technological capabilities and the needs of human development is crucial to underpinning the long term economic growth of IDB member countries. Over the past twenty years the overarching strategy of the IDB has been to develop science-based human capital by forging partnerships and creating synergy among OIC science

Box 4.2
IDB Prize in Islamic
Economics, and Islamic Banking and Finance

The IDB Prize was initiated in 1408H (1988) to promote research in Islamic Economics and Islamic Banking & Finance. It is given to individuals and institutions to recognize and reward creative efforts of outstanding merit in the two fields. It was an annual prize for both areas until the rules were amended in 1412H (1992) to grant the prize alternating annually between Islamic Economics and Islamic Banking & Finance. The prize consists of a cash award of ID30, 000 and a citation.

Winners of the IDB Prize for Islamic Economics include: Khurshid Ahmad (1408H), M. Umer Chapra (1409H), Anas Zarqa (1410H), Yousuf Al-Qardawi (1411H), Sabahuddin Zaim (1412H), Centre for Research in Islamic Economics (1413H), Muhammad Umar Zubair (1415H), Rafic Younus Al Masri and Abdur Rahman Yousri (1417H), Muhammad Al Habib Ibn Al Khoja (1419H), Monzer Kahaf and Hasanuzzaman (1421H), Abbas Mirakhor and Mohsin Khan (1423H).

Winners of the Islamic Banking & Finance Prize include: Sami Homoud (1409H), Tabung Haji, Malaysia (1410H), Ziauddin Ahmad (1411H), Ahmad Muhammad Ali (1414H), Saleh Abdullah Kamel (1416H), Tanzilur Rahman (1418H), International Institute of Islamic Economics, Pakistan (1420H), John Presley and Sa'eed Ben Ahmad Ben Lutah (1422H), and Muhammad Ali Al Qari (1424H).

In 1425H the IDB Prize for Islamic Economics was awarded to Dr. Shawqi Ahmad Dunya, an Egyptian economist, for his outstanding research contribution to Islamic Economics. He earned recognition for his methodological approach to research, teaching and publications on a variety of issues in Islamic Economics. Dr. Dunya's research on Islamic perspectives to finance economic development and on refutation of the theory of interest in conventional economics has had a major influence in advancing Islamic Economics.

The prize was received by Dr. Shawqi Ahmad Dunya during the 30th Annual Meeting of the IDB Board of Governors, which was held in the city of Putra Jaya, Malaysia during 16-17/5/1426H (23-24 June 2005).

and technology institutions, in order to improve the quality of life and to meet the development aspirations of member countries. Recent developments at OIC-level have further enhanced the role of the Bank in leveraging science and technology to develop human capital in member countries.

The Ten-Year Programme of Action, which was adopted by the Third OIC Extraordinary Summit held in Dhul Qada 1426H (December 2005), sets out a vision for creating linkages between challenges of economic development and enhancing science-based human capital (see Box 3.4, Chapter 3). While the Bank is in the process of developing new initiatives to support implementation of the OIC Ten-Year Programme of Action, the on-going science and technology related programmes have been strengthened to assist knowledge-based economic development in member countries. The following sections highlight the IDB's operational activities undertaken during 1426H to support literacy and healthcare services, development of science-based infrastructure, and scholarship programmes to develop human capital for the socio-economic development of member countries and Muslim communities in non-member countries.

1. Financing of the Education and Health Sectors

The IDB Group supports a comprehensive vision of development of human capital in member countries. The acceleration of literacy and quality healthcare coverage of the population is the foundation for building knowledge-based economies. Over the past decade, the adult illiteracy rate in member countries has declined from 43 percent in 1990 to 30 percent in 2005. Life expectancy has also improved from 59 years in 1990 to 62 years in 2004. Despite overall progress in human development, the Bank has up-scaled its efforts to alleviate widespread poverty in member countries through sustained support aimed at improving primary education and healthcare services.

In providing human development related assistance, IDB ensures quality-at-entry of projects in terms of their potential impact on education and sector outcomes in member countries. Beginning from 1420H, the Bank has substantially increased its net approvals in education and health sectors. Up to the end-1426H the cumulative assistance provided by the Bank to education and health sectors in member countries totalled ID1,131.17 million ($1,486.96 million) and ID707.74 million ($945.67 million), respectively.

2 Science and Technology Operations

IDB in collaboration with relevant OIC institutions, such as COMSTECH and ISESCO, assists in the development of science-based human capital in member countries. The Bank has further strengthened its on-going programmes for the development of science-based human capital in member countries. In order to catalyze science-based development of human capital, a new policy was announced in 1426H, under which the Bank will consider approving at least 10 percent of a member country's annual programme in the science and technology sector. The Bank supports scientific and technological development in member countries in three distinct areas: (i) assistance to build physical facilities and infrastructures; (ii) forge collaboration and exchange of knowledge through activities such as short-term exchange of experts, on-the-job training, and conferences; and (iii) financing research and development projects by designated centres of excellence.

The IDB has supported an increasing number of science and technology-related projects. In order to enhance scientific capabilities to combat diseases, and mobilize national and expatriate scientists, IDB in partnership with COMSTECH, has strengthened the framework of the OIC Self Reliance on Vaccine Production Programme; devised a new scheme to attract expatriate nationals on the UNDP/TOKTEN model; launched a series of regional symposia under the theme "*Investing in Technology*" designed to bring together the private sector, investors and technology innovators; launched the Young Researchers Support Programme; and supported the OIC Inter-Islamic S&T Networks' series of scientific workshops. In addition, IDB has approved a special financial contribution for the construction and equipment of the COMSTECH Institute of Advanced Training in Islamabad.

Over the past four years the Bank approved 44 *Project Financing* science and technology operations in member countries, covering all the above three thematic areas, for a total amount of $393.92 million. During 1426H, 17 projects were approved totalling $0.81 million. IDB project financing for science and technology operations are complemented by *Technical Assistance Operations* provided to member countries. Over the past four years IDB has approved 25 Technical Assistance Operations in science and technology amounting to $5.29 million. The *Country Cooperation Programme* facilitates exchange of knowledge amongst member countries; during the last two years, 29 operations, 11 on-the-job trainings and 17 workshops/conferences were organized for a total amount of $1.208 million.

3. Scholarship Programmes

The IDB Scholarship Programmes aim to build science-based human capital in member as well as non-member countries. There are three types of scholarship programmes: (i). the Scholarship Programme for Muslim Communities in Non-Member Countries, established in 1404H (1984); (ii).the Merit Scholarship Programme for High Technology for Member Countries, established in 1411H (1991); and (iii). The M.Sc. Programme for the Least Developed Member Countries, established in 1418H (1998). Major activities of the three IDB scholarship programmes are presented below.

3.1 The IDB Scholarship Programme for Muslim Communities (SPMC)

Under this Programme, academically meritorious students with limited financial means are granted scholarships to pursue their first degree-level education in non-member countries. Approved disciplines under this Programme are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. For Muslim communities in the transition economies, such as the Commonwealth of Independent States (CIS) and East European countries, the Programme also includes disciplines such as banking, finance, administration, management, accountancy and marketing. The Bank awards the scholarships as grants to the Muslim communities and as *qard hasan* (interest-free loans) to 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. Annex Table 4.4 provides information on scholarships awarded under the Programme during 1426H while the cumulative approved scholarships up to the end-1426H are:

Number of Muslim Communities Supported:	46
Number of Graduate Students:	4,352
Number of Students Currently Enrolled:	2,556
Total Financing:	ID41.26 million ($55 million)

3.2 Merit Scholarship Programme for High Technology (MSP)

Under this Programme, the IDB provides an outright grant to scholars to undertake doctoral or post-doctoral research in designated universities. The MSP aims to develop scientific human capital and to strengthen the capacity of research institutions in member countries. Annex Table 4.5 provides information on scholarships awarded under the Programme during 1426H while the cumulative approved scholarships up to the end-1426H are:

Number of Scholars Selected:	297
Scholars Awarded Doctoral Degrees:	170
Scholars Currently Enrolled:	127
Member Countries Covered:	44
Number of Beneficiary Institutions:	178
Total Financial:	ID9.27 million ($12.35million)

3.3 M.Sc. Programme for Science and Technology (MPST)

Under this Programme, the IDB aims to develop the intermediate level of science-based human capital in the LDMCs. The Programme provides students from LDMCs access to educational opportunities and to eventually develop a base necessary for effective absorption of transfer of technology and its maintenance. This Programme also leads the students from LDMCs to qualify for the IDB Merit Scholarship Programme for High Technology. For this purpose, new features were introduced in this Programme to allow students from LDMCs to register for qualifying courses for doctoral research. Annex Table 4.6 provides information on scholarships awarded under the Programme from 1422H to 1426H while the cumulative approved scholarships up to the end of 1426H are:

Number of Students Selected:	160
Number of Students Graduated:	65
Number of Students Currently Enrolled:	42
Number of Students Enrolled for Doctoral Degree:	4
Total Financing:	ID0.58 million ($0.77 million)

3.4 Evaluation of Scholarship Programmes

An important aspect of the three IDB Scholarship Programmes is the cooperation extended by member countries. Presently, 12 member countries are hosting SPMC students. In Jumad Awal 1426H (June 2005), the Government of Malaysia and the Bank signed an Memorandum of Understanding (MoU) to enable IDB scholarship holders from all three Programmes to study in Malaysian universities. Under this MoU, the Government of Malaysia, besides offering university placements for scholarship holders, also provides support in the form of covering tuition fees.

The three IDB scholarship programmes have benefited over eight thousand science graduates worldwide. Among the non-member SPMC graduates, 98 percent of the traced graduates are in gainful employment. For MSP graduates, 44 member countries and 178 of research institutions benefited from the Bank's support. Over 80 percent of MSP graduates returned to their own countries. For MPST, 4 science graduates from LDMCs have enrolled for doctoral research programmes. Overall, the Bank is committed to continue playing a catalytic role in the promotion and application of science and technology resources for the betterment of people. Box 4.3 briefly present achievements of graduates of the three IDB scholarship programmes and the impact they made in addressing the challenges of daily life in member countries and communities, and thus contributed to broad-based economic development as well.

4. Special Programmes for Science and Technology

There are a number of initiatives taken by IDB in partnership with COMSTECH and other centres of excellence in member countries to support the development of science and technology resources. Five of the major initiatives and their activities during 1426H are presented below.

4.1 IDB's Young Researcher Support Programme

The programme consists of allocating individual research grants ranging from $8,000 to $15,000 to young researchers. IDB approved a total of $350,000 to 15 beneficiaries in the first test year 1422H of this programme. In 1426H, interim and final reports started reaching the IDB and disbursements took place accordingly.

4.2 Annual Workshop Scheme

An annual state-of-the-art workshop scheme with an amount of $200,000 per year for eight workshops, with $25,000 allocated to each, was approved in

Box 4.3
Achievements by Graduates of IDB Scholarship Programmes

The three IDB Scholarship Programmes are making a major contribution to the development of science-based human capital in member countries and Muslim communities in non-member countries. Graduates of IDB Scholarship Programmes have contributed to the economic well being in their respective countries. A selection of achievements by IDB graduates is presented below to reflect the efforts made by the Bank in creating linkages between challenges of economic development and stepping up the relevant scientific and technological capabilities.

Dr. Bilal Piperdi from Myanmar was a recipient of SPMC. He studied medicine in one of the major Turkish universities. He performed very well throughout his studies and became the top student in his course among 363 medical students in the entire university in 1997. He has since secured another scholarship from the U.S.A. for postgraduate studies.

Dr. Firoj Ansari from Nepal received an SPMC to study at the Pakistan Forestry Institute, a top specialized institution, and secured first-class first position in 1996. He was then sponsored by ITTO, Yokohama, Japan to study for his M.Sc. in the same Institute. Having completed it with first class again, he was subsequently given the Mahendra Vidhyabushon Medal by H.M. the King of Nepal for best performance - the first IDB scholar to receive such an honour from his Head of State. He then won a scholarship from a German university for doctoral research.

Dr. Sos Mousine from Cambodia, was a recipient of SPMC. He not only achieved excellence in education but also in social leadership among the IDB students and subsequently became the founder President of the IDB Graduate Association in Cambodia, which has made a major contribution to development efforts in his country. He was invited to attend the International Leadership Conference in Kuala Lumpur in 2002. He is now an Under-Secretary in the Ministry of Rural Development, the first IDB graduate to have reached a senior position in the Government of his country.

Dr. Boubakar Sako from Guinea is a recipient of an MSP scholarship for post-doctorate research in Japan. He reached the highest level of policy making in his country as Adviser to the President and his scholarly status was also honoured by the IDB with his appointment as a scientist member of the General Committee of the IDB Merit Scholarship Programme. He is the only MSP scholar to have reached such high position of service in his country.

Professor Dr. Wagdy Sawahel of Egypt received the MSP scholarship for doctoral research in Belgium. He is now Director of the National Research Centre in Cairo and the General Coordinator of the IDB-sponsored *Science Development Network* (www.sciencedev.net) for the learning and sharing of science and technology knowledge.

1419H. In 1426H, the Bank completed seven cycles of implementation through the eight OIC Science and Technology Networks established by the COMSTECH for Water Resources (INWARDAM; Jordan-based); Renewable Energy Sources (INRES; Pakistan-based); Space Sciences and Technology (ISNET; Pakistan-based); Oceanography (INOC; Turkey-based); Genetic Engineering and Biotechnology (INOGE; Egypt-based); Tropical Medicine (INTROM; Malaysia-based); Biosaline Agriculture (ICBA; UAE-based); and Information and Communication Technology (INIT; Pakistan-based).

4.3 The IDB Prizes for Science & Technology

As part of the Bank's efforts to promote excellence in scientific research and education, three IDB Prizes for Science & Technology were established in 1423H (2002). The annual award of the three prizes, amounting to $100,000 each, provides financial support as well as international recognition for deserving science and technology institutions in IDB member countries. The prizes are awarded for achievements in the following three categories: (i) excellence in a given scientific specialty; (ii) outstanding science and technology contribution to social and economic development; and (iii) the best performing R&D centre in one LDMC. To date, three editions of the IDB Prizes have been awarded.

In 1426H the IDB Prizes for Science & Technology were awarded to the National Research Centre, Cairo, Egypt; the Department of Electrical and Electronics Engineering at Bilkent University, Ankara, Turkey; and the Y. H. Mamadaliyev Institute of Petrochemical Processes at the National Academy of Sciences of Azerbaijan.

4.4 Centres of Excellence Cooperation Scheme

The IDB facilitates cooperation between various centres of excellence across member countries by encouraging the formulation of joint projects between the centres and funding research on joint projects through grants. So far two project grants of $130,000 and $15,000 have been approved.

4.5 Other Cooperation Arrangements

IDB, in cooperation with its OIC partners and international agencies, has initiated various schemes that are at different stages of start-up and implementation. The S&T Expatriate Nationals Scheme has been built on the UNDP-TOKEN reference model and is supported by the Bank with an allocation of $0.2 million. It cooperates with the International Islamic Forum for Science & Technology and Human Resources Development (IIFTIHAR); the African Regional Centre for Technology (ARCT); and the PATHFINDER Foundation for Education & Development which is a non-governmental organisation dedicated to the development of S&T and its applications in Africa.

VII. STRATEGISING FOR CHALLENGES OF KNOWLEDGE ECONOMY

Technological developments in the 20th century have transformed wealth-creating work from physically-based to knowledge-based production structures. Technology and knowledge are now the key factors of production. With increased mobility of information via the internet, knowledge, and to some degree expertise, can be transported rapidly around the world. Therefore, high priority must be given to strengthening technological capacity in IDB member nations.

Developing knowledge-based economies is critical to accelerating socio-economic progress in the 21st century. Information and Communication Technologies (ICT) is an enabling vehicle for developing knowledge-based economies. In 1426H, the IDB Annual Conference[5] entitled "*Knowledge and Information & Communication Technology for Development*" (KICT4D) was themed "Harnessing Knowledge for Development in IDB Member Countries" and organized in collaboration with the Malaysian Institute of Microelectronic Systems (MIMOS).

The Conference provided an opportunity for IDB member countries, their policy makers, industry leaders, NGOs, and other key stakeholders, to develop a better understanding of the issues and challenges related to ICT. It highlighted the important need for IDB member countries to examine their development agenda as they face the opportunities and threats of globalization coupled with the rapid pace of ICT revolution.

There are a number of challenges facing IDB member countries in their transformation to knowledge-based economies, one example being the scarcity of appropriate resources and expertise in individual member countries. To overcome these challenges, member countries will have to consolidate and aggregate ICT-related resources across borders and learn from each others experiences. However, in doing so, there is a need to review the existing laws and regulations which form the infrastructure for growth of knowledge-based economy. Other issues that will have to be addressed are IT illiteracy and bringing down the cost of IT equipment and software. Moreover, creation of a collective vision and collaborative arrangements between the countries will complement efforts to create a worthwhile chain of supply and demand between them.

Recent surveys measuring readiness for ICT transformation show that a large number of IDB member countries fall in the bottom half of the e-readiness index. Many member countries lack an information infrastructure, have no ICT policy, and have a relatively ineffective e-governance mechanism. Through the KICT4D Conference, the Bank highlighted the importance of issues related to improving e-readiness and providing an enabling environment for the development of an ICT industry. Major recommendations of the Conference are given in Box 4.4.

VIII. CAPACITY BUILDING ASSISTANCE

Development of human and institutional capacity is essential to address challenges of globalisation. IDB's programme in capacity building caters for sharing of knowledge and dissemination of skills; supporting civil society through non-governmental organisations (NGOs), and supporting women-in-development initiatives. Through capacity building programmes, the Bank seeks to alleviate managerial, technical, and institutional constraints, and strengthen grass-root level community organisations. Major activities by the Bank to support capacity building during 1426H are presented below.

1. Knowledge Sharing and Disseminating Skills

IDB promotes capacity building activities in member countries mainly through on-the-job training and familiarization visits; exchange of experts; and organization of workshops and seminars. Since inception of the Programme in 1403H and up to the end of Dhul Hijjah 1426H (February 2006), 1,312 operations

[5] An Annual Symposia on some important socio-economic development issues relevant to its member countries has become a hallmark of IDB Annual Meetings. From 1426H the Symposia has been converted into a conference format.

Box 4.4
Recommendations of Conference on Knowledge and ICT for Development (KICT4D)

In order to sensitize the development of knowledge-based economies in member countries, IDB organised a Conference on "Knowledge and ICT for Development" (KICT4D) on 14-23 Jumad Awwal 1426H (21-30 June 2005) in Putrajaya, Malaysia, in conjunction with IDB Annual Meeting of the Board of Governors. The Conference was attended by over 350 delegates, including 70 international participants and 45 role players. The Conference highlighted the importance of providing enabling conditions for KICT4D strategy and the need to consolidate and aggregate resources to help transform the economies of member countries. The Conference made 25 recommendations which were presented to the Ministerial Session for adoption by the IDB Governors in the Closing Session of the Annual Meeting.

The recommendations covered seven thematic areas of KICT4D. Key recommendations are summarized below.

Promote knowledge based economy

Establishment of a KICT4D Council to formulate, monitor progress, and advocate new initiatives for the development of knowledge economy. The proposed Council should also consider establishing a revolving fund to finance KICT4D initiative. Member countries should adopt a multi-stakeholder partnership approach to KICT4D and establish venture capital funding and technology incubators for this purpose.

Internet governance

Member countries should participate in relevant global internet governance platforms and also mobilize stakeholders at local and national levels to strengthen internal coordination of internet governance issues. Working Groups could be established to research and build capacity on internet governance issues by learning form other international bodies and promoting unique values perspectives of member countries.

Information and Network Security

The proposed KICT4D Council, in cooperation with member countries, could initiate the establishment of a Task Force for information and network security, which should develop capacity as well as coordination amongst Computer Emergency Response Teams (CERTs). The member countries should also actively participate in global and regional forums on ICT security in ensuring public trust in e-transactions.

E-Learning

Setting up of an e-learning working group by the KICT4D Council; development and sharing of indigenous content in collaboration with member countries.

Open Source Software Systems

Development of an OIC open source system and shared platform with the support of member countries in the form of open source national-level policies.

Deployment of ICT for Intra Trade:

Establish an E-Trade Task Force for promotion of intra trade, create a virtual trade platform and e-market places, and strengthen member countries' participation and interests at WTO and WIPO.

IDB as a Knowledge Based Institution:

IDB should promote and create awareness about knowledge-based economic development as well as give high priority to KICT4D in sectors such as agriculture, education, and health

totalling $28.39 million were approved for member countries and regional/international institutions. The breakdown is as follows: 590 operations amounting to $10 million for training; 230 operations amounting to $4.04 million for experts' services; and 492 operations totalling $14.35 million for organization of seminars and workshops. Table 4.2 provides information on the break down of the 91 approved operations totalling during 1426H.

Table 4.2
Capacity Building Assistance during 1426H

Type of Activity	No. of Operations	Approval ($)
On-the-Job Training / Study Visits	35	913,900
Recruitment of Experts	19	321,800
Seminars and Workshops	37	1,031,060
Total	**91**	**2,266,760**

2. Supporting Civil Society

There is global recognition of the role of women in the process of socio-economic development. In support of development effectiveness at grass-roots level, the Bank has expanded its support to NGO's in member countries. In order to mainstream women-in-development issues, the IDB organised its Thirteenth Annual Symposium on the theme "Women in Poverty Alleviation: Better Access to Education and Micro-finance", which was held in Ouagadougou in Shabaan 1422H (October 2002). The Bank is in the process of implementing the operational recommendations generated by the Symposium.

One of the operational recommendations was the establishment of an IDB Women's Advisory Panel for assisting the Bank to develop suitable strategies for the promotion of the role of women in poverty alleviation and socio-economic development. This was followed by the appointment of 12 women members to the advisory panel, representing a wide range of developmental experience across regions. In addition, the Bank instituted the Women's Contribution in Development Prize (WCID Prize) to recognize women or organisations for their achievements in alleviating poverty, undertaking entrepreneurial enterprises, and contributing to the betterment of their families, communities, and societies. The Prize consists of a cash award of $50,000 either to an individual or a group of individuals, or $100,000 in the case of an organisation, plus a citation recognising the contribution of the WCID Prize recipient.

IDB in collaboration with the Society for Human Rights and Prisoners Aid (SHARP), a Pakistani NGO, supported a capacity building programme for women heads of households, particularly the widows. The programme imparts training to a group of about 30 women annually in sewing and embroidery skills, including courses in business management, marketing and self-grooming in the suburban areas of Rawal Pindi and Islamabad.

IDB co-financed the construction and equipping of classrooms and science laboratories of the Amanasak Primary School, Muang in Thailand, which will mainstream the Muslim community in education and economic activities.

Annex Table 4.1
IDB Group - Net Approvals by Mode of Financing

($ million)

Year (H)	Equity	Instalment Sale	Istisna'a	Leasing	Profit Sharing	Murabaha	Line of Financing	Loan	Loan (LDMC Prog.)	Technical Assistance	Others	Grand Total
Ordinary Capital Resources (OCR)												
1424	2.59	106.36	486.02	185.66	-	1,416.64	-	284.90	28.46	11.24	-	2,521.87
1425	33.52	143.41	487.65	463.93	-	1,885.59	25.00	311.75	19.04	19.63	-	3,389.52
1426	26.51	127.84	409.83	547.44	-	1,143.94	10.00	296.01	33.86	12.05	-	2,607.48
Treasury Department												
1424	8.83	-	-	-	-	15.00	-	-	-	-	41.00	64.83
1425	19.15	-	-	8.04	-	163.49	-	-	-	-	112.71	303.39
1426	16.00	-	-	-	-	-	-	-	-	-	277.74	293.74
Islamic Corporation for the Development of the Private Sector												
1424	1.80	8.00	1.87	11.50	-	1.36	22.00	-	-	-	-	46.53
1425	6.40	12.00	-	35.29	-	20.00	-	-	-	-	-	73.69
1426	49.25	30.75	-	77.19	-	7.50	11.00	-	-	-	-	175.69
Islamic Banks Portfolio												
1424	-	-	-	81.00	-	171.25	-	-	-	-	40.00	292.25
1425	-	-	-	92.75	-	308.00	-	-	-	-	2.00	402.75
1426	-	-	-	6.00	-	311.96	-	-	-	-	-	317.96
Awqaf Properties Investment Fund												
1424	-	-	3.10	60.23	-	13.25	-	-	-	-	-	76.58
1425	-	-	-	26.63	10.14	5.00	-	-	-	-	-	41.77
1426	5.00	-	-	54.88	-	4.00	-	-	-	-	-	63.88
IDB Infrastructure Fund												
1424	48.00	-	-	-	-	-	-	-	-	-	-	48.00
1425	124.67	-	-	-	-	-	-	-	-	-	-	124.67
1426	202.36	-	-	-	-	-	-	-	-	-	-	202.36
Unit Investment Fund												
1424	-	-	7.00	68.76	-	101.50	-	-	-	-	30.00	207.26
1425	-	-	-	62.85	-	166.00	-	-	-	-	10.00	238.85
1426	-	-	-	46.60	-	101.29	-	-	-	-	-	147.89
Total of OCR and all Entities/Funds												
1424	61.22	114.36	497.99	407.15	-	1,719.00	22.00	284.90	28.46	11.24	111.00	3,257.32
1425	183.74	155.41	487.65	689.49	10.14	2,548.08	25.00	311.75	19.04	19.63	124.71	4,574.64
1426	299.12	158.59	409.83	732.11	-	1,568.69	21.00	296.01	33.86	12.05	277.74	3,809.00

Annex Table 4.2
Knowledge Creation and Dissemination during 1426H

Categories		Activity
I. RESEARCH Focus: Publication and Development of Discipline	1.	Islamic Capital Market Products: Development and Challenges
	2.	Survey on the State of Art in the field of Islamic Banking and Finance
	3.	The X-Efficiency of Islamic Banks
	4.	Simulation in Islamic Economics and Finance
	5.	Islamic Finance and the Challenges of Hedging (Occasional Paper 1427H)
	6.	Islamic Law, Corporate Finance and Financial Development
Focus: Facilitating Dialogue on Islamic Financial Sector Development	7.	Ten-Year Master Plan framework for the Islamic Financial Services Industry
Focus: Facilitating Dialogue on Poverty Alleviation	8.	Poverty Reduction Strategies of Member Countries in Sub-Saharan Africa: Incorporating Roles of Zakat and Awqaf
Focus: Facilitating Dialogue on Islamic Financial Products Development	9.	A Compendium of Fiqh Sources for Financial Product Development
II. SEMINARS/CONFERENCES	1.	OECD Forum 2005, Paris
	2.	International Conference on Islamic Capital Markets
	3.	Seminar on Application of Shariah in Economics and Finance
	4.	Technical Workshop on Ten-Year Master Plan for the Islamic Financial Industry
	5.	Policy Dialogue Seminar on Ten-Year Master Plan for the Islamic Financial Industry
	6.	Conference on Islamic Banking and Money Market
	7.	Sixth International Conference on Islamic Economics and Finance
	8.	Second Forum on Issues of Awqaf , Kuwait
III. PUBLICATION OF SEMINAR PROCEEDINGS	1.	Islamic Financial Architecture: Risk Management and Financial Stability (proceedings of the First International Conference on Risk Management, Regulation and Supervision)
	2.	Islamic Perspectives on Sustainable Development, Vol. 1 of Fifth International Conference proceedings
	3.	Islamic Finance and Economic Development, Vol. 2 of Fifth International Conference proceedings
	4.	Financial Engineering and Islamic Contracts, Vol. 3 of Fifth International Conference proceedings
	5.	Poverty in Muslim Countries and the New International Economic Order, Vol. 4, of Fifth International Conference proceedings
	6.	Islamic Banking and Finance: Fundamental and Contemporary Issues, proceedings of the Seminar on Islamic Banking, held in Brunei, Darussalam

Annex Table 4.3
IRTI Training Programmes Implemented during 1426H

No	Training Programs	Venue	Collaborating Institution(s)	Number of Participants
1.	Financial Economics [In English]	Tehran	Economic Research Institute of Ministry of Economic Affairs and Finance, Iran	- Regional course - 29 Participants
2.	Capacity Building in Economic Diplomacy [In English]	Casablanca	Islamic Centre for Development of Trade (ICDT), Morocco	- Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 15 Participants
3.	Globalization: Challenges & Opportunities [In French]	Libreville	Ministry of Economy, Finance, Budget and Privatization, Gabon	- Regional Course - 50 Participants
4.	Training of Trainers on Entrepreneurship Development [In English]	Karachi	Islamic Chamber of Commerce and Industry (ICCI), Karachi, Pakistan	- Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 28 Participants
5.	Practical Models & Instruments for Management of Macro-Economics [In Arabic]	Cairo	- Egyptian Banking Institute - Arab Planning Institute, Kuwait	- Regional Course - 37 Participants
6.	Financing Micro Enterprises in the Azerbaijan Republic and CIS Countries [In Russian]	Baku	Caspian Research and Information Centre of Baku State University (CRIC/BSU), Azerbaijan	- Regional Course - 45 Participants
7.	Establishing Zakat and Awqaf Institutions [In French]	Dakar	i) Islamic Institute of Dakar, Senegal ii) Bait Zakat, Kuwait, and iii) Kuwait Awqaf Foundation, Kuwait	- National Seminar - Technical Seminar for West Africa - 55 Participants
8.	Assets and Liabilities Management in Islamic Banking [In Arabic]	Amman	Institute of Banking Studies, Jordan	- Regional Course - Fee based Course - 28 participants
9.	Economic Development in Islam [In Arabic]	Nouakchott	Islamic and Cultural Association, Mauritania	- National Course - 135 Participants
10.	BOT as a Modality for Financing Infrastructure Projects [In English]	IDB HQ, Jeddah	IRTI	- For IDB Staff - 10 Participants
11.	Communication and Information Technologies, with emphasis on E-Government [In French]	Tunisia	International Soft Company, Tunisia	- Regional Course - 32 participants
12.	Experts Group Meeting on “Financing for Development” [In Arabic]	Beirut, Lebanon	Statistical, Economic and Social Research and Training Centre for Islamic Countries [SESRTCIC] Ankara, Turkey	Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 53 Participants
13.	Regulation and Supervision of Islamic Banks [In English]	Kuala Lumpur	South East Asian Central Banks [SEACEN] Research and Training Centre, Kuala Lumpur, Malaysia.	- Regional Course - 51 participants
14.	Role of Awqaf and Zakat in Poverty Alleviation [In Arabic]	Cairo	i) S.A. Kamel Centre for Islamic Economics, Cairo, Egypt, and ii) Kuwait Awqaf Foundation, Kuwait	- Regional Course - 40 participants
15.	Coordination and Harmonization of Policies to Enhance Agricultural Productivity and Competitiveness within CEN-SAD Community [French]	Tripoli, Libya	Social Research and Training Centre for Islamic Countries [SESRTCIC] Ankara, Turkey	- Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 20 Participants

Annex Table 4.3 (Continued)
IRTI Training Programmes Implemented During 1426H

No	Training Programs	Venue	Collaborating Institution(s)	Number of Participants
16.	Follow-up meeting of the Senegal Technical Seminar on 'Establishing Zakat and Awqaf Institutions' [In French / Arabic]	IDB HQ ,Jeddah	i) Islamic Institute of Dakar, Senegal ii) Bait Zakat, Kuwait, and iii) Kuwait Awqaf Foundation, Kuwait	Follow up of the recommendations made in Dakar - 12 participants
17.	Measuring Performance of Charitable Activities [In Arabic]	Kuwait	Kuwait Awqaf Foundation, Kuwait	- Regional Course - 20 participants
18.	Marketing in the Face of Emerging Challenges of Globalization and the Revolution of Information, Communication and Technology [In English]	Tehran, Iran	Islamic Chamber of Commerce and Industry (ICCI), Karachi, Pakistan	- Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 321 Participants
19.	Experts Group Meeting on "International Migration Statistics" [In Arabic]	Cairo, Egypt	Statistical, Economic and Social Research and Training Centre for Islamic Countries [SESRTCIC] Ankara, Turkey	- Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 25 Participants
20.	Regional Seminar on Trade and Transport Facilitation in the ESCWA East Mediterranean Countries [In Arabic]	Cairo, Egypt	Statistical, Economic and Social Research and Training Centre for Islamic Countries [SESRTCIC] Ankara, Turkey	- Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 42 Participants
21.	Public Relations in the Charity Sector [In Arabic]	Kuwait	Kuwait Awqaf Foundation, Kuwait	- Regional Course - 38 participants
22.	Islamic Banking Operations [In Arabic]	Cairo, Egypt	Egyptian Banking Institute, Egypt	- National Course - 38 participants
23.	Technology Management [In English]	Dhaka	Islamic University of Technology, Bangladesh	- Regional Course - Task Force on Training for Preparing the Ummah for 21st Century - 22 Participants
24.	Basics of Islamic Insurance and Takaful [In English]	Jakarta	Islamic Insurance Society, Indonesia	- Regional Course - 41 participants
25.	Islamic Banking Operations [In Arabic]	Beirut	Central Bank of Lebanon	- National Course - 40 participants
26.	SUKUK as Sources of Financing Development Projects [English]	IDB HQ, Jeddah	IRTI	- For IDB Staff - 14 Participants
27.	BOT as a Modality for Infrastructure Projects [In English]	Ankara	Under Secretariat of the Treasury, Prime Ministry, Republic of Turkey	-Regional Course - 24 Participants

Annex Table 4.4
IDB Scholarship Programme
for Muslim Communities in Non-member Countries: Students by Countries
(As at end of Dhul Qa'da 1426H/December, 2005)

No.	Country Name	Year Started	Active/ Current	Graduates	Left Program	Total
1.	Argentina	1997	3	0	0	3
2.	Bosnia-herzegovina	1994	18	25	4	47
3.	Bulgaria	1989	20	20	14	54
4.	Burundi	2002	6	0	1	7
5.	Cambodia	1992	16	9	1	26
6.	Canada	1994	15	14	3	32
7.	Cent. Afr. Rep.	1994	12	0	0	12
8.	China	1992	81	1	1	83
9.	Congo	1992	11	10	6	27
10.	Dem.rep.of Congo(Zaire)	1987	31	8	13	52
11.	Eritrea	1986	39	56	30	125
12.	Ethiopia	1990	101	63	17	181
13.	Fiji	1986	6	27	13	46
14.	Ghana	1986	81	133	19	233
15.	Greece	1995	1	1	0	2
16.	Guyana	1994	4	7	7	18
17.	India	1983	529	1788	76	2393
18.	Kenya	1983	60	106	15	181
19.	Kibris	1988	0	6	2	8
20.	Lesotho	1995	0	1	4	5
21.	Liberia	1987	42	25	28	95
22.	Madagascar	1987	15	13	14	42
23.	Malawi	1986	17	16	13	46
24.	Mauritius	1986	9	32	3	44
25.	Mongolia	1991	15	11	14	40
26.	Myanmar (Burma)	1985	44	61	51	156
27.	Nepal	1987	30	70	9	109
28.	New Zealand	1993	7	6	2	15
29.	Papua New Guinea	2000	0	0	1	1
30.	The Philippines	1986	173	263	62	498
31.	Russian Federation	1993	26	13	11	50
32.	Rwanda	1990	17	22	2	41
33.	Singapore	1985	7	43	5	55
34.	South Africa	1987	41	70	25	136
35.	Sri Lanka	1983	42	201	4	247
36.	Tanzania	1985	112	145	46	303
37.	Thailand	1986	95	265	24	384
38.	Trinidad-tobago	1989	10	26	7	43
39.	U.s. Virgin Isles	1995	2	0	0	2
40.	Vanuatu	1999	3	1	0	4
41.	Vietnam	1995	10	8	3	21
42.	Yugo. (Croatia)	2001	4	2	0	6
43.	Yugo. (Kosovo)	1995	6	3	2	11
44.	Yugo. (Macedonia)	1991	51	17	8	76
45.	Zambia	2000	6	0	1	7
46.	Zimbabwe	1993	7	9	1	17
Member Countries Included on Exceptional Basis:						
47.	Afghanistan	1986	187	156	45	388
48.	Albania	1994	20	5	2	27
49.	Azerbaijan	1994	0	2	0	2
50.	Cote D'ivoire	1987	15	19	6	40
51.	Kazakhstan	1992	21	12	19	52
52.	Mozambique	1992	30	5	4	39
53.	Nigeria	1987	335	388	59	782
54.	Palestine	1984	49	104	6	159
55.	Somalia	1996	66	20	9	95
56.	Togo	1986	8	44	22	74
	Total		**2,556**	**4,352**	**734**	**7,642**

Annex Table 4.5
IDB Merit Scholarship Programme:
Statistics on Selection for the last Five Years
(A.Y. 1422H/2001-02 to A.Y. 1426H/2005-2006)

No.	Countries	1413H to 1421H (1992-93 to 2000-01)	1422H/ 2001-02	1423H/ 2002-03	1424H/ 2003-04	1425H/ 2004-05	1426H/ 2005-06	Total Selected
1.	Afghanistan	-	-	-	1	-	-	1
2.	Albania	1	1	-	-	-	-	2
3.	Algeria	8	1	1	1	-	2	13
4.	Azerbaijan	1	-	-	-	-	-	1
5.	Bahrain	4	-	-	-	-	-	4
6.	Bangladesh	12	1	1	3	2	3	22
7.	Benin	-	-	1	-	1	-	2
8.	Brunei Darussalam	-	-	-	-	-	-	0
9.	Burkina Faso	1	-	-	-	-	-	1
10.	Cameroon	3	-	-	-	-	-	3
11.	Chad	2	-	-	-	-	-	2
12.	Comoros	-	-	-	-	-	-	0
13.	Cote d'Ivoire	-	-	-	-	-	-	0
14.	Djibouti	-	-	-	-	-	-	0
15.	Egypt	11	1	2	3	2	3	22
16.	Gabon	-	-	-	-	-	-	0
17.	Gambia	3	-	-	-	-	-	3
18.	Guinea	2	-	-	-	1	-	3
19.	Guenea Bissau	-	-	-	-	-	-	0
20.	Indonesia	14	1	1	3	3	3	25
21.	Iran	7	1	1	2	2	3	16
22.	Iraq	2	-	-	1	-	-	3
23.	Jordan	6	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	3	14
30.	Maldives	2	-	-	-	-	-	2
31.	Mali	1	-	-	-	-	-	1
32.	Mauritania	1	-	-	-	-	-	1
33.	Morocco	5	1	1	1	-	-	8
34.	Mozambique	-	1	-	-	-	-	1
35.	Niger	2	-	-	-	1	-	3
36.	Nigeria	-	-	-	-	-	-	0
37.	Oman	3	1	1	2	-	-	7
38.	Pakistan	11	2	1	1	2	2	19
39.	Palestine	7	-	-	1	2	-	10
40.	Qatar	-	-	-	-	-	-	0
41.	Saudi Arabia	4	-	-	1	1	-	6
42.	Senegal	2	1	-	1	-	-	4
43.	Sierra Leone	1	-	-	-	-	-	1
44.	Somalia	1	-	-	-	1	-	2
45.	Sudan	9	1	1	1	1	2	15
46.	Suriname	-	-	-	-	-	-	0
47.	Syria	6	1	1	1	-	2	11
48.	Tajikistan	-	-	-	2	1	-	3
49.	Togo	-	1	-	-	-	-	1
50.	Tunisia	5	1	1	-	-	1	8
51.	Turkey	10	1	1	1	3	1	17
52.	Turkmenistan	-	-	-	-	-	-	0
53.	Uganda	2	1	1	-	1	-	5
54.	United Arab Emirates	-	-	-	-	-	-	0
55.	Uzbekistan	-	-	-	-	-	-	0
56.	Yemen	5	1	1	-	-	1	8
	Total	**170**	**22**	**20**	**32**	**27**	**26**	**297**

Annex Table 4.6
M.Sc. Scholarship Programme in
Science and Technology for Least Developed Member Countries:
Statistics on Selection for the last Five Years
(A.Y. 1422H/2001-02 to A.Y. 1426H/2005-2006)

No.	Countries	1419H to 1421H (1998-99 to 2000-2001)	1422H/ 2001-02	1423H/ 2002-03	1424H/ 2003-04	1425H/ 2004-05	1426H/ 2005-06	Total Selected
1.	Afghanistan	5	3	2	1	1	1	13
2.	Benin	4	2	2	-	2	-	10
3.	Burkina Faso	1	-	-	1	1	1	4
4.	Chad	4	1	-	2	2	1	10
5.	Comoros	2	-	-	1	-	-	3
6.	Djibouti	2	2	-	-	-	-	4
7.	Gambia	3	-	2	-	-	2	7
8.	Guinea	2	1	3	2	2	2	12
9.	Guenea Bissau	-	-	-	-	-	-	0
10.	Maldives	5	-	2	1	-	2	10
11.	Mali	1	2	1	1	1	-	6
12.	Mauritania	2	1	1	2	1	2	9
13.	Mozambique	-	-	-	-	-	-	0
14.	Niger	4	2	-	2	-	2	10
15.	Palestine	-	-	-	-	2	2	4
16.	Sierra Leone	5	1	1	-	2	1	10
17.	Somalia	5	2	2	1	2	2	14
18.	Togo	-	-	-	2	-	-	2
19.	Uganda	7	2	2	2	1	1	15
20.	Yemen	8	1	2	2	3	1	17
	Total	**60**	**20**	**20**	**20**	**20**	**20**	**160**

Note: A. Y. Stands for academic year.

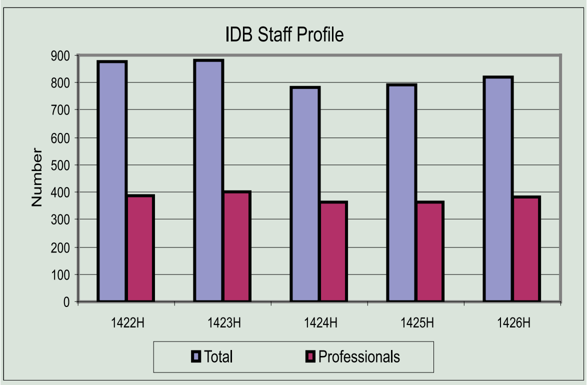
CHAPTER 5

ACHIEVING INSTITUTIONAL EFFECTIVENESS

As part of the 30th Anniversary Celebrations of the IDB, an event was held in London under the patronage of HRH Prince Charles, Prince of Wales. On this occasion, President, IDB Group signed a Memorandum of Understanding (MoU) with the Prince of Wales Charitable Foundation, established by HRH Prince Charles, to cooperate on a number of initiatives including youth engagement and leadership, sustainable development, and teaching and training. Also present on the occasion was H.E. President Amadou Toumani Toure of Mali.

HIGHLIGHTS

- Thirtieth Annual Meeting of the Board of Governors held in Putrajaya, Malaysia. Prime Minister of Malaysia Chaired the Meeting.
- Board of Executive Directors Clears Proposal to increase the Authorized Capital of the Bank from ID15 billion to ID30 billion.
- Board of Governors Approve Establishment of the International Islamic Trade Finance Corporation (ITFC).
- Board of Governors Approve 5 percent of Net Income for Technical Assistance operations.
- Board of Governors Approve 2 percent of Net Income to Finance Merit Scholarship Programme.
- Eleventh Term of the Board of Executive Directors Commences.
- Seven New Board Members Elected at the Annual Meeting.
- Board of Executive Directors Transact 339 Items during 1426H.
- Thirtieth Anniversary Celebrations of IDB held in Putrajaya and London.
- Fifteen Young Professionals Join The Bank during 1426H.
- Thirty-first Annual Meeting in Kuwait.



I. MEMBERSHIP

The 30th Annual Meeting of the Board of Governors held in Putrajaya in Jumad Awwal 1426H (June 2005) witnessed a new country from the African continent complete the formalities for joining the Islamic Development Bank. With the ratification of membership formalities by the Board of Governors, the Federal Republic of Nigeria became the 56th member country of the IDB. The membership of Nigeria follows on the heels of Uzbekistan, one of the countries from the Commonwealth of Independent States (CIS), which became a member during the Annual Meeting of the Board of Governors held in Almaty, Republic of Kazakhstan during 1424H (2003).

II. ACTIVITIES OF THE BOARD OF GOVERNORS

1. The 30th Annual Meeting

The 30th Annual Meeting of the Board of Governors of the Islamic Development Bank was held in Putrajaya, Malaysia, during 16-17 Jumad Awwal 1426H (23 – 24 June 2005) under the patronage of H.E. Dato' Seri Abdullah bin Hj. Ahmad Badawi, Prime Minister of Malaysia and Chairman of the Board of Governors of IDB.

In his address at the Opening Session, Dr. Ahmad Mohamed Ali, President, IDB, expressed thanks and appreciation to the Prime Minister of Malaysia for opening the Annual Meeting and to the people and Government of Malaysia for the excellent arrangements and the gracious hospitality. The President briefly reviewed the performance of the IDB and other matters related to the activities of the IDB Group during the year 1425H. He noted that during the chairmanship of the IDB Board of Governors, H.E. Dato' Seri Abdullah bin Hj. Ahmad Badawi suggested important initiatives to boost IDB's efforts to promote socio-economic development in member countries, which served as a solid foundation for IDB to draw up its policies and improve operations.

In his Opening Speech, the Prime Minister of Malaysia commended the pioneering role played by the Bank in fostering economic development and social progress of member countries and Muslim communities in non-member countries and noted that the IDB's activities have undergone a number of changes towards meeting the challenges faced by its member countries in the present day world. He assured the continued support of the Government of Malaysia to the IDB in its efforts to support the economic development of IDB member countries. Speaking as the Chairman of the Organization of Islamic Conference for the year, he said that hosting the Annual Meeting was a natural extension of Malaysia's commitment to strengthening cooperation among the member countries. He noted that the theme for the Annual Meeting - "IDB: 30 Years of Human Development" – was appropriate as the development of human capital is imperative for the sustained advancement of the member countries, capacity building and institutional development. Referring to various initiatives taken by the IDB, especially the IDB Group Strategic Framework, he emphasized that in the current environment of rapid change and advancement in technology, the IDB needs to ensure that it has the capacity and capability to deliver the needs of the member countries effectively.

Dr. Marimantia Diarra, Acting IDB Governor for Mali, Mr. Jerar Noaman Al Kodwa, IDB Governor for Palestine and Mr. Jusuf Anwar, IDB Governor for Indonesia, addressed the meeting on behalf of the Groups of the African, Arab and Asian countries respectively. A number of Governors addressed the Annual Meeting during the Working Sessions. The Procedures Committee appointed by the Board of Governors at the Twenty-Ninth Annual Meeting, held its meeting on Wednesday, 15 Jumad Awwal 1426H (22 June 2005).

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 Thirtieth Annual Report of the Board of Executive Directors for 1425H (2004-2005) and approved: (i) Audited statement of Accounts of IDB for 1425H (2004-2005); (ii) Transfer of Balance on the Profit & Loss Account of IDB as at end-1425H (2004-2005) to the General Reserve; (iii) Audited Statement of Accounts of the Waqf Fund for 1425H (2004-2005); (iv) Audited Statement of Accounts of the Export Financing Scheme for 1425H (2004-2005); (v) Audited Statement of Accounts of the Islamic Banks' Portfolio for 2004; (vi) Audited Statement of Accounts of the IDB Unit Investment Fund for 2004; and (vii) Audited Statement of Accounts of the Awqaf Properties Investment Fund for 1425H (2004-2005).

The theme of the 30th Annual Meeting was "IDB – 30 Years of Human Development". On this occasion, an anniversary event was organised in Putrajaya. The theme emphasizes that the challenge of combating widespread poverty in member countries can be addressed through human resource development. Another anniversary event was organised in London to showcase the Bank's support for youth and community development of Muslims in non-member countries (see Box 5.2).

2. Approvals Accorded by the Board of Governors

The Board of Governors approved the allocation of 5 percent of the net income of the Bank for the Financial Year 1426H, on the condition that it will not be less than $5 million, for financing Technical Assistance Operations in the form of grants for the year 1427H.

It approved the allocation of an amount equivalent to 2 percent, but not less than $2 million of the forecasted IDB net income for the Financial Year 1426H, to finance the Merit Scholarship Programme in the form of Grants for the Year 1427H, in addition to the current allocation from the Waqf Fund. It also approved for the Merit Scholarship Programme the utilization of the savings of the IDB Administrative Budget of 1425H to meet the expenses of 13 new scholars with a total budget of $390,000/- for the Year 1426H.

The Board of Governors approved the proposal to establish an autonomous trade finance entity within the IDB Group to be called the "International Islamic Trade Finance Corporation" (ITFC) with an authorized capital of $3 billion and a subscribed capital of $500 million, with IDB maintaining a majority shareholding. The Headquarters of the Corporation shall be in Jeddah, Kingdom of Saudi Arabia.

3. Award of the IDB Prizes

During the Annual Meeting, the Chairman of the Board of Governors announced the winners of the 1425H IDB Prize in Islamic Economics and the 1425H IDB Prize for Science & Technology. The 1425H Prize in Islamic Economics was awarded to Dr. Shawqi Ahmad Dunya, Dean, Faculty of Commerce, Al-Azhar University, Al Mansoura, Arab Republic of Egypt.

The 1425H Prize for Science & Technology was awarded to the following three institutions for their "outstanding scientific or technological contribution to the economic development: (i) the National Research Center, Cairo, Egypt, (ii) the Department of Electrical

& Electronics Engineering, Bilkent University, Ankara, Turkey, and (iii) the Y.H. Mamedaliyev Institute of Petrochemical Processes, National Academy of Science, Baku, Azerbaijan.

4. Election of the Chairman of the Board of Governors

The Board of Governors elected the IDB Governor for the State of Kuwait as Chairman of the Board of Governors for 1427H (2005-2006) Session. It also elected the IDB Governor for the Republic of Senegal and the IDB Governor for the Republic of Sudan as Vice-Chairmen for the same period. The term of office of the Chairman and the Vice Chairmen started immediately after the end of 30th Annual Meeting and will continue until the end of the 31st Annual Meeting.

5. Election of the President

Taking note of the nomination of Dr. Ahmad Mohamed Ali by the Kingdom of Saudi Arabia for another five-year term, the Board of Governors re-elected Dr Ali as President of the IDB for a five-year term of office as of the day following the end of his current tenure.

6. Eleventh Term of the Board of Executive Directors

The Eleventh Term of the Board of Executive Directors began on 16 Dhul Qa'da 1426H (18 December 2005). There are seven appointed Executive Directors and seven elected Executive Directors on the Board. The appointed Executive Directors in the Board are as follows:

i. Hon. Ibrahim Mohamed Al-Mofleh (Kingdom of Saudi Arabia)
ii. Hon. Jamal Nasser Rashid Lootah (United Arab Emirates)
iii. Hon. Zeinhom Zahran (Arab Republic of Egypt)
iv. Hon. Dr. Selim Cafer Karatas (Republic of Turkey)
v. Hon. Faisal Abdul Aziz Al-Zamil (State of Kuwait)
vi. Hon. Mohammad Azzaroog Rajab (Great Socialist People's Libyan Arab Jamahiriyah
vii. Hon. Dr. Tahmaseb Mazaheri (Islamic Republic of Iran).

For the remaining seven seats, election was conducted on 16 Jumad Awwal 1426H (23 June 2005) in accordance with the provisions of Article 31 of the Articles of Agreement and Section 6(A)2 of the By-Laws. The following are the new Executive Directors on the 11th term of the Board for the next three years:

i. Hon. Yakoubou Mahaman Sani (Niger)– representing Group A-1
ii. Hon. Issufo Sanha (Guinea Bissau) – representing Group A-2.

Board of Executive Directors Meeting in IDB Headquarters, Jeddah

iii. Hon. Somone Mibrathu (Djibouti) – representing Group B-1

iv. Hon. Aissa Abdullaoui (Algeria) – representing Group B-2

v. Hon. Md. Ismail Zabihullah (Bangladesh) – representing Group C-1.

vi. Hon. Agus Muhammad (Indonesia) – representing Group C-2.

vii. Hon. Arslan Meredovich Yazyyev (Turkmenistan) – representing Group D.

III. ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS (B.E.D.)

During 1426H, the B.E.D. held seven meetings in addition to a number of meetings of the Standing, Special, and ad-hoc Committees of the Board. A summary of the activities of the Board, given in Table 5.1. Box 5.1 highlights the major policy decisions taken by the Board during 1426H. Details project financing and trade operations during 1426H are covered in Chapters 2 and 3 respectively.

During the year, the Board of Executive Directors considered 339 items related to project financing, trade financing, Waqf Fund operations, Policy issues, items relating to the IBP, UIF, and APIF as well as operations approved by the President of the IDB, under the authority delegated to him by the B.E.D. The Board approved 169 items on which it adopted Resolutions. Ninety-five items approved by the President were also submitted to the Board for their information. The remaining items comprised various standing items, standard follow-up and progress reports, and some items which were postponed for consideration in subsequent meetings of the Board or referred to a Committee of the Board; as such, no resolution was adopted on these items.

To facilitate its work, the B.E.D. 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.

1. Standing Committees

The Standing Committees of the Board are:

i. Finance and Administrative Committee

ii. Operations Committee

iii. Export Financing Scheme (EFS) Committee

iv. Audit Committee

Table 5.1
Business Transacted by the Board of Executive Directors during 1426H

Date of BED Meetings	No.	Trade Operations	Projects	Waqf Fund Operations	Policy Items	Other Items	Sukuk Items	AMD Items	Items Approved by the President	Follow-up Reports	Total No. of Agendas Items	Resolutions Adopted
17-18 Safar 1426H (27-28 March 2005)	229	-	12	5	8	10	1	5	3	18	62	29
29 Rabi Awwal 01 Rabi Thani 1426H (08-09 May 2005)	230	-	5	3	8	8	1	1	2	12	40	17
14 Jumad Awwal 1426H (21 June, 2005)	231	-	12	7	4	7	1	-	2	14	47	21
2 Rajab 1426H (07 August 2005)	232	-	9	5	8	9	1	-	2	13	47	22
07-08 Sha'ban 1426H (11-12 September 2005)	233	-	6	3	5	8	-	-	2	12	36	13
25-26 Shawwal 1426H (27-28 November 2005)	234	-	12	6	10	9	1	1	2	18	59	34
22-23 Dhul Hijja 1426H (22-23 January 2006)	235	-	12	4	12	10	-	-	2	8	48	33
Total		-	**68**	**33**	**55**	**61**	**5**	**7**	**15**	**95**	**339**	**169**

No Trade Financing Operation has been shown in this column because all the Trade Financing Operations were approved by the President, IDB under the authority delegated by the Board of Executive Directors and are covered under the column titled "Items Approved by the President", and thereafter submitted to the Board for information.
This column also includes TA Projects approved by the President, IDB.
Note: Out of 339 items considered by the Board, Resolutions were adopted on 169 items while 95 items were approved by the President, as indicated in the 1st and 3rd footnotes. The remaining 75 items which were considered by the Board on which no Resolution was required, pertain to Reports of B.E.D. Committees, Standing Items such as Adoption of Agenda, Approval of Minutes, Brief Oral Report of the President, WWF and other items for information.

Box 5.1

Major Policy Decisions by B.E.D. during 1426H

- Cleared a proposal to increase the Authorized Capital of the Bank from ID15 billion to ID30 billion, in pursuance of the decision of the Third Extraordinary Islamic Summit held in Makkah al-Mukarramah, Kingdom of Saudi Arabia.
- Recommend to the Board of Governors to call in the entire amount of ID1,303 million representing 70 percent of the callable capital under the Second General Capital Increase, over a period of five years.
- Removed the overall 20 percent annual ceiling of Technical Assistance (T.A.) allocation and authorized the President, IDB, to approve additional financing for T.A. operations up to 20 percent of the original amount irrespective of the level of the original amount.
- Enhanced the level of authority delegated to the President, IDB, to approve EFS (direct) financing operations from $15 million to $25 million and for BADEA from $5 million to $10 million.
- Revised Guidelines on Trade Financing, Syndication and two-step Murabaha financing by relaxing the provisions on sources of supply, currency of financing and tenure of financing.
- Cleared the draft Articles of Agreement of International Islamic Trade Finance Corporation (ITFC) for circulation to the Board of Governors for approval.

The Finance & Administrative Committee mainly helps the Board in deciding matters relating to management of liquid funds and financial management of the Bank, including the conduct of a quarterly review of financial reports and follow-up of overdues on accounts of share capital subscription. During six meetings, the Committee considered 42 items. It also assessed the annual operations plan and programmes of the Bank, and recommended the Bank's general administrative and personnel policies to the Board for approval. In Dhul Hijja 1426H it considered the 1427H Operations Plan and Administrative Budgets of Trust and other funds, and recommended these to the Board for approval.

The Operations Committee held six meetings during 1426H and examined operations and projects to be financed from the Ordinary Resources of the Bank, including projects financed from Sukuk resources,

Box 5.2

30th Anniversary Celebrations

During 1426H two celebratory events were held to mark the 30th Anniversary of the IDB, one in Putrajaya, Malaysia and the other in London, England. At the event in Putrajaya, Malaysia, in Rajab 1426H (June 2005), H.E. Dato' Seri Abdullah bin Hj. Ahmad Badawi, Prime Minister of Malaysia and Chairman, Board of Governors of IDB, reviewed the status of the Muslim world and said that the time has come for IDB to confront the various challenges. He announced the formation of a 1440H Vision Commission to formulate the vision for the IDB Group under the chairmanship of Hon Tun Dr. Mahathir Mohamad, former Prime Minister of Malaysia, to formulate the vision that will guide the IDB in embarking upon strategic initiatives that will bring economic prosperity in member countries. A number of Governors who took the floor drew attention to the 30th anniversary of the IDB and spoke of the achievements of the institution.

The London event was held in Dhul Hijjah 1426H (January 2006) in the presence and under the patronage of His Royal Highness the Prince of Wales who delivered a keynote address on the theme of "Islamic Finance as a Function of Engagement in the United Kingdom" in which he noted that some of the programmes for youth implemented by the Prince of Wales Charitable Foundation are utilizing Islamic financing instruments. The event covered the challenges of development faced by African countries and the role of international donors, including IDB, in helping to address these issues.

The highlight of the occasion was the signing of a Memorandum of Understanding between the IDB and the Prince of Wales Charitable Foundation that aims at forging cooperation and assisting the British Muslim community in areas such as leadership development and education.

Other dignitaries who attended the event included: H.E. Amadou Toumani Toure, President of Mali spoke on the future strategies for the development of Africa; the Rt Hon Hilary Ben, Secretary of State for International Development, Government of UK, referred to his government's legislation that recognizes Islamic financing, and spoke on the role of UK in assisting development in African countries through partnership with multilateral development institutions such as the IDB; H.E. Mohammed Nor Yakcop, Finance Minister II of Malaysia, who spoke on the way forward for the economic development; Mr Anthony Nelson, Vice Chairman, Citigroup; and Mr Fabrizzio Saccommanni, Vice President, European Bank for Reconstruction and Development who spoke on the collaborative efforts between their respective institutions and the IDB in fostering economic development in some of the least developed countries. The IDB made two presentations on Roadmap for IDB Involvement in Sub-Saharan Africa and Resource Mobilization.

Special Accounts for LDMCs, Waqf Fund Operations, trade finance operations, including BADEA resources. It also considered the Operations Plan and Programmes of the Operations Complex and other entities of the Bank. Another important activity was the finalization of the 30th draft Annual Report and clearance of the draft annotated outline of the 31st Annual Report of the IDB. The Committee also looked into the overdues on operations financed.

The Export Financing Scheme Committee in its joint meeting with the 71st Meeting of the Finance & Administrative Committee held in Dhul Hijja 1426H considered the Operations Plan and Administrative Budget of the Export Financing Scheme for 1427H and the Administrative Budget of the BADEA Export Financing Scheme for 1427H and recommended these to the Board for approval. It also considered the country-wise allocation of EFS resources for 1427H and recommended its approval to the Board.

The Audit Committee held ten meetings and covered 96 items in 1426H during which it reviewed enhancement of the Bank's internal control environment, management of liquid assets, and risk management function, and provided guidance to strengthen departments responsible for carrying out such functions.

The Committee also reviewed the financial statements and the Management Letter with the External Auditors, the Annual Report of the Internal Audit Office, implementation of audit recommendations Annual Work Programme, the reports of the Operations Evaluation Office, and Equity Portfolio Status. The Committee evaluated the offers from auditing companies and finalized recommendations to the Board for the selection of External Auditors for the IDB and its affiliated funds.

The Committee also considered the draft Articles of Agreement of the International Islamic Trade Finance Corporation (ITFC); financial report on ailing Islamic banks and financial institutions; ways and means for reducing administrative cost of the Bank; and review of the ISP project and establishment of the new information system called Systems, Applications, and Products in Data Processing (SAP).

2. Special Committees

The Special Committees of the B.E.D. met within the framework of their terms of reference. The terms of reference of the special committees are as follows:

The Executive Committee of the Islamic Banks' Portfolio establishes policies and guidelines for the Islamic Banks' Portfolio for Investment and Development. It approves operations within the powers delegated to it and recommends other operations for the Board's consideration.

The Executive Committee of the IDB Unit Investment Fund provides guidance on policy matters affecting the operations of the Fund and its overall management and administration.

The General Committee of the IDB Scholarship Programme for Muslim Communities in Non-member Countries guides and supervises the implementation of the Scholarship Programme aimed at uplifting the socio-economic conditions of 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 advises on general policy and supervises the implementation of the IDB Merit Scholarship Programme aimed at developing technically qualified manpower in member countries by providing scholarships to outstanding scholars and researchers in subject areas related to the development of member countries.

The Pension Committee decides all matters of general policy falling under the IDB Staff Retirement Plan and establishes rules, policies and procedures for the overall administration and implementation of the Plan.

The Pension Investment Committee determines and directs the Management and investment of the Pension Fund subject to the supervision and control of the Pension Committee.

The Pension Administration Committee administers the Staff Retirement Plan and maintains its accounts, subject to the supervision and control of the Pension Committee.

3. Vice President

The B.E.D. approved the renewal of the term of appointment of Dato Dr Syed Jaafar Aznan as Vice President for three year term of office as of the day following the end of his current tenure.

IV ORGANIZATIONAL DEVELOPMENT

During 1426H, some departments underwent organizational reviews in the context of the overall strategic alignment of the Bank including benchmarking the functions and duties with the best practice in other institutions. In this context, the role of the Internal Audit Office (IAO) was re-defined enabling it to evaluate the effectiveness of the strategic planning and implementation, and risk management.

Similar review was carried out in the Organization & Management Development Office (OMD) in the areas of organizational development, change management, business process re-engineering and quality management.

1. IDB 1440H Vision Initiative

In 1426H, the Bank launched the 1440H Vision initiative with a view to developing long term goals for a comprehensive development in member countries. To this end, IDB 1440H Vision Commission was established under the chairmanship of H.E. Tun Dr. Mahathir Mohamad. During the year, the Commission held the following four regional workshops in order to gather inputs from different stakeholders:

1. First Regional Workshop for Asia and Suriname held from 17 to 18 Jumad Awwal 1426H (24 –25 June 2005), in Kuala Lumpur, Malaysia.
2. Second Regional Workshop for Economic Cooperation Organization (ECO) and Albania held on 27 Jumad Thani 1426H (2 August 2005), in Almaty, Kazakhstan.
3. Third Regional Workshop for Middle East and North Africa (MENA) held from 9-10 Shabaan 1426H (13-14 September 2005), in Dubai, U.A.E.
4. Fourth Regional Workshop for Africa held from 27-28 Shabaan 1426H (1-2 October 2005), in Ouagadougou, Burkina Faso.

The Commission has already developed proposals for the long term direction of the Bank. These proposals are meant to further enhance the Bank's institutional effectiveness and impact on economic development and social progress in member countries.

2. Enhancement of the Bank's Business Processes

During 1426H, the Bank participated in a benchmarking initiative in association with the American Productivity and Quality Centre (APQC) and participation of the World Bank (WB); the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IADB).

The objectives of the study were to collect performance metrics data pertaining to the Finance, Human Resources, and IT business areas, from these organizations, promote the Benchmarking Methodology within the IFIs, and establish direct communication between the functional employees in the concerned organizations. The study utilized around 30 metrics across the Finance, HR and IT areas and 21 qualitative questions.

3. Records & Documents Management

The Records and Documents Management Programme of the Bank is implemented within the Bank's Information Technology Plan (ITP). A Programme for the implementation of retention schedules and introduction of electronic archives at departmental level was initiated. It helped in achieving sizable reduction of paper-based files through organization and digitization; introduction of electronic archives for accessibility of documents; and digitizing and publishing of commonly used documents on the Bank's intranet.

During 1426H, the IDB Scanning Centre and the IDB Group Records Centre were established. Around 175,000 documents comprising 2 million pages were digitized and published during the year.

4. Distance Learning and Video Conferencing

The Distance Learning Centre (DLC) facilitated telecasting 11 lectures which were organized by IRTI in the areas of Islamic economics, banking and finance to university students and researchers in Lebanon, Kuwait, Pakistan, Iran and UK. It also organized 30 videoconferences, dialogues and meetings and contributed towards capacity development of IDB Group's staff by participating in 27 training courses such as implementation of balanced scorecard, time management, business intelligence, etc.

The DLC provided technical assistance towards establishing two distance learning centres in Lebanon and Kuwait. In its endeavour to improve services, the Centre has installed webcasting facilities for wider dissemination of Bank's activities.

V. INFORMATION TECHNOLOGY

The IT programme is aimed at building an environment that will enhance the capacity of the Bank to better serve its stakeholders and to perform its business processes more efficiently. Robust and responsive IT architecture was further enhanced to support the IDB Group business requirements. GroupWare and Networking systems were used widely to facilitate sharing, dissemination and tracking of information between the IDB Group, regional offices, member countries and other international organisations.

During 1426H, a number of IT solutions were implemented. For instance, accessing the IDB LAN through wireless connection was successfully introduced in the main meeting rooms to facilitate on-line access as well as enable the participants to access files and documents electronically. A webcasting solution was introduced and successfully utilized to transmit events internally through IDB LAN.

IDB Group staff was equipped with state-of-the-art office technology tools and solutions to effectively access and use the IT systems and services. The IDB enterprise business applications in the area of HR, Projects & Operations, Finance and Treasury are being continuously enhanced and maintained to meet business policies, processes and functionalities. In addition, new PC-based applications have been developed to meet various business requirements. A new web portal is currently being developed that will comprise many web services aimed at increasing employee productivity and providing online access to information on IDB projects.

VI. STAFF DEVELOPMENT

As a multilateral financing institution, the IDB Group gives due importance to recruitment of high calibre staff and continuous skills development. Apart from selecting candidates from a wide geographic base, external consultants and experts on short-term assignments are also engaged.

During 1426H, 39 new staff members joined the IDB Group. belonging to both member and non-member countries. The total staff strength of the IDB Group stood at 973 as of end-1426H. Of these, the staff strength of the Bank is 822 as of end-1426H, comprising 383 professionals, 74 special category, 292 general category and 73 manual staff. During 1426H, thirty-eight employees left the Bank upon retirement, expiration of fixed term contracts, and resignation.

1. Young Professionals Programme

The Bank received 712 applications under the Young Professionals Programme and interviewed 42 candidates. Of these, 15 Young Professionals were enrolled and are currently under training, rotating between different departments of the Bank. During 1426H, three Young Professionals were inducted as regular staff.

2. Training

The Bank provided 724 training opportunities to the staff during this year. Details are given in Table 5.2.

Table 5.2
Staff Training during 1426H

Training Type	Directors	Professional	Special	General	Manual	Total
In-House	10	188	19	58	2	277
Language	-	7	6	33	5	51
External	-	20	1	2	-	23
Computer	-	86	20	246	21	373
Total	**10**	**301**	**46**	**339**	**28**	**724**

VII. LIBRARY

The IDB Library has an extensive collection of over 65,000 English, Arabic and French titles on economics, finance, investment, trade, information technology and related topics. It also has an extensive selection of around 500 journals of which 70 titles are accessible online via the library webpage. Other facilities include a number of online reference and statistical databases such as EIU Country Reports, the Emerging Markets Information Service, the Islamic Finance Information Service, the World Bank e-library, World Development Indicators (WDI), the Global Development Finance (GDF) and International Financial Statistics.

1. Library Website

The website of the Library is geared to provide staff members access to bibliographic database and online resources. Staff can obtain information on IDB policies and procedures, access online journals and other facilities.

2. New Library Management System

The library management system is operational and staff can use the system to search the online catalogue by selected parameters. Staff can access their library accounts and undertake online inquiries for journals. The system is also used by the Library to announce new acquisitions.

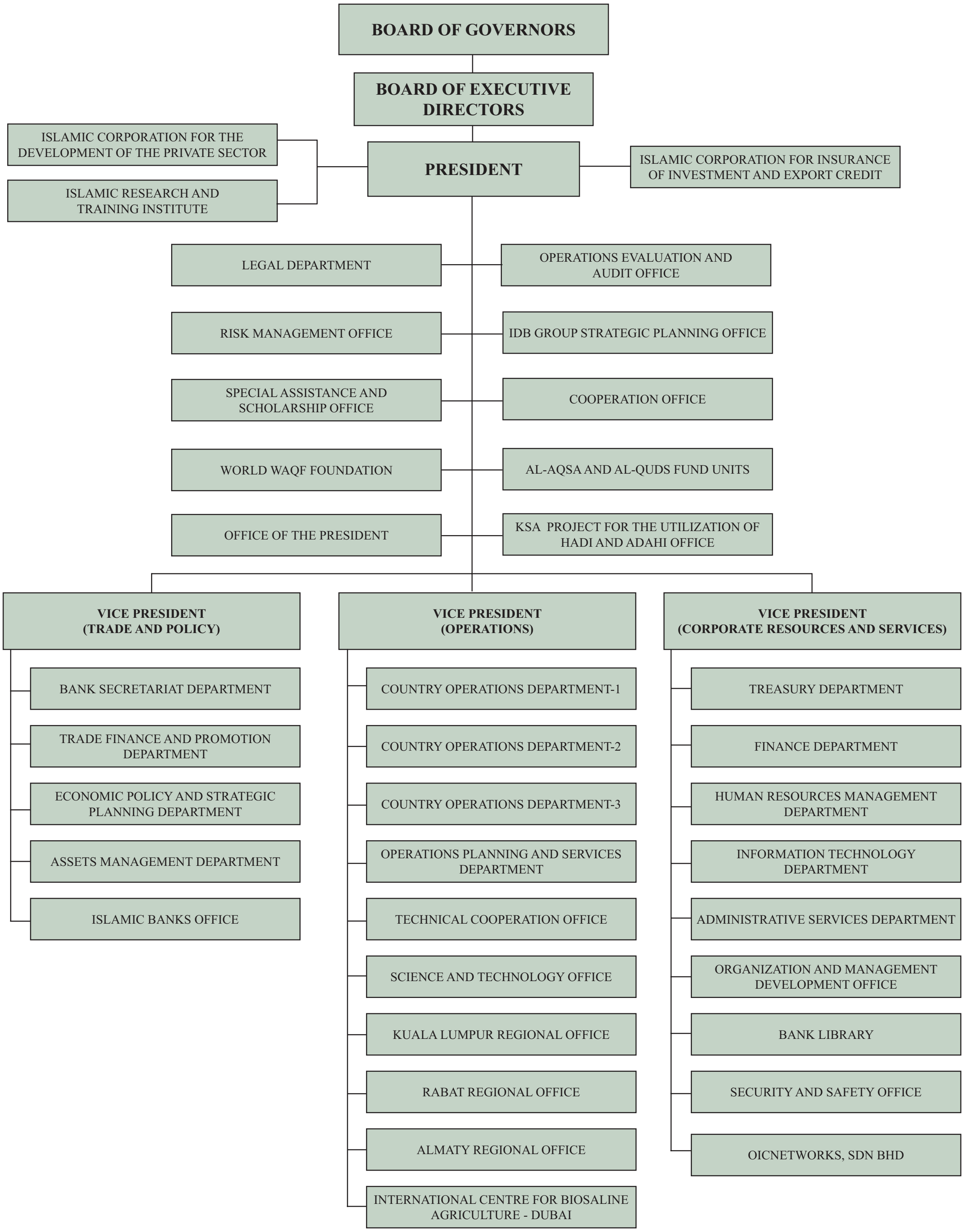
3. Learning Resources Centre

The objective of the Library Learning Resources Centre is to promote IDB training programmes and to encourage continuous learning and self education. The Centre has a collection of 3000 items comprising video tapes, audio cassettes and PC software in the fields such as language learning, management, and Islamic banking and finance.

IDB extended ID9.15 million to finance Mamdi Polder Land Development Project in Chad, which was completed in 1426H. The project developed 1,600 h.a. of irrigation-based agriculture land, which will contribute to poverty alleviation and food security of the Chadian economy.

Under the IDB-financed Small Holders Support Project in Bangladesh, a five-year Loan amount of ID7 million was approved in 1422H (2001) to implement various poverty alleviation components such as water courses, farm-to-market roads, and development of rural commodity markets. The component related to provision of agricultural equipments, including power tillers and low-lift pumps, to Bangladeshi farmers was completed during 1426H.

ORGANISATION CHART OF THE ISLAMIC DEVELOPMENT BANK GROUP



CHAPTER 6

FINANCIAL RESULTS

IDB extended $10 million to finance the construction and equipping of the Faculty of Engineering, Thamar University in Yemen, which was completed in 1426H at a cost of $13.6 million. The Faculty with a total built-up area of 25,420 m² is designed to impart tertiary education to 1,500 undergraduate and 300 post-graduate engineering students.

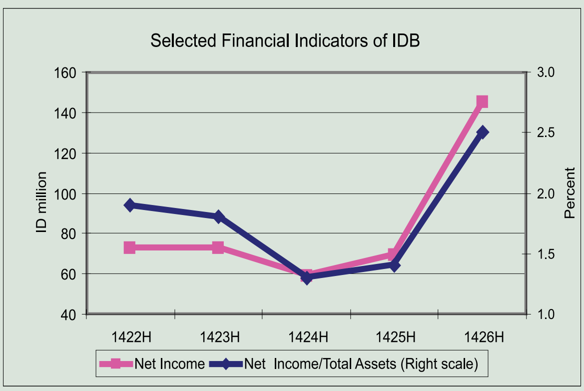
HIGHLIGHTS

Ordinary Capital Resources (OCR)

- Total Assets: ID5.90 billion.
- Members' Funds : ID4.62 billion.
- Gross Income : ID272.5 million.
- Total Administrative Expenses: ID50.9 million.
- Depreciation on Leasing (Ijarah Muntahia Bittamleek) and Property & Equipment : ID86.3 million.
- Provisions for impairment of Assets: ID37.1 million.
- Financing Cost : ID28.2 million.
- Net income: ID145.1 million.
- Total OCR Disbursements: ID1.41 billion.
- Total OCR Repayments: ID1.49 billion.

Waqf Fund

- Net Income: ID55.4 million.
- Net Assets: ID903.5 million.



I. INTRODUCTION

The financial results of the Ordinary Capital Resources (OCR) of IDB in 1426H is a reflection of the steady growth of the Bank's development financing activities and sound financial policies pursued by the Bank. This year the OCR has recorded net profit of ID145.1 million, its highest in 30 year of history. The 1426H net profit has more than doubled compared with previous year's net profit of ID69.2 million due to the increase in the level of gross income (annual percentage growth of 31.0 percent), exercising tighter control on administrative expenses, and the write-back of provisions for impairment of assets of ID37.1 million.

If the amount of the write-back is excluded, the net profit of the OCR still recorded a growth of 55.8 percent over the previous year. It is to be noted that the write-back for impairment of assets is based on the amendment to the International Accounting Standards (IAS 39) which is adopted in the 1426H financial statements of OCR (See *VI. Operations Results – 3 Provisions*, a detailed discussion on the amendment to the IAS 39).

The Administrative Expenses of the Bank has increased by 3.7 percent over the previous year. This is consistent with the planned increase in the annual administrative budgets of OCR.

During the year, the OCR mobilised $500 million resources from the international capital market. which is the 1st tranche of the $1.0 billion Medium-term Note (MTN) programme. In addition, the OCR mobilised resources using *Reverse Murabaha* for its short term financing requirements. As a result of these resource mobilisation efforts, the financing cost has increased by ID18.9 million over the previous year and the gearing ratio (i.e. the ratio of External Financing to / Members' Fund) increased from 7.5 percent in 1425H to 24.4 percent in 1426H.

The total assets of OCR which has increased by 23.8 per cent to ID 5.9 billion in 1426H, also reflects the growth in the level of OCR operations. The growth in assets is due to proceeds of resources mobilised from the market and substantial increase in the market value of the listed equity investments portfolio. The liquidity level of the bank has also significantly increased during 1426H. The increase in liquid assets is due to prepayments on some leasing projects, consolidation of ITFO operations and proceeds from MTN awaiting disbursements.

The Members' Funds have grown by 8.1 percent to ID 4.6 billion in 1426H as a result of increases in the fair value reserve and the net profit for the year.

II. OPERATIONS FINANCING

1. Approvals

The gross approvals of IDB Group amounted to ID2.74 billion ($3.99 billion) for 317 operations in 1426H, out of which, project financing and Technical assistance accounted for ID1.54 billion ($2.24 billion) for 187 operations while ID1.19 billion ($1.74 billion) went to 87 trade financing operations with the remaining ID7.68 million ($11.3 million) for 42 Special Assistance activities.

Disbursements by Funds and Entities of the IDB Group was ID374.5 million ($540.8 million) in 1426H compared to ID336.0 million in 1425H ($504.8 million), which is a growth of 11.5 percent.

3. Repayments

The OCR repayments in 1426H amounted to ID1.49 billion ($2.15 billion) compared with ID1.08 billion ($1.62 billion) in 1425H, reflecting a growth of 38 percent (see Table 6.1). Such significant increase is due to ITFO repayments, as the major portion of the previous year's outstanding amount of ID1.01 billion matured during 1426H, and prepayments on certain Ijara Projects amounting to ID 89.1 million.

Table 6.1
IDB Group - Disbursements and Repayments

(ID million)

	Disbursements			Repayments		
	1424H	**1425H**	**1426H**	**1424H**	**1425H**	**1426H**
Ordinary Capital Resources	1,250.2	1,654.1	1,409.3	934.2	1,082.3	1,487.7
of which ITFO	719.2	1,149.9	917.8	716.0	797.7	1,135.7
Sukuk	115.2	137.2	56.4	2.2	5.0	18.9
Export Financing Scheme	40.5	125.6	183.5	64.7	39.7	152.1
Islamic Banks Portfolio	25.0	59.4	23.7	27.0	42.8	34.3
Unit Investment Fund	83.0	66.0	83.8	13.1	45.5	97.3
Islamic Corporation for the Development of the Private Sector	28.3	60.9	62.2	2.8	11.0	52.1
Awqaf Properties Investment Fund	14.4	12.7	8.5	-	2.9	10.8
Special Assistance	11.2	11.4	12.8	-	-	-
Total	**1,452.6**	**1,990.1**	**1,783.8**	**1,041.8**	**1,224.2**	**1,834.3**

Excluding cancelled operations, the cumulative net approvals of the IDB Group up to the end of 1426H reached ID30.90 billion ($41.37 billion) for 4,980 operations.

2. Disbursements

In 1426H, the OCR disbursements amounted to ID1.41 billion ($2.03 billion) compared to ID1.65 billion ($2.49 billion) in 1425H, a decline of 14.5 percent which was mainly due to decrease in disbursements in ITFO operations (see Table 6.1). The disbursements in Loans, Istisna'a, Instalments sales and Investments in Equity increased while the Ijara and ITFO disbursements decreased relative to previous year.

Repayments to Funds and Entities of the IDB Group for 1426H amounted to ID346.6 million ($500.2 million) compared with ID141.9 million in 1425H ($213.6 million), which reflects a growth of 144.0 percent.

4. Overdues on Operations

In Table 6.2, at the end of 1426H, overdues for OCR operations was ID10.7 million ($15.4 million) after taking into account rescheduling under HIPC Debt Initiative and excluding Iraq ID64.9 million ($93.7 million) and Somalia ID8.9 million ($12.8 million).

The overdues for 1426H has increased by ID1.9 million ($2.7 million) as compared to last year. In relative terms, overdues as a percentage of total outstanding financing was 0.26 percent in 1426H compared to 0.23 percent in 1425H. It is noteworthy that the position of overdues before rescheduling has improved as a result of a settlement plan signed with Iraq for outstanding amount of ID91.2 million ($131.7 million). The first instalment under this agreement was received during 1426H amounting to ID26.2 million being 28.7 percent of the total outstanding amount.

The Bank closely monitors the overdues of its member countries and suspends further approvals and disbursements on approved projects until the settlement of overdues.

Table 6.2
Overdues on Operations
1422H – 1426H

(ID million)

Finance Type	1422H	1423H	1424H	1425H	1426H
ITFO	0.2	-	0.7	0.1	0
Leasing and Instalment Sale	1.4	4.2	0.6	1.5	4.9
Loan (including service fees)	3.2	2.8	6.0	7.2	5.8
Total	**4.8**	**7.0**	**7.3**	**8.8**	**10.7***

*1426H includes Overdues of National Development Financing Institutions.

III. FUNDING

1. Members Funds

The Authorised and Subscribed capital of the Bank remained at ID15.00 billion ($21.65 billion) and ID8 billion ($11.69 billion) respectively at the end of 1426H.

The total member countries fund at the end of 1426H, consisting of paid-up capital, reserves and retained earnings are given in Table 6.3.

The total member countries funds had increased steadily from ID3.77 billion in 1422H to ID4.62 billion in 1426H. Between 1422H and 1426H, the annual average growth of the members' fund was 5.2 per cent. The 8 percent growth in 1426H is attributed to the increase in fair value reserve as a result of marking to market of investments in the listed equity portfolio, which rose by ID192.0 million, and net income for the year amounting to ID145.1 million. Furthermore, share capital instalment of approximately ID10.5 million was paid-in during the year 1426H.

Table 6.3
Member Countries Fund
1422H – 1426H

(ID million)

Members Fund	Amount %	1422H	1423H	1424H	1425H	1426H
Paid-Up Capital	Amount	2,625	2,677	2,711	2,725	2,736
	%	70	69	67	64	59
Capital Reserves	Amount	26	26	26	26	26
	%	1	1	1	1	1
General Reserves	Amount	1,048	1,118	1,187	1,242	1,308
	%	28	29	29	29	28
Fair Value Reserve	Amount	-	4	86	211	403
	%	-	-	2	5	9
Net income	Amount	73	73	59	69	145
	%	1	1	1	1	3
Total Members Fund	**Amount**	**3,773**	**3,899**	**4,069**	**4,274**	**4,618**
	Percent	**100**	**100**	**100**	**100**	**100**

2. Increase in OCR's Share Capital

The 3rd extraordinary session of the Islamic Summit Conference held on 7-8 of December 2005 in Makkah-al-Mukarramah has called for an increase in the capital of IDB in order to increase development assistance to member countries. Accordingly, the OIC has called on the Board of Governors of IDB to substantially increase the authorised, subscribed and paid-up capital.

To supplement the resource mobilisation efforts, a resolution will be submitted to the Board of Governors at its 31st annual meeting in Kuwait for approval to call-in the remaining 70 percent of the 2nd general increase in subscribed capital amounting to ID1.3 billion ($1.9 billion), which represents 70 percent of the callable capital under the Second General Capital Increase over a period of five years.

The approval of the above proposals would further strengthen IDB's capitalisation and help to raise funds from the international capital markets on competitive terms as well as support the member countries growing needs for development assistance.

3. Overdues on Share Capital Subscription

The total overdues on the Bank's share capital as at the end of 1426H amounted to ID6.8 million ($9.8 million). It is noteworthy that the share capital overdues have been decreasing in the last 5-years, reflecting the member countries continued support and commitment to IDB (see Table 6.4).

Table 6.4
Overdues on Share Capital
1422H – 1426H

(ID million)

	1422H	1423H	1424H	1425H	1426H
Initial Capital Subscription	8	8	8	6	4
2nd General Capital Increase	60	44	16	6	3
Total	**68**	**52**	**24**	**12**	**7**

4. Specialised Funds

The Bank mobilises funds for its Affiliates through various Sharia'h-compatible schemes and financial instruments. The Bank has by the end of 1426H mobilised a sum of US$ 325.00 million through the IDB Unit Investment Fund (UIF), US$ 100.00 million through Islamic Bank Portfolio for Investment and Development, ID 134.26 million (US$ 201.93 million) through Export Financing Scheme, ID 30.45 million (US$ 45.80 million) through Awqaf Properties Investment Fund and ID 92.25 million (US$ 138.74 million) through Investment Deposit Scheme.

IV. MANAGEMENT OF LIQUID FUNDS

A comfortable level of liquidity is maintained to ensure uninterrupted availability of liquid funds to meet the Bank's undisbursed commitments, debt servicing and other cash requirements. It also contributes to OCR's earning base.

Liquid funds are placed with financial institutions operating in international financial markets and in member countries. Almost the entire placements are made in the currencies of the SDR basket which is the ID unit of account of OCR. ITFO, a short term Sharia'h compatible facility is financed from the Bank's liquid funds and is considered a part of its liquidity.

Table 6.5A presents the composition of liquid asset placements in major currencies as at the end of 1426H.

Table 6.5A
Composition of Liquid Assets
in Major Currencies 1422H – 1426H

(FCY/ID million)

Currency	FCY / ID	1422H	1423H	1424H	1425H	1426H
Euro	Balance	1,368	592	506	334	74
	ID Equivalent	557	467	428	284	62
US Dollar	Balance	217	77	360	57	1350
	ID Equivalent	173	54	241	38	936
Japanese Yen	Balance	25,735	19,069	14,671	25,282	23,067
	ID Equivalent	159	117	91	161	136
Pound Sterling	Balance	249	171	149	97	88
	ID Equivalent	282	197	187	120	107
Other	ID Equivalent	5	5	6	2	25
Sub-total	**ID Million**	**1,839**	**1,724**	**1,625**	**1,420**	**1,266**
Add: Local Currency Deposits (Denominated in ID) with Central Banks of Member Countries		25	13	16	18	16
ITFO (ID Million)		669	884	676	1,008	776
Total Liquid Asset of IDB-OCR		**1,864**	**1,737**	**1,641**	**1,438**	**2,058**

Table 6.5B
Investment of Liquid Assets
1422H – 1426H

(ID million)

Liquid Asset Instruments	Amount %	1422H	1423H	1424H	1425H	1426H
Shariah-Compliant Deposits	Amount	975	813	891	368	1,187
	%	52	44	48	20	64
Current Call Accounts	Amount	195	27	58	43	79
	%	10	1	3	2	4
Local Deposits Denominated in ID (with Central Banks of Member Countries)	Amount	25	13	16	19	16
	%	1	1	1	1	1
ITFO	Amount	669	884	676	1,008	776
	%	36	47	36	54	42
Total	**Amount**	**1,864**	**1,737**	**1,641**	**1,438**	**2,058**
	Percent	**100**	**100**	**100**	**100**	**100**

Table 6.5B also shows the placements by type of liquid asset instruments.

In 1426H, the placements in Sharia'h compatible instruments yielded a net return of ID23.0 million ($33.2 million) which is equivalent to an annual rate of return of 4.2 percent.

V. RISK MANAGEMENT

The risk management governance structure includes a Audit Committee at the level of the Board, Risk Management Committee at the level of the Group and Risk Management Office to provide technical support and monitor the implementation of the risk management policies. The Risk Management Committee formulates the risk management policies and recommends major issues related to the risk management function of the IDB Group. For effective implementation and monitoring of risk management policies, an independent Risk Management Office, reporting directly to the President, IDB Group has been established.

The major approved policies and guidelines for risk management and control in IDB are as follows:

i. The total risk exposure of the Bank is controlled by article 21 of the Articles of Agreement establishing the Bank which 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. Detailed Risk Management guidelines related to each mode of financing have been established, including allocation of resources for financing operations in member countries, internal ratings, scoring systems and limits for counterparties. The Bank has detailed guidelines for accepting guarantees and assignment of receivables as alternatives to bank guarantees and other forms of acceptable guarantees. The Bank has established policies relating to a capital adequacy, liquidity, risk provisioning, operational exposure limits and concentration risks.

iii. Guidelines for country risk assessments provide a framework for determining IDB member countries' creditworthiness and constitutes the basis for designing the most appropriate financing package by taking into account the specific conditions of a given member country. The framework for assessing country creditworthiness is based on key macroeconomic factors, social variables as well as IDB's experience with the concerned country.

The Bank enjoys the highest credit rating as the Standard and Poor's rating for both Long- and Short-term was reaffirmed at AAA and A-1+, respectively, in Ramadan 1426H (October 2005). These ratings reflect the Bank's exceptional financial strength, excellent credit risk history, strong support as well as preferred creditor status in member countries.

VI. OPERATIONS RESULTS

1. Income

The gross income of OCR recorded a substantial growth of 31.0 percent in 1426H compared to a year before (i.e. from ID208.0 million in 1425H to ID272.5

Table 6.6
Composition of Gross Income,
Net Income from 1422H to 1426H

(ID million)

	Amount	1422H	1423H	1424H	1425H	1426H
Commodity Placements with Banks	Amount	46	27	12	16	26
	%	27	17	5	8	10
ITFO	Amount	27	22	20	19	30
	%	17	14	10	9	11
Leasing	Amount	48	60	112	102	137
	%	28	37	50	49	50
Instalment Sale & Istisna'a	Amount	24	29	38	36	38
	%	14	18	17	17	14
Loan Service Fees	Amount	11	10	17	15	18
	%	6	6	8	7	7
Investments in Equity Capital	Amount	9	7	12	17	17
	%	5	4	5	8	6
Others (incl. Mudarib Fees)	Amount	6	6	11	3	6
	%	3	4	5	1	2
Gross Income	**Amount**	**171**	**161**	**222**	**208**	**272**
Exchange (Loss)/ Gain		(2)	9	(29)	(6)	1
Total Expenses and Provisions		(96)	(97)	(134)	(133)	(128)
Net Income		**73**	**73**	**59**	**69**	**145**

million in 1426H). Table 6.6 present information on the composition of Gross Income.

The income from the liquid asset portfolio (i.e. commodity placements) and ITFO increased by 67.9 percent and 62.3 percent respectively over the previous year. The growth is attributable to increased level of liquid funds placed in these assets coupled with the increased rate of return due to rising LIBOR.

The income from Leasing net of depreciation increased by 48.2 percent during 1426H over the previous year. It is to be noted that the income from leasing net of depreciation in 1426H includes a net gain of ID13.2 million or 24.5 percent due to early settlement of certain projects.

The Income from Instalment Sale and Istisna'a increased by 3.0 percent over the previous year. The Istisna'a income is recognised based on "percentage of completion basis". The increase in this percentage arising from increased disbursements of Istisna'a financing in 1426H by 47.2 percent, contributed to the growth in income of Instalment Sale and Istisna'a.

The Loan Service Fees has increased by 21.8 percent which is in line with the level of disbursements.

The income from Investments in equities was stable recording an amount of ID17.1 million in 1426H compared to ID17.3 million in 1425H.

2. Expenses

The total Administrative Expenses has increased by 3.7 percent in 1426H compared to 1425H. This is in line with the increase envisaged in the annual administrative budget of OCR (see Table 6.7).

The depreciation on leasing is charged to the income statement only on "assets-in-use" or completed projects. The increase in completed projects during the later half of 1425H contributed the 27.5 percent increase in the depreciation charge.

The financing cost increased from ID10. 0 million in 1425H to ID28.2 million in 1426H. This increase is due to increased level of resources mobilised from the market through Sukuk and Reverse Murabaha, which stood at ID1.13 billion at the end of 1426H compared with ID321.6 million at the end of 1425H. This year's financing cost includes the full year financing cost of the Sukuk I, proportionate amount of the MTN and Reverse Murabaha financing cost.

3. Provisions

The Bank continues to adapt its methodologies for determining provisions in line with the impairment rules specified in the IAS. During 1426H, there was a

Table 6.7
Expenses and Provisions, 1422H – 1426H

(ID million)

	Amount	1422H	1423H	1424H	1425H	1426H
Staff Cost	Amount	43	39	37	38	40
	%	45	40	28	29	31
Administrative Expenses	Amount	10	10	9	11	11
	%	11	10	7	8	9
Depreciation- Leasing	Amount	33	40	74	66	84
	%	34	41	55	50	66
Depreciation- Property & Equipment	Amount	2	2	2	2	2
	%	2	3	2	1	2
Financing Cost	Amount	-	-	6	10	28
	%	-	-	4	8	22
Operations Risk Provision	Amount	4	6	6	6	(37)
	%	4	6	4	4	(29)
Provision against Investment in Lease Participation Pools	Amount	4	-	-	-	-
	%	4	-	-	-	-
Total	**Amount**	**96**	**97**	**134**	**133**	**128**
	Percent	**100**	**100**	**100**	**100**	**100**

change in IAS 39 for provisions for impairment of assets i.e. from the "expected loss model" to the "incurred loss model". Accordingly, only specific provisions are allowed and the Bank cannot make general provisions anymore.

The salient feature of the new provisioning policy of the Bank which is in compliance with IAS 39 is as follows:

i. The country risk ratings adopted by the Bank has been used as the basis for estimating the probability of default of the IDB countries.

ii. The portfolio is reviewed for any specific debt impairment which requires provisions; impairment could be as result of rescheduling, as is the case for HIPCs or as a result of other loss default events which are specific to a particular debt.

iii. In instances where there are similar assets in the portfolio which suffered impairment loss due to certain loss events, the Bank makes an assessment of the severity of the loss for the country portfolio taking into consideration the country's economic situation and default history. The loss is based on the net exposure of the country after removing the debts subject to specific provision multiplied by the country risk default rate and the loss severity rate.

iv. The loss severity rate is estimated on a country by country basis taking into consideration the historical experience and prevailing circumstances.

Based on the incurred loss model adopted by the Bank as required by IAS 39, the Bank has computed its total provision on its debt portfolio at ID114.8 million for the year 1426H. Since this amount is lower than what has been accumulated (ID150.2 million) in the provisions for impairment of assets at the end of 1425H, an amount of ID37.1 million has been written back to the Income Statement for the year ended 1426H.

VII. WAQF FUND

The resources of the Waqf Fund in 1426H stood at ID903.5 million compared to ID879.7 million in 1425H, registering a growth of 2.7 percent. This marginal growth is due to improvement in the returns from Waqf Fund investments. The resources are comprised of Principal Amount of the Waqf Fund of ID 742.2 million (US$ 1,07 billion), the balance of the Special Assistance Account of ID 48.2 million (US$ 69.6 million) and the Special Account for Least Developed Member Countries of ID 113.2 million (US$ 163.5 million).

The Waqf Fund has recorded a net income of ID55.4 million for the year 1426H, which reflects a growth of 189.5 percent over the previous year. This is as a result of divestments from low yielding Managed Funds to Sharia'h based investments such as Sukuk, Murabaha, Mudarabah and Equity Funds in member countries. Also these investments have yielded higher returns due to rising LIBOR and buoyant regional stock market.

The Waqf Fund total expenses for the year 1426H increased by 15.3 percent over the previous year as a result of financing cost i.e. reverse Murabaha.

During the 1426H, the special assistance disbursed a total of ID36.3 million as Grants and Programme Expenses compared to ID31.1 million in 1425H, which is a 16.7 percent growth over the previous year.

IDB provided urgent relief assistance to alleviate the drinking water deficit in middle and southern Somalia during 1426H, which included repairing of 2 deep wells, and digging of 16 new shallow and 1 deep wells.

Annex Table 6.1
OCR Significant Financial Information, 1422H – 1426H

(ID million)

	1422H	1423H	1424H	1425H	1426H
Total Income	171	161	222	208	272
Exchange (Loss) / Gain	(2)	9	(29)	(6)	1
Expenses & Provisions	(96)	(97)	(135)	(133)	(128)
Net Income	73	73	59	69	145
ASSETS					
Current Call & Time Deposits[1]	220	469	167	111	95
Sharia'h Compatible Investments (net)	975	385	798	319	1,187
Other Deposits & Investments	6	-	4	9	68
Investment in Trust Funds	258	312	316	319	321
ITFO (net)	669	884	676	1,008	776
Leasing (net)	474	521	645	793	752
Istisna'a (net)	52	153	272	344	483
Instalment Sale Financing (net)	381	466	469	452	479
Loans (net)	597	669	657	737	835
Less: Operations Risk Provision[2]	(128)	(135)	-	-	-
Investments in Equity Capital (net)	228	241	327	470	676
Other Assets	119	146	126	198	219
Total Assets	**3,851**	**4,111**	**4,457**	**4,760**	**5,891**
Resources and Liabilities					
Members' Funds	3,773	3,899	4,069	4,274	4,619
Sukuk and other outside financing	-	-	265	321	1,128
Deferred Income and Accruals	78	212	123	165	144
Total Resources	**3,851**	**4,111**	**4,457**	**4,760**	**5,891**
Financial Ratios	**Percent**	**Percent**	**Percent**	**Percent**	**Percent**
Total Income[4] / Total Assets	3.5	3.2	2.7	2.9	3.2
Net Income / Total Assets	1.9	1.8	1.3	1.4	2.5
Average Return on Liquid Funds	4.4	4.0	2.1	2.8	4.2
Total Expenses / Total Income[4]	46.3	43.8	51.3	49.3	42.9
Total Expenses[5] / Total Assets	1.6	1.4	1.4	1.4	1.4
Exchange Rate (1 ID=$)	1.255	1.370	1.495	1.504	1.444

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 asset and total expenses to income, the total income is taken net of Leasing (Ijara) Depreciation and exchange gain / (loss).
5. For the purpose of calculating the total expenses to total asset and total expenses to income, the total expenses excluded Leasing (Ijara) Depreciation and included Financing Cost.

Annex Table 6.2
Assets and Resources of the Waqf Fund
(Formerly Special Account)
1422H – 1426H

(ID million)

	1422H	1423H	1424H	1425H	1426H
Income from:					
Commodity Placements with Banks	6.05	5.86	5.35	6.87	7.40
Profit on Managed Investments	5.58	43.58	2.21	2.22	-
Net Result of UIF Deposits	(0.86)	(0.05)	(0.24)	(0.13)	(0.37)
Investments in Syndicated Murabaha , Mudarabah & Investments in Units & Equity Funds and Sukuk	9.50	2.70	4.78	10.85	48.43
Investment in ICIEC	0.48	(1.37)	1.34	(0.29)	0.32
Investment UIF Shares	2.73	1.86	1.52	1.04	1.43
Exchange (Loss)/Gain	0.74	(7.57)	(3.73)	(0.24)	(0.44)
Total Income	**24.22**	**45.02**	**11.23**	**20.32**	**56.77**
Expenses	(1.32)	(1.54)	(1.36)	(1.18)	(1.37)
Net Income	**22.90**	**43.48**	**9.87**	**19.14**	**55.40**
Assets					
Deposits and Investments	239	263	359	412	448
Managed Funds (Fund Managers)	321	365	184	0	0
Specific Deposits with IDB/UIF	21	10	3	2	1
Syndicated Murabaha , Mudarabah & Investments in Units & Equity Funds and Sukuk	137	107	121	180	300
Investment in UIF Units	39	65	61	73	76
Infrastructure Fund	-	2	22	25	43
Investment in ICIEC	62	60	62	62	62
Investment in OIC net	1	1	1	1	1
Loans & Technical Assistance	60	80	89	93	100
Accrued Income and Miscellaneous	16	7	6	5	14
Share of HQ Building	26	26	24	23	22
Due from IDB (OCR)	-	-	-	31	-
Total Assets	**922**	**986**	**932**	**907**	**1,067**
Deduct: Liabilities					
Accruals & Other Liabilities	(6)	(23)	(25)	(16)	(109)
Specific Deposit from IDB-UIF	(34)	(21)	(13)	(11)	(11)
Due to IDB (OCR)	-	(41)	(6)	-	(44)
Net Assets	**882**	**901**	**888**	**880**	**904**
Represented by:					
Special Assistance	84	77	59	44	48
Special Account for LDMC	86	95	98	102	113
Principal Amount of Waqf Fund	712	729	731	734	742
Total Resources	**882**	**901**	**888**	**880**	**904**

1. Prior years' amounts have been reclassified to conform with current year's presentation.

APPENDIX - I

FINANCIAL STATEMENTS

DELOITTE & TOUCHE
BAKR ABULKHAIR & COMPANY
P.O. Box 442
Jeddah 21411
Saudi Arabia

ASSOCIATED ACCOUNTANTS
MEMBER OF BDO INTERNATIONAL
P.O. Box 60930
Riyadh 11555
Saudi Arabia

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
30 Dhul Hijjah 1426H (30 January 2006)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
30 Dhul Hijjah 1426H (30 January 2006)

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DELOITTE & TOUCHE
BAKR ABULKHAIR & COMPANY
P.O. Box 442
Jeddah 21411
Saudi Arabia

ASSOCIATED ACCOUNTANTS
MEMBER OF BDO INTERNATIONAL
P.O. Box 60930
Riyadh 11555
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 30 Dhul Hijjah 1426H (30 January 2006) 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 30 Dhul Hijjah 1426H (30 January 2006), 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 ASSOCIATED ACCOUNTANTS
Member of BDO International

Hamud A. Al Rubian
Registration No. 222

4 Safar, 1427H
4 March, 2006

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of 30 Dhul Hijjah 1426H (30 January 2006)
(In Thousands of Islamic Dinars)

	Notes	1426H	1425H
ASSETS			
Cash at banks	3	94,770	61,493
Commodity placements with banks, net	4	1,187,182	368,392
Murabaha financing, net	6	776,108	1,007,502
Accrued income and other assets	5	163,425	140,120
		2,221,485	1,577,507
Istisna'a assets, net	7	482,732	344,332
Installment sales financing, net	8	478,575	452,075
Loans, net	9	835,086	737,485
Ijarah Muntahia Bittamleek, net	10	751,827	792,804
		2,548,220	2,326,696
Investments in equity capital, net	12	676,145	470,389
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		14,629	11,982
Other investments, net	16	67,953	9,434
Property and operating equipment, net	17	55,579	57,407
TOTAL ASSETS		5,890,650	4,760,054
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	18	644,430	217,174
Sukuk liability	19	627,418	268,410
Total liabilities		1,271,848	485,584
MEMBERS' EQUITY			
Paid-up capital	21	2,735,940	2,725,376
Capital reserve	22	26,267	26,267
General reserve	23	1,308,367	1,242,420
Fair value reserve		403,080	211,102
Net income for the year		145,148	69,305
Total members' equity		4,618,802	4,274,470
TOTAL LIABILITIES AND MEMBERS' EQUITY		5,890,650	4,760,054

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 5 Safar, 1427H (5 March, 2006)

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 INCOME
For the Year Ended 30 Dhul Hijjah 1426H (30 January 2006)
(In Thousands of Islamic Dinars)

	Notes	1426H	1425H
Income from:			
Commodity placements with banks	4	26,354	15,599
Other investments	5	630	412
Murabaha financing	6	30,256	18,640
Istisna'a assets	7	15,862	10,601
Installment sales financing	8	21,828	25,994
Loan service fees	9	17,847	14,648
Ijarah Muntahia Bittamleek	10	137,232	101,790
Investments in equity capital	12	17,091	17,343
Investment in Islamic Banks' Portfolio for Investment and Development	14	1,284	474
Mudarib fees & others	14, 26	4,095	2,411
		----------	----------
		272,479	207,912
Foreign exchange gain/(loss), net		987	(6,188)
Financing cost	18, 19	(28,218)	(9,915)
		----------	----------
		245,248	191,809
		----------	----------
Administrative expenses:			
Staff costs		(39,965)	(38,208)
Other		(10,995)	(10,954)
		----------	----------
		(50,960)	(49,162)
		----------	----------
Depreciation:			
Ijarah Muntahia Bittamleek	10	(83,954)	(65,836)
Property and operating equipment	17	(2,325)	(2,006)
		----------	----------
		(86,279)	(67,842)
		----------	----------
Recovery of (provision for) impairment of assets	11	37,139	(5,500)
		----------	----------
Net income		145,148	69,305
		======	======

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 30 Dhul Hijjah 1426H (30 January 2006)
(In Thousands of Islamic Dinars)

	1426H	1425H
CASH FLOWS FROM OPERATIONS		
Net income	145,148	69,305
Adjustments to reconcile net income to net cash (used in)/from operating activities:		
Depreciation	86,279	67,842
Provision for impairment of assets	(37,139)	5,500
Gain due to early repayment of Ijarah assets	(13,255)	-
Changes in operating assets and liabilities:		
Other investments	(56,779)	(5,898)
Murabaha financing	262,704	(331,350)
Istisna'a assets	(136,567)	(72,362)
Installment sales financing	(12,073)	16,639
Loans	(88,590)	(84,912)
Accrued income and other assets	(23,305)	(72,396)
Accruals and other liabilities and sukuk liabilities	786,264	97,198
Net cash from/(used in) operating activities	912,687	(310,434)
CASH FLOWS FROM INVESTING ACTIVITIES		
Commodity placements with banks	54,495	44,655
Ijarah Muntahia Bittamleek, net	(50,904)	(213,720)
Investments in equity capital	(13,778)	(18,763)
Investment in Awqaf Properties Investment Fund	(2,647)	(2,765)
Purchase of property and operating equipment, net	(497)	(623)
Net cash used in investing activities	(13,331)	(191,216)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in paid-up capital	10,564	14,074
Technical assistance grants	(3,358)	(3,438)
Net cash from financing activities	7,206	10,636
Increase /(decrease) in cash and cash equivalents	906,562	(491,014)
Cash and cash equivalents at the beginning of the year	363,709	854,723
Cash and cash equivalents at the end of the year (Note 24)	1,207,271	363,709
Supplemental non-cash information		
Net unrealized fair value gains from investments in equity capital (Note 12)	**191,978**	**125,260**

The attached notes from 1 through 33 form an integral part of these financial statements

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 30 Dhul Hijjah 1426H (30 January 2006)
(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 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 30 Dhul Hijjah 1425H	2,725,376	26,267	1,242,420	211,102	69,305	4,274,470
Increase in paid-up capital	10,564	-	-	-	-	10,564
Net unrealized gains from investments in equity capital	-	-	-	191,978	-	191,978
Net income	-	-	-	-	145,148	145,148
Transfer to reserves	-	-	69,305	-	(69,305)	-
*Allocation for technical Assistance	-	-	(3,358)	-	-	(3,358)
	----------	----------	----------	----------	----------	----------
Balance at 30 Dhul Hijjah 1426H	2,735,940	26,267	1,308,367	403,080	145,148	4,618,802
	=======	=======	=======	=======	=======	=======

* According to the Board of Governors' resolution No. BG/3-425, and the Board of Executive Directors' resolution No. BED/BG/4-425 US$ 5.0 million were allocated from the net income of 1424H for the financing of 1425H Technical Assistance Operations in the form of grants. A similar amount in US dollars was allocated from the 1425H net income of IDB - OCR in accordance with the Board of Governors' resolution No. BG/3-426 and the Board of Executive Directors' resolution No. BED/BG/5-426 for the financing of 1426H Technical Assistance Operations in the form of grants.

According to the Board of Governors' resolution No. BG/4-426, and the Board of Executive Directors' resolution No.BED/BG/6-426, an amount equivalent to 2% but not less than US dollars 2 million of the net income for 1426H will be allocated for the Merit Scholarship Programme in the form of grants for the year 1427H

The attached notes from 1 through 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 Dhul Hijjah 1426H (30 January 2006)

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 56 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. In 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.

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.

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 incurred losses. It takes into account the losses that suffers 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 created for losses where there is objective evidence that unidentified losses are present in the portfolio at the balance sheet date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio.

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 estimated 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:

	1426H	1425H
Income from operations	24,382	22,722
Net income	25,800	12,735
Total assets	650,779	638,329
Total liabilities	59,704	82,920

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.

(In Thousands of Islamic Dinars)

3. CASH AT BANKS

Cash at banks at end of Dhul Hijjah comprises the following:

	1426H	1425H
Cash on hand	211	154
Current accounts	30,756	30,141
Call accounts	63,803	31,198
	---------	---------
Total	94,770	61,493
	=====	=====

Current accounts at end of Dhul Hijjah 1426H include ID 16.48 million (1425H - ID 18 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:

	1426H	1425H
Placements with Islamic banks	38,991	27,901
Placements with conventional banks	1,152,334	344,634
	------------	----------
	1,191,325	372,535
Less: Provision for impairment (note 11)	(4,143)	(4,143)
	------------	------------
Commodity placements with banks, net	1,187,182	368,392
	=======	=======

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. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at the end of Dhul Hijjah comprise the following

	1426H	1425H
Accrued income from placements	4,268	1,849
Accruals from projects	52,321	45,605
IDB Group current accounts (note 27)	89,084	78,413
Staff loans and advances	9,687	9,265
Prepayments and other assets	8,065	4,988
	--------	--------
Total	163,425	140,120
	======	======

(In Thousands of Islamic Dinars)

6. MURABAHA FINANCING, NET

Murabaha financing at the end of Dhul Hijjah comprises the following:

	1426H	1425H
Gross amounts receivable	1,040,974	1,178,594
Less: share of syndicate members	(233,203)	(112,794)
Less: Unearned income	(27,269)	(22,594)
	-----------	-----------
	780,502	1,043,206
Less: Provision for impairment (Note 11)	(4,394)	(35,704)
	-----------	-----------
Murabaha financing, net	776,108	1,007,502
	======	=======

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.

The Bank has entered into joint Murabaha financing agreements with certain entities. The share of syndicate members represent the portion of gross amounts receivable relating to those entities.

Income from Murabaha financing for the years ended at the end of Dhul Hijjah comprises the following:

	1426H	1425H
Total income from Murabaha financing	32,017	20,211
Less: Share of investment depositors (Note 2e)	(1,761)	(1,571)
	----------	----------
Income from Murabaha financing, net	30,256	18,640
	======	======

7. ISTISNA'A ASSETS, NET

Istisna'a assets at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Istisna'a assets in progress	333,172	288,819
Istisna'a receivables	207,616	86,952
	----------	----------
	540,788	375,771
Less : Unearned income	(55,119)	(26,669)
	-----------	-----------
	485,669	349,102
	(2,937)	(4,770)
	---------	---------
Less : Provision for impairment (Note 11)		
Istisna'a assets, net	482,732	344,332
	======	=======

8. INSTALLMENT SALES FINANCING, NET

Receivable from Installment sales financing at the end of Dhul Hijjah comprises the following:

	1426H	1425H
Gross amounts receivable	660,534	656,265
Less: Unearned income	(172,446)	(180,250)
	------------	------------
	488,088	476,015
Less: Provision for impairment (Note 11)	(9,513)	(23,940)
	----------	----------
Installment sales financing, net	478,575	452,075
	======	======

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:

	1426H	1425H
Loans	907,996	819,406
Less: Provision for impairment (Note 11)	(72,910)	(81,921)
	------------	------------
Loans, net	835,086	737,485
	=======	=======

(In Thousands of Islamic Dinars)

10. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprises the following:

	1426H	1425H
Cost:		
Assets not yet in use:		
At the beginning of the year	251,613	232,434
Additions	132,021	213,720
Transferred to assets in use	(121,766)	(194,541)
At the end of the year	261,868	251,613
Assets in use:		
At the beginning of the year	829,220	634,679
Disposal due to early repayment	(131,091)	-
Transferred from assets not yet in use	121,766	194,541
At the end of the year	819,895	829,220
Total cost	1,081,763	1,080,833
Accumulated depreciation:		
At the beginning of the year	(284,148)	(218,312)
Disposal for early repayment	63,229	-
Charge for the year	(83,954)	(65,836)
At the end of the year	(304,873)	(284,148)
Balance at the end of the year	776,890	796,685
Less: Provision for impairment (Note 11)	(25,063)	(3,881)
Ijarah Muntahia Bittamleek, net	751,827	792,804

Included in assets in use is an amount of ID 103.6 million (1425H - ID 85.7 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).

(In Thousands of Islamic Dinars)

11. PROVISION FOR IMPAIRMENT OF ASSETS

The movements in the provision for impairment during the years ended at end of Dhul Hijjah are as follows:

	1426H	1425H
Balance at the beginning of the year	211,048	195,496
Reclassification/adjustment to provision	-	10,052
Recovery (provision for) impairment of assets	(37,139)	5,500
Balance at the end of the year	173,909	211,048

During the year, the Bank entered into a Memorandum of Understanding with one of the member countries for the settlement of the amounts due and received the first installment. The Bank has reassessed the provision against the dues from that member country and has written back the excess provision to income.

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.

Investments in equity capital at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Equity investments:		
Listed	555,300	356,480
Unlisted	172,600	165,664
	727,900	522,144
Less: Provision for impairment (Note 11)	(51,755)	(51,755)
Investments in equity capital, net	676,145	470,389

The movements in equity capital investments for the years ended Dhul Hijjah are summarized as follows:

	1426H	1425H
Balance at the beginning of the year	470,389	327,366
Net unrealized gains	191,978	125,260
Additions during the year	13,778	17,763
Balance at the end of the year	676,145	470,389

(In Thousands of Islamic Dinars)

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 1426H is ID 320.25 million (1425H - ID 320 million) and the called-up installments at end of Dhul Hijjah 1426H are ID 159.5 million (1425H - ID 159.25 million) of which ID 0.25 million were paid during the year (1425H - ID 0.26 million).

The Board of Governors of IDB during their 30th meeting held on 17 Jumad Awwal 1426H (24 June 2005) approved the establishment of the International Islamic Trade Finance Corporation to focus primarily on trade finance operation for the IDB Group. The operations of the scheme shall be merged into the new corporation, which will be under the management of IDB. The net assets of the scheme shall be purchased by IDB on the adjusted net book value method as of the date of the purchase and all the participants of the Scheme shall become members of the new corporation. The contribution of each Participant in the capital of the corporation shall be equal to its entitlement in the assets of the Scheme.

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 (1425H - 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.

	1426H		
	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.

(In Thousands of Islamic Dinars)

The Bank manages the Portfolio as a Mudarib. The Muradib fee payable to the Bank is 15% of income before Mudarib share. However, if the return on equity exceeds benchmarks based on 12 months LIBOR, a stratified Mudarib fee over and above 15% of income will be introduced, with a corresponding reduction in the rate of dividends.

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.

The Participant's Committee of the Portfolio during its meting number 26 held on June 22, 2005, discussed the matter of establishing International Islamic Trade Finance Corporation to focus primarily on the trade finance operations for the IDB Group. The operations of the Portfolio shall be merged into the new corporation, which will be under management of IDB. Subsequently, the Executive Committee of the Portfolio in its meeting number 34 held on November 25, 2005 approved the purchase by IDB of the net assets of the Portfolio based on the adjusted net book value method as of the date of the purchase which is expected to be June 2006. Members of the Portfolio who agree to join the new corporation based on the adjusted net book value as of the date of the purchase will have their equity transferred to the new corporation. The remaining members shall be paid out by IDB.

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 1426H, the Bank owns 91% (1425H - 91%) of the paid-up capital of the Corporation.

16. OTHER INVESTMENTS, NET

Other investments at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Lease & Real Estate Funds	10,309	11,040
Investment in Sukuks	60,838	3,328
	----------	----------
	71,147	14,368
Less: Provision for impairment (note 11)	(3,194)	(4,934)
	------------	------------
Other investments, net	67,953	9,434
	=======	=======

(In Thousands of Islamic Dinars)

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 30 Dhul Hijjah 1426H represents a share in the investment in Sukuks issued by the various governments and certain other entities (1425 – Sukuks issued by the Government of Pakistan).

17. PROPERTY AND OPERATING EQUIPMENT, NET

Property and operating equipment at the end of Dhul Hijjah comprise the following:

	Land	Buildings	Furniture, equipment and vehicles	Total
Cost				
At 1 Muharram 1426H	13,043	103,988	24,958	141,989
Additions during the year	-	25	475	500
	13,043	104,013	25,433	142,489
Less share of assets allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1426H	-	(31,851)	(5,325)	(37,176)
Allocations during the year	-	-	(3)	(3)
	-	(31,851)	(5,328)	(37,179)
At 30 Dhul Hijjah 1426H	13,043	72,162	20,105	105,310
Accumulated depreciation				
At 1 Muharram 1426H	-	38,442	22,861	61,303
Charge for the year	-	2,294	1,022	3,316
	-	40,736	23,883	64,619
Less: share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1426H	-	(9,008)	(4,889)	(13,897)
Allocation during the year	-	(796)	(195)	(991)
	-	(9,804)	(5,084)	(14,888)
At 30 Dhul Hijjah 1426H	-	30,932	18,799	49,731
Net book value:				
30 Dhul Hijjah 1426H	13,043	41,230	1,306	55,579
30 Dhul Hijjah 1425H	13,043	42,703	1,661	57,407

(In Thousands of Islamic Dinars)

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:

	1426H	1425H
Investment deposits	61,117	92,255
IDB Group current accounts (note 27)	38,934	49,525
Accruals	30,139	21,612
Other liabilities	514,240	53,782
Total	644,430	217,174

The Bank has entered into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Bank has purchased certain commodities from these banks on deferred payment basis and has simultaneously sold these through those banks to third parties. Included in other liabilities above, is an outstanding balance of ID 500.191 million as of 30 Dhul Hijjah 1426 (30 January 2006) (30 Dhul Hijjah 1425: ID 53 million) which represents the purchase price including the accrued markup under these agreements. The related finance cost for the year ended 30 Dhul Hijjah 1426 (30 January 2006) is ID 9,184 (30 Dhul Hijjah 1425: ID 95)

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.

Funds of ID 10.3 million at end of Dhul Hijjah 1426H (1425H - ID 37.40 million) relating to the Bank's staff retirement and medical plans are invested in the investment deposit scheme.

(In Thousands of Islamic Dinars)

19. SUKUK LIABILITY

The Bank issued global Sukuk on 12 August 2003 and 22 June 2005 for USD 400 million (ID 267.58 million) and USD 500 million (ID 346.35) respectively by selling global Sukuk Certificates through special purpose companies established under the laws of Jersey, Channel Island.

The Sukuk Certificates mature on 12 August 2008 and 22 June 2010 respectively 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 as a third party, 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.

The finance cost for the year ended 29 Dhul Hijjah, 1426 (30 January 2006) is ID 19,034 (1425: ID 9,915)

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.

The following table summarizes the cost of benefits associated with the Staff Retirement Plan for the years ended at the end of Dhul Hijjah:

	1426H	1425H
Current service cost	5,338	5,124
Present value adjustment	5,164	4,746
Expected return on plan assets	(3,994)	(2,516)
	----------	----------
Net periodic pension cost	6,508	7,354
	======	======
Actual loss on plan assets	-	(1,634)
	======	======

(In Thousands of Islamic Dinars)

The following table summarizes the benefit obligations and plan assets at the end of Dhul Hijjah.

	1426H	1425H
Benefit obligations	(94,474)	(86,070)
Fair value of plan assets	71,930	63,911
	----------	----------
Plan benefit obligations in excess of plan assets	(22,544)	(22,159)
Net actuarial gain from past experience different from that assumed and from changes in assumptions	11,810	11,402
Remaining unrecognized net transition liability	-	2,289
	----------	----------
Accrued pension cost	10,734	(8,468)
	======	======

Movements in accrued pension cost during the years ended at end of Dhul Hijjah are as follows:

	1426H	1425H
Balance at the beginning of the year	8,468	5,730
Net periodic pension cost	6,508	7,354
Contributions	(4,242)	(4,616)
	----------	----------
Balance at the end of the year	10,734	8,468
	======	======

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:

	1426H	1425H
Discount rate of return	6%	6.0%
Expected return on plan assets	4.2%	4.2%
Rate of compensation increase	3%	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%.

(In Thousands of Islamic Dinars)

21. PAID-UP CAPITAL

The capital of the Bank at the end of Dhul Hijjah comprises the following:

	1426H	1425H
Authorized: 1,500,000 shares of ID 10,000 each		
(1425H - 1,500,000 shares of ID 10,000 each)	**15,000,000**	**15,000,000**
Issued: 810,000 shares of ID 10,000 each		
(1425H - 810,000 shares of ID 10,000 each)	8,100,000	8,100,000
Issued shares not subscribed	(110,600)	(139,290)
Subscribed capital	7,989,400	7,960,710
Share capital not yet called	(5,224,270)	(5,198,080)
Installments not yet due	(20,895)	(25,085)
Called-up capital	2,744,235	2,737,545
Installments due, not yet paid	(8,295)	(12,169)
Paid-up capital	2,735,940	2,725,376

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.

(In Thousands of Islamic Dinars)

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Cash at banks	94,770	61,493
Commodity placements with banks (note 2k)	1,175,501	302,216
	------------	------------
Total	1,207,271	363,709
	=======	=======

25. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Murabaha financing	986,533	803,475
Installment sales financing and Istisna'a assets	1,656,437	1,400,055
Loans	1,113,279	1,036,857
Ijarah Muntahia Bittamleek assets	565,415	421,539
Investments in equity capital	10,980	31,593
Investment in Export Financing Scheme	-	75,000
Investment in Islamic Banks' Portfolio for Investment and Development	-	33,462
Investment in Islamic Corporation for the Development of the Private Sector	69,271	66,491
Investment in Awqaf Properties Investment Fund	2,771	5,319
	------------	-----------
Total	4,404,686	3,873,791
	=======	=======

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 Bank has outstanding guarantees at the end of Dhul Hijjah 1426H of ID 0.63 million (1425H - ID 2.25 million) in respect of projects sold to the Fund and of ID 93.20 million (1425H - ID 149.8 million) in respect of other operations, which are covered by counter guarantees acceptable to the Bank.

(In Thousands of Islamic Dinars)

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:

	1426H		1425H	
	Assets	Liabilities	Assets	Liabilities
World Waqf Foundation	387	-	-	-
Islamic Solidarity Fund	2,075	-	-	-
Awqaf Properties Investment Fund	-	(3,910)	-	(2,236)
Export Financing Scheme	29,441	-	62,464	-
Islamic Banks' Portfolio for Investment and Development	-	(743)	1,678	-
IDB - Unit Investment Fund	-	(14,492)	-	(10,262)
Islamic Corporation for the Insurance of Investment and Export Credit	4,564	-	-	(5,868)
Special Account Resources Waqf Fund	43,755	-	-	(31,159)
IDB Pension Fund	8,579	-	6,287	-
IDB Medical Fund	190	-	-	-
Organization of Islamic Conference Countries	-	-	1,321	-
Al-Aqsa and Al Quds Funds	-	(4,350)	2,795	-
Islamic Corporation for the Development of the Private Sector – ICD	-	(2,076)	-	-
Badea	93	-	3,868	-
Saudi Development Fund	-	(13,363)	-	-
Total	89,084	(38,934)	78,413	(49,525)

(In Thousands of Islamic Dinars)

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:

	1426H	1425H
United States Dollar	468,000	508,549
Euro	257,185	434,933
Pound Sterling	149,076	175,111
Japanese Yen	158,393	160,860
Other currencies	37,419	12,410

29. ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE MATURITY PERIODS OR EXPECTED PERIODS TO CASH CONVERSION

	30 Dhul Hijjah 1426H					
	Maturity period determined				Maturity period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 Years		
Total assets	1,860,921	455,578	733,766	209,058	2,631,327	5,890,650
Total liabilities	644,632	-	627,416	-	-	1,271,848
	30 Dhul Hijjah 1425H					
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

(In Thousands of Islamic Dinars)

30. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

	Public utilities	Transport & telecom	Agriculture	Industry & mining	Social services	Others	Total
	30 Dhul Hijjah 1426H						
Total assets	984,028	520,343	320,238	451,341	514,656	3,100,044	5,890,650
	=======	=======	=======	=======	=======	=======	=======
	30 Dhul Hijjah 1425H						
Total assets	763,795	497,562	316,020	597,535	528,417	2,056,725	4,760,054
	=======	=======	=======	=======	=======	=======	=======

The geographical locations of assets are as follows:

	30 Dhul Hijjah 1426H				
	Member countries			Non member countries	Total
	Asia	Africa	Europe		
Total assets	4,308,691	1,382,702	26,936	172,321	5,890,650
	=======	=======	=======	=======	=======
	30 Dhul Hijjah 1425H				
Total assets	3,312,657	1,355,312	11,820	80,265	4,760,054
	=======	=======	=======	=======	=======

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

ASSOCIATED ACCOUNTANTS
MEMBER OF BDO
INTERNATIONAL
P.O. Box 60930
Riyadh 11555
Saudi Arabia

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

FINANCIAL STATEMENTS
30 Dhul Hijjah 1426H (30 January 2006)

with

AUDITORS' REPORT

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

30 Dhul Hijjah 1426H (30 January 2006)

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ASSOCIATED ACCOUNTANTS
MEMBER OF BDO INTERNATIONAL
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Riyadh 11555
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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 30 Dhul Hijjah 1426H (30 January 2006) 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 30 Dhul Hijjah 1426H (30 January 2006), 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, and 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 ASSOCIATED ACCOUNTANTS
Member of BDO International

Hamud A. Al Rubian
Registration No. 222

4 Safar, 1427H
4 March, 2006

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
As of 30 Dhul Hijjah 1426H (30 January 2006)
(In Thousands of Islamic Dinars)

	Notes	1426H	1425H
ASSETS			
Cash at banks		30,491	11,594
Placements and fixed deposits with banks		417,652	400,129
Murabaha and other funds – net	3	152,594	108,242
Receivable from IDB - Ordinary Capital Resources	4	-	31,159
Accrued income and other assets		13,601	5,208
Investments in IDB - Unit Investment Fund:			
Specific deposit	5	628	2,018
Investments in units	5	76,244	73,185
Investment in Islamic Corporation for the Insurance of investment and Export Credit (ICIIEC)	6	61,815	61,491
Investment in Islamic Ijarah Sukuk	7	147,621	71,258
Other investments	8	44,147	25,930
Property and equipment – net	9	22,343	23,351
Loans – net	10	99,593	93,488
TOTAL ASSETS		**1,066,729**	**907,053**
LIABILITIES AND RESOURCES			
LIABILITIES			
Payable to IDB - Ordinary Capital Resources	4	43,755	-
Accruals and other liabilities	11	108,577	15,538
Specific deposit from IDB – Unit Investment Fund		10,872	11,770
Total liabilities		163,204	27,308
RESOURCES			
Waqf Fund principal amount	12	742,171	733,694
Special assistance	13	48,177	44,177
Special account for least developed member countries	14	113,177	101,874
Total resources		903,525	879,745
TOTAL LIABILITIES AND RESOURCES		1,066,729	907,053

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive directors on 5 Safar 1427H (5 March 2006).

The attached notes from 1 through 22 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF ACTIVITIES
For the Year Ended As of 30 Dhul Hijjah 1426H (30 January 2006)
(In Thousands of Islamic Dinars)

	Notes	1426H	1425H
Income from:			
Placements and fixed deposits with banks		7,397	6,871
Murabaha and other funds	3	41,953	9,491
Gains on managed investments		-	2,216
Specific deposit from IDB - Unit Investment Fund	5	(368)	(134)
IDB - Investments in units	5	1,433	1,043
Investment in ICIIEC	6	324	(285)
Investment in Islamic Ijarah Sukuk	7	6,462	1,365
Foreign currency exchange losses, net		(436)	(244)
Total income		56,765	20,323
Expenses:			
Staff costs		(367)	(424)
Finance cost	11	(999)	-
Other		-	(760)
Total expenses		(1,366)	(1,184)
Net income		55,399	19,139
Allocated to:			
Waqf Fund principal amount	2 (n)	8,310	2,871
Special assistance	2 (n)	36,009	12,440
Special account for least developed member countries	2 (n)	11,080	3,828
		55,399	19,139

The attached notes from 1 through 22 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended As of 30 Dhul Hijjah 1426H (30 January 2006)
(In Thousands of Islamic Dinars)

	1426H	1425H
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	55,399	19,139
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,028	1,107
Change in operating assets and liabilities:		
Murabaha and other funds	(44,352)	(16,093)
Accrued income and other assets	(8,393)	789
Accruals and other liabilities	93,039	(9,566)
Loans	(6,105)	(4,773)
	-----------	-----------
Net cash provided by (used in) operations	90,616	(9,397)
	-----------	-----------
CASH FLOWS FROM INVESTING ACTIVITIES:		
Placements with banks having maturity more than three months, net	96,245	(104,614)
IDB – Unit Investment Fund:		
Specific deposit	1,390	1,277
Investments in units	(3,059)	(12,260)
Investment in ICIIEC	(324)	285
Investment in Islamic Ijarah Sukuk	(76,363)	(42,075)
Managed investments	-	183,501
Other investments	(18,217)	(2,579)
Specific deposit from IDB - Unit Investment Fund	(898)	(1,348)
Additions to property and equipment	(20)	(137)
Special assistance program expenses	(11,923)	(9,537)
	-----------	-----------
Net cash (used in) provided by investing activities	(13,169)	12,513
	-----------	-----------
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in payable to/ receivable from IDB - Ordinary Capital Resources	74,914	(37,183)
Income transferred from IDB - Ordinary Capital Resources	1,115	629
Net grants for causes and contribution from Islamic Development Bank for technical assistance grants from Special Assistance Account	(20,811)	(18,165)
	-----------	-----------
Net cash provided by (used in) financing activities	55,218	(54,719)
	-----------	-----------
Net increase (decrease) in cash and cash equivalents	132,665	(51,603)
Cash and cash equivalents at beginning of year (Note 16)	307,109	358,712
	-----------	-----------
Cash and cash equivalents at end of year (Note 16)	439,774	307,109
	=======	=======

The attached notes from 1 through 22 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CHANGES IN RESOURCES
For the Year Ended As of 30 Dhul Hijjah 1426H (30 January 2006)
(In Thousands of Islamic Dinars)

	Notes	1426H	1425H
Waqf Fund principal amount resources:			
Balance at beginning of year		733,694	730,729
Attributable net income for the year		8,310	2,871
Share of income transferred from IDB - Ordinary Capital Resources	15	167	94
Balance at end of year		742,171	733,694
Special assistance resources:			
Balance at beginning of year		44,177	59,030
Attributable net income for the year		36,009	12,440
Share of income transferred from IDB - Ordinary Capital Resources	15	725	409
Grants for causes	13	(24,410)	(21,603)
Program expenses		(11,923)	(9,537)
Contribution from IDB- Ordinary Capital Resources for technical assistance grants		3,599	3,438
Balance at end of year		48,177	44,177
Special account for least developed member countries resources:			
Balance at beginning of year		101,874	97,920
Attributable net income for the year		11,080	3,828
Share of income transferred from IDB - Ordinary Capital Resources	15	223	126
Balance at end of year		113,177	101,874
Total resources		903,525	879,745

The attached notes from 1 through 22 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended As of 30 Dhul Hijjah 1426H (30 January 2006)

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 21).

The Waqf Fund is managed in accordance with its regulations by the Bank through a Board of Trustees. The regulations provide that the Bank's Board of Executive Directors shall be the Board of Trustees. Its business activities are carried out through the Bank's headquarters in Jeddah, Saudi Arabia.

The financial statements of the Waqf Fund are expressed in thousands of Islamic Dinars. Islamic Dinar (ID) is the unit of account of the Waqf Fund and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

The title of assets recorded in the financial statements as Waqf Fund assets is held with the Bank.

As a fund of the Bank (an international institution), the Waqf Fund is not subject to an external regulatory authority.

The Waqf Fund's financial year is the lunar Hijra year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with the 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 installments.

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 repayment 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) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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/3-425, and the Board of Executive Directors' resolution No. BED/BG/4-425, US$ 5.0 million (ID 3.4 million) were allocated from the 1424H net income of IDB-OCR for the financing of 1425H Technical Assistance Operations in the form of grants. A similar amount of US$ 5.0 million (ID 3.59 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. BED3-426 for the financing of 1426H Technical Assistance Operations in the form of grants.

m) 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:

	1426H	1425H
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.

n) Impairment of financial assets

Operational assets:
The Bank determines the provision for impairment losses based on an assessment of incurred losses. It takes into account the losses that it suffers 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 created for losses where there is objective evidence that unidentified losses are present in the portfolio at the balance sheet date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio.

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 estimated 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

(In Thousands of Islamic Dinars)

3. 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, installment 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:

	1426H	1425H
Syndicated Murabaha and other funds	99,457	87,565
Mudarabah and equity funds	53,137	21,371
	----------	----------
	152,594	108,936
Less: Provision for impairment	-	(694)
	----------	----------
Murabaha and other funds – net	152,594	108,242
	======	======

4. RELATED PARTY TRANSACTIONS

During the ordinary course of its business, the Waqf Fund has certain transactions with IDB - OCR relating to investments and realization of investments made through the inter-fund account between the Waqf Fund and the Bank. The balance due to IDB-OCR as at 30 Dhul Hijjah 1426H is ID 43.8 million (1425H – due from IDB - OCR of ID 31.3 million).

5. IDB - UNIT INVESTMENT FUND

Specific deposit

The Bank had assigned in prior years certain of its lease and installment 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.

(In Thousands of Islamic Dinars)

6. 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 30 Dhul Hijjah 1426H ID 97.24 (1425H-ID 96.9 million, with called-up installments of ID 73.56 million (1425H- ID 73.5 million), of which ID 72.7million were paid (1425H-72.4 million).

The Waqf Fund has subscribed in and paid for 50,000 shares.

The movements in the investment in ICIIEC for the years ended Dhul Hijjah are summarized as follows:

	1426H	1425H
Balance at beginning of year	61,491	61,776
Share of profit (loss) during the year	324	(285)
	------------	------------
Balance at end of year	61,815	61,491
	=======	=======

7. INVESTMENT IN ISLAMIC IJARAH SUKUK

Investment in Sukuk certificates as of 30 Dhul Hijjah 1426H represents a share in the investment in Sukuks issued by the various governments and certain other entities.

8. OTHER INVESTMENTS

Other investments at the end of Dhul Hijjah are summarized as follows:

	1426H	1425H
Infrastructure Fund	42,768	24,551
OIC - Network SDN BHD	1,379	1,379
	-----------	-----------
Total	44,147	25,930
	======	======

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 506.00 million). The Bank has committed US$ 100 million (ID 69.20 million) of which US$ 61.74 million (ID 42.70 million) was paid as of 30 Dhul Hijjah 1426H. The investment is currently stated at cost, as fair value cannot be reliably measured.

(In Thousands of Islamic Dinars)

The investment in OIC - Network SDN BHD represents an investment in a Malaysia based Fund, which is still in the development stage.

9. 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:

	1425H	Addition/charge	1426H
Cost			
Buildings	34,443	-	34,443
Furniture and equipment	6,485	20	6,505
Total	40,928	20	40,948
Accumulated depreciation			
Buildings	11,599	796	12,395
Furniture and equipment	5,978	232	6,210
Total	17,577	1,028	18,605
Net book value at year end	23,351		22,343

10. LOANS, NET

Loans at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Loans	110,909	99,638
Provision for impairment	(11,316)	(6,150)
Loans – net	99,593	93,488

(In Thousands of Islamic Dinars)

11. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Contribution for Bosnia Fund	54	750
Accrued expenses and others	2,946	1,746
Other liabilities	105,577	13,042
Total	108,577	15,538

The Bank on behalf of the fund has entered into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Bank has purchased certain commodities from these banks on deferred payment basis and has simultaneously sold these through those banks to third parties. The other liabilities above represent the purchase price including the accrued markup under these agreements. The related finance cost for the year ended 30 Dhul Hijjah 1426 (30 January 2006) is ID 999.

12. 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 return 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).

13. 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.

(In Thousands of Islamic Dinars)

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 30 Dhul Hijjah 1426H and 1425H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

	1426H	1425H
Relief against disasters and calamities	3,415	1,477
Assistance for Islamic causes	9,034	9,828
Technical assistance grants	6,991	5,473
Technical cooperative program	1,215	1,209
Scholarship program	3,581	3,550
Contribution to AAOIFI	174	66
	----------	----------
Total	24,410	21,603
	======	======

14. 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.

(In Thousands of Islamic Dinars)

15. 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 Dhul Hijjah is as follows:

	1426H	1425H
Return on deposits with other banks	132	-
Return on call accounts	983	629
	---------	---------
Total	1,115	629
	=====	=====

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 Dhul Hijjah is as follows:

	1426H	1425H
Waqf Fund principal amount	167	94
Special Assistance	725	409
Special Account for Least Developed Member Countries	223	126
	----------	----------
Total	1,115	629
	======	======

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

	1426H	1425H
Cash at banks	30,491	11,594
Fixed deposits with banks	409,283	295,515
	------------	------------
Total	439,774	307,109
	=======	=======

(In Thousands of Islamic Dinars)

17. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah are as follows:

	1426H	1425H
a) For disbursements:		
Relief against natural disasters and calamities	12,186	12,291
Assistance for Islamic causes	73,660	73,116
Loans to Least Developed Member Countries (“LDMC”)	126,092	109,389
Special loans	3,361	2,354
Technical assistance grants	66,870	26,531
Scholarship program	9,541	9,109
	-----------	-----------
	291,710	232,790
b) Investments with Trust Funds	60,907	214,136
	-----------	-----------
Total	352,617	446,926
	=======	=======

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:

	1426H	1425H
United States Dollar	284,536	268,706
Euro	269,356	268,208
Japanese Yen	76,939	73,238
Pound Sterling	77,022	85,305
Other currencies	6,747	1,849

(In Thousands of Islamic Dinars)

19. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

	30 Dhul Hijjah 1426H Maturity period determined				Maturity Period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Assets	456,086	108,351	225,335	70,758	206,199	1,066,729
	=======	=======	=======	=======	=======	=======
Liabilities	152,434	10,770	-	-	-	163,204
	=======	=======	=======	=======	=======	=======

	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
	=======	=======	=======	=======	=======	=======

(In Thousands of Islamic Dinars)

20. <u>CONCENTRATION OF ASSETS</u>

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:

	30 Dhul Hijjah 1426H				Total
	Member countries			Non-member Countries	
	Asia	Africa	Europe		
Assets	818,694	112,844	5,934	129,257	1,066,729
Liabilities	163,204	-	-	-	163,204

	29 Dhul Hijjah 1425H				Total
	Member countries			Non-member Countries	
	Asia	Africa	Europe		
Assets	726,227	85,888	2,936	92,002	907,053
Liabilities	27,308	-	-	-	27,308

The geographical locations of assets and liabilities for 1426H and 1425H reflect the countries in which the beneficiaries of the assets are located.

21. <u>COMINGLING OF ASSETS</u>

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.

22. <u>ZAKAT AND TAX TREATMENT</u>

Since the Waqf Fund's resources are part of Baitul Mal (public money), the Waqf Fund is not subject to zakat or tax.

DELOITTE & TOUCHE
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Riyadh 11555
Saudi Arabia

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME

FINANCIAL STATEMENTS
30 Dhul Hijjah 1426H (30 January 2006)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
30 Dhul Hijjah 1426H (30 January 2006)

CONTENTS

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MEMBER OF BDO INTERNATIONAL
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Riyadh 11555
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 - Export Financing Scheme (the "Fund") as of 30 Dhul Hijjah 1426H (30 January 2006) 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 30 Dhul Hijjah 1426H (30 January 2006), 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.

As explained in notes 1 and 2, the Fund's operations shall be merged into a new entity to be formed under the name of International Trade Finance Corporation which will be under the management of IDB. The net assets of the Fund will be purchased by IDB at the net asset values as of the date of purchase. Consequently, adjustments may be required to value the assets and liabilities to their estimated fair values. The accompanying financial statements do not include any adjustments which may be necessary in order to reflect the proposed transaction.

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 ASSOCIATED ACCOUNTANTS
Member of BDO International

Hamud A. Al Rubian
Registration No. 222

4 Safar, 1427H
4 March, 2006

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF FINANCIAL POSITION
30 Dhul Hijjah 1426H (30 January 2006)
(in thousands of Islamic Dinars)

	Notes	1426H	1425H
ASSETS			
Cash at banks	3	3,624	481
Commodity placements with banks	4	75,615	142,521
Receivable from operations:			
Murabaha financing	5	215,065	175,585
Less: Provision for operation risks	5	(4,178)	(7,457)
Receivable from operations, net		210,887	168,128
Accrued income and other assets		226	709
TOTAL ASSETS		290,352	311,839
LIABILITIES AND PARTICIPANTS' EQUITY			
LIABILITIES:			
Accruals and other liabilities		1,558	1,530
Payable to Islamic Development Bank - Ordinary Capital Resources	6	29,417	62,464
Total liabilities		30,975	63,994
PARTICIPANTS' EQUITY:			
Participants' contributions	7	134,507	134,257
Contribution bonus	8	18,023	18,023
General reserve	8	16,020	16,020
Retained earnings		90,827	79,545
Total participants' equity		259,377	247,845
TOTAL LIABILITIES AND PARTICIPANTS' EQUITY		290,352	311,839

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 5 Safar, 1427H (5 March, 2006).

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF INCOME
For the Year Ended 30 Dhul Hijjah 1426H (30 January 2006)
(In thousands of Islamic Dinars)

	Notes	1426H	1425H
Income from**:**			
Commodity placements with banks		2,117	3,777
Murabaha financing		6,676	2,646
Compensation to Islamic Development Bank – Ordinary Capital Resources	6	(2,112)	(574)
		----------	----------
		6,681	5,849
Administrative expenses		(163)	(245)
Recovery of impairment of assets	5	3,279	-
Exchange gain/(loss)		1,485	(721)
		----------	----------
Net income		11,282	4,883
		=======	=======

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1426H (30 January 2006)
(In thousands of Islamic Dinars)

	Notes	1426H	1425H
CASH FLOWS FROM OPERATIONS			
Net income for the year		11,282	4,883
Adjustments to reconcile net income to net cash from operating activities:			
Changes in operating assets and liabilities:			
Murabaha financing		(42,759)	(87,778)
Payable to Islamic Development Bank – Ordinary Capital Resources		(33,047)	67,892
Accrued income and other assets		483	(391)
Accruals and other liabilities		28	1
Net cash used in operating activities		(64,013)	(15,393)
CASH FLOWS FROM INVESTING ACTIVITY			
Change in commodity placements with banks		21,229	(15,619)
Net cash from/(used in) investing activity		21,229	(15,619)
CASH FLOWS FROM FINANCING ACTIVITY			
Change in participants' contributions		250	259
Net cash from financing activity		250	259
Decrease in cash and cash equivalents		(42,534)	(30,753)
Cash and cash equivalents at the beginning of the year	12	89,629	120,382
Cash and cash equivalents at the end of the year	12	47,095	89,629

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF CHANGES IN PARTICIPANTS' EQUITY
For the Year Ended 30 Dhul Hijjah 1426H (30 January 2006)
(In thousands of Islamic Dinars)

	Participants' contributions	Contribution bonus	General reserve	Retained earnings	Total
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 30 Dhul Hijjah 1425H	134,257	18,023	16,020	79,545	247,845
Increase in participants' contributions	250	-	-	-	250
Net income for the year	-	-	-	11,282	11,282
	---------	---------	---------	---------	---------
Balance at 30 Dhul Hijjah 1426H	134,507	18,023	16,020	90,827	259,377
	======	=====	=====	=====	======

The attached notes from 1 through 15 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
NOTES TO FINANCIAL STATEMENTS
30 Dhul Hijjah 1426H (30 January 2006)

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 Board of Governors of IDB during their 30th meeting held on 17 Jumad Awwal 1426H (24 June 2005) approved the establishment of the International Islamic Trade Finance Corporation to focus primarily on trade finance operation for the IDB Group. The operations of the Fund shall be merged into the new corporation which will be under the management of IDB. The net assets of the Fund shall be purchased by IDB based on the adjusted net book value method as of the date of the purchase and all the Participants of the Fund shall become members of the new corporation. The contribution of each Participant in the capital of the corporation shall be equal to its entitlement in the assets of the Fund.

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.

As mentioned in note 1, the Fund's net assets shall be purchased by IDB and the Fund shall cease its operations. Therefore, the historical cost convention of accounting is no longer relevant. However, these financial statements have not been prepared on a liquidation basis valuing assets at their net realizable amounts in liquidation, and liabilities at the actual monetary amounts required to settle them as the management believes that the adjusted net book value of the Fund as of 30 Dhul Hijjah 1426H (30 January 2006) approximates the actual net book value as of that date. Hence the financial statements are prepared under the historical cost convention.

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.

(In thousands of Islamic Dinars)

3. CASH AT BANKS

Cash at banks at the end of Dhul Hijjah is comprised of the following:

	1426H	1425H
Call accounts with Islamic banks	207	198
Call accounts with conventional banks	3,417	283
	--------	--------
Total	3,624	481
	=====	=====

(In thousands of Islamic Dinars)

4. COMMODITY PLACEMENTS WITH BANKS

Commodity placements with banks at the end of Dhul Hijjah are comprised of the following:

	1426H	1425H
Placements with Islamic banks	61,111	11,663
Placements with conventional banks	14,504	130,858
	----------	----------
Total	75,615	142,521
	======	======

5. MURABAHA FINANCING

Murabaha financing at the end of Dhul Hijjah is comprised of the following:

	1426H	1425H
Gross amounts receivable	226,992	179,527
Less: Share of the Saudi Fund for Development	(6,953)	-
Less: Unearned income	(4,974)	(3,942)
	----------	----------
Murabaha financing, net	215,065	175,585
	======	======

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.

Share of the Saudi Fund for Development (SFD) represents their portion in the gross amounts receivable for the joint murabaha financing pursuant to an export financing agreement dated 14 Shaaban 1425H (28 September 2004).

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:

	1426H	1425H
Balance at beginning and at the end of the year	7,457	7,457
Recovery of impairment of assets	(3,279)	-
	----------	----------
	4,178	7,457
	======	======

During the year, the Bank entered into a Memorandum of Understanding with one of the member countries for the settlement of the amounts due and received the first installment. The fund has reassessed the provision against the dues from that member country and has written back the excess provision to income.

(In thousands of Islamic Dinars)

6. 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.

Form time to time, the Bank makes advances for operations on behalf of the Fund. The Fund annually compensates the Bank with its earnings on the outstanding balances at the end of each quarter based on the average of three months LIBOR. The charge to the Fund for the year ended 30 Dhul Hijjah 1426 was ID 2,112 thousand (Dhul Hijjah 1425: ID 574 thousand).

7. PARTICIPANTS' CONTRIBUTIONS

Participants' contributions at the end of Dhul Hijjah are comprised of the following

	1426H	1425H
Amount subscribed	320,250	320,000
Installments not yet due	(160,750)	(160,750)
	------------	------------
Called-up amount	159,500	159,250
Installments due not yet paid	(26,029)	(26,029)
Installments paid not yet due	1,036	1,036
	------------	------------
Paid-up contributions	134,507	134,257
	=======	=======

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:

	1426H	1425H
United States Dollar	105,721	89,637
Japanese Yen	12,618	13,442
Euro	80,676	80,649
Pound Sterling	34,339	33,775
Deutsche Mark	1,777	1,861
French Franc	80	498
Non-SDR constituent currencies	(527)	(346)

(In thousands of Islamic Dinars)

10. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at the end of Dhul Hijjah are as follows:

	1426H					
	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	3,624	-	-	-	-	3,624
Commodity placements with banks	75,615	-	-	-	-	75,615
Murabaha financing	53,273	145,450	14,946	1,396	-	215,065
Accrued income and other assets	226	-	-	-	-	226
	132,738	145,450	14,946	1,396	-	294,530
Less: Provision for operation risks						(4,178)
Total assets						290,352
Liabilities						
Accruals and other liabilities	-	-	-	-	1,558	1,558
Payables to the Bank	29,417	-	-	-	-	29,417
Total liabilities	29,417	-	-	-	1,558	30,975

(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						(7457)
Total assets						311,839
Liabilities						
Accruals and other liabilities	-	-	-	-	1,530	1,530
Payables to the Bank	62,464	-	-	-	-	62,464
Total liabilities	62,464	-	-	-	1,530	63,994

(In thousands of Islamic Dinars)

11. CONCENTRATION OF ASSETS

Economic sectors:

All operations of the Fund are concentrated in the trade and commerce sectors. All liquid assets are invested in accordance with criteria set out by management to ensure that the investee institutions have a credit rating acceptable to the management of the Fund.

The geographical locations of assets at the end of Dhul Hijjah are as follows:

	1426H			
	Member countries		Non-member countries	Total
	Asia	Africa		
Cash at banks	502	-	3,122	3,624
Commodity placements with banks	61,110	-	14,505	75,615
Murabaha financing	196,703	18,362	-	215,065
Accrued income and other assets	226	-	-	226
	258,541	18,362	17,627	294,530
Less: Provision for operation risks				(4,178)
Total assets				290,352

	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)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprises the following:

	1426H	1425H
Cash at banks	3,624	481
Commodity placements with banks	43,471	89,148
	---------	---------
Total	47,095	89,629
	======	=====

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 30 Dhul Hijjah 1426H amounted to ID 206.2 million (1425H - ID 189.9 million).

15. COMPARATIVE FIGURES

Certain figures for 1425H have been reclassified to conform the presentation in the current year.

DELOITTE & TOUCHE
BAKR ABULKHAIR & CO.
P.O. Box 442
Jeddah 21411
Saudi Arabia

ASSOCIATED ACCOUNTANTS
MEMBER OF BDO INTERNATIONAL
P.O. Box 60930
Riyadh 11555
Saudi Arabia

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT

FINANCIAL STATEMENTS
31 December 2005

WITH

AUDITORS' REPORT

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT

31 December 2005

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DELOITTE & TOUCHE
BAKR ABULKHAIR & COMPANY
P.O. Box 442
Jeddah 21411
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ASSOCIATED ACCOUNTANTS
MEMBER OF BDO INTERNATIONAL
P.O. Box 60930
Riyadh 11555
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 net assets of Islamic Banks Portfolio for Investment and Development (the "Portfolio") as of 31 December 2005, 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 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 Portfolio.

As explained in notes 1 and 2, the Participant's Committee of the Portfolio has decided to merge the Portfolio's operations into a new entity to be formed under the name of International Trade Finance Corporation which will be under the management of Islamic Development Bank (IDB). The net assets of the Portfolio will be purchased by IDB at the net asset values as of the date of purchase. Consequently, adjustments may be required to value the assets and liabilities to their estimated fair values. The accompanying financial statements do not include any adjustments which may be necessary in order to reflect the proposed transaction.

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 ASSOCIATED ACCOUNTANTS
Member of BDO International

Hamud A. Al Rubian
Registration No. 222

4 Safar, 1427H
4 March, 2006

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF NET ASSETS
31 December 2005
(In thousands of United States Dollars)

	Notes	2005	2004
ASSETS			
Cash and cash equivalents Investments:	3, 13	40,176	26,258
Islamic Ijarah Sukuk	4	12,000	15,625
IDB - Unit Investment Fund	5, 13	10,937	10,937
Mudaraba funds	13	2,284	2,202
Ijarah Muntahia Bittamleek, net	6	26,259	28,948
Receivables:			
Murabaha, net	7	20,532	31,021
Instalment sales		257	574
Istisna'a		4,560	4,442
Accrued income and other assets		5,212	4,849
		----------	----------
Total Portfolio's assets		122,217	124,856
Net assets financed by variable capital	9	11	11
		----------	----------
Total assets		122,228	124,867
		----------	----------
LIABILITIES			
Payable to Islamic Development Bank - Ordinary Capital Resources	8, 13	12,847	15,857
Dividends payable	10	2,469	2,187
Accruals and other liabilities		367	535
		----------	----------
Total portfolio's liabilities		15,683	18,579
		----------	----------
PORTFOLIO'S NET ASSETS		106,545	106,288
		======	======

The attached notes from 1 through 18 form an integral part of these financial statements.

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF NET ASSETS (Continued)
31 December 2005
(In thousands of United States Dollars)

	Notes	2005	2004
REPRESENTED BY			
FIXED CAPITAL FUNDS			
Paid-up capital	11	100,000	100,000
Reserve	10	6,534	6,277
Retained earnings		-	-
Total fixed capital funds		106,534	106,277
VARIABLE CAPITAL FUNDS			
Paid-up capital	11	-	-
Retained earnings		11	11
Total variable capital funds	9	11	11
		106,545	106,288
Number of shares outstanding, fixed capital funds		100,000	100,000
Net assets per share (USD), fixed capital funds		1,065	1,063

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 4 Safar, 1427H (4 March, 2006).

The attached notes from 1 through 18 form an integral part of these financial statements

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF OPERATIONS
For the year ended 31 December 2005
(In thousands of United States Dollars)

	Notes	2005	2004
INCOME			
Income from cash and cash equivalents		503	181
		---------	---------
Income from investments, sales and financing:			
Investments:			
Islamic Ijarah Sukuk		558	436
IDB - Unit Investment Fund		489	395
Mudaraba funds		83	74
Ijarah Muntahia Bittamleek		8,757	9,936
Sales:			
Murabaha transactions		1,596	846
Instalment sales		32	53
Istisna'a		310	220
Mudaraba fees		72	145
Other income		172	74
		---------	---------
Total income from investments, sales and financing		12,069	12,179
		---------	---------
EXPENSES			
Depreciation expense - Ijarah Muntahia Bittamleek	6	(7,010)	(8,110)
Impairment loss/reversal		(323)	102
Other expenses		(75)	(55)
		---------	---------
		(7,408)	(8,063)
		---------	---------
Net income from investments, sales and financing		4,661	4,116
		---------	---------
Net income before Mudarib's share		5,164	4,297
Less: Mudarib's share		(775)	(645)
		---------	---------
INCREASE IN NET ASSETS AFTER MUDARIB'S SHARE		4,389	3,652
		=====	=====

The attached notes from 1 through 18 form an integral part of these financial statements.

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF CASH FLOWS
For the year ended 31 December 2005
(In thousands of United States Dollars)

	2005	2004
OPERATING ACTIVITIES		
Increase in net assets before Mudarib's share	5,164	4,297
Adjustments for:		
Depreciation	7,010	8,110
Provision for impairment	323	-
	----------	----------
	12,497	12,407
Changes in operating assets and liabilities:		
Murabaha receivable	10,489	(18,145)
Instalment sales receivable	317	291
Istisna'a receivable	(118)	(2,478)
Accrued income and other assets	(363)	(1,418)
Payable to Islamic Development Bank - Ordinary Capital Resources	(3,140)	(2,050)
Accruals and other liabilities	(168)	(251)
	----------	----------
Cash from/(used in) operations	19,514	(11,664)
Mudarib's fee paid	(645)	(560)
	----------	----------
Net cash provided by/(used in) operating activities	18,869	(12,204)
	----------	----------
INVESTING ACTIVITIES		
Net decrease in investment in IDB - Unit Investment Fund	-	5,000
Net decrease in investment in Islamic Ijarah Sukuk	3,625	-
Net (increase)/decrease in Ijarah Muntahia Bittamleek	(4,644)	1,533
Net increase in Mudaraba funds	(82)	(75)
	----------	----------
Net cash (used in)/provided by investing activities	(1,101)	6,458
	----------	----------
FINANCING ACTIVITIES		
Dividends paid	(3,850)	(2,988)
	----------	----------
Net cash used in financing activities	(3,850)	(2,988)
	----------	----------
Net increase/(decrease) in cash and cash equivalents	13,918	(8,734)
Cash and cash equivalents at the beginning of the year	26,258	34,992
	----------	----------
Cash and cash equivalents at the end of the year	40,176	26,258
	======	======
Supplemental Schedule on Non-Cash Items		
Dividends declared	4,132	3,437
	======	======

The attached notes from 1 through 18 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 2005
(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 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**
Increase in net assets for the year	-	-	-	-	4,389	-	4,389	-	4,389
Appropriations:									
Transfer to reserve	-	-	257	-	(257)	-	-	-	-
Dividends	-	-	-	-	(4,132)	-	(4,132)	-	(4,132)
Balance at 31 December 2005	**100,000**	**-**	**6,534**	**-**	**-**	**11**	**106,534**	**11**	**106,545**

The attached notes from 1 through 18 form an integral part of these financial statements

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ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF PORTFOLIO
INVESTMENTS, RECEIVABLES AND FINANCING
31 December 2005
(In thousands of United States Dollars)

	2005	Percentage of portfolio	2004	Percentage of portfolio
INVESTMENTS				
Islamic Ijarah Sukuk	12,000	15%	15,625	17%
IDB - Unit Investment Fund	10,937	14%	10,937	12%
Mudaraba funds	2,284	3%	2,202	2%
Ijarah Muntahia Bittamleek, net	26,259	34%	28,948	31%
RECEIVABLES				
Murabaha, net	20,532	27%	31,021	33%
Instalment sales	257	1%	574	1%
Istisna'a	4,560	6%	4,442	4%
	----------	----------	----------	----------
TOTAL INVESTMENTS, RECEIVABLES AND FINANCING	76,829	100%	93,749	100%
	======	======	======	======

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The attached notes from 1 through 18 form an integral part of these financial statements.

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF FINANCIAL HIGHLIGHTS
31 December 2005

	2005	2004
Data per share (In United States Dollars)		
Net assets value (fixed capital funds) at the beginning of the year	1,063	1,061
Net income from investments, sales and financing before Mudarib's share	51	43
Less: Mubarib's share	(8)	(6)
Net income from investment, sales and financing after Mudarib's share	43	37
Distribution to shareholders:		
From net profits on investments, sales and financing	(41)	(35)
Total distributions	(41)	(35)
Net assets value (fixed capital funds) at the end of the year	1,065	1,063
Financial ratios/supplementary data (thousands of United States Dollars)		
Total net assets at the end of the year – fixed capital funds	106,534	106,277
Average net assets*	108,126	107,370
Ratio of expenses to average net assets	7%	8%
Turnover rate of portfolio investments, receivables and financing	16%	13%
Annual rate of return	4%	3%

*The average net assets is calculated on a simple average basis using quarter-end net asset balances.

The attached notes from 1 through 18 form an integral part of these financial statements.

ISLAMIC BANKS PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
31 December 2005

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 Participant's Committee of the Portfolio during its meeting number 26 held on June 22, 2005, discussed the matter of establishing the International Trade Finance Corporation to focus primarily on trade finance operations for the IDB Group. The operations of the Portfolio shall be merged into the new corporation which will be under management of IDB. Subsequently, the Executive Committee of the Portfolio in its meeting number 34 held on November 25, 2005 approved the purchase by IDB of the net assets of the Portfolio based on the adjusted net book value method as of the date of the purchase which is expected to be June 2006. Members of the Portfolio who agree to join the new corporation based on the adjusted net book value as of the date of the purchase will have their equity transferred to the new corporation. The remaining members shall be paid out by IDB (see note 2a).

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 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.

As mentioned in note 1, the Portfolio's net assets shall be purchased by IDB during 2006 and the Portfolio shall cease its operations. Therefore, the historical cost convention of accounting is no longer relevant. However, these financial statements have not been prepared on a liquidation basis valuing assets at their net realizable amounts in liquidation, and liabilities at the actual monetary amounts required to settle them as the management believes that the adjusted net book value of the Portfolio as of December 31, 2005 approximates the actual net book value as of that date.

Hence the financial statements are prepared under the historical cost convention as modified for the measurement at fair value for 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.

(In thousands of United States Dollars)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December comprise the following:

	2005	2004
Liquid funds with Islamic banks	40,176	26,258
	======	======

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 2005 and 2004.

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. At 31 December 2005, the Portfolio owned 3.3% of the issued units of the Fund (3.3% at 31 December 2004). The fair value of the Fund at 31 December 2005 and 2004 approximates its cost.

(In thousands of United States Dollars)

6. IJARAH MUNTAHIA BITTAMLEEK, net

Ijarah Muntahia Bittamleek at 31 December comprises the following:

	2005	2004
Cost:		
Assets not in use:		
At the beginning of the year	3,813	6,362
Additions during the year	4,644	2,519
Transferred to assets in use during the year	-	(5,068)
At the end of the year	8,457	3,813
Assets in use:		
At the beginning of the year	41,067	44,346
Transferred from assets not in use during the year	-	5,068
Transferred to beneficiaries during the year	-	(8,347)
At the end of the year	41,067	41,067
Accumulated depreciation:		
At the beginning of the year	(15,932)	(12,117)
Charged during the year	(7,010)	(8,110)
Transferred during the year	-	4,295
At the end of the year	(22,942)	(15,932)
Less: Provision for impairment	(323)	-
Balance at the end of the year	26,259	28,948

Certain of the assets referred to above represent the Portfolio's share in the lease pool. Included in assets in use is an amount of US$ 5 million (2004: $ Nil) that represents the cost of fully depreciated assets, which shall be ultimately transferred to the beneficiaries under the terms of the lease agreements.

(In thousands of United States Dollars)

Future instalments receivable related to Ijarah Muntahia Bittamleek at 31 December are estimated as follows:

	2005	2004
Ijarah operations in Egypt	1,921	2,356
Ijarah operations in Saudi Arabia	4,644	6,515
Ijarah operations in Brunei	3,237	3,722
Ijarah operations in Algeria	3,871	3,814
Ijarah operations in Sudan	1,026	4,232
Ijarah operations in Lebanon	2,657	3,076
Ijarah operations in Iran	3,794	4,588
Ijarah operations in United Arab Emirates	5,000	5,093
Ijarah operations in Turkey	750	833
Ijarah operations in Kazakhstan	3,900	-
Ijarah operations in Uzbekistan	688	-
Total	31,488	34,229

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:

	2005	2004
Gross amounts receivable	21,418	32,316
Less: Unearned income	(576)	(985)
Provision for impairment	(310)	(310)
Murabaha receivables, net	20,532	31,021

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.

(In thousands of United States Dollars)

8. PAYABLE TO ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

Payable to the Bank at 31 December comprises the following:

	2005	2004
Mudarib's share of profit (see note 10)	775	645
Short-term advances and inter-fund account	12,072	15,212
	----------	----------
Total	12,847	15,857
	======	======

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. There was no charge to the Portfolio for the year ended 31 December 2005.

9. NET ASSETS FINANCED BY VARIABLE CAPITAL

Net assets financed by variable capital at 31 December comprise the following:

	2005	2004
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.

(In thousands of United States Dollars)

11. CAPITAL

Capital at 31 December comprises the following:

	2005	2004
Fixed capital		
Authorized	200,000	200,000
	======	======
Issued, subscribed, called and paid-up	100,000	100,000
	======	======
Variable capital		
Authorized	280,000	280,000
	======	======
Issued and subscribed	179,533	179,533
Capital not yet called	(132,089)	(132,089)
	------------	------------
Capital called	47,444	47,444
Capital redeemed	(47,444)	(47,444)
	------------	------------
Paid-up variable capital	-	-
	=======	=======

At its meeting held on 10 Shaaban 1421H (6 November 2000), the Participants' Committee approved an increase in the authorized fixed capital from US$ 100 million to US$ 200 million.

12. THE PORTFOLIO'S ROLE AS A MUDARIB

The Portfolio, in its own name and as a Mudarib, makes investments which are co-financed by other institutions. The Portfolio is entitled to an agreed share of profit from such investments, which is reflected in the statement of operations as Mudaraba fees, in addition to any share of profit attributable to its own investments.

Such investments consist of Mudaraba, Ijarah and Murabaha agreements to finance operations in Islamic countries. The co-financiers are liable to risks in the proportion of their respective investments. Accordingly, these investments, which relate to co-financiers, are not included in the accompanying financial statements

13. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Portfolio transacts business with certain participants and/or their affiliates. The terms of these transactions are approved by the Portfolio's management. The resulting balances from such transactions are included in the statement of net assets as follows:

	2005	**2004**
Cash and cash equivalents**:**		
Shamil Bank of Bahrain	40,168	26,250
Investment:		
IDB - Unit Investment Fund	10,937	10,937
Al Baraka Group - Mudaraba funds	2,284	2,202
Payable to the Bank (see Note 8):		
Current account	12,072	15,212
As Mudarib's share of profit	775	645

(In thousands of United States Dollars)

14. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

The contractual maturities of the Portfolio's assets and liabilities according to their respective periods to maturity or expected periods to cash conversion at 31 December are as follows:

	2005					
	Maturity period determined				Maturity period not determined	Total
	Less than 1 month	1 to 12 months	1 to 5 years	Over 5 years		
Assets						
Cash and cash equivalents	40,176	-	-	-	-	40,176
Investments	2,966	7,252	27,465	2,860	10,937	51,480
Receivables	3,428	16,385	3,768	1,768	-	25,349
Accrued income and other assets	-	5,212	-	-	-	5,212
Total Portfolio's assets	46,570	28,849	31,233	4,628	10,937	122,217
Liabilities						
Payable in cash:						
Payable to the Bank	12,847	-	-	-	-	12,847
Dividends payable	-	2,469	-	-	-	2,469
Accruals and other liabilities	-	367	-	-	-	367
Total Portfolio's liabilities	12,847	2,836	-	-	-	15,683

	2004					
	Maturity period determined				Maturity period not determined	Total
	Less than 1 month	1 to 12 months	1 to 5 years	Over 5 years		
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 otherassets	-	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

(In thousands of United States Dollars)

15. CONCENTRATION OF ASSETS

An analysis of the Portfolio's assets by industry at 31 December is as follows:

	2005					
	Public utilities	Transport	Industry and mining	Social services	Other	Total
Cash and cash equivalents	-	-	-	-	40,176	40,176
Investments	3,680	7,097	10,233	5,248	25,222	51,480
Receivables	1,850	-	9,490	-	14,009	25,349
Accrued income and other assets	-	-	-	-	5,212	5,212
Total assets	5,530	7,097	19,723	5,248	84,619	122,217

	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

(In thousands of United States Dollars)

15. CONCENTRATION OF ASSETS (CONTINUED)

The geographical locations of the Portfolio's assets at 31 December are as follows:

	2005			
	Cash and cash equivalents	Investments	Receivables	Total
Saudi Arabia	-	14,090	6,458	20,548
Bahrain	40,176	-	-	40,176
Egypt	-	697	2,179	2,876
Bangladesh	-	-	65	65
Turkey	-	2,570	4,584	7,154
Lebanon	-	2,095	-	2,095
Iran	-	3,680	-	3,680
Malaysia	-	5,000	-	5,000
Kazakhistan	-	8,900	257	9,157
Algeria	-	3,871	-	3,871
Sudan	-	791	964	1,755
Brunei	-	3,143	-	3,143
Qatar	-	-	4,560	4,560
United Arab Emirates	-	3,955	-	3,955
Pakistan	-	2,000	2,495	4,495
Uzbakistan	-	688	-	688
Indonesia	-	-	3,787	3,787
	----------	----------	----------	----------
	40,176	51,480	25,349	117,005
	======	======	======	
Accrued income and other assets				5,212

Total assets				122,217
				======

(In thousands of United States Dollars)

15. CONCENTRATION OF ASSETS (CONTINUED)

	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
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
Uzbekistan	-	-	-	-
Indonesia	-	-	-	-
	26,258	57,712	36,037	120,007
Accrued income and other assets				4,849
Total assets				124,856

16. ZAKAT AND TAX

Any liability for zakat and income tax is the responsibility of the individual participants.

17. COMMITMENTS

At 31 December 2005, undisbursed commitments for investing in operations and other investments amount to US$ 63.9 million (US$ 69.6 million at 31 December 2004).

18. COMPARATIVE FIGURES

Certain figures for 2004 have been reclassified to conform with the presentation in the current year.

APPENDICES II-VIII

- II. COMPARATIVE STATEMENT SHOWING ACTUAL EXPENDITURE DURING 1425H AND 1426H
- III. STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER
- IV. CHANNELS OF COMMUNICATION
- V. GOVERNORS AND ALTERNATE GOVERNORS
- VI. BOARD OF EXECUTIVE DIRECTORS
- VII. SENIOR OFFICIALS
- VIII. STATISTICAL ANNEX - KEY ECONOMIC INDICATORS

APPENDIX II
COMPARATIVE STATEMENT SHOWING ACTUAL EXPENDITURE DURING 1425H AND 1426H AND APPROVED BUDGET FOR 1427H (2006-2007)

(ID thousand)

	Description		Actual Expenditure		Approved Budget
			1425H (2004-05)	**1426H (2005-06)**	**1427H (2006-07)**
1.	Annual Meeting & BED Expenses		2,518	1,870	2,949
	i.	Annual Meeting Expenses	1,024	954	1,448
	ii.	Board of Executive Directors Expenses	1,494	916	1,501
2.	Personnel Cost		35,758	35,475	38,975
	i.	Salaries & Benefits	34,706	36,063	36,700
	ii.	Other Personnel Cost	875	592	1,519
	iii.	New Staff Cost	93	542	-
	iv.	Young Professional Programme	84	278	756
3.	Business Travel		2,009	2,196	3,155
4.	General Administrative Expenses		5,199	4,916	6,636
5.	Total Administrative Expenses (2+3+4)		42,966	44,587	48,766
6.	Contingencies		7	-	36
7.	Capital Expenditure		622	500	940
8.	Regional Offices		1,409	1,549	1,656
	i.	Regional Office – Morocco	640	647	710
	ii.	Regional Office – Malaysia	357	495	488
	iii.	Regional Office – Kazakhstan	412	407	458
9.	Expenditure specifically approved		561	838	668
	Grand Total		**48,083**	**49,344**	**55,016**

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APPENDIX III
Statement of Subscriptions to Capital Stock and Voting Power
As on 30.12.1426H (30.01.2006)

S.No.	Member Country	Subscribed Capital[1]							Voting Power[2]	
		No. of Shares	Percent of Total	Par Value of Shares in ID million						
				Total	Callable	Paid-in	Overdue	Not Yet Due	Number of Votes	Percent of Total
1.	Afghanistan	993	0.12%	9.93	6.680	2.567	0.681	*	1,250	0.18%
2.	Albania	496	0.06%	4.96	2.460	2.499	*	*	996	0.14%
3.	Algeria	24,667	3.09%	246.67	165.222	81.442	*	*	20,885	3.01%
4.	Azerbaijan	977	0.12%	9.77	6.544	3.225	*	*	1,308	0.19%
5.	Bahrain	1,390	0.17%	13.90	6.900	7.000	*	*	1,890	0.27%
6.	Bangladesh	9,785	1.22%	97.85	65.563	32.287	*	*	8,585	1.24%
7.	Benin	977	0.12%	9.77	6.544	3.351	*	*	1,320	0.19%
8.	Brunei	2,463	0.31%	24.63	16.497	8.133	*	*	2,535	0.36%
9.	Burkina Faso	2,463	0.31%	24.63	16.497	8.132	*	*	2,535	0.36%
10.	Cameroon	2,463	0.31%	24.63	16.497	8.133	*	*	2,535	0.36%
11.	Chad	977	0.12%	9.77	6.544	2.873	0.353	*	1,235	0.18%
12.	Comoros	250	0.03%	2.50	*	0.560	1.940	*	750	0.11%
13.	Cote D'Ivoire	250	0.03%	2.50	*	2.117	*	0.383	750	0.11%
14.	Djibouti	496	0.06%	4.96	2.460	1.625	0.875	*	996	0.14%
15.	Egypt	68,684	8.60%	686.84	461.940	211.510	*	13.390	55,735	8.02%
16.	Gabon	2,932	0.37%	29.32	19.639	9.680	*	*	2,923	0.42%
17.	Gambia	496	0.06%	4.96	2.460	2.500	*	*	996	0.14%
18.	Guinea	2,463	0.31%	24.63	16.497	8.136	*	*	2,536	0.36%
19.	Guinea-Bissau	496	0.06%	4.96	2.460	2.212	0.288	*	996	0.14%
20.	Indonesia	18,547	2.32%	185.47	104.022	81.389	*	*	14,760	2.12%
21.	Iran	69,472	8.70%	694.72	465.479	229.237	*	*	57,899	8.33%
22.	Iraq	1,305	0.16%	13.05	*	13.051	*	*	1,805	0.26%
23.	Jordan	3,948	0.49%	39.48	26.443	13.037	*	*	3,763	0.54%
24.	Kazakhstan	496	0.06%	4.96	2.460	2.813	*	*	996	0.14%
25.	Kuwait	98,588	12.34%	985.88	660.348	325.532	*	*	81,977	11.80%
26.	Kyrghyz	496	0.06%	4.96	2.460	0.973	0.148	1.379	996	0.14%
27.	Lebanon	977	0.12%	9.77	6.544	3.226	*	*	1,308	0.19%
28.	Libya	79,404	9.94%	794.04	453.330	340.711	*	*	73,975	10.64%
29.	Malaysia	15,793	1.98%	157.93	105.782	52.147	*	*	13,552	1.95%
30.	Maldives	496	0.06%	4.96	2.460	2.501	*	*	996	0.14%
31.	Mali	977	0.12%	9.77	6.544	3.226	*	*	1,308	0.19%
32.	Mauritania	977	0.12%	9.77	6.544	3.230	*	*	1,308	0.19%
33.	Morocco	4,925	0.62%	49.25	32.987	16.262	*	*	4,570	0.66%
34.	Mozambique	496	0.06%	4.96	2.460	2.526	*	*	996	0.14%
35.	Niger	2,463	0.31%	24.63	16.497	7.207	0.926	*	2,443	0.35%
36.	Nigeria	250	0.03%	2.50	*	0.479	*	2.021	750	0.11%
37.	Oman	2,735	0.34%	27.35	18.316	9.034	*	*	2,760	0.40%
38.	Pakistan	24,667	3.09%	246.67	165.222	81.450	*	*	20,886	3.01%
39.	Palestine	1,955	0.24%	19.55	13.095	5.106	1.349	*	1,981	0.29%
40.	Qatar	9,773	1.22%	97.73	65.461	32.269	*	*	8,577	1.23%
41.	Saudi Arabia	197,947	24.78%	1,979.47	1,325.860	653.610	*	*	164,091	23.61%
42.	Senegal	2,465	0.31%	24.65	16.514	8.171	*	*	2,540	0.37%
43.	Sierra Leone	496	0.06%	4.96	2.460	1.812	*	0.688	996	0.14%
44.	Somalia	496	0.06%	4.96	2.460	2.501	*	*	996	0.14%
45.	Sudan	3,909	0.49%	39.09	26.183	12.903	*	*	3,730	0.54%
46.	Suriname	496	0.06%	4.96	2.460	2.250	*	0.250	996	0.14%
47.	Syria	993	0.12%	9.93	6.680	3.247	*	*	1,318	0.19%
48.	Tajikistan	496	0.06%	4.96	2.460	1.677	*	0.823	996	0.14%
49.	Togo	496	0.06%	4.96	2.460	0.807	1.693	*	996	0.14%
50.	Tunisia	1,955	0.24%	19.55	13.095	6.454	*	*	2,115	0.30%
51.	Turkey	62,624	7.84%	626.24	419.599	206.641	*	*	52,241	7.52%
52.	Turkmenistan	250	0.03%	2.50	*	1.834	0.666	*	750	0.11%
53.	United Arab Emirates	56,184	7.03%	561.84	376.327	185.504	*	*	46,931	6.75%
54.	Uganda	2,463	0.31%	24.63	16.497	8.133	*	*	2,535	0.36%
55.	Uzbekistan	250	0.03%	2.50	*	0.750	*	1.750	750	0.11%
56.	Yemen	4,962	0.62%	49.62	33.357	16.260	*	*	4,607	0.66%
Net Shortfall/ (Overpayment)		*	*	*	*	*	(0.624)	0.210	*	*
Sub-Total		**798,940**	**100.00%**	**7,989.40**	**5,224.270**	**2,735.941**	**8.295**	**20.894**	**694,951**	**100.00%**
Uncommitted		**11,060**	*	**110.60**	*	*	*	*	*	*
Grand Total		**810,000**	**100.00%**	**8,100**	**5,224.270**	**2,735.941**	**8.295**	**20.894**	**694,951**	**100.00%**

1. The Subscribed Capital consists of total capital subscriptions under the Initial, Additional, Second General Increase and Third General Increase of the Bank (See Table on Part 2 for more details). The Callable Capital comprises 70% of the Second General Increase and 100% of the Third General Increase. The Third General Increase is collateral for raising funds from the market and for providing guarantees for its operations. It will only be called if the Bank fails to meet its obligations to investors. The nominal value per share is ID 10,000. One Islamic Dinar (ID) is equivalent to one SDR (Special Drawing Right) of the IMF.
2. The Bank Agreement stipulates that each member shall have five hundred (500) basic votes plus one vote for every paid-in share plus one vote for every share subscribed under the Third General Capital Increase.

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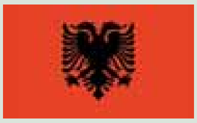
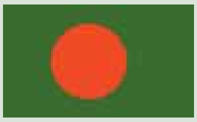
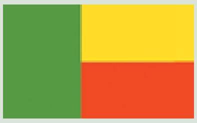
APPENDIX IV
CHANNELS OF COMMUNICATION

	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, Trade and Energy Ministry of Economy, Trade and Energy 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

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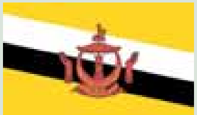
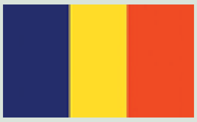
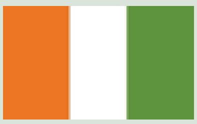
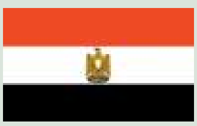
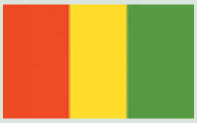
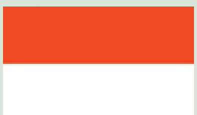
	Country		Channel of Communication
8.	Brunei Darussalam 		The Director of Special Duties Ministry of Finance 18th Ministry of Finance Building Simpang 295 Jalan Kebangsaan Bandar Seri Begawan BB 3910 Fax: 2383816
9.	Burkina Faso 		Ministry of Economy and Development Ouagadougou Fax: 50305508
10.	Republic 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 and Local Development Avenue Salah Salem, Cairo Fax: 4014733

	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 		Office of 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 84 Rasheed Street Baghdad Fax: 8865171/ 8884115
23.	Hashemite Kingdom of Jordan 		Ministry of Planning and International Cooperation P.O.Box 555 Amman – 11118 Fax: 4649341 – 4642247

As of 28 March 2006

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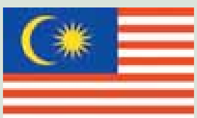
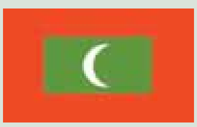
	Country		Channel of Communication
24.	Republic of Kazakhstan 		Office of H.E. the Minister of Economy and Budget Planning Ministry of Economy and Budget Planning 11 Beibitshilik Str. Astana 010000 Fax : (7-3172) 717712
25.	State of Kuwait 		H.E. The Undersecretary Ministry of Finance Ministries' Compound 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

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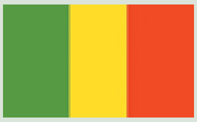
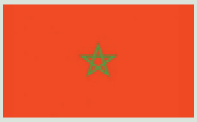
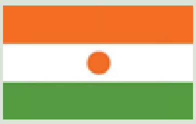
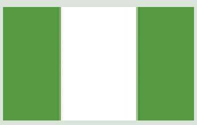
	Country		Channel of Communication
31.	Republic of Mali 		Ministry of Economy and Finance P.O.Box 234 Bamako Fax: 220192
32.	Islamic Republic of Mauritania 		The Financing Director Ministry of Economic Affairs and Development P.O.Box 238 Nouakchott Fax: 5253335 / 5255110
33.	Kingdom of Morocco 		The Treasury 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 Niamey Fax: 72 40 20
36	Federal Republic of Nigeria 		Mr. Ahmed Sule Counsellor/Special Assistant Embassy of Nigeria P. O. Box 94386 Riyadh 11693, Saudi Arabia Tel and Fax: (966-01) 4830542
37.	Sultanate of Oman 		Director General for Treasury and Accounts Ministry of Finance P.O. Box 506 Muscat 113 Fax: 737840 / 738140

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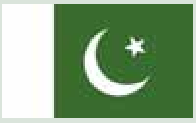
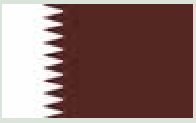
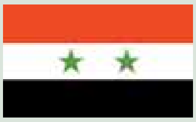
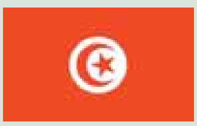
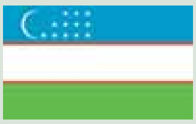
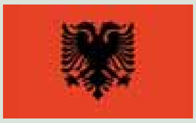
	Country		Channel of Communication
38.	Islamic Republic of Pakistan 		H.E. The Secretary Economic Affairs Division Ministry of Finance and Economic Affairs, Islamabad Fax: 9205971 / 9204086
39.	State of Palestine 		Office of H.E. The IDB Governor C/O H.E. Dr. Mohammad Ibrahim Eshteyeh Minister of Public Works and Housing (PWH) Ministry of Public Works and Housing Palestinian National Authority Al Bireh Um Al Sharayet P. O. Box 3961, Gaza Fax: 970-2-2987889 - 90
40.	State of Qatar 		Office of H.E. The Minister of Finance Ministry of Finance P.O.Box 3322 Doha Fax: 44311177
41.	Kingdom of Saudi Arabia 		Ministry of Finance Riyadh 11177 Fax: 4059441 / 4059202 / 4057304
42.	Republic of Senegal 		Ministry of Economy and Finance Dakar Fax: 8224195 / 8221267/8211630
43.	Republic of Sierra Leone 		Ministry of Finance Secretariat Building, George Street, Freetown Fax: 228472 / 227370
44.	Republic of Somalia 		The Embassy of the Republic of Somalia P.O.Box 94372 Riyadh 11693, Kingdom of Saudi Arabia Fax: 4649705

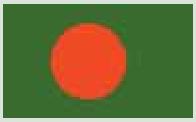
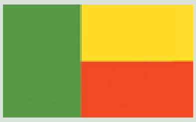
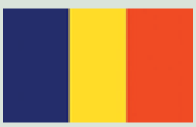
	Country		Channel of Communication
45.	Republic of Sudan 		Ministry of Finance and National Economy (General Department For Foreign Financial Cooperation) P.O.Box 298 Khartoum Fax: 781861- 778547 -780273
46.	Republic of Suriname 		H.E. The Governor, Central Bank of Suriname P.O Box 1801 Paramaribo Fax: 473741/476444
47.	Syrian Arab Republic 		Office of H.E. The Minister of Economy and Trade Department of Economic and Monetary Affairs Damascus Fax: 2323050
48.	Republic of Tajikistan 		Office of H.E. The Prime Minister Republic of Tajikistan 80, Rudaki Avenue Dushambe Fax: 212502
49.	Republic of Togo 		Ministry of Economy, Finance and Privatization P.O.Box 367 Lome Fax: 221 0905
50.	Republic of Tunisia 		The Director General International Cooperation Ministry of International Cooperation and Foreign Investment Tunis Fax: 799069
51.	Republic of Turkey 		Undersecretariat of Treasury Prime Ministry Ankara Fax: 2128550/2128737

	Country		Channel of Communication
52.	Republic of Turkmenistan 		State Bank for Foreign Economic Affairs Ashgabat Fax : 510070/397982
53.	Republic of Uganda 		H.E. The Permanent Secretary Ministry of Finance Planning and Economic Development P.O.Box 7086 Kampala Fax: 230163/345597
54.	United Arab Emirates 		Ministry of Finance and Industry P.O.Box 433 Abu Dhabi Fax: 6773301/6793255
55.	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
56.	Republic of Yemen 		Ministry of Planning and International Cooperation P.O.Box 175 Sanaa Fax: 250665/251503

As of 28 March 2006

APPENDIX V
GOVERNORS AND ALTERNATE GOVERNORS

	Country	Governors	Alternate Governors
1.	Islamic Republic of Afghanistan 	H.E. Prof. Dr. Anwar Ul-Haq Ahady Minister of Finance Ministry of Finance Pashtunistan Watt Kabul Fax: (93-20) 2103439/2103258 Tel: (93-0) 70295595 Tel : (93-0) 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 : (93-20) 2103258/2103439 Tel: (93-0) 79300123 Tel : (93-0) 79326372 e.mail: wshahrani@yahoo.com e.mail: yunusmalikzada@yahoo.com
2.	Republic of Albania 	H.E. Prof. Dr. Genc RULI Minister of Economy, Trade and Energy Ministry of Economy, Trade and Energy Bvld. "Deshmoret e Kombit" No 2 Tirana Fax: (355 4) 378333 Tel: (355 4) 227617 / 364672 e.mail: Kabinet@mete.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. Mr. Mohamed Abdou Bouderbalah General Director, Taxes Ministry of Finance Ben Aknoun , 16300 Algiers Tel: 213- 21 595302 Fax: 213- 21 595316
4.	Azerbaijan Republic 	H.E. Mr. Heydar Babayev 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 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	Governors	Alternate Governors
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: (880-2) 8113088	H.E.The Alternate Governor, IDB Secretary, Economic Relations Division, Ministry of Finance Sher-e-Bangla Nagar Dhaka 1207 Dhaka Fax: (880-2) 8113088
7.	Republic of Benin 	H.E. Mr. Rigobert Laourou Directeur de Cabinet Ministry in-charge of Planning and Development Cotonou 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 	His Majesty Sultan Haji Hassanal Bolkiah Minister of Finance Ministry of Finance Level 18, Ministry of Finance Complex. Commonwealth Drive Bandar Seri Begawan BB 3910 Tel: (673) 2 383819 Fax: (673) 2 383816	H.E Pehin Dato Abd Rahman Ibrahim Minister of Finance II Ministry of Finance Level 18, Ministry of Finance Building. Commonwealth Drive Bandar Seri Begawan BB 3910 Tel: (673) 2 383819 Fax: (673) 2 383816
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: (237) 223 22 99–222–222 07 54 Fax: (237) 223 37 17	H.E. Mr. Mohamadou Labarang Ambassador of the Republic of Cameroon Embassy of the Republic of Cameroon Riyadh - Saudi Arabia Tel : 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

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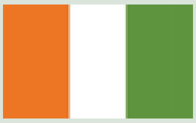
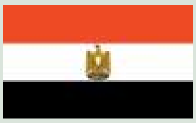
	Country	Governors	Alternate Governors
12.	Union of Comoros 	H.E. Mr. Oubeidi MZE CHEI State Minister, Minister of Finance and Budget Ministry of Finance and Budget Moroni Fax: 744140 - 730349 Tel: 744161	H.E. Mr. Ahamadi ABDOULBASTOI Governor Central Bank of Comoros Place de France B.P 405 Moroni Fax: (269) 730349 Tel: (269) 731814 /731002
13.	Republic of Côte d'Ivoire 	H.E. Mr. Paul Antoine Bohoun BOUABRE State Minister, Minister of Planning and Development Ministry of Planning and Development BP V 163 Abidjan 01 Fax: (225) 20224808 Tel: (225) 2022204 – 20200842	H.E. Mr. Albert TOIKEUSE MABRI Minister of Cooperation and African integration. Ministry of Cooperation BP V 225 Abidjan 01 Fax: (225) 20224156 Tel: (225) 20339009 - 20338000
14.	Republic of Djibouti 	H.E. Mr. Ali Farah ASSOWEH Minister of Economy, Finance and Planning in-charge of Privatisations Ministry of Economy, Finance and Planning in-charge of Privatisations Djibouti Fax: (253) 356501 Tel: (253) 351809	H.E. Mr. Djama Mahmoud Haid Governor National Bank of Djibouti Djibouti Fax: 356288
15.	Arab Republic of Egypt 	H.E. Dr. Osman Mohamed Osman Minister of Planning and local Development Ministry of Planning and local Development Avenue Salah Salem Cairo Tel : 4014615 – 4014719 Fax : 4014733	H.E. Dr. Mahmud Safwat Muhyiddin Minister of Investment Ministry of Investment 3 Avenue Salah Salem Madinat Nasr - Cairo Tel : 4055624 - 4055626 Fax : 4055635
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. Mr. Alieu Ngum Secretary of State for Finance & Economic Affairs Department of State for Finance & Economic Affairs The Quadrangle Banjul Fax: 4227954 – 4226969 Tel: 4227221 - 4227221 – 4227529	H.E. Mr. Abdou. B. Touray Permanent Secretary Department of State for Finance and Economic Affairs The Quadrangle, Banjul Fax: 4227954 - 4226969 Tel: 4227221 - 4227221 - 4227529

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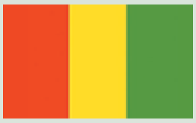
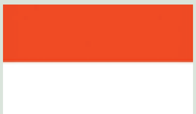
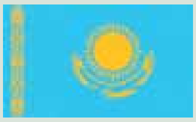
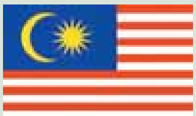
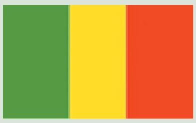
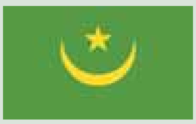
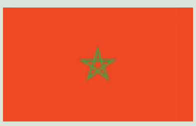
	Country	Governors	Alternate Governors
18.	Republic of Guinea 	H.E. Mr Alkaly Mohamed DAFFE Governor Central Bank of Guinea Central Bank of Guinea P. O. Box: 692 Conakry Fax: (224) 414898 Tel: (224) 412651	H.E. Mme Baldé Hadja Fatoumata DIOP National Director, Public Investments programming National Directorate for Public Investments programming Ministry of planning P. O. Box 221 - Conakry Fax: (224) 413059 Tel: (224) 413495 E.mail : baldefatoudiop@yahoo.fr
19	Republic of Guinea Bissau 	H.E. Mr. Victor MANDINGA Minister of Finance Ministry of Finance P.O.Box 67, Bissau Fax :(245) 205156 / 205267 / 201626 Tel : (245) 20 32 11 – 20 32 08	H.E. Purna Bia State Secretary, Ministry of Planning
20.	Republic of Indonesia 	H.E Mrs. Sri Mulyani Indrawati Minister of Finance Ministry of Finance Jakarta Tel: (6221) 3449230 Fax: (6221) 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. Davood Danesh Jafari Minister of Economic Affairs and Finance Ministry of Economic Affairs and Finance Tehran Tel : (9821) 3911652/ 300024 Fax : (9821) 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: (9821) 3911655 Fax: (9821) 3901033
22.	Republic of Iraq 	H.E. Dr. Senan AL Shabebi Governor, Central Bank of Iraq P.O.Box 84 Rasheed Str. - Baghdad Tel : 884115 - 8865171	H.E. Mr Salman Nasser Hussein Al Mukawtar Advisor to the Minister of Finance Ministry of Finance Baghdad Fax: 8156970 Tel: 8856993 – 8156997
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	Governors	Alternate Governors
24.	Republic of Kazakhstan 	H.E.Mr. Kairat Nematovich Kelimbetov Minister of Economy and Budget Planning Ministry of Economy and Budget Planning 11 Beibitshilik Str. Astana 010000 Tel : (7-3172) 717770 Fax : (7-3172) 717712	H.E. Mr. Alikhan Askhanovich Smailov Vice- Minister of Finance Ministry of Finance 11 Beibitshilik Str. Astana 010000 Tel : (3172) 717404 Fax : (3172) 717165
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: (965) 2420018/ 2420019/ Fax:(965) 2446361–2434862- 2454698 E.mail: Minister@mof.gov.kw	H.E. Mr. Mustapha Jasem Al Shamali Undersecretary Ministry of Finance Ministries' Compound P. O. Box 9 Al Safa 13001 Kuwait, Fax: (965) 2450057 - 2454698 Tel: (965) 2434774 – 2481006
26.	Kyrgyz Republic 	H.E. Mr. Murtazaliev Shamil Murtazalievich Adviser to the President of Kyrgyz Republic 17 per. Geologichesky Bishkek, 720005 Fax : 996 (312) 543580 Tel : 996 (312) 690310 E.mail : murtazaliev62@mail.ru	H.E. Mr. Azamat Shamilevitch Dikambaev State Secretary Ministry of Finance 58, Erkindik Str. 720040 Bishkek Fax: 996 (312) 661645 Tel:996 (312) 661350
27.	Republic of Lebanon 	H.E. the Prime Minister C/o H.E. Mr. Hisham Ibrahim Al Shaar Advisor Lebanese Council of Ministers Government Palace Beirut Fax: 865630 Tel: 746800	H.E. Mr. Hisham Ibrahim Al Shaar Advisor Lebanese Council of Ministers Government Palace Beirut Fax: 865630 / 867593 Tel: 746800
28.	Great Socialist People's Libyan Arab Jamahiriyah 	H.E. Dr. Ahmed Menissi Abdulhamid Secretary of the Peoples' General Committee for Finance Sert Fax: 3620138 - 466750	H.E. The Alternate Governor, IDB C/O Dr. Ahmed Menissi Abdulhamid Secretary of the Peoples' General Committee for Finance Sert Fax: 3620138 - 466750

	Country	Governors	Alternate Governors
29.	Malaysia 	H.E. Dato' Seri Abdullah bin Hj. Ahmad Badawi Prime Minister & Minister of Finance Ministry of Finance Complex Precint 2, Federal Government Administration Center 62592 Putrajaya Kuala Lumpur Tel : (603) 888 23556 /888 23000 Fax: (603)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: (603) 88823000 Fax: (603) 88823579 – 88823578
30.	Republic of Maldives 	H.E. Mr. Fathullah Jameel Ministry of Finance and Treasury Block 379 Ameenee Magu Male' Republic of Maldives Tel: +960 332 2343 Fax: +960 332 4432	H.E. Mr. Mohamed Ahmed Assistant Executive Director Ministry of Finance & Treasury Male Tel: (960) 3322343 Fax: (960) 3324432 fiedms@finance.gov.mv
31.	Republic of Mali 	H.E. Abou Bakar Traore Minister of Economy and Finance Ministry of Economy, and Finance B.P. 234 Bamako Fax: (223) 2231675 Tel : (223) 2231991 - 2231654	H.E. Mr. Marimantia DIARRA Minister in-Charge of Planning Ministry in-Charge of Planning P. O. Box 2631 Bamako Fax: (223) 2295159 Tel: (223) 2295162– 229 5494
32.	Islamic Republic of Mauritania 	H.E. Mr. Abdellah Ould Souleimane Ould Cheikh Sidiya Minister of Finance Ministry of Finance P. O. Box 197 Nouakchot Tel : 525 3335 Fax: 525 3114 – 525 3335 - 5292877	H.E. Mr Sidi Mohamed El Amin Ould Bakha Director of Financing Ministry of Economic Affairs and 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 Tel: 37763024 - 37765504	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 Finance Ministry Finance Maputo Fax: (2581)428170 Tel: (2581) 420648	H.E. the Vice Minister of Planning and Development C/O H.E. Mr. Manuel Chang Minister Finance Ministry Finance Maputo Fax: (2581)428170 Tel: (2581) 420648

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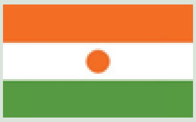
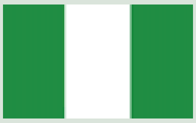
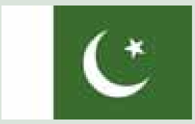
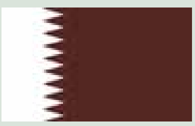
	Country	Governors	Alternate Governors
35.	Republic of Niger 	H.E. Mr. Ali Mahaman Lamine Zeine Minister of Economy and Finance Ministry of Economy and Finance P. O. Box 389 - Niamey Tel: (227) 722374 Fax : (227) 735934	H.E. the Alternate Governor, IDB Ministry of Economy and Finance, Niamey Fax: 227 724020
36.	Federal Republic of Nigeria 	H. E. Dr (Mrs) Ngozi Okonjo-Iweala Minister of Finance Ministry of Finance P.M.B 14, CADESTRAL ZONE A3 GARKI, Abuja (FCT) Fax: 234 9 2340903 – 234 9 2346933 Tel: 234 9 2346928 - 234 9 2340932 E.mail : nokonjoiweala@worldbank.org	H. E. Mrs. Nenadi E. Usman Minister of State for Finance Ministry of Finance P.M.B 14, CADESTRAL ZONE A3 GARKI, Abuja (FCT) Fax: 234 9 2340293 - 2346933 Tel: 234 9 2343787 e.mail: nusman@linkserve.com
37	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- 24732814 Fax: 24737840 – 24739863
38.	Islamic Republic of Pakistan 	H.E. Ms Hina Rabbani Khar Minister of State for Economic Affairs Ministry of Economic Affairs and Statistics (Economic Affairs Division) Islamabad Fax: (92-51) 9214716 Tel: (92-51) 920 3439	H.E. Mr. Khalid Saeed Secretary Economic Affaires Division (EAD) Ministry of Economic Affairs and Statistics, Islamabad, Fax: (92-51) 920 5971 / 9204086 Tel: (92-51) 9210629 / 9212769 E.mail: secretaryead@moeas.gov.pk
39.	State of Palestine 	H.E. Dr. Mohammad Ibrahim Eshteyeh Minister of Public Works and Housing Islamic Bank Unit Palestinian Economic Board for Development and reconstruction Al Quds Avenue – Ramallah/ Ramallah Fax: 972- 2- 2974331 Tel : 972- 2- 2974333	H.E. The Alternate Governor C/oH.E.Dr.Mohammad Ibrahim Eshteyeh Minister of Public Works and Housing Islamic Bank Unit Palestinian Economic Board for Development and reconstruction Al Quds Avenue – Ramallah/ Ramallah Fax: 972- 2- 2974331 Tel : 972- 2- 2974333
40.	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

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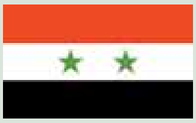
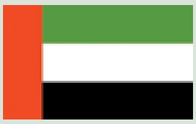
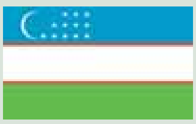
	Country	Governors	Alternate Governors
41.	Kingdom of Saudi Arabia 	H.E.Dr. Ibrahim Bin Abdel Aziz Al Assaf Minister of Finance Ministry of Finance Riyadh, Tel : 4014423 - 4016014 Fax: 4057304 – 4059202 - 4059441	H.E. Mr. Hamad Saud Al Sayyari Governor Saudi Arabian Monetary Agency Riyadh, Fax: 4633703 – 4662040 Tel : 4662000
42.	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
43.	Republic of Sierra Leone 	H.E. Mr. John O. Benjamin Minister of Finance Ministry of Finance Freetown Fax: (232-22) 228472 Tel: (232-22) 222211 - 229194 e.mail: epru@sierratel.sl	H.E. the Financial Secretary Ministry of Finance Freetown Fax: (232-22) 228472 Tel: (232-22) 227720
44.	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, Saudi Arabia	H.E. the Alternate Governor C/ O H.E. Dr. Salim Aliow Ibrow Deputy Prime Minister and Minister of Finance Ministry of Finance Mogadishu Through The Somalian Embassy in Riyadh, Saudi Arabia
45.	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
46.	Republic of Suriname 	H.E. Mr. André Telting President, Centrale Bank Van Suriname Waterkant 20 P. O. Box 1801 Paramaribo Fax: (597) 476444 Tel: (597) 473741 – 474788 e.mail: postmaster@cbvs.sr	H.E. Mr. Hendrik Asgarali Alimahomed Ambassador and Permanent Secretary Ministry of Foreign Affairs Paramaribo

	Country	Governors	Alternate Governors
47.	Syrian Arab Republic 	H.E. Dr. Amer Housni Lot Minister of Economy and Trade Ministry of Economy and Trade Damascus Fax: (963-11) 2323050 – 2225695 Tel: (963-11) 2213514- 2213513 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 : (963 11) 5111540
48	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. Alimardonov M.M Chairman, National Bank of Tajikistan National Bank of Tajikistan Rudaki av. 23/2 P.O.Box 734025 Dushanbe Tel : (9923772) 212628 - 213009 210332 Fax : 2126 38 / 21 25 02 - 510077
49.	Republic of Togo 	H.E. Mr. Yandja YENTCHABRE Minister of Development and Lands. Ministry of Development and Lands LOME Fax: (228) 226212 Tel : (228) 212968	H.E. Mr. Hatedhééma NONON SAA Director General, Development and Lands Ministry of Development and Lands LOME Fax: (228) 226212 Tel : (228) 212968
50.	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
51.	Republic of Turkey 	H.E. Mr. İbrahim H. ÇANAKCI Undersecretary of Treasury Undersecretariat of Treasury Prime Ministry İsmet İnönü Bulvarı No. 36 06510 Emek/Ankara Tel: 90 (312) 212 86 30/ 212 57 45 Fax: 90 (312) 212 22 97	H.E. Mr. Memduh Aslan AKÇAY Director General General Directorate of Foreign Economic Relations Undersecretariat of Treasury Prime Ministry İsmet İnönü Bulvarı No. 36 06510 Emek/Ankara Tel: 90 (312) 213 68 73 Fax: 90 (312) 212 85 50/212 87 37

	Country	Governors	Alternate Governors
52.	Republic of Turkmenistan 	H.E.Mr.Guvanchmurad Geoklenov Chairman of the Board of State Bank for Foreign Economic Affairs 22 Asudalyk Street 744000 Ashgabat Fax: (993-12) 510070 /510270 Tel: (993-12) 350036 /350252	H.E. Mr. Serdar Bayriev First Deputy Minister of Economy and Finance 2 Nurberdi Pomma Street 744000 Ashgabat Fax: (993-12) 511823 Tel: (993-12) 511537
53.	Republic of Uganda 	H.E. Dr. Ezra Suruma Minister of Finance, Planning and Economic Development Ministry of Finance, Planning and Economic Development P.O.Box 8147 Kampala Fax: (256-41)230163 Tel: (256-41)234700	H.E. Chris M. Kassami Permanent Secretary Secretary to the Treasury Ministry of Finance, Planning and Economic Development Kampala Fax: (256-41)230163 Tel: (256-41)234700 -707000 E-mail: finance@finance.go.ug
54.	United Arab Emirates 	H.H. Shaikh Hamdan bin Rashid Al Maktoom Deputy Ruler, Dubai Emirate and Minister of Finance and Industry Ministry of Finance & Industry P. O. Box 433, Abu Dhabi Tel : 6726000 Abu Dhabi Fax: 6773301	H.E. Dr. Mohamed Bin Khalfan Bin Khirbash Minister of State for Finance & Industry Ministry of Finance & Industry P. O. Box 433 Abu Dhabi Tel: 6744222 Fax: 6773301 – 6793255
55	Republic of Uzbekistan 	H.E. Mr. Eljor Ganiev Minister of Foreign Affairs Ministry of Foreign Affairs 1, Taras Shevshenko street 700029 Tashkent Fax: (99871) 138 51 00 / 139 82 22	H.E. Mr. Ravshan Gulyamov First Deputy Chairman, Board of the National Bank of Uzbekistan for Foreign Economic Activity National Bank of Uzbekistan for Foreign Economic Activity 101, Amir Timur street 700084 Tashkent Fax: (99871) 133 32 00
56.	Republic of Yemen 	H.E.Mr. AbdulKareem Ismael Al Arhabi Minister of Planning and International Cooperation Ministry of Planning and International Cooperation P.O.Box 175 Sanaa Fax: 96712250665 Tel: : 96712250118	H.E. Eng. Abdullah Hassan AL Shater Undersecretary , Projects Programming sector Ministry of Planning and International Cooperation P. O. Box 175 Sanaa Fax: 96712 250665 Tel: 96712 250118

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APPENDIX VI
BOARD OF EXECUTIVE DIRECTORS

	Executive Directors[1]	Countries Represented[2]	Votes[3]	Total
1.	Hon. Ibrahim Mohamed Al-Mofleh (Saudi Arabia)	Saudi Arabia	164,091	164,091
2.	Hon. Agus Muhammad (Indonesia)	Brunei Darussalam	2,535	
		Indonesia	14,760	
		Malaysia	13,552	
		Suriname	996	31,843
3.	Hon. Arslan Meredovich Yazyyev (Turkmenistan)	Albania	996	
		Azerbaijan	1,308	
		Kazakhstan	996	
		Kyrgyz Republic	996	
		Tajikistan	996	
		Turkmenistan	750	
		Uzbekistan	750	6,792
4.	Hon. Dr. Tahmaseb Mazaheri (Iran)	Iran	57,899	57,899
5.	Hon. Jamal Nasser Rashid Lootah (U.A.E.)	U.A.E.	46,931	46,931
6.	Hon. Zeinhom Zahran (Egypt)	Egypt	56,181	56,181
7.	Hon. Dr. Selim Cafer Karatas (Turkey)	Turkey	52,241	52,241
8.	Hon. Somone Mibrathu (Djibouti)	Bahrain	1,890	
		Djibouti	996	
		Iraq	1,805	
		Jordan	3,763	
		Lebanon	1,308	
		Maldives	996	
		Oman	2,760	13,518
9.	Hon. Aissa Abdellaoui (Algeria)	Algeria	20,885	
		Benin	1,320	
		Mozambique	996	
		Palestine	1,981	
		Syria	1,318	
		Yemen	4,607	31,107
10.	Hon. Faisal Abdul Aziz Al-Zamil (Kuwait)	Kuwait	81,977	81,977
11.	Hon. Ismail Zabihullah (Bangladesh)	Afghanistan	1,250	
		Bangladesh	8,585	
		Pakistan	20,886	30,721
12.	Hon. Mohammad Azzaroog Rajab (Libya)	Libya	73,975	73,975
13.	Hon. Yakoubou Mahaman Sani (Niger)	Burkina Faso	2,535	
		Cameroon	2,536	
		Chad	1,235	
		Gabon	2,923	
		Gambia	996	
		Mali	1,308	
		Mauritania	1,308	
		Niger	2,443	
		Senegal	2,540	
		Togo	996	18,820
14.	Hon. Issufo Sanha (Guinea-Bissau)	Comoros	750	
		Guinea	2,536	
		Guinea Bissau	996	
		Morocco	4,570	
		Sierra Leone	996	
		Somalia	996	
		Sudan	3,730	
		Tunisia	2,115	
		Uganda	2,535	19,224

1. In Arabic alphabetical order. 2. Cote D'Ivoire, Nigeria & Qatar are not yet represented on the Board of Executive Directors. 3. As on 03.03.1427H (01.04.2006).

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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. El Mansour Feten	Adviser, Office of the President

ISLAMIC RESEARCH AND TRAINING INSTITUTE

Mr. Bashir Ali Khallat	Acting Director
Dr. Mohamed Fahim Khan	Chief, Islamic Economics, Cooperation and Development Division
Dr. Tariqullah Khan	Acting Chief, Islamic Banking and Finance Division
Dr. Ahmad Ibrahim Iskanderani	Chief, Information Centre (IRTIC)
Dr. Tahar Memmi	Acting Chief, Training Division

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 and 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 Aboodi	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

IDB GROUP STRATEGIC PLANNING OFFICE

Dr. Mohamed Ghazali Mohammed Noor	Director
Dr. Siddig Abdelmageed Salih	Deputy Director

RISK MANAGEMENT OFFICE

Mr. Hassine Jeddah	Head

COOPERATION OFFICE

Mr. Abdul Aziz M. Al-Kelaibi	Director

SPECIAL ASSISTANCE AND SCHOLARSHIP OFFICE

Eng. Abdul Rahman Al-Ajmi	Director
Dr. Mohammad Hassan Salem	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
Eng. Ahmed Arif	Deputy Supervisor

WORLD WAQF FOUNDATION

Mr. Adil Al Sharif	Executive Director

AL AQSA FUND

Mr. El Mansour Feten	Coordinator
Mr. Mahmoud Khalid Ezzedin	Assistant Coordinator

AL-QUDS FUND

Dr. Mohammad Hassan Salem	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
Dr. Ghassan Yousef Al-Baba	Deputy Director
Mr. Khaled A. Nazer	Chief, Information and External Relations Division
Mr. Mohamed Ibrahim Mohamed	Chief, Conferences and Board Services Division
Mr. Hussein Ahmed Al-Elaimy	Acting Chief, Languages Division

ASSETS MANAGEMENT DEPARTMENT

Mr. Nabil A. Naseef	Adviser in-Charge
Dr. 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	Chief, Credit and Resource Mobilization Division
Mr. Mohamed Abdel Kader Al Sayed	Chief, Trade Finance Division

ECONOMIC POLICY AND STRATEGIC PLANNING DEPARTMENT

Dr. Faiz Mohammed	Director
Dr. Lamine Doghri	Deputy Director

ISLAMIC BANKS OFFICE

Mr. Nabil A. Nassief	Acting Director

OFFICE OF THE VICE PRESIDENT (CORPORATE RESOURCES AND SERVICES)

Mr. El Mighdad Hamid El Rasheed	Adviser (Finance)
Mr. Radwan Yousef Ghanimeh	Technical Assistant

TREASURY DEPARTMENT

Mr. Mohamed Tariq	Director
Mr. Zainol Mohamud	Chief, Treasury Operations Division

FINANCE DEPARTMENT

Mr. Muhammad Abdus Sattar	Adviser in-Charge
Mr. Khalifa Taha Hamoud	Chief, Disbursement Division
Mr. Alieu Badarr Koroma	Chief, Operations Financing Division

ADMINISTRATIVE SERVICES DEPARTMENT

Eng. Essam Shatta	Director
Mr. Adel Abdullah Abu Al Khair	Deputy Director
Eng. Mohamed Essam Fadel Al-Shangiti	Chief, Engineering and Maintenance Division
Mr. Ahmad Salem Nejaim	Chief, Property and Communications Division

HUMAN RESOURCES MANAGEMENT DEPARTMENT

Dr. Abdul Aziz Mustafa	Director
Mr. Jalal Muslet	Chief, Human Resources Planning and Development Division
Mr. Abdullah M. Saeed Matbouly	Chief, Personnel Management Division

INFORMATION TECHNOLOGY DEPARTMENT

Dr. Nabeil Al Madani	Director
Mr. Mohamed Hadi Khairallah	Deputy Director

ORGANISATION AND MANAGEMENT DEVELOPMENT OFFICE

Mr. Salah El-Din El-Iskandrani	Director
Mr. Farid Abuzeid	Acting Chief, Records Management and Integrated Records and Documents Management System Division

BANK LIBRARY

Mr. Tijani Ben Dhia	Chief Librarian

SECURITY AND SAFETY OFFICE

Mr. Mohammed Ali Nusair	Office in-charge

OFFICE OF THE VICE PRESIDENT (OPERATIONS)

Mr. Sulaiman Ahmed Salem	Senior Adviser, Operations
Dr. Bashir Omar Fadlallah	Adviser, Policy

OPERATIONS PLANNING AND SERVICES DEPARTMENT

Mr. Mohammed Ennifar	Director
Mr. Farook uz Zaman	Adviser (Operations) and Head, NDFIs Unit
Mr. Moulaye Hassan Al-Mahdi	Chief, Procurement Division
Mr. Walid Addas	Chief, Programme and Portfolio Monitoring Division
Mr. Abdullah Kiliaki	Chief, Procedure and Coordination Division

COUNTRY OPERATIONS DEPARTMENT- 1

Mr. Anwar Khanani	Director
Mr. Waleed Abdul Wahab	Deputy Director
Mr. Yousef Khan	Chief, Programme Division
Dr. Najad Alsubaie	Chief, Poverty Reduction Division

COUNTRY OPERATIONS DEPARTMENT-2

Mr. Abderrahman El Glaoui	Director
Mr. Saidou Barry	Deputy Director
Mr. Sango Ne Amar	Chief, Programme Division
Mr. Abakar Abdourassol	Acting Chief, Poverty Reduction Division

COUNTRY OPERATIONS DEPARTMENT-3

Dr. Tareq El-Reedy	Director
Dr. Rami M. Saeed	Chief, Infrastructure and Finance Division
Eng. Waleed Faqih	Chief, Poverty Reduction Division
Mr. Salam M. Sassi	Chief, Programme Division

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. Abdelaziz Khelef	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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Table S.1
Selected Basic Indicators

Sl. No.	Country	Total Population (million)	Annual Growth Rate of Population (%)	Life Expectancy at Birth (Years)	Real GDP ($ million)	GNI per Capita current ($)	GNI per Capita at PPP ($)	Exchange Rate (National Currency Per $)
		2004	2004	2004	2004	2004	2004	End 2005
1	Afghanistan	29.6	2.7	46	4,417	..	..	3,000.00
2	Albania	3.2	0.6	74	4,685	2,057	5,076	..
3	Algeria	32.4	1.7	71	64,543	2,158	6,171	72.10
4	Azerbaijan	8.3	0.6	67	7,771	901	3,805	4,913.50
5	Bahrain	0.7	1.9	74	8,911	11,659	17,292	0.40
6	Bangladesh	140.5	1.7	63	57,600	420	1,968	59.50
7	Benin	6.9	2.5	54	2,710	454	1,160	528.30
8	Brunei	0.4	1.4	77	..	..	..	1.70
9	Burkina Faso	12.4	2.3	48	3,182	306	1,224	528.30
10	Cameroon	16.4	1.9	46	10,711	734	2,085	528.30
11	Chad	8.8	2.8	44	2,448	249	1,161	528.30
12	Comoros	0.6	2.4	64	223	459	1,736	396.20
13	Cote d'Ivoire	17.1	1.8	46	10,230	638	1,376	528.30
14	Djibouti	0.7	1.4	53	611	940	2,198	177.70
15	Egypt	68.7	1.7	70	114,312	1,252	4,096	6.20
16	Gabon	1.4	2.1	54	5,301	3,961	5,580	528.30
17	Gambia	1.4	1.9	56	498	260	1,794	30.00
18	Guinea	8.1	2.1	54	3,495	441	2,139	2,225.00
19	Guinea-Bissau	1.5	2.9	45	205	153	669	528.30
20	Indonesia	217.6	1.3	67	175,266	1,361	3,358	8,938.80
21	Iran	66.9	0.8	71	121,288	2,214	7,478	8,614.00
22	Iraq	25.3	2.2	59	..	..	..	..
23	Jordan	5.4	2.5	72	10,057	1,973	4,446	0.70
24	Kazakhstan	15.0	0.5	63	26,916	2,152	7,057	136.00
25	Kuwait	2.5	2.6	77	41,009	18,672	19,794	0.30
26	Kyrgyz Republic	5.1	0.9	67	1,615	350	1,780	42.60
27	Lebanon	4.6	1.2	72	17,810	4,302	4,957	1,507.50
28	Libya	5.7	2.0	74	..	..	..	1.30
29	Malaysia	25.2	1.7	73	106,330	4,024	9,360	3.80
30	Maldives	0.3	2.2	67	788	2,424	5,386	12.80
31	Mali	11.9	2.4	48	3,145	304	1,015	528.30
32	Mauritania	2.9	2.0	53	1,112	402	1,950	..
33	Morocco	30.6	1.6	70	39,762	1,441	4,114	8.90
34	Mozambique	19.1	1.8	42	5,192	205	1,146	22,581.30
35	Niger	12.1	2.8	45	2,175	205	855	528.30
36	Nigeria	139.8	2.4	43	50,765	373	932	132.90
37	Oman	2.7	2.3	74	23,983	9,052	14,088	0.40
38	Pakistan	152.1	2.4	63	85,930	573	2,101	58.30
39	Palestine*	3.5	4.1	73	2,530	958	..	..
40	Qatar	0.6	2.1	73	..	..	..	3.60
41	Saudi Arabia	23.2	3.0	72	208,843	9,566	13,426	3.80
42	Senegal	10.5	2.1	56	5,267	647	1,694	528.30
43	Sierra-Leone	5.4	1.8	41	812	154	556	2,701.30
44	Somalia	9.9	3.2	47	..	..	..	..
45	Sudan	34.4	2.4	57	15,406	470	1,855	257.90
46	Suriname	0.4	1.1	69	1,023	2,281	3,138	2.70
47	Syria	17.8	2.3	74	20,445	1,255	3,509	11.20
48	Tajikistan	6.3	0.7	64	1,425	252	1,156	3.00
49	Togo	5.0	2.1	54	1,461	307	1,661	528.30
50	Tunisia	10.0	1.2	73	23,074	2,488	7,178	1.20
51	Turkey	71.7	1.4	69	225,501	2,754	6,921	1.40
52	Turkmenistan	4.9	1.4	63	5,171	1,309	7,024	..
53	Uganda	25.9	2.5	48	7,391	258	1,503	1,810.30
54	U.A.E.	4.3	6.2	78	82,097		20,948	3.70
55	Uzbekistan	25.9	1.3	67	15,988	418	1,807	..
56	Yemen Republic	19.8	3.0	61	11,064	556	853	184.80
Aggregate		**1,383.5**	**1.9**	**62**	**1,642,495**	**1,251**	**3,287**	**-**

* Refers to Gaza and West Bank.
GNI = Gross National Income (formally called GNP) .. Data not available.
Sources : 1. IMF, International Financial Statistics Online, March 2006.
2. World Bank, World Development Indicators Online, March 2006 .
3. IDB Staff computation.

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Table S.2
Inflation (based on CPI-Index)

Sl. No.	Country	All Items (2000=100) %						Food (2000=100) %					
		1990	2000	2001	2002	2003	2004	1990	2000	2001	2002	2003	2004
1.	Afghanistan	..	..	..	..	..	..	..	..	..	..	..	..
2.	Albania	..	0.1	3.1	7.8	0.5	2.3	3.5	-2.1	2.9	6.4	4.3	3.2
3.	Algeria	16.6	0.3	4.2	1.4	2.6	3.6	23.8	-2.1	4.4	1.8	4.5	2.3
4.	Azerbaijan	..	1.8	1.5	2.8	-0.3	1.6	..	2.3	2.7	3.7	3.3	3.0
5.	Bahrain	0.9	-0.7	0.2	1.2	-0.2	0.3	0.1	-1.3	-1.3	-1.0	-1.2	-1.2
6.	Bangladesh	6.1	2.2	2.0	3.3	5.7	3.2	..	3.5	2.5	2.6	6.5	3.5
7.	Benin	..	4.2	4.0	2.5	1.5	0.9	-0.7	1.3	2.2	5.5	-2.4	2.1
8.	Brunei	..	..	..	..	..	..	0.2	0.0	0.5	0.3	-0.8	0.1
9.	Burkina Faso	-0.8	-0.3	5.0	2.2	2.0	-0.4	-1.4	-5.8	8.8	3.1	-2.5	1.8
10.	Cameroon	1.1	-2.1	4.5	2.8	1.6	2.1	..	2.3	7.0	4.8	-0.7	3.8
11.	Chad	-0.2	3.8	12.4	5.2	-1.9	5.5	-0.2	7.7	19.3	5.4	-1.3	8.4
12.	Comoros	..	..	..	..	..	..	..	..	..	..	..	..
13.	Cote d'Ivoire	-0.8	2.5	4.3	3.1	3.3	1.4	..	..	..	..	..	..
14.	Djibouti	..	..	..	..	..	..	..	..	..	..	..	..
15.	Egypt	16.8	2.7	2.3	2.7	4.5	11.3	15.9	2.5	1.1	4.2	4.2	2.9
16.	Gabon	7.7	0.5	..	..	..	..	11.6	0.5	5.0	0.2	2.1	2.0
17.	Gambia	12.2	0.2	8.1	4.9	17.0	14.2	14.1	0.2	-0.7	..	..	..
18.	Guinea	..	..	..	..	..	..						
19.	Guinea-Bissau	33.0	8.6	3.2	3.4	-3.5	0.9						
20.	Indonesia	7.8	3.7	11.5	11.9	6.6	6.2	7.2	-4.8	8.5	10.8	0.8	4.8
21.	Iran	7.6	14.5	11.3	14.3	16.5	14.8	3.0	12.0	6.6	16.1	17.9	12.7
22	Iraq	..	..	..	..	..	..						
23.	Jordan	16.2	0.7	1.8	1.8	1.6	3.4	20.5	-0.7	0.3	0.2	1.9	0.4
24.	Kazakhstan	..	13.2	8.4	5.8	6.4	6.9	..	16.0	11.5	6.8	7.0	10.0
25.	Kuwait	9.8	1.8	1.7	1.4	1.0	1.1	12.3	0.8	0.0	1.3	2.3	1.0
26.	Kyrgyz Republic	..	18.7	6.9	2.1	3.5	8.5	..	18.4	5.7	0.3	-0.1	5.3
27.	Lebanon	..	..	..	..	..	..	..	..	..	..	..	..
28.	Libya	8.5	-2.9	-8.8	-9.8	-5.1	-7.2	..	..	..	..	..	..
29.	Malaysia	2.6	1.5	1.4	1.8	1.1	1.5	4.2	1.9	0.7	0.7	1.3	1.1
30.	Maldives	3.6	-1.2	0.7	0.9	-2.9	6.4	6.6	-4.7	2.1	3.6	-6.1	-0.5
31.	Mali	0.6	-0.7	5.2	5.0	-1.3	-3.1	1.6	-4.5	8.0	7.3	-4.1	2.7
32.	Mauritania	6.6	3.3	4.7	3.9	5.2	4.3	..	3.9	..	..	..	..
33.	Morocco	6.9	1.9	0.6	2.8	1.2	1.6	8.0	1.5	-1.0	4.3	1.4	1.5
34.	Mozambique	47.0	12.7	9.1	16.8	13.4	11.1						
35.	Niger	-0.8	2.9	4.0	2.6	-1.6	0.3	0.6	3.1	0.3	4.6	-4.8	1.1
36.	Nigeria	7.4	14.5	13.0	12.9	14.0	15.0	3.7	2.4	28.0	10.8	8.2	13.4
37.	Oman	..	-1.1	-1.1	-0.7	-0.4	0.4	-0.4	-1.3	-0.8	-1.1	-0.1	-0.8
38.	Pakistan	9.1	4.4	3.1	3.3	2.9	7.4	8.6	3.2	1.8	4.0	2.5	2.9
39.	Palestine	..	..	..	..	..	..	..	..	..	..	..	..
40.	Qatar	3.0	1.7	1.4	0.2	2.3	6.8	..	..	..	..	..	..
41.	Saudi Arabia	2.1	-1.1	-1.1	0.2	0.6	0.4	1.7	-0.9	0.5	-0.5	-3.1	-0.8
42.	Senegal	0.3	0.7	3.1	2.2	0.0	0.5	0.5	-1.1	4.9	5.0	-0.7	2.6
43.	Sierra-Leone	110.9	-0.8	2.1	-3.3	7.6	14.2	..	..	..	..	..	..
44.	Somalia	..	..	..	..	..	..	..	..	..	..	..	..
45.	Sudan	65.2	5.7	5.8	11.0	8.8	7.9	..	..	..	..	..	..
46.	Suriname	21.7	59.4	38.6	15.5	23.0	31.8	29.9	54.5	33.3	..	..	..
47.	Syria	19.4	-3.8	3.0	1.0	-0.8	0.2	19.0	-1.9	3.3	-1.3	5.7	1.3
48.	Tajikistan	..	..	..	..	..	..						
49.	Togo	1.0	1.9	3.9	3.1	-1.0	0.4	1.9	-0.9	0.0	-0.3	-4.5	-1.2
50.	Tunisia	6.5	2.9	2.0	2.7	2.7	3.6	6.9	4.5	1.7	4.3	3.4	3.4
51.	Turkey	60.3	54.9	54.4	45.0	25.3	8.6	64.3	48.6	49.8	50.3	49.4	49.6
52.	Turkmenistan	..	..	..	..	..	..	..	..	..	..	..	..
53.	Uganda	33.1	2.8	2.0	-0.3	7.8	3.3	..	1.0	-3.4	-4.3	-0.3	-2.2
54.	U.A.E	..	..	..	..	..	..	..	..	..	..	..	..
55.	Uzbekistan	..	..	..	..	..	..	..	..	..	..	..	..
56.	Yemen Rep.	..	4.6	11.9	12.2	10.8	10.3	..	..	..	..	..	..
	Aggregate	**--**	**5.0**	**5.7**	**4.7**	**4.1**	**4.9**	**--**	**--**	**--**	**--**	**--**	**--**

- - Data not computed if more than one-third of the observations in the series are missing in a given year.
Sources: (i) World Bank: World Development Indicators Online April 2006
(ii) IDB staff computation

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Table S.3
Money Supply

		Narrow Money (M1) (%)						Broad Money (M2) (%)					
Sl. No.	Country	1990	2000	2001	2002	2003	2004	1990	2000	2001	2002	2003	2004
1.	Afghanistan	..	..	..	..	..	..	..	..	..	..	..	..
2.	Albania	..	20.4	15.3	6.7	-5.2	19.4	..	12.0	19.9	5.9	7.6	13.1
3.	Algeria	8.2	17.3	18.5	15.2	14.6	33.2	11.4	13.2	24.8	36.8	16.0	11.3
4.	Azerbaijan	..	12.9	7.9	16.2	27.0	30.6	..	73.4	-10.5	14.6	30.8	46.1
5.	Bahrain	22.2	4.6	23.8	17.3	26.9	4.8	-11.6	10.2	9.2	10.3	6.4	4.2
6.	Bangladesh	9.6	18.4	10.7	5.1	7.6	17.8	10.4	19.3	14.7	13.3	13.1	16.3
7.	Benin	23.9	35.0	10.0	-8.6	-19.1	-18.5	28.6	26.0	12.2	-7.0	-11.3	-8.2
8.	Brunei	..	..	..	..	..	..	..	..	..	..	..	..
9.	Burkina Faso	-1.7	5.3	-3.0	-7.1	17.8	-8.3	-0.5	6.2	1.6	0.6	19.0	-0.6
10.	Cameroon	-7.5	17.4	12.8	14.3	-5.2	7.6	-1.7	19.1	15.1	15.9	1.3	6.4
11.	Chad	-0.2	17.7	21.8	27.3	-3.1	2.5	-2.4	18.5	22.0	26.6	-3.1	3.5
12.	Comoros	6.0	21.0	62.5	10.4	-2.1	-5.7	3.9	14.5	46.7	9.2	-1.2	-5.0
13.	Cote d'Ivoire	3.0	-3.7	14.8	32.1	-7.1	1.5	-2.6	-1.9	12.0	30.0	-6.1	1.7
14.	Djibouti	8.6	-7.8	2.6	24.0	20.7	10.7	3.6	1.1	7.5	15.7	17.8	13.9
15.	Egypt	16.6	5.3	7.9	13.0	23.4	16.0	28.7	11.6	13.2	12.6	21.3	14.4
16.	Gabon	5.7	19.3	3.7	4.4	-0.5	12.3	3.3	18.3	7.5	5.7	-1.2	11.4
17.	Gambia	13.8	37.4	14.4	56.1	63.5	8.2	8.4	34.8	19.4	35.3	43.4	18.3
18.	Guinea	..	26.3	12.0	21.6	31.1	28.0	-17.4	514.1	12.9	19.7	33.2	36.5
19.	Guinea-Bissau	729.2	63.7	7.8	22.3	15.4	19.3	574.6	60.8	7.3	22.8	14.4	19.2
20.	Indonesia	15.9	37.7	8.8	7.4	17.3	13.9	44.6	16.6	12.8	4.5	8.1	8.2
21.	Iran	18.1	24.7	23.0	23.6	18.9	22.7	18.0	22.4	27.6	24.9	24.5	25.1
22	Iraq	..	..	..	..	..	..	..	..	..	..	..	..
23.	Jordan	9.4	14.2	3.8	8.5	24.5	10.9	8.3	7.6	8.1	8.6	16.6	10.5
24.	Kazakhstan	..	14.7	14.3	41.5	25.4	55.9	..	45.0	40.2	30.1	29.5	68.1
25.	Kuwait	-1.3	7.0	11.8	25.9	26.4	14.2	3.8	6.3	12.8	4.8	7.8	10.8
26.	Kyrgyz Republic	..	9.6	20.7	38.1	38.3	22.9	..	11.7	11.3	33.9	33.4	32.1
27.	Lebanon	56.7	5.7	-1.0	8.5	10.9	6.4	55.1	9.8	7.5	8.1	13.0	10.1
28.	Libya	26.4	4.5	1.2	6.0	6.3	21.7	19.0	3.1	4.3	1.1	7.8	17.9
29.	Malaysia	15.6	6.8	3.7	9.3	15.2	8.5	10.6	11.6	2.4	3.7	9.6	19.3
30.	Maldives	18.9	11.1	-5.9	13.9	11.6	19.7	18.7	4.1	9.0	19.3	14.6	32.6
31.	Mali	-10.8	9.4	29.6	28.9	21.7	11.0	-4.9	12.2	19.6	27.9	22.7	11.6
32.	Mauritania	3.5	22.7	14.8	4.3	11.4	12.4	11.5	16.1	17.3	8.9	10.5	13.1
33.	Morocco	37.3	7.9	15.3	9.0	9.8	9.8	21.5	8.4	14.1	6.4	8.7	7.7
34.	Mozambique	35.8	22.3	17.6	14.5	23.8	16.2	37.2	38.3	28.2	21.1	18.3	5.8
35.	Niger	-11.7	11.8	35.3	-8.2	-22.9	22.5	-4.1	12.4	31.4	-0.5	-13.2	19.0
36.	Nigeria	29.5	62.1	25.7	15.9	29.5	8.6	32.7	48.1	27.0	21.6	24.1	14.0
37.	Oman	13.1	7.5	27.7	10.0	4.7	12.8	10.0	6.0	9.2	5.2	2.5	4.0
38.	Pakistan	17.3	10.1	10.1	15.9	24.1	21.6	11.6	12.1	11.7	16.8	17.5	20.5
39.	Palestine	..	..	..	..	..	..	..	..	..	..	..	..
40.	Qatar	19.2	6.5	17.3	20.5	79.3	29.4	-4.6	10.7	0.0	11.8	15.8	20.5
41.	Saudi Arabia	11.6	5.7	8.4	12.7	10.2	18.2	4.6	4.5	5.1	15.2	8.5	17.3
42.	Senegal	-11.5	5.5	14.9	5.8	18.4	5.0	-4.8	10.7	13.6	8.2	14.6	12.0
43.	Sierra-Leone	64.3	4.4	35.4	30.6	18.4	17.6	74.0	12.1	33.7	29.6	21.9	20.1
44.	Somalia	..	..	..	..	..	..	..	..	..	..	..	..
45.	Sudan	46.4	42.2	15.7	29.8	30.2	31.8	48.8	36.9	24.7	30.2	30.3	30.8
46.	Suriname	4.0	104.3	38.2	38.4	4.2	23.2	4.3	80.5	28.2	116.7	19.9	31.0
47.	Syria	24.9	17.7	13.9	17.8	27.0	18.4	26.1	19.0	23.5	18.5	7.8	17.8
48.	Tajikistan	..	46.9	25.4	34.4	28.3	8.5	..	63.3	35.0	40.5	40.9	9.8
49.	Togo	19.2	22.2	-8.7	-8.1	-3.6	22.6	9.5	15.2	-2.6	-2.2	5.9	16.6
50.	Tunisia	6.1	9.9	10.1	-1.7	5.4	10.6	7.6	14.1	10.7	4.4	6.4	11.3
51.	Turkey	58.4	57.3	46.3	36.7	43.1	26.4	53.2	40.5	86.2	29.1	14.6	22.1
52.	Turkmenistan	..	58.5	15.5	..	..	..	..	83.3	23.8	..	..	..
53.	Uganda	50.0	16.8	12.8	21.0	12.3	8.6	60.2	18.1	9.2	25.0	17.9	11.1
54.	United Arab Emirates	-2.7	12.6	15.8	19.2	23.8	38.7	-8.2	15.3	23.2	11.0	15.5	23.8
55.	Uzbekistan	..	..	..	..	..	..	..	..	..	..	..	..
56.	Yemen Rep.	..	19.3	14.5	8.2	13.4	12.4	..	25.3	18.8	17.5	19.7	14.6

Sources: (i) World Bank: World Development Indicators Online April 2006.
(ii) IDB staff computation.

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Table S.4
Current Account Balances

($ million)

Sl. No.	Country	1999	2000	2001	2002	2003	2004
1	Afghanistan	..	..	..	..	..	..
2	Albania	-155	-156	-217	-408	-407	..
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	-600	-168	-52	-768	-2021	..
5	Bahrain	-37	830	227	-513	-68	..
6	Bangladesh	-364	-306	-535	739	132	..
7	Benin	-156	-81	-75	-126	-153	-143
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	-319	-291	-324	-449	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote d'Ivoire	-120	-241	-61	768	353	-305
14	Djibouti	..	..	..	..	..	..
15	Egypt	-1,635	-971	-388	622	3743	..
16	Gabon	390	..	..	..	..	..
17	Gambia	..	..	..	..	..	..
18	Guinea	-201	-140	-60	-200	-185	-245
19	Guinea-Bissau	..	..	-11	-1	..	..
20	Indonesia	5,783	7,992	6,901	7,824	7,252	..
21	Iran	6,589	12,645	..	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	405	59	-4	361	963	-44
24	Kazakhstan	-171	366	-1390	-1,024	-270	533
25	Kuwait	5,010	14,672	8,324	4,251	9,416	18,884
26	Kyrgyz Rep.	-184	-78	-23	-45	-76	-95
27	Lebanon	-3224	-3027	-3374	-3263	-4032	-4109
28	Libya	2136	7,740	3417	117	3642	..
29	Malaysia	12,604	8,488	7,287	7,190	13,381	..
30	Maldives	-79	-51	-59	-36	-30	..
31	Mali	-253	-255	-310	-149	-271	..
32	Mauritania	..	..	..	..	..	..
33	Morocco	-167	-475	1611	1,477	1,582	1,434
34	Mozambique	-912	-764	-657	-712	-516	..
35	Niger	..	..	..	..	..	..
36	Nigeria	506	..	..	..	..	..
37	Oman	-460	3263	2,008	1,770	1,446	..
38	Pakistan	-920	-85	1878	3,854	3,573	-808
39	Palestine	..	..	..	..	..	..
40	Qatar	..	..	..	..	..	..
41	Saudi Arabia	411	14317	9,353	11,873	28,048	51,488
42	Senegal	-320	-332	-245	-317	-524	-507
43	Sierra Leone	-99	-112	-98	-73	-80	-65
44	Somalia	..	..	..	..	..	..
45	Sudan	-431	-518	-522	-974	-939	-818
46	Suriname	-29	32	-84	-131	-159	..
47	Syria	201	1061	1,221	1,440	752	..
48	Tajikistan	-36	-65	-26	31	26	-40
49	Togo	-127	-140	-169	-140	..	..
50	Tunisia	-442	-821	-840	-746	-730	-715
51	Turkey	-1,344	-9,819	3,390	-1,521	-7,905	-15,451
52	Turkmenistan	-571	412	115	583	444	..
53	Uganda	-293	-359	-368	-411	-390	-250
54	United Arab Emirates	..	..	..	..	..	..
55	Uzbekistan	-164	216	-113	117	882	1134
56	Yemen Rep.	550	1337	667	538	149	-296
	Total[1]	- -	- -	- -	- -	- -	- -

.. Data not available.
[1]Data not computed if more than one-third of the observations in the series are missing in a given year..
Source: World Bank, World Development Indicators, Online database, March 2006.

Table S.5
Overall Balance of the Balance of Payments

($ million)

Sl. No.	Country	1999	2000	2001	2002	2003	2004
1	Afghanistan	..	..	..	..	..	..
2	Albania	107	120	147	36	98	..
3	Algeria	..	..	..	..	..	..
4	Azerbaijan	133	326	73	34	124	317
5	Bahrain	25	200	123	35	44	158
6	Bangladesh	-189	-31	-144	497	889	503
7	Benin	-89	-20	-69	-261	-100	..
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	..	-192	-187	..	..	..
10	Cameroon	..	..	..	..	..	..
11	Chad	..	..	..	..	..	..
12	Comoros	..	..	..	..	..	..
13	Cote d'Ivoire	-708	-608	-86	-278	-787	-781
14	Djibouti	..	..	..	..	..	..
15	Egypt	-4614	-2030	-1345	-804	-407	-584
16	Gabon	-436	280	-258	-222	-101	..
17	Gambia	..	..	..	..	..	..
18	Guinea	-76	-63	-117	-80	-229	-59
19	Guinea-Bissau	..	..	-13	6	29	..
20	Indonesia	1916	3926	-15	4958	3647	321
21	Iran	451	1083	..	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	752	693	-244	930	1348	179
24	Kazakhstan	253	570	385	535	1534	3999
25	Kuwait	918	2268	2905	-973	-1824	626
26	Kyrgyz Republic	-26	-33	-13	20	47	145
27	Lebanon	..	..	..	-2219	-4002	-340
28	Libya	688	6458	1293	278	3016	5732
29	Malaysia	4712	-1009	1000	3657	10181	..
30	Maldives	9	-4	-30	40	26	44
31	Mali	-13	63	-47	138	137	..
32	Mauritania	..	..	..	..	..	..
33	Morocco	-69	-1166	861	-52	154	736
34	Mozambique	-326	-416	-485	-1439	35	141
35	Niger	-2	35	22	-12	-44	..
36	Nigeria	-3538	3089	223	-4689	-1260	8491
37	Oman	205	2263	1015	309	656	482
38	Pakistan	-2516	-2627	2197	4084	2908	-1351
39	Palestine	..	..	..	..	..	..
40	Qatar	..	..	..	..	..	..
41	Saudi Arabia	2815	2665	-1909	2736	1608	4498
42	Senegal	-268	-231	-194	-247	-273	..
43	Sierra-Leone	-16	10	30	-20	-29	5
44	Somalia	..	..	..	..	..	..
45	Sudan	115	124	-151	245	327	782
46	Suriname	-4	10	78	-19	7	76
47	Syria	259	814	1020	1050	695	417
48	Tajikistan	..	..	..	2	28	4
49	Togo	32	37	-2	30	-9	..
50	Tunisia	738	-205	288	140	383	977
51	Turkey	5354	-3934	-12888	-214	4087	4308
52	Turkmenistan	..	..	..	..	..	..
53	Uganda	-455	-464	91	-175	-3	123
54	United Arab Emirates	..	..	..	..	..	..
55	Uzbekistan	..	..	..	..	..	..
56	Yemen Republic	74	1594	553	425	330	373
	Total[1]	- -	- -	- -	- -	- -	- -

.. Data not available.
[1]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, January 2006.

Table S.6
Value of Merchandise Trade

($ million)

Sl. No.	Country	Exports (f.o.b)					Imports (c.i.f)				
		2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
1	Afghanistan	185	95	90	250	450	550	550	1,000	1,400	2,500
2	Albania	261	305	330	453	580	1,091	1,331	1,504	1,864	2,150
3	Algeria	22,031	19,140	18,831	24,612	31,713	9,152	9,949	12,364	13,533	18,199
4	Azerbaijan	1,745	2,314	2,167	2,592	3,600	1,172	1,431	1,666	2,626	3,500
5	Bahrain	6,195	5,577	5,794	6,601	7,455	4,633	4,306	5,012	5,393	5,915
6	Bangladesh	6,389	6,080	6,149	6,990	8,150	8,883	9,018	8,592	10,427	12,100
7	Benin	392	374	448	541	600	613	553	679	758	770
8	Brunei	3,877	3,508	3,566	4,144	4,560	1,098	1,100	1,499	1,244	1,205
9	Burkina Faso	209	234	237	326	380	611	656	739	925	1,150
10	Cameroon	1,833	1,749	1,802	2,246	2,630	1,489	1,852	1,866	2,021	2,100
11	Chad	183	189	185	446	1,820	317	679	997	930	780
12	Comoros	7	12	16	21	13	71	75	90	120	115
13	Cote d'Ivoire	3,888	3,946	5,275	5,844	5,500	2,785	2,418	2,456	3,320	3,650
14	Djibouti	75	76	83	89	90	270	263	287	338	375
15	Egypt	4,689	4,128	4,708	6,161	7,682	14,010	12,756	12,552	10,893	12,831
16	Gabon	2,602	2,522	2,411	2,826	3,490	994	859	954	1,036	1,280
17	Gambia	15	10	13	12	22	187	134	148	185	195
18	Guinea	666	731	709	609	640	612	601	667	640	700
19	Guinea-Bissau	62	63	54	69	85	59	62	58	69	75
20	Indonesia	62,124	56,317	57,159	61,058	69,710	33,515	30,962	31,289	32,551	46,180
21	Iran	28,345	23,904	28,237	33,788	42,450	14,347	17,627	22,275	26,158	32,700
22	Iraq	20,603	12,872	10,236	10,086	18,620	13,384	13,120	9,817	9,934	19,205
23	Jordan	1,899	2,293	2,770	3,082	3,970	4,597	4,844	5,076	5,743	7,892
24	Kazakhstan	8,812	8,639	9,670	13,150	20,251	5,040	6,446	6,584	8,986	13,300
25	Kuwait	19,436	16,203	15,369	20,685	27,390	7,157	7,869	9,001	10,794	11,630
26	Kyrgyz Rep.	505	476	486	582	719	554	467	587	717	941
27	Lebanon	715	870	1,046	1,524	1,749	6,230	7,293	6,447	7,171	9,338
28	Libya	12,697	11,376	11,604	14,344	20,150	3,732	4,397	4,396	4,330	5,600
29	Malaysia	98,229	88,005	94,061	104,968	126,497	81,963	73,866	79,761	83,618	105,176
30	Maldives	109	110	132	152	165	389	393	392	471	648
31	Mali	551	725	885	929	1,140	806	990	869	1,130	1,200
32	Mauritania	358	348	321	335	365	312	374	356	360	400
33	Morocco	7,432	7,144	7,851	8,777	9,661	11,534	11,038	11,879	14,231	17,514
34	Mozambique	364	703	663	860	1,390	1,158	1,063	1,263	1,275	1,765
35	Niger	283	272	279	339	430	393	370	400	475	560
36	Nigeria	20,975	17,261	15,107	19,887	31,148	8,721	11,586	7,547	10,853	14,164
37	Oman	11,319	11,074	11,172	11,669	14,236	5,040	5,798	6,005	6,572	7,865
38	Pakistan	9,028	9,238	9,913	11,930	13,326	10,264	10,191	11,233	13,038	17,908
39	Palestine	..	..	..	..	..	..	..	..	..	..
40	Qatar	11,594	10,871	10,978	13,193	16,575	3,252	3,758	4,052	4,897	5,975
41	Saudi Arabia	77,583	68,064	72,561	93,370	119,550	30,238	31,223	32,312	36,964	42,954
42	Senegal	920	1,003	1,067	1,331	1,530	1,519	1,730	2,031	2,392	2,680
43	Sierra-Leone	13	29	49	92	140	149	182	264	303	285
44	Somalia	..	..	..	..	..	..	..	..	..	..
45	Sudan	1,807	1,699	1,949	2,542	3,777	1,553	2,342	2,493	2,881	4,075
46	Suriname	399	403	469	638	700	526	461	492	704	775
47	Syria	4,634	5,248	6,230	5,731	6,435	3,815	4,752	4,278	5,111	5,320
48	Tajikistan	785	650	738	798	915	675	688	721	881	1,375
49	Togo	363	357	427	616	720	562	553	591	825	930
50	Tunisia	5,850	6,631	6,874	8,027	9,685	8,567	9,529	9,526	10,910	12,738
51	Turkey	27,775	31,334	36,059	47,253	62,774	54,503	41,399	51,554	69,340	97,161
52	Turkmenistan	2,506	2,700	2,850	3,632	3,870	1,786	2,250	2,120	2,512	3,320
53	Uganda	460	456	443	562	705	1,536	1,594	1,111	1,252	1,480
54	United Arab Emirates	49,835	48,773	52,163	65,835	79,500	26,717	30,075	32,536	39,454	47,350
55	Uzbekistan	3,230	3,110	2,650	3,260	4,238	2,850	3,020	2,450	2,570	3,310
56	Yemen Republic	4,079	3,374	3,336	3,734	4,555	2,324	2,466	2,921	3,675	3,790
	Total	**550,921**	**503,585**	**528,672**	**633,591**	**798,496**	**398,305**	**393,309**	**417,759**	**480,800**	**617,094**

.. Data not available c.i.f means "cost, insurance, & freight" f.o.b means "free on board"
Source: UNCTAD, Handbook of Statistics CD ROM 2005.

Table S.7
Selected Indicators of Merchandise Trade

Sl. No.	Country	Trade Balance ($ million)			Average Annual Growth Rate* (%)				Terms of Trade (2000=100)	
					Exports		Imports			
		2002	2003	2004	1985-1994	1995-2004	1985-1994	1995-2004	1993	2003
1	Afghanistan	-910	-1,150	-2,050	-17.4	3.6	-13.7	20.0	..	..
2	Albania	-1,174	-1,411	-1,570	..	13.2	..	12.4	..	..
3	Algeria	6,467	11,079	13,514	1.1	12.2	0.2	6.3	59	108
4	Azerbaijan	501	-34	100	..	23.8	..	12.5	..	..
5	Bahrain	782	1,208	1,540	5.5	6.9	5.5	4.8	..	..
6	Bangladesh	-2,443	-3,437	-3,950	14.0	8.2	6.5	6.0	124	93
7	Benin	-231	-217	-170	8.8	2.0	2.8	0.1	82	97
8	Brunei	2,067	2,900	3,355	0.8	8.3	14.9	-7.6	..	..
9	Burkina Faso	-502	-599	-770	-1.5	2.6	2.0	7.3	110	106
10	Cameroon	-64	225	530	12.2	3.7	-3.4	6.8	74	104
11	Chad	-812	-484	1,040	8.5	12.9	0.6	13.9	93	104
12	Comoros	-74	-99	-102	0.4	12.1	5.4	9.1	70	67
13	Cote d'Ivoire	2,819	2,524	1,850	-2.3	3.3	0.6	0.9	77	132
14	Djibouti	-204	-249	-285	11.3	11.2	2.7	6.9	..	..
15	Egypt	-7,844	-4,732	-5,149	-2.2	8.3	-5.8	-0.9	123	97
16	Gabon	1,457	1,790	2,210	6.5	0.7	-0.7	1.6	130	102
17	Gambia	-135	-173	-173	2.0	-2.3	11.4	-3.9	100	114
18	Guinea	42	-31	-60	1.0	-0.9	6.6	-0.4	86	106
19	Guinea-Bissau	-4	0	10	7.6	13.6	7.1	-5.2	141	87
20	Indonesia	25,870	28,507	23,530	11.2	3.9	15.0	-0.9	88	100
21	Iran	5,962	7,630	9,750	8.8	9.3	9.5	8.9	..	..
22	Iraq	419	152	-585	-36.1	42.1	-32.2	39.7	..	..
23	Jordan	-2,306	-2,661	-3,922	6.7	8.7	3.3	6.8	105	88
24	Kazakhstan	3,086	4,164	6,951	..	14.0	..	13.0	..	..
25	Kuwait	6,368	9,891	15,760	-2.7	7.3	1.6	3.4	..	..
26	Kyrgyz Rep.	-101	-135	-222	..	3.0	..	0.9	..	..
27	Lebanon	-5,401	-5,647	-7,589	-1.2	8.2	12.8	0.7	..	..
28	Libya	7,208	10,014	14,550	0.3	8.1	2.8	-2.5	..	..
29	Malaysia	14,300	21,350	21,321	17.3	5.3	21.9	2.6	109	100
30	Maldives	-260	-319	-483	14.3	8.2	19.4	7.5	..	..
31	Mali	16	-201	-60	12.6	10.8	7.6	5.1	109	113
32	Mauritania	-35	-25	-35	1.6	-4.0	8.8	-2.7	120	93
33	Morocco	-4,028	-5,454	-7,853	9.1	3.3	9.5	5.7	88	100
34	Mozambique	-600	-415	-375	8.4	25.7	8.8	9.8	135	89
35	Niger	-121	-136	-130	-0.8	2.1	0.6	2.1	146	107
36	Nigeria	7,560	9,034	16,984	4.0	7.4	4.8	5.0	59	102
37	Oman	5,167	5,097	6,371	5.4	9.8	6.7	5.7	..	117
38	Pakistan	-1,320	-1,108	-4,582	11.4	4.5	6.9	2.8	107	89
39	Palestine	..	..	..	..	..	..	..	..	..
40	Qatar	6,926	8,296	10,600	5.1	18.1	7.8	6.5	..	..
41	Saudi Arabia	40,249	56,406	76,596	9.8	8.8	3.8	4.1	..	111
42	Senegal	-964	-1,061	-1,150	3.1	4.2	1.9	7.5	167	96
43	Sierra-Leone	-215	-211	-145	-0.5	17.0	0.6	11.0	25	80
44	Somalia	..	..	..	..	..	..	..	..	..
45	Sudan	-544	-339	-298	-0.1	25.2	1.5	11.7	100	104
46	Suriname	-23	-66	-75	2.0	2.5	6.7	1.8	..	..
47	Syria	1,952	620	1,115	12.2	7.7	5.2	1.0	..	99
48	Tajikistan	17	-83	-460	..	1.5	..	4.0	..	..
49	Togo	-164	-209	-210	1.8	4.7	-4.0	3.0	90	24
50	Tunisia	-2,652	-2,883	-3,053	12.1	5.8	11.7	5.0	95	99
51	Turkey	-15,495	-22,087	-34,387	9.4	10.6	10.9	7.9	120	99
52	Turkmenistan	730	1,120	550	..	14.5	..	11.5	..	..
53	Uganda	-668	-690	-775	-6.6	1.2	3.5	1.9	113	90
54	U.A.E	19,627	26,381	32,150	9.5	12.2	15.8	7.7	..	..
55	Uzbekistan	200	690	928	..	-1.4	..	-3.3	..	..
56	Yemen Rep.	415	59	765	7.2	9.1	2.7	9.1	..	97
Aggregate		**110,913**	**152,791**	**181,402**	**7.5**	**8.1**	**7.7**	**4.7**	**--**	**--**

.. Data not availabe
-- 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 2005.   *IDB Staff Computation.

Table S.8
Indicators of External Debt for the Year 2004

Sl. No.	Country	Total Debt Stock ($ million)	Interest Payments ($ million)	Total Debt Service ($ million)	Net Transfers ($ million)	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	1,549	23	74	-25	69.4	23.6	0.9	2.6	78.3
3	Algeria	21,987	1,033	5,754	-3,506	..	36.5	..	..	14.6
4	Azerbaijan	1,986	23	236	134	53.5	26.1	0.7	6.6	57.7
5	Bahrain	..	..	..	..	..	..	..	..	..
6	Bangladesh	20,344	212	675	802	168.4	34.2	1.6	6.0	91.1
7	Benin	1,916	20	69	4	..	53.0	..	..	90.8
8	Brunei	..	..	..	..	..	..	..	..	..
9	Burkina Faso	1,967	18	66	171	374.0	41.5	3.5	10.3	91.2
10	Cameroon	9,496	242	645	-264	..	80.1	..	..	56.9
11	Chad	1,701	15	49	63	..	68.1	..	..	83.6
12	Comoros	306	1	3	-1	..	90.7	..	..	86.8
13	Cote d'Ivoire	11,739	100	543	-953	181.3	93.8	2.1	8.5	43.7
14	Djibouti	429	5	18	12	..	61.8	..	..	89.1
15	Egypt	30,291	756	2,317	-2,715	133.0	38.2	3.3	11.7	74.6
16	Gabon	4,150	45	223	-30	..	72.8	..	..	20.1
17	Gambia	674	9	34	10	..	171.7	..	..	90.4
18	Guinea	3,538	44	172	-66	398.9	96.1	4.0	15.1	80.8
19	Guinea-Bissau	765	11	48	-19	794.3	326.7	4.8	16.2	92.6
20	Indonesia	140,649	4,865	20,464	-7,904	192.6	68.8	5.9	26.0	27.7
21	Iran	13,622	465	1,938	579	28.6	9.0	0.9	3.9	6.3
22	Iraq	..	..	..	..	..	..	..	..	..
23	Jordan	8,175	180	700	-627	118.3	85.2	2.5	16.4	48.4
24	Kazakhstan	32,310	907	8,774	8,066	148.4	81.2	5.2	34.6	3.0
25	Kuwait	..	..	..	..	..	..	..	..	..
26	Kyrgyz Republic	2,100	30	161	-39	238.3	109.8	3.3	18.7	74.5
27	Lebanon	22,177	1,429	4,350	1,996	377.9	102.6	29.1	66.1	5.6
28	Libya	..	..	..	..	..	..	..	..	..
29	Malaysia	52,145	2,088	9,187	1,435	39.8	49.6	1.8	7.9	8.4
30	Maldives	345	9	32	33	47.5	41.3	0.9	3.6	60.6
31	Mali	3,316	28	111	62	..	74.9	..	..	93.4
32	Mauritania	2,297	22	65	45	..	200.9	..	..	83.6
33	Morocco	17,672	618	2,996	-2,830	103.7	44.0	7.3	23.5	30.2
34	Mozambique	4,651	31	86	217	357.8	110.6	2.0	6.7	64.3
35	Niger	1,950	14	53	82	..	76.7	..	..	89.1
36	Nigeria	35,890	1,038	2,412	-1,580	..	70.0	..	..	43.2
37	Oman	3,872	197	992	-297	32.0	..	1.3	10.3	25.2
38	Pakistan	35,687	750	4,285	-1,597	189.1	44.8	4.5	16.0	70.6
39	Palestine	..	..	..	..	..	..	..	..	..
40	Qatar	..	..	..	..	..	..	..	..	..
41	Saudi Arabia	..	..	..	..	..	..	..	..	..
42	Senegal	3,938	78	350	51	189.4	69.4	3.4	10.4	85.8
43	Sierra-Leone	1,723	13	29	92	786.3	210.5	5.2	12.4	76.8
44	Somalia	2,849	-	-	-33	..	..	..	..	55.4
45	Sudan	19,332	79	312	176	483.0	112.5	1.5	7.2	28.2
46	Suriname	..	..	..	..	..	..	..	..	..
47	Syria	21,521	164	328	-328	265.7	104.6	2.1	4.2	67.9
48	Tajikistan	896	23	101	-49	117.7	78.0	1.7	9.2	79.5
49	Togo	1,812	3	21	-19	204.0	101.0	0.3	2.0	67.3
50	Tunisia	18,700	703	2,034	385	136.1	69.9	4.8	13.0	19.4
51	Turkey	161,595	7,785	33,940	5,656	198.5	61.0	9.2	38.6	2.9
52	Turkmenistan	..	..	..	..	..	..	..	..	..
53	Uganda	4,822	38	109	89	386.0	73.9	2.3	7.1	89.3
54	United Arab Emirates	..	..	..	..	..	..	..	..	..
55	Uzbekistan	5,007	148	848	-280	131.5	51.0	4.0	21.3	37.6
56	Yemen Republic	5,488	69	223	-51	95.6	53.5	1.0	3.1	85.5
Aggregate		**737,379**	**24,331**	**105,827**	**-3,053**	**--**	**54.2**	**--**	**--**	**30.4**

* Data refer to 2003 XGS = Exports of Goods and Services GNI = Gross National Income mn = million
Net Transfers = Disbursements less Total Debt Service.
.. Data not available.
-- Data not computed if more than one-third of the observations in the series are missing in a given year.
Source : World Bank, Global Development Finance, Online database, March 2006.

Table S.9
Gross International Reserves in Months of Imports

Sl. No.	Country	1990	2000	2001	2002	2003	2004
1	Afghanistan	4.1	..	..	..	..	..
2	Albania	..	..	..	..	..	..
3	Algeria	0.9	15.1	20.3	22.9	25.6	28.5
4	Azerbaijan	..	..	..	..	..	..
5	Bahrain	3.8	4.2	4.4	4.0	3.8	4.0
6	Bangladesh	2.2	2.1	1.9	2.3	3.2	3.8
7	Benin	3.1	9.4	11.3	10.3	7.5	6.0
8	Brunei	..	..	..	..	..	..
9	Burkina Faso	6.8	4.6	4.5	4.5	5.2	4.8
10	Cameroon	0.2	1.5	2.1	3.9	3.6	4.5
11	Chad	5.7	2.7	1.3	1.8	1.8	2.3
12	Comoros	6.5	6.6	8.4	9.6	10.2	10.7
13	Cote d'Ivoire	0.0	3.3	5.0	7.7	7.5	7.7
14	Djibouti	5.2	4.1	4.3	4.1	4.7	4.1
15	Egypt	2.6	11.8	12.3	13.4	13.7	13.6
16	Gabon	3.8	2.3	0.1	2.1	2.4	4.8
17	Gambia	3.4	8.2	9.0	7.6	3.4	4.3
18	Guinea	..	2.9	3.8	3.1	..	..
19	Guinea-Bissau	2.7	14.4	13.9	19.4	25.5	31.7
20	Indonesia	3.8	10.6	10.5	10.1	8.9	8.1
21	Iran	..	..	..	..	..	..
22	Iraq	..	..	..	..	..	..
23	Jordan	4.0	8.4	7.4	8.8	9.0	7.8
24	Kazakhstan	..	..	..	..	..	..
25	Kuwait	5.4	11.3	14.1	11.1	7.9	8.2
26	Kyrgyz Rep.	..	..	..	..	..	..
27	Lebanon	2.5	10.6	8.8	12.8	18.7	15.8
28	Libya	13.1	35.1	35.9	29.2	34.1	41.1
29	Malaysia	3.6	4.6	4.8	5.1	5.7	7.6
30	Maldives	2.0	3.8	2.8	3.7	3.4	3.8
31	Mali	4.3	5.1	4.5	7.1	9.0	9.6
32	Mauritania	2.1	9.6	9.4	12.8	12.9	..
33	Morocco	3.6	5.1	8.9	9.3	10.4	11.1
34	Mozambique	3.1	8.1	7.8	8.0	9.1	9.7
35	Niger	7.2	2.5	3.3	3.6	2.7	1.6
36	Nigeria	6.4	11.7	10.4	6.4	5.9	14.4
37	Oman	6.8	5.3	4.8	6.1	5.6	4.9
38	Pakistan	0.5	1.7	4.1	8.0	8.5	6.6
39	Palestine	..	..	..	..	..	..
40	Qatar	4.4	4.0	4.0	4.2	4.9	4.2
41	Saudi Arabia	5.3	7.7	6.7	7.5	6.9	7.4
42	Senegal	0.1	2.8	2.9	3.6	3.9	4.6
43	Sierra Leone	0.4	3.6	2.8	3.6	2.7	5.2
44	Somalia	..	..	..	..	..	..
45	Sudan	0.2	1.5	0.6	2.0	2.9	4.8
46	Suriname	0.5	1.3	2.2	1.8	1.6	1.7
47	Syrian	..	..	..	..	..	..
48	Tajikistan	..	..	..	..	..	..
49	Togo	8.3	3.3	2.7	3.4	2.3	3.8
50	Tunisia	1.8	2.4	2.5	2.7	3.0	3.7
51	Turkey	3.4	5.6	5.0	5.6	5.0	4.4
52	Turkmenistan	..	..	..	..	..	..
53	Uganda	2.2	6.2	8.7	9.5	8.9	9.5
54	United Arab Emirates	4.4	4.5	4.4	4.6	3.6	3.7
55	Uzbekistan	..	..	..	..	..	..
56	Yemen, Rep.	2.8	15.0	17.9	18.4	18.4	20.3
Aggregate		**3.3**	**6.0**	**6.2**	**6.5**	**6.5**	**6.9**

.. Data not available.
Source: UNCTAD, Handbook of Statistics CD ROM 2005.

Table S.10
Net Resource Flows*

($ million)

Sl. No.	Country	1990	2000	2001	2002	2003	2004
1	Afghanistan	129.0	161.9	389.5	1,305.1	1,611.3	2,225.3
2	Albania	41.7	232.3	345.4	322.2	380.2	586.8
3	Algeria	511.2	-400.3	92.5	-270.5	2,341.0	-1,364.2
4	Azerbaijan	..	682.2	490.4	686.3	1,513.9	1,815.2
5	Bahrain	119.1	1,479.5	2,601.8	168.4	250.7	821.2
6	Bangladesh	2,166.7	1,229.2	985.1	894.5	1,273.1	1,515.0
7	Benin	243.2	226.7	291.2	234.8	285.9	373.2
8	Brunei	-7.0	-92.6	22.0	-123.6	-125.5	-114.8
9	Burkina Faso	346.8	343.5	391.3	489.7	524.1	642.9
10	Cameroon	618.8	222.3	305.7	1,158.3	635.3	586.9
11	Chad	314.9	-225.4	200.7	247.2	298.8	324.5
12	Comoros	44.6	-1.9	15.5	-105.4	25.5	23.8
13	Cote d'Ivoire	796.1	729.6	-100.9	884.0	253.9	-23.5
14	Djibouti	191.6	91.4	70.7	94.4	99.3	73.9
15	Egypt	3,303.5	3,221.6	3,163.4	1,958.7	2,247.2	3,699.0
16	Gabon	263.0	76.7	46.0	-165.1	159.0	396.7
17	Gambia	107.5	44.7	45.9	47.3	68.1	67.3
18	Guinea	284.4	331.9	229.9	231.8	229.8	230.2
19	Guinea-Bissau	135.3	84.3	58.8	60.3	92.6	75.1
20	Indonesia	3,526.4	2,345.4	104.3	16.0	3,909.8	293.3
21	Iran	702.0	18.3	1,620.5	3,127.9	4,224.3	4,281.3
22	Iraq	-1,039.1	107.5	137.2	84.7	2,209.8	4,752.3
23	Jordan	1,087.1	573.9	445.8	749.2	1,260.4	437.8
24	Kazakhstan	..	750.1	1,865.5	1,743.8	849.5	1,275.4
25	Kuwait	-135.0	122.7	380.0	188.5	58.7	119.1
26	Kyrgyz Republic	..	222.7	157.3	121.5	197.2	246.1
27	Lebanon	182.6	49.0	-539.0	486.5	1,377.8	285.2
28	Libya	-39.7	-929.1	-18.6	117.7	-265.3	-231.2
29	Malaysia	1,630.3	-307.2	383.2	3,501.0	1,047.1	1,014.9
30	Maldives	37.9	10.9	37.5	51.6	55.0	76.4
31	Mali	473.9	385.3	332.7	329.8	558.6	533.4
32	Mauritania	218.7	211.1	259.7	305.7	228.4	211.1
33	Morocco	1,620.1	603.4	273.5	251.0	1,648.5	938.2
34	Mozambique	1,051.1	1,146.7	1,057.2	2,091.0	864.3	1,368.0
35	Niger	382.0	185.5	229.2	194.3	486.5	452.7
36	Nigeria	105.1	-1,983.4	1,105.7	4,722.9	2,203.8	1,362.6
37	Oman	99.8	167.9	-414.2	-76.6	162.5	1,818.0
38	Pakistan	1,718.3	166.6	1,763.9	1,875.3	539.7	-164.8
39	Palestine	..	507.2	812.1	1,579.9	958.5	1,130.4
40	Qatar	13.8	-169.9	-258.6	-151.0	477.3	3,393.5
41	Saudi Arabia	558.3	-971.3	540.2	-512.1	-154.1	-1,095.1
42	Senegal	759.1	473.9	456.4	540.7	524.3	996.3
43	Sierra-Leone	64.3	186.9	343.0	352.9	295.6	361.0
44	Somalia	..	103.0	153.2	197.1	178.5	190.6
45	Sudan	739.7	320.5	173.0	422.6	609.8	902.3
46	Suriname	127.5	23.5	12.1	61.5	-4.5	21.2
47	Syria	741.2	210.9	-23.9	3.2	218.7	173.3
48	Tajikistan	..	117.7	166.6	165.3	132.4	251.5
49	Togo	257.3	60.5	43.5	60.0	64.8	93.8
50	Tunisia	618.4	660.6	1,020.1	617.9	562.0	876.8
51	Turkey	2,043.1	8,722.5	1,415.9	-1,171.3	2,805.0	3,158.1
52	Turkmenistan	..	286.2	42.7	-241.8	-43.8	-90.3
53	Uganda	665.3	804.7	756.8	702.3	991.3	1,142.8
54	U.A.E	-168.4	-1,189.8	832.3	2,278.3	-38.1	2,784.9
55	Uzbekistan	..	448.0	238.8	101.6	176.1	118.7
56	Yemen Rep.	331.3	289.2	495.7	759.2	388.8	192.9
	Total	**27,982.5**	**23,169.2**	**26,046.2**	**33,766.3**	**41,923.1**	**45,626.7**

* (also called "Total Receipt") is the sum of the Net Official Development Assistance (ODA), Net Other Official Flows (OOF), and Net Private Sector.
Source: OECD, Development Assistance Committee (DAC) Statistics Online, 2005.

Table S.11
Total ODA Commitments

($ million)

Sl. No.	Country	1990	2000	2001	2002	2003	2004
1	Afghanistan	164.6	121.3	430.9	1718.7	2,198.1	2,939.5
2	Albania	15.9	324.9	222.9	302.3	398.9	483.3
3	Algeria	417.4	260.0	192.4	267.9	410.2	411.9
4	Azerbaijan	..	172.9	136.7	201.7	268.0	198.1
5	Bahrain	54.0	117.1	11.1	50.5	14.5	69.3
6	Bangladesh	2,181.2	1,167.0	1,455.5	1490.0	1,997.6	2,041.6
7	Benin	267.7	318.1	186.1	201.8	435.7	446.5
8	Brunei	3.6	0.4	0.3	1.2	0.6	0.6
9	Burkina Faso	343.3	370.9	548.8	504.8	645.3	632.4
10	Cameroon	503.6	366.0	653.5	630.9	1,057.2	933.5
11	Chad	263.0	322.0	219.7	180.5	252.3	305.2
12	Comoros	33.1	18.9	28.1	11.8	23.6	26.3
13	Cote d'Ivoire	941.6	385.5	198.1	1448.1	440.2	350.0
14	Djibouti	160.4	72.0	75.7	84.0	96.0	68.6
15	Egypt	1,660.6	1,779.4	1,193.2	1506.5	1,180.3	1,652.0
16	Gabon	51.5	78.9	99.9	131.7	127.1	113.3
17	Gambia	103.0	38.6	80.9	51.5	32.1	47.8
18	Guinea	453.5	199.7	397.5	254.6	237.0	281.4
19	Guinea-Bissau	100.3	88.0	59.1	91.81	121.3	61.3
20	Indonesia	2,946.3	1,986.3	3,227.1	1785.7	3,939.3	2,133.5
21	Iran	174.3	152.8	68.4	72.5	121.2	173.2
22	Iraq	114.4	83.1	107.0	68.4	5,280.6	9,573.2
23	Jordan	1,092.0	574.2	409.4	541.4	1,345.7	623.7
24	Kazakhstan	..	302.8	157.5	154.3	299.5	121.8
25	Kuwait	5.0	1.9	3.0	3.1	2.1	2.4
26	Kyrgyz Republic	..	276.1	196.2	160.4	179.5	193.9
27	Lebanon	323.2	161.5	175.0	267.8	204.8	161.4
28	Libya	60.1	12.1	8.8	5.1	8.4	9.8
29	Malaysia	674.6	1,189.9	71.7	98.5	83.0	76.4
30	Maldives	24.7	35.0	33.9	14.9	18.9	13.0
31	Mali	439.5	458.8	495.5	375.5	617.0	722.6
32	Mauritania	268.7	240.1	296.5	288.2	307.0	350.6
33	Morocco	1,340.6	693.1	630.9	621.0	751.5	1,122.7
34	Mozambique	866.6	1,117.6	1,104.3	2157.5	1,011.8	1,020.5
35	Niger	291.9	304.4	345.1	244.4	529.4	490.7
36	Nigeria	578.5	311.1	498.3	366.1	369.2	853.5
37	Oman	60.0	151.2	9.6	3.8	38.9	8.1
38	Pakistan	1,716.3	1,188.1	2,428.5	2771.8	6,558.3	1,534.1
39	Palestine*	..	680.2	562.7	643.6	754.0	610.1
40	Qatar	1.6	1.1	0.8	2.1	1.7	3.2
41	Saudi Arabia	39.5	18.3	11.1	14.0	12.1	14.4
42	Senegal	760.0	560.8	526.2	441.8	578.4	1,182.4
43	Sierra-Leone	112.7	311.0	275.4	263.8	437.5	271.9
44	Somalia	410.0	79.5	94.2	139.2	243.4	149.7
45	Sudan	501.6	284.7	177.5	354.3	406.1	1,119.6
46	Suriname	36.2	22.4	187.8	51.1	75.6	84.6
47	Syria	873.5	122.9	231.1	119.3	90.1	145.3
48	Tajikistan	..	152.4	181.7	298.8	199.3	252.2
49	Togo	264.2	53.2	35.5	58.8	76.2	52.4
50	Tunisia	640.2	578.2	516.7	345.8	475.2	548.7
51	Turkey	2,107.6	688.3	410.1	683.7	1,427.9	587.1
52	Turkmenistan	..	20.3	13.4	16.0	15.4	11.8
53	Uganda	850.9	848.2	1,063.8	936.5	973.0	1,288.4
54	United Arab Emirates	4.3	2.6	2.7	3.6	5.4	4.1
55	Uzbekistan	..	94.6	166.4	454.1	188.5	288.1
56	Yemen Republic	421.5	428.7	332.5	407.0	430.5	329.5
	Total	**25,718.5**	**20,388.7**	**21,246.7**	**24,363.8**	**37,992.5**	**37,191.2**

ODA refers to Official Development Assistance .
Source: OECD, Development Assistance Committee (DAC) Statistics Online, 2005.

GLOSSARY

GLOSSARY

1. **Cancellation**: A project or operation or any part thereof which is cancelled by the Board of Executive Directors or the IDB President.

2. **Co-Financing**: A financing arrangement in which more than one lender contributes to funding a project under the same or different terms and conditions.

3. **Concessional Financing**: Financing extended by IDB under soft terms for Ordinary Loan (including Technical Assistance) or LDMC Loan facility.

4. **Direct Financing**: A non-equity term loan financing in which a financial institution provides financing from its own resources.

5. **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.

6. **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.

7. **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.

8. **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.

9. **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.

10. **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.

11. **Intra-trade**: Trade among the OIC member countries in commodities originating from one member country to another.

12. **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.

13. **Islamic Dinar**: A unit of account of IDB which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund (IMF).

14. **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.

15. **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.

16. **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.

17. **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.

18. **Mark-up**: A profit margin which IDB earns on its operations.

19. **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).

20. **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.

21. **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.

22. **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.

23. **Operation**: A developmental activity, programme, or transaction approved for financing, in a given country or region, by a designated authority in IDB.

24. **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.

25. **Ordinary Operations**: Projects or operations financed from the Bank's Ordinary Capital Resources (OCR).

26. **Paid-up Capital**: An amount of Share Capital actually paid by IDB member countries as shareholders of the Bank.

27. **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.

28. **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.

29. **Resource Mobilization**: A process of generating resources either from member countries or from the capital market.

30. **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).

31. **Share Capital**: Shares of member countries in the capital of the Bank or its affiliates.

32. **Shari'ah**: Islamic law, governing the life of Muslims, which is derived from the Holy Qur'an and Sunnah.

33. **Subscribed Capital**: Amount of issued capital that has been subscribed by the IDB member counties.

34. **Sukuk**: An asset-backed bond which is designed or structured in accordance with Shari'ah and may be traded in the market.

35. **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.

36. **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.

37. **Voting Power**: Number of votes allocated to each member country based on its contribution to the Share Capital of the Bank.

38. **Waqf**: An endowment or a charitable trust devoted exclusively for Islamic purposes.

39. **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.