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ISLAMIC DEVELOPMENT BANK

ANNUAL REPORT 1427H 2006-2007

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CORPORATE PROFILE OF THE 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 Qadah 1393H (December 1973). The Inaugural Meeting of the Board of Governors took place in Rajab 1395H (July 1975) and the IDB formally commenced operations on 15 Shawwal 1395H (20 October 1975).

Purpose

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

Functions

The functions of the IDB are to provide various forms of development assistance for poverty alleviation through human development, forging economic cooperation through promotion of trade and investment among member countries, and enhancing the role of Islamic finance in the social and economic development of member countries. The IDB 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 IDB is authorized to mobilize financial resources through *Shari'ah*-compliant modes. It is also charged with the responsibility of providing technical assistance to member countries, and extending training facilities for personnel engaged in development activities in member countries.

Membership

The present membership of the IDB 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 IDB and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors.

Capital

Pursuant to the decision of the Board of Governors in their 31st Annual Meeting held in Kuwait in Jumad Awwal 1427H (May 2006), the Authorized Capital of the IDB was increased from ID15 billion to ID30 billion. The Issued Capital of the IDB was increased from ID8.1 billion to ID15 billion. Out of this, the Subscribed Capital was increased from ID8 billion to ID13.2 billion. The Paid-up Capital of the IDB as of the end-1427H was ID2.81 billion.

Head Office and Regional Offices

The IDB's principal office is in Jeddah, the Kingdom of Saudi Arabia. Three regional offices were opened in Rabat, Morocco; Kuala Lumpur, Malaysia; and Almaty, Kazakhstan. The IDB is in the process of opening its fourth regional office in Dakar, Senegal.

Financial Year

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

Accounting Unit

The accounting unit of the IDB is the Islamic Dinar (ID) which is equivalent to one SDR - Special Drawing Right of the International Monetary Fund.

Language

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

The IDB Headquarters in Jeddah, the Kingdom of Saudi Arabia

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In the Name of Allah,
the Beneficent, the Merciful

19 Rabi Awwal 1428H
7 April 2007

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

Dear Mr. Chairman,

Assalamu Alaikum Waramatullah Wabarakatuh

In accordance with Articles 32(i), 32(iii) and 41(1) of the Articles of 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 1427H (2006-2007).

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

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

Dr. Ahmad Mohamed Ali

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

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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

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FINANCIAL RESULTS

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Table 0.1
Summary Record of IDB Group Activities for the Period 1396H-1427H
(1 January 1976 to 19 January 2007)

(Amount in million)[1]

ITEM[2]	1396H –1424H No.	1396H –1424H ID/$	1425H No.	1425H ID/$	1426H No.	1426H ID/$	1427H No.	1427H ID/$	1396H-1427H No.	1396H-1427H ID/$
PROJECT FINANCING[3]										
Loan	560	2,399.1	46	220.1	47	223.6	40	280.8	693	3,123.5
		3,107.9		*319.9*		*329.9*		*407.0*		*4,164.6*
Equity	125	521.1	15	135.0	20	196.6	17	220.8	177	1,073.4
		691.8		*200.5*		*284.3*		*329.3*		*1,505.8*
Of which Infrastructure Fund	5	148.9	3	84.3	4	140.2	6	160.1	18	533.5
		208.0		*124.7*		*202.4*		*239.1*		*774.1*
Leasing	217	2,543.0	34	418.6	26	428.2	31	459.6	308	3,849.4
		3,434.4		*621.8*		*616.0*		*680.2*		*5,352.4*
Instalment Sale	183	1,602.5	11	103.5	10	101.8	16	127.8	220	1,935.7
		2,135.5		*150.8*		*150.0*		*187.1*		*2,623.4*
Combined Lines of Financing	25	224.3	2	17.2	2	5.0	1	10.1	30	256.6
		291.8		*25.0*		*7.5*		*15.0*		*339.3*
Profit Sharing/Musharaka	8	93.3	1	6.7	0	0.0	0	0.0	9	100.1
		124.5		*10.1*		*0.0*		*0.0*		*134.7*
Istisna'a	77	1,192.1	13	270.6	11	276.0	14	380.1	115	2,118.8
		1,584.7		*393.1*		*409.8*		*556.0*		*2,943.5*
Others[4]	33	267.2	10	82.9	14	192.4	0	0.0	57	542.5
		373.1		*124.7*		*277.7*		*0.0*		*775.6*
Total Project Financing	**1,228**	**8,842.8**	**132**	**1,254.5**	**130**	**1,423.6**	**119**	**1,479.3**	**1,609**	**13,000.1**
		11,743.8		**1,845.8**		**2,075.1**		**2,174.5**		**17,839.3**
Technical Assistance (TA)	424	128.7	54	13.3	49	9.6	62	10.8	589	162.3
		165.2		*19.2*		*14.1*		*15.9*		*214.4*
TOTAL PROJECT FINANCING + TA	**1,652**	**8,971.4**	**186**	**1,267.8**	**179**	**1,433.1**	**181**	**1,490.0**	**2,198**	**13,162.4**
		11,909.0		***1,865.0***		***2,089.2***		***2,190.4***		***18,053.6***
TRADE FINANCING OPERATIONS[5]										
Import Trade Financing Operations (ITFO)	1,179	12,456.3	74	1,275.7	42	783.9	75	1,435.0	1,370	15,950.9
		15,971.6		*1,885.6*		*1,143.9*		*2,110.6*		*21,111.7*
Export Financing Scheme (EFS)	173	653.0	17	165.2	10	109.3	17	255.9	217	1,183.4
		885.1		*246.5*		*160.3*		*378.1*		*1,669.9*
Islamic Banks Portfolio (IBP)	146	1,586.1	15	204.8	17	230.6	8	135.8	186	2,157.4
		2,195.3		*308.0*		*333.0*		*202.8*		*3,039.1*
Unit Investment Fund (UIF)	69	383.7	14	110.4	17	85.4	10	60.0	110	639.5
		527.5		*166.0*		*123.3*		*89.6*		*906.3*
Awqaf Properties Investment Fund (APIF)	7	10.3	3	3.3	3	4.2	5	5.4	18	23.2
		15.3		*5.0*		*6.0*		*8.0*		*34.3*
Islamic Corporation for Developmnt (ICD)	2	1.3	6	16.6	5	9.8	2	3.8	15	31.5
		1.8		*25.0*		*14.2*		*5.6*		*46.6*
Treasury Operations	4	49.9	9	108.7	0	0.0	16	109.8	29	268.4
		65.0		*163.5*		*0.0*		*164.0*		*392.5*
TOTAL TRADE FINANCING OPERATIONS	**1,580**	**15,140.6**	**138**	**1,884.8**	**94**	**1,223.2**	**133**	**2,005.6**	**1,945**	**20,254.1**
		19,661.4		***2,799.6***		***1,780.6***		***2,958.7***		***27,200.3***
Special Assistance Operations	971	449.1	67	13.8	44	8.4	47	12.6	1,129	484.0
		564.0		*20.5*		*12.4*		*18.4*		*615.4*
NET APPROVED OPERATIONS	**4,203**	**24,561.1**	**391**	**3,166.4**	**317**	**2,664.7**	**361**	**3,508.3**	**5,272**	**33,900.4**
		32,134.5		***4,685.1***		***3,882.2***		***5,167.5***		***45,869.3***
GROSS APPROVED OPERATIONS	**4,973**	**29,584.2**	**414**	**3,389.9**	**322**	**2,747.5**	**362**	**3,513.0**	**6,071**	**39,234.6**
		38,843.6		***5,014.2***		***4,000.6***		***5,174.3***		***53,032.7***
DISBURSEMENTS		18,280.7		1,982.0		1,761.9		1,589.1		23,613.7
		23,990.3		*2,980.7*		*2,543.6*		*2,372.7*		*31,887.2*
REPAYMENTS		14,012.0		1,230.8		1,788.6		1,743.1		18,774.5
		18,295.4		*1,851.2*		*2,582.0*		*2,602.8*		*25,331.5*
NUMBER OF STAFF AT END OF YEAR			934		973		942			
Memorandum Items										
OCR-IDB (in ID million, unless otherwise stated)										
Total Assets				4,760.1		5,890.7		6,107.4		
Gross Income				207.9		272.5		317.3		
Net Income				69.3		145.2		123.5		
Reserves: Capital				26.3		26.3		26.3		
General				1,242.4		1,308.1		1,443.2		
Subscribed Capital				7,960.7		7,989.4		13,217.7		
Administrative Budget: Approved				54.9		54.1		55.0		
Actual				48.1		49.3		52.8		
Number of Member Countries			55		56		56			
ICIEC's Operations (in ID/$ million)		**1417H-1424H**								**1417H-1427H**
Insurance Commitments[6]		793.6		314.6		559.6		938.9		2,606.7
		1,084.8		*475.0*		*808.0*		*1,399.0*		*3,766.8*
Business insured[7]		340.4		223.2		428.0		576.5		1,568.0
		468.2		*337.0*		*618.0*		*859.0*		*2,282.2*

(1) $ amounts are in italic.
(2) All figures on operations are net of cancellation, unless otherwise specified.
(3) Figures include ICD, IBP, UIF, APIF & Treasury Operations.
(4) Refers to investment in *Sukuk* (1423H-1427H) and in Financial Institutions (mainly IBP,1408H-1422H).
(5) Mainly through *Murabaha* mode of financing.
(6) Amount of Insurance commitments (contingent liability assured) approved/issued during the year.
(7) Amount of shipments/investments declared to ICIEC by policy holders for the period under consideration.

Throughout the Annual Report, the following symbols and convention apply: (i) "--" negligible or not available, (ii) $ means United States Dollar, and (iii) totals may not add up due to rounding of figures.

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Table 0.2
IDB Group Approvals[1] by Country and type of Operations from 1396H to the end of 1427H (1 January 1976 - 19 January 2007)

(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	0	0.0	0.0	0	0.0	0.0	20	11.6	15.6	22	31.6	45.6
Albania	13	56.7	78.9	3	0.4	0.5	0	0.0	0.0	3	1.0	1.4	19	58.1	80.9
Algeria	40	446.9	591.7	7	3.0	3.9	188	1490.0	1887.7	7	4.5	5.6	242	1944.4	2489.0
Azerbaijan	17	167.1	236.2	9	1.7	2.3	0	0.0	0.0	4	1.5	2.0	30	170.3	240.5
Bahrain	60	581.3	810.2	6	1.0	1.4	15	183.8	256.5	0	0.0	0.0	81	766.1	1068.0
Bangladesh	59	352.1	483.1	5	1.2	1.7	161	3058.0	4187.2	10	28.5	35.3	235	3439.8	4707.2
Benin	29	117.3	159.3	12	4.1	4.7	5	19.0	23.6	1	1.3	1.4	47	141.6	189.0
Brunei	4	37.8	48.2	1	0.2	0.3	0	0.0	0.0	0	0.0	0.0	5	38.0	48.5
Burkina Faso	43	189.7	255.6	17	8.7	10.7	4	35.4	49.8	9	8.3	8.8	73	242.1	324.9
Cameroon	22	126.8	168.2	8	2.7	3.3	0	0.0	0.0	3	1.3	1.7	33	130.8	173.2
Chad	30	124.6	172.7	16	3.4	4.4	1	2.1	3.2	10	9.9	10.8	57	140.0	191.1
Comoros	4	8.8	11.1	5	1.6	2.0	3	5.9	7.5	2	0.7	0.9	14	17.0	21.4
Cote d' Ivoire	7	69.1	96.3	0	0.0	0.0	0	0.0	0.0	5	1.0	1.2	12	70.0	97.6
Djibouti	22	39.3	53.1	9	1.6	2.1	0	0.0	0.0	9	1.5	2.0	40	42.5	57.1
Egypt	37	425.9	583.7	9	1.7	2.4	108	1235.0	1726.4	4	1.1	1.5	158	1663.8	2314.0
Gabon	16	218.4	308.1	4	4.2	6.0	0	0.0	0.0	0	0.0	0.0	20	222.5	314.1
Gambia	26	75.7	103.8	13	2.7	3.5	8	15.2	19.0	4	1.7	1.8	51	95.3	128.2
Guinea	48	223.5	296.3	19	7.3	9.4	6	37.9	48.8	5	6.0	7.6	78	274.7	362.2
Guinea Bissau	1	1.4	1.5	5	1.1	1.4	2	11.6	15.0	3	1.1	1.3	11	15.2	19.1
Indonesia	68	612.6	857.9	7	0.9	1.3	27	502.3	682.5	4	2.9	4.4	106	1118.7	1546.2
Iran	55	837.6	1171.7	7	1.0	1.4	135	1179.6	1652.3	7	10.0	13.3	204	2028.2	2838.7
Iraq	6	45.0	55.5	3	0.4	0.6	35	264.9	301.3	7	3.6	4.9	51	314.0	362.2
Jordan	53	462.4	618.2	14	3.8	5.0	64	637.2	757.3	1	0.2	0.3	132	1103.6	1380.8
Kazakhstan	15	78.3	108.8	7	1.2	1.6	6	37.4	56.0	4	0.7	0.9	32	117.5	167.4
Kuwait	13	134.0	185.5	5	1.1	1.6	41	563.7	822.5	4	6.5	7.5	63	705.3	1017.1
Kyrgyz Rep.	9	32.9	46.1	7	1.2	1.6	0	0.0	0.0	4	1.2	1.7	20	35.2	49.4
Lebanon	45	509.8	698.6	6	3.7	5.4	10	153.3	214.5	19	6.8	9.5	80	673.5	928.0
Libya	15	251.6	340.0	2	2.2	2.9	10	230.0	299.8	2	2.9	3.8	29	486.7	646.4
Malaysia	32	489.1	663.7	6	0.7	1.0	39	185.4	256.7	4	6.6	8.8	81	681.8	930.2
Maldives	16	44.2	60.0	10	1.4	1.9	1	8.1	11.7	3	0.6	0.8	30	54.2	74.3
Mali	40	169.5	223.8	19	7.5	9.6	12	124.1	185.2	12	14.9	16.5	83	316.0	435.1
Mauritania	36	138.1	181.5	26	15.3	20.7	6	51.0	69.5	6	9.6	10.9	74	214.0	282.6
Morocco	51	687.2	959.9	16	2.8	3.8	107	1191.6	1570.3	4	1.2	1.5	178	1882.8	2535.4
Mozambique	15	70.1	97.1	3	0.5	0.6	0	0.0	0.0	5	1.8	2.2	23	72.3	99.9
Niger	33	118.7	156.7	26	8.6	11.1	18	102.8	128.4	17	9.2	10.7	94	239.4	306.9
Nigeria	1	20.7	30.0	0	0.0	0.0	2	25.0	37.0	30	5.9	7.9	33	51.5	74.9
Oman	36	484.2	647.9	6	1.8	2.4	1	1.4	2.0	2	0.4	0.5	45	487.8	652.8
Pakistan	60	663.8	924.3	6	0.9	1.3	238	3683.8	4956.0	7	7.9	10.8	311	4356.4	5892.4
Palestine	22	51.9	71.3	9	4.0	5.7	0	0.0	0.0	41	41.0	53.2	72	97.0	130.2
Qatar	19	196.8	281.8	1	0.1	0.1	2	5.1	7.6	0	0.0	0.0	22	202.0	289.5
Saudi Arabia	44	591.0	847.6	16	2.0	2.8	131	1166.7	1650.4	2	0.1	0.1	193	1759.7	2500.9
Senegal	48	276.5	372.7	21	7.6	9.4	23	155.6	213.6	7	12.9	14.2	99	452.6	609.9
Sierra Leone	17	47.0	62.8	15	4.1	4.9	0	0.0	0.0	3	2.4	3.0	35	53.4	70.7
Somalia	6	20.0	24.9	7	1.8	2.3	4	36.1	46.2	31	7.1	9.8	48	65.0	83.2
Sudan	63	335.7	461.3	15	2.4	3.2	25	180.5	243.3	17	18.6	22.2	120	537.1	730.0
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	29	405.0	559.9	3	0.4	0.6	15	90.2	101.4	1	0.2	0.3	48	495.8	662.2
Tajikistan	16	79.3	110.7	11	2.0	2.7	0	0.0	0.0	5	0.5	0.7	32	81.9	114.2
Togo	11	49.7	69.4	3	0.9	1.2	1	4.2	6.0	2	1.4	1.7	17	56.1	78.3
Tunisia	48	346.8	451.2	7	1.1	1.5	158	785.9	1065.9	4	3.3	4.2	217	1137.1	1522.9
Turkey	85	682.3	911.4	5	3.3	4.3	272	2197.5	2884.1	5	17.0	20.4	367	2900.1	3820.2
Turkmenistan	6	41.6	56.9	2	0.4	0.5	0	0.0	0.0	2	0.2	0.3	10	42.2	57.8
U.A.E	27	186.1	260.9	6	0.6	0.8	14	162.0	215.7	0	0.0	0.0	47	348.7	477.4
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	14	93.1	137.3	3	0.5	0.7	0	0.0	0.0	7	1.4	1.9	24	94.9	139.8
Yemen	36	169.6	223.2	18	5.6	7.0	38	346.4	411.6	8	7.0	8.5	100	528.5	650.5
Regional Operations[2]	9	90.0	127.3	115	22.0	30.4	0	0.0	0.0	54	32.4	44.0	178	144.4	201.6
Special Programmes	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	690	161.6	211.0	707	316.4	441.8
Net Aprovals	**1,609**	**13,000.1**	**17,839.3**	**589**	**162.3**	**214.4**	**1,945**	**20,254.1**	**27,200.3**	**1,129**	**484.0**	**615.4**	**5,272**	**33,900.4**	**45,869.3**
Gross Approvals	**1,867**	**15,256.8**	**20,809.7**	**635**	**173.7**	**229.1**	**2,406**	**23,318.0**	**31,375.6**	**1,163**	**486.1**	**618.3**	**6,071**	**39,234.6**	**53,032.7**

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

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1427H IN REVIEW: BOARD OF EXECUTIVE DIRECTORS' REPORT

The Board of Executive Directors is required under articles 32(i), 32(iii), and 41(1) of the Articles of Agreement establishing the Islamic Development Bank (IDB), to submit an Annual Report on the activities of the IDB for each Hijra (H) year to the Board of Governors. The Report covers the period from 1 Muharram 1427H (31 January 2006) to 29 Dhul Hijjah 1427H (19 January 2007).

The Annual Report 1427H begins by examining the macro economic, intra-trade and investment performance of member countries. Major accomplishments and new policy initiatives by the IDB Group in forging economic development, fostering economic cooperation, enhancing the role of Islamic finance, investing in human capital, achieving institutional effectiveness, and ensuring financial soundness are highlighted.

Strong Economic Performance of Member Countries

The macroeconomic performance of member countries remained strong, achieving a growth of 5.9 percent in 2006. Similarly, the Least Developed Member Countries (LDMCs) have sustained economic growth of about 6 percent for almost ten years, and beginning from 2005 the growth has further increased to 7 percent. This has resulted in an increase in Gross Domestic Product (GDP) per capita of the LDMCs from $89 in 1996 to $127 in 2006. The higher import demand of primary commodities in rapidly growing emerging economies has contributed favourably to the high economic performance of the LDMCs. The GDP growth in member countries is projected to increase to 6.1 percent whilst the growth in LDMCs is expected to be around 8.1 percent in 2007. However, growth in member countries has been accompanied by the emergence of inflationary pressures.

The external balance of member countries has surged from 2.1 percent of GDP in 2002, reaching 11.1 percent of GDP in 2006. The current account deficit of the LDMCs has rapidly declined from 5.1 percent of GDP in 2002 to 1.4 percent of GDP in 2006. The debt stock of IDB member countries during the period 2002 to 2005 has decelerated. However, more recently, it has registered a slight increase, reaching 4.1 percent of GDP in 2006. The stock of external debt of LDMCs has increased from $83.9 billion in 2002 to $93.3 billion in 2006. Net resource flows to member countries have tripled during the last six years from $26 billion in 2000 to $82 billion in 2005. Similarly, Official Development Assistance (ODA) commitment to member countries has increased from $20.4 billion in 2000 to $55.3 billion in 2005 with an increasing focus on poverty reduction programmes.

Rising Intra-Trade and FDI Flows

The export performance of IDB member countries improved significantly, as their total exports grew by 23.8 percent in 2005. Similarly, intra-exports among member countries also grew annually by 24.7 percent, increasing from $57 billion in 2001 to $135 billion in 2005, which was 13.6 percent of their total exports in 2005. Trade among IDB member countries as well as with the developing countries grew faster than with the industrialized countries, indicating a growing pattern of South-South trade.

The overall investment rate in member countries grew by 2 percentage points from 20.5 percent in 2002 to 22.4 percent in 2006. This slower growth in overall investment is mainly due to stagnant investment by the private sector which has remained at around 16 percent during the past five years. However, rapid economic growth has helped member countries to attract higher Foreign Direct Investment (FDI) flows from $11.7 billion in 2000 to $69.1 billion in 2005. The share of member countries in global FDI has also increased from less than 1 percent in 2001 to 7.5 percent in 2005.

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Major Development Challenges Affecting Member Countries

IDB member countries are cognizant of longer term development challenges that affect their ability to address economic development and social progress and to bring about the comprehensive human development of their people. In this context, member countries have made considerable progress in achieving the Millennium Development Goals (MDGs). Except for Sub-Saharan African member countries, the majority of countries are on track for achieving the MDGs by 2015. The Sub-Sahara African region needs to sustain economic growth at 7 percent annually to be able to achieve this poverty target in time. Member countries have also recorded a significant increase in primary education enrolment since 1990. Net primary school enrolment has increased from 76 percent in the 1990s to 80 percent in 2004 but still remains behind the 2004 target of 91 percent. The child mortality rate (under age 5 years) has also been declining in member countries. For every 1,000 live births in IDB member countries in 1990, 106 died before their fifth birthday, while now the rate has declined to 87, though this remains significantly high when compared to the MDGs target of 61deaths per 1,000 live births. Similarly, serious efforts are required in combating child mortality in the Sub-Saharan Africa region, as under-5 mortality reached up to 283 deaths per 1,000 live births in 2004.

Improving access for the poor to financial services has emerged as an important aspect of economic empowerment and as a tool for poverty alleviation. Reforms are needed in areas such as legislation, institutional arrangements and policies in order to include the poor segment of the population, which is either underserved or excluded from the financial sector. Provision of effective and affordable financial services to the poor will, in turn, raise their income and contribute to pro-poor economic growth. In addition, the greater availability of Shari'ah-compliant financial services will mainstream faith-based savings and investment decisions. Another poverty alleviation tool is to leverage remittances by providing opportunities to migrant workers to channel their savings into productive investments. Remittance flows to 41 IDB member countries, for which the latest data is available, have doubled from $18.7 billion in 1990 to $37.8 billion in 2004, constituting almost a quarter of total remittance flows to developing countries. Remittances, being non-debt creating inflows, have a significant impact on poverty reduction and thus there is a need for building institutions to channel these resources for development.

Enhancing Economic Cooperation among Member Countries

Since its inception, the promotion of trade and economic cooperation among member countries has been an overarching feature of IDB development financing activities. In particular, the IDB seeks to strengthen economic cooperation through the promotion of intra-trade and intra-investment flows, capacity building of economic institutions, and the development and exchange of science-based human capital. During 1427H, the IDB Group launched several initiatives to forge trade, financial and economic cooperation. Total trade financing approvals of the IDB Group during 1427H amounted to ID1.89 billion ($2.78 billion), representing a growth rate of over 56 percent as compared to the previous year. The IDB in 1427H has supported 20 events which included workshops; training courses, and trade fairs, to build the capacity of export promotion institutions in member countries. Efforts have also been made to facilitate the accession of member countries to the WTO and greater trade integration through 11 capacity building activities such as workshops and trade policy courses. In Rabi Thani 1427H (May 2006), the IDB signed a Memorandum of Understanding (MOU) with the Government of Turkey aimed at promoting trade and investment between Turkey and member countries in Africa.

The establishment of the International Islamic Trade Finance Corporation (ITFC) was approved by the 30th Annual Meeting of the IDB Board of Governors held in Malaysia in Jumad Awwal 1426H (June 2005). Since then, the IDB has made considerable efforts for its early operationalization. The Articles of Agreement of the ITFC were approved by the 31st Annual Meeting of the IDB Board of Governors held in Kuwait in Jumad Awwal 1427H (May 2006). The Inaugural Meeting of the General Assembly of the ITFC was held in Safar 1428H (February 2007) and it will commence its operations soon. All trade financing operations performed by various windows of the IDB Group will be undertaken by the ITFC. The new entity has an Authorized Capital of $3 billion and an initial Subscribed Capital of $500 million. The ITFC is expected to consolidate and enhance the trade financing operations of the IDB Group and strengthen trade promotional activities.

The IDB has continued to make efforts in facilitating the development of the Islamic Financial Services Industry (IFSI), strengthening its soundness and supporting measures, which enhance its growth and sustainability. In 1427H, the IDB undertook several catalytic activities for a coordinated development of the IFSI by promoting policy dialogue, sharing best practices and disseminating knowledge. Furthermore, the IDB is in the process of implementing *Shari'ah*-compliant instruments for liquidity and risk management by hedging against currency and rate of return swaps. Liquidity management has also been enhanced through the short-term utilization of reverse *Murabaha* within the approved limit of ID500 million.

In 1427H, the IDB participated in the establishment of the first Islamic bank in Syria and in the capital increase of Islamic banks in Gambia and Pakistan with a total equity investment amounting to $10.7 million. In its efforts to strengthen financial infrastructure institutions, the IDB also participated in the capital increase of the International Islamic Rating Agency. The IDB has also extended technical assistance to the Government of Indonesia for issuance of local currency *Sukuk* and to the Kyrgyz Republic to introduce Islamic banking in the country.

In pursuance of the Makkah Declaration of the 3rd Extraordinary Session of the OIC Summit, the 31st Annual Meeting of the IDB Board of Governors held in Kuwait approved the establishment of a Fund for poverty reduction with a target principal amount of $10 billion. So far, the Kingdom of Saudi Arabia and Kuwait have pledged initial contributions of $1 billion and $300 million, respectively, in addition to the contributions made by other 20 member countries by end of March 2007.

Fostering Economic Development

The IDB Group has continued to strengthen efforts for fostering economic development in member countries. Net financing approvals by the IDB Group have substantially increased by 31.7 percent from ID2,664.7 million ($3,882.2 million) in 1426H to ID3,508 million ($5,168 million) in 1427H. During the year under review, the IDB Group approved 361 operations in 47 member and 15 non-member countries. Cumulative net approvals of the IDB Group reached ID34 billion ($46 billion) for the period 1396H to 1427H. Of the IDB Group cumulative approvals, the share of project financing and technical assistance stood at 39 percent, trade financing operations stood at 60 percent, and the remaining 1 percent share was for Waqf Fund (Special Assistance) operations.

During 1427H, the IDB approved 78 project financing operations from ordinary capital resources (OCR), totalling ID1,119 million ($1,636 million) and 62 technical assistance operations, amounting to ID11 million ($16 million). The Entities and Funds financed projects amounting to ID361 million ($538 million) in 1427H. Under Special Assistance, the IDB financed 47 operations in 1427H, amounting to ID13 million ($18 million). The sectoral distribution of approved OCR operations was: public utilities, 29 percent; transport and communications, 25 percent; social sector (i.e. education and health), 22 percent; industry and mining, 13 percent; agriculture and agro-industry 8 percent; and remaining 3 percent was used for the equity financing of financial institutions.

In 1427H, the IDB extended to the LDMCs 52 percent, or $220 million, of the total concessional financing approved for member countries totalling $423 million. Since its inception up to the end of 1427H, the IDB has provided project financing and technical assistance to the LDMCs amounting to $4.1 billion. The adoption of the "Declaration on IDB Group Cooperation with Africa" in 1423H (2002) has 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 in achieving MDGs. During 1427H, the IDB Group approved $492.4 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 $1.7 billion in 1427H.

The IDB has pledged around $200 million of development assistance to Yemen over a period of four years starting from 1428H to support the implementation of the Country's Third National Development Plan. In addition, the IDB has announced a special assistance package for the reconstruction of Lebanon amounting to $250 million. The IDB has also provided assistance for the construction of housing for people affected by recent natural disasters in Indonesia and Pakistan with the amounts of $15 million and $80 million, respectively.

Enhancing Institutional Effectiveness

During 1427H, the Board of Executive Directors held seven meetings and considered 369 agenda items related, *inter alia*, to projects and trade financing operations, Waqf Fund operations, policy issues, and review of progress reports. The Board approved 149 items and adopted resolutions and took note of 135 items approved by the President. The Board has also constituted special and ad hoc committees to facilitate its work. The Finance and Administration Committee held 6 meetings and considered 48 items, including operational plans, general administrative matters and personnel policies, the administrative budget of Trust and Funds, and provided guidance for liquidity management. The Operations Committee held 6 meetings and considered operations and projects to be financed under the OCR and Funds of the IDB. The Audit Committee held 7 meetings and considered 74 items to review and enhance the IDB's internal control environment, management of liquid assets and risk management functions, and provided guidance on important issues.

In line with the implementation of the 1440H Vision to transform the IDB Group into a world class knowledge-based institution and to improve its efficiency and effectiveness, several new initiatives were launched during 1427H in the areas of corporate governance system, delegation of authority, implementation of new operational guidelines and policies. The IDB has also developed a new knowledge management strategy and a master plan for change management. It has also put in place a staff motivation policy, new recruitment policies, and a leadership and talent development strategy.

The IDB in 1427H launched a new integrated IDB Group Business Enhancement and Systems Transformation (BEST), which will bring substantial improvements in the processing and reporting of business information. The Programme is expected to make the IDB's operations cost effective, enhance its productivity, and reduce business transactions time. The Programme will be implemented over a period of five years, covering ITP modules related to financial, business and operational aspects.

Maintaining Sound Financial Performance

Pursuant to the decision of the Board of Governors, the Authorized Capital of the IDB was doubled from ID15 billion to ID30 billion in 1427H. Similarly, the Subscribed Capital of the IDB was also increased to ID13.2 billion in 1427H. Furthermore, the remaining amount of ID1.3 billion, representing 70 percent of the Callable Capital under the 2nd General Capital increase, was also called up. This decision will further strengthen the capitalization of the IDB and assist in fulfilling the growing development needs of its member countries. The total members' fund, which consists of the members' subscriptions (paid-up capital) plus reserves and net income, increased steadily from ID3.9 billion in 1423H to ID4.8 billion in 1427H.

The OCR recorded a net income of ID123.5 million in 1427H, recording a growth of 14 percent as compared to the previous year. The gross income of the OCR totalled ID317.3 million in 1427H, registering an increase of 16.5 percent as compared to 1426H. The increase in gross income is mainly because of the prudent investment strategy adopted by the IDB in channelling its resources into more profitable modes of financing. The increase of 9.8 percent in the total Administrative Cost of the IDB during 1427H was mainly due to IT development and the financing cost of resource mobilization activities.

Total OCR disbursements in 1427H amounted to ID1.4 billion ($2.1 billion), compared to ID1.4 billion ($2 billion) in 1426H, thus registering a slight decline of 1.4 percent, which was mainly due to a decrease in disbursements in Import Trade Financing Operations (ITFO). The total repayments received by the IDB in 1427H amounted to ID1.4 billion ($2.1 billion), which remained similar to the level of 1426H.

The IDB continued to follow a prudent risk management policy and has put in place appropriate control mechanisms to manage all major risks affecting its financial viability, including credit risk, currency risk, liquidity risk and country risk. During 1427H, the IDB strengthened its risk management guidelines by mainstreaming best practices, standards and operational procedures. In this respect, a Financial Reporting System was implemented in the IDB, which aims at monitoring and managing all major risks.

An important milestone during the course of 1427H was the assigning for the first time of the ratings of "Aaa" for long-term and "Prime-1" for short-term to the IDB by Moody's Investors Services. The IDB also maintained for the fifth consecutive year the highest ratings "AAA" for long-term and "A-1+" for short-term from Standard & Poor's. Furthermore, Fitch Ratings also upgraded the ratings of the IDB from "AA" to "AA+" and the outlook from Stable to Positive, and assigned a rating of "F1+", the highest level for the short-term. These ratings confirm, *inter alia*, the financial soundness of the IDB as a result of following prudent financial policies.

On 27 March 2007, under the Directive of the European Parliament and Council, the Commission of the European Communities assigned the IDB among the 13 Multilateral Development Banks (MDBs) as eligible to benefit from a zero-risk weight as laid down in the provisions of the European Union. With this step, the IDB would be able to mobilize resources from European Union financial markets on competitive terms. Earlier, under the New Capital Accord published in June 2004 by the Basel Committee on Banking Supervision, the IDB has been designated as a zero-risk weight MDB.

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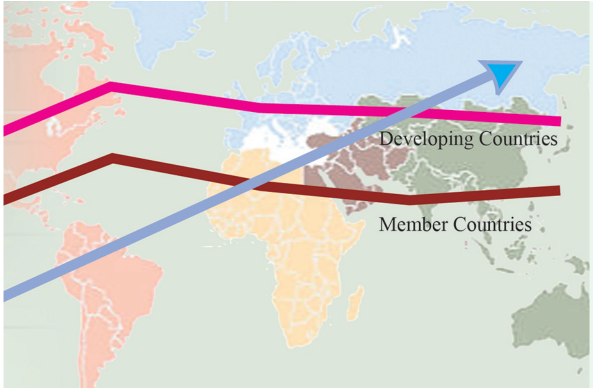

1

ECONOMIC PERFORMANCE AND MAJOR DEVELOPMENT ISSUES AFFECTING MEMBER COUNTRIES

HIGHLIGHTS

World Economy and IDB Member Countries

- Rebound in global economic growth in 2006.
- Continued concern over global financial imbalances.
- Member countries grow at 5.9 percent in 2006: fourth year of sustained robust economic growth in over two and a half decades.
- Robust internal balance in member countries.

Intra-Trade and FDI Performance of IDB Member Countries

- Rising trend in intra-trade from 11.4 percent in 2001 to 13.6 percent in 2005.
- Major jump in FDI flows for member countries from $11.7 billion in 2000 to $69.1 billion in 2005 which is 7.5 percent of the total world FDI outflows.

Major Developmental Issues

- Net Resource flows to member countries amounted to $82 billion in 2005.
- Quantum jump in new ODA commitments amounting to $55.3 billion in 2005.
- Broad-based progress towards achieving the MDGs by 2015 except for Sub-Saharan Africa region.
- Economic empowerment of the poor through access to financial services.
- Enormous opportunity to leverage remittances for development.

The economic performance of IDB member countries has shown improvements due to broad-based global expansion as well as sustained growth in global trade and foreign investment flows. These developments had a favourable impact on the overall operational activities of the IDB during 1427H (2006-2007).

I. MACROECONOMIC PERFORMANCE[1]

1. Broad-based Global Expansion

World output grew from 4.9 percent in 2005 to 5.1 percent in 2006. This overall momentum of global activity was broad-based as the US economy grew from 2.6 percent in 2005 to 3.1 percent in 2006, EU countries grew by one percentage point higher at 2.8 percent in 2006, and the Japanese economy continued its expansion at 2.7 percent in 2006 meanwhile developing countries sustained growth at 7.3 percent in 2006 compared to 7.4 percent in 2005. During recent years, a notable feature of global expansion has been its resilience in the face of higher energy prices. According to the IMF, a combination of prudent monetary policies and the decline in the energy intensity of global output has helped mitigate the supply-side shocks on global economic growth.

Inflation in the advanced economies rose from 2.3 percent in 2005 to 2.6 percent in 2006[2]. The emerging signs of inflationary pressures appear to be related to the narrowing of the output gap, whereby sustained high rates of economic growth have now almost eliminated spare capacity in these countries. Meanwhile, inflationary pressures in the developing countries ebbed from 5.3 percent in 2005 to 5.2 percent in 2006.

[1]Data and projections used in this Section are based on the IMF's World Economic Outlook, September 2006.

[2]As measured by the annual percentage change in the consumer price index.

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In order to prevent the hardening of inflationary expectations, steps were taken to tighten monetary policies in the advanced economies by raising policy-related interest rates. Consequently, in the foreign exchange market, the six-month LIBOR interest rate on US dollar deposits increased from 3.8 percent in 2005 to 5.4 percent in 2006. Similarly, the weighted-average yield on long-term government bonds in the advanced economies increased from 3.6 percent in 2005 to 4.3 percent in 2006. According to the IMF, market concerns about the projected slowing down of the US economy and its widening current account deficit led to depreciation of the US dollar against other major international currencies.

2. Improved Macroeconomic Performance of IDB Member Countries

With greater trade openness and rising international capital flows, the macroeconomic performance of member countries results from a complex inter-play of government policies, domestic and international developments. Data on the macroeconomic performance of IDB member countries as a group, the least developed member countries (LDMCs) as a group, and the developing countries is reported in Table 1.1, while individual member country data is reported in the Appendix VII.

Fourth Year of Sustained Economic Growth

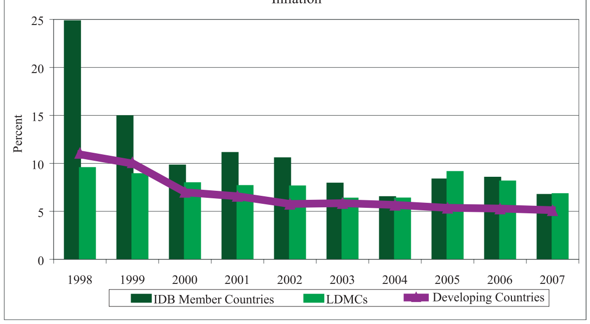
During the four-year period from 2003 to 2006, member countries recorded sustained growth of over 5.5 percent, their strongest growth in more than two and a half decades. Economic growth in member countries as a group experienced a slight deceleration from 6.2 percent in 2005 to 5.9 percent in 2006. However, the divergence in economic growth between member countries and developing countries is steadily becoming more pronounced, ranging from about half percentage point in 2002 to 1.4 percentage points in 2006. Therefore, it is important for member countries to implement a new generation of reforms and policies which will lead to above-average economic growth performance.

It is now almost ten years that LDMCs sustained economic growth of about 6 percent, leading to an increase in real GDP per capita from $89 in 1996 to $127 in 2006. This appears to be the result of implementing wide-ranging economic reforms, especially the prudent management of fiscal policy and external debt, which has helped to underpin robust economic growth over the past ten years, compared to the average economic growth of 2.1 percent for the period 1985 to 1995. Beginning in 2005, the economic growth performance of the LDMCs could be characterized by a still higher growth trajectory of over 7 percent. However, this favourable growth prospect of the LDMCs has been dependent upon fortuitous circumstances: terms of trade gains due to higher prices of non-energy commodities and increased aid flows under MDGs-related development assistance.

Emerging Inflationary Pressures

In contrast to the relatively stable inflationary conditions in the developing countries, IDB member countries as a group are beginning to experience a resurgence of inflationary pressures (Chart 1.1). Inflation in member countries rose slightly from 8.1 percent in 2005 to 8.5 percent in 2006. In the case of the LDMCs, inflation was 9.1 percent in 2005 and then declined to 8.1 percent in 2006. Between 1993 and 2006, inflation in member countries remained higher than in developing countries by an average of 6 percentage points. Such a sustained build-up of relatively higher inflationary overhang in member countries is one of the major reasons for their lower economic growth as compared to developing countries and has negative implications for their export competitiveness.

Chart 1.1
Inflation



Growth of narrow money (M1) in member countries increased from 18.4 percent in 2004 to 21.1 percent in 2005. However, as a result of the tightening of monetary policy by a majority of member countries, the growth of broad money (M2) only increased slightly from 17.2 percent in 2004 to 18 percent in 2005. A matter of concern is that there are eighteen member countries where growth of broad money exceeded the average in 2005, including six countries where the growth surpassed 30 percent. Such an expansionary stance in monetary policy is likely to further accentuate rising

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inflationary trends with adverse consequences for economic growth and the income of the poor.

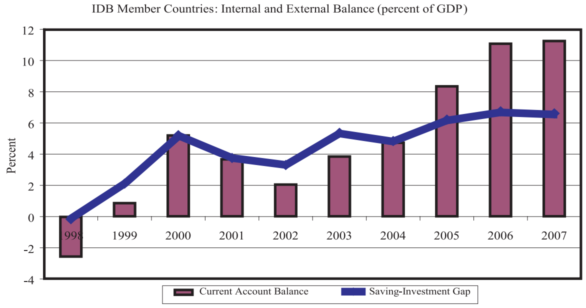
Robust Internal Balance and Stagnating Private Sector Investment

The gross national savings (as a percentage of GDP) in developing countries surged by almost 7 percentage points from 25.3 percent in 2002 to 32 percent in 2006. In comparison, the national savings of member countries increased by over 5 percentage points from 23.8 percent in 2002 to 29.2 percent in 2006. As a component of gross national savings, the fiscal balance of member countries turned from a deficit of 3.8 percent of GDP in 2002 to a surplus of 3.2 percent in 2006, which is mainly due to the higher export earnings by the oil-exporting member countries (Table 1.1).

The investment rate, defined as the ratio of gross fixed capital formation to the GDP, of member countries grew only by about 2 percentage points from 20.5 percent in 2002 to 22.4 percent in 2006. This slow growth in overall investment was mainly due to the stagnant investment by the private sector in member countries, which has centered around 16 percent during the past five years (Table 1.1). This stagnating trend highlights the need to further deepen reforms aimed at improving the investment climate in member countries. Improving the investment climate and ease of doing business are important steps needed to underpin the future prospects of sustained economic growth in member countries.

The internal resource balance, defined as the difference in savings and investment rates, reached its peak surplus of 6.8 percent of GDP in 2006, mainly because of the rising trend of fiscal surplus (i.e. public savings) and the almost standstill investment rate of the private sector (Table 1.1 and Chart 1.2).[3]

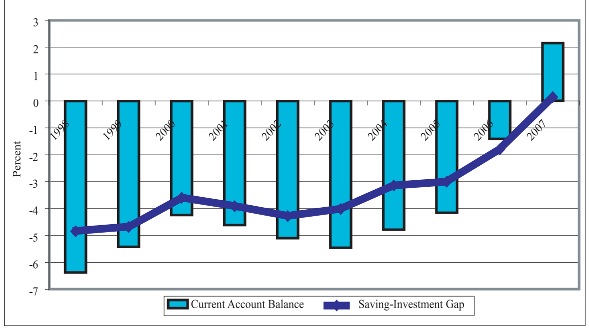
Chart 1.2
IDB Member Countries: Internal and External Balance (percent of GDP)



[3]Based on the national income identities, the fiscal approach to the balance of payments states that the current account deficit (surplus) is equal to the sum of the government budget deficit (surplus) and the private investment-savings gap (surplus).

Turning now to the LDMCs, the gross national savings increased by little over 4 percentage points from 16.5 percent in 2002 to 20.8 percent in 2006. A part of this improvement can be explained in improving trend of the public dissavings which turned from a fiscal deficit of 2.6 percent in 2002 to an almost evenly balanced fiscal position in 2006. The overall investment rate in the LDMCs grew by almost 2 percentage points from 20.7 percent in 2002 to 22.6 percent in 2006. Like the member countries as a group, the private sector investment in the LDMCs has stagnated at around 17.5 percent during the period 2003 to 2006. It is likely that the recent policy reforms to improve the investment climate and to lower the cost of doing business in the LDMCs will take time to galvanize the private sector to invest more. In recent years, the internal resource balance of LDMCs has considerably improved (Chart 1.3). Maintaining this trend in the LDMCs is important to ensure that economic growth remains consistent with sustainable external debt.

Chart 1.3
LDMCs: Internal and External Balance (percent of GDP)



Improvement in Capital Account Balance and Slower Accumulation of External Debt

The external balance (i.e. current account balance) of member countries has surged from 2.1 percent of GDP in 2002 to 11.1 percent of GDP in 2006 (Table 1.1 and Chart 1.4).

Chart 1.4
Current Account Balance (percent of GDP)

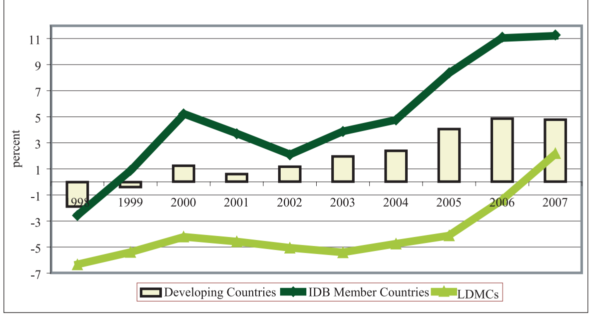


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Table 1.1
Highlights of Macroeconomic Performance of Member Countries

	2002	2003	2004	2005	Estimated 2006	Projections 2007
Real GDP Growth (Annual percent change)						
IDB Member Countries	4.6	5.6	6.6	6.2	5.9	6.1
LDMCs	5.2	5.8	6.3	7.1	7.9	8.1
Developing Countries	5.1	6.7	7.7	7.4	7.3	7.2
Inflation (Annual percent change)						
IDB Member Countries	10.5	7.9	6.5	8.1	8.5	6.7
LDMCs	7.6	6.3	6.3	9.1	8.1	6.8
Developing Countries	5.7	5.8	5.6	5.3	5.2	5.1
Gross National Savings (percent of GDP)						
IDB Member Countries	23.8	25.8	26.0	27.8	29.2	29.5
LDMCs	16.5	17.8	19.3	18.9	20.8	23.0
Developing Countries	25.3	27.3	28.7	30.4	32.0	32.9
Gross Capital Formation (percent of GDP)						
IDB Member Countries	20.5	20.4	21.1	21.6	22.4	22.9
LDMCs	20.7	21.8	22.5	21.9	22.6	22.8
Developing Countries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gross Private Capital Formation (percent of GDP)						
IDB Member Countries	16.1	16.7	16.7	16.0	16.2	16.2
LDMCs	16.3	17.6	17.8	17.3	17.4	17.2
Developing Countries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fiscal Balance (percent of GDP)						
IDB Member Countries	-3.8	-2.3	-0.7	1.8	3.2	3.3
LDMCs	-2.6	-2.6	-2.3	-2.3	-0.03	1.2
Developing Countries	-3.5	-2.8	-1.7	-0.9	-0.5	-0.3
Current Account Balance (percent of GDP)						
IDB Member Countries	2.1	3.9	4.8	8.4	11.1	11.3
LDMCs	-5.1	-5.5	-4.8	-4.2	-1.4	2.2
Developing Countries	1.2	2.0	2.4	4.1	4.9	4.8
Trade Balance (percent of GDP)						
IDB Member Countries	7.3	8.7	9.4	12.6	15.2	15.4
LDMCs	-5.7	-5.4	-4.3	-3.0	0.7	4.5
Developing Countries	2.8	3.3	3.7	5.1	6.0	5.9
External Debt ($ billion)						
IDB Member Countries	732.1	883.8	916.9	903.8	914.4	951.9
LDMCs	83.9	90.1	94.0	96.6	93.3	95.8
Developing Countries	2,450.7	2,674.6	2,918.8	3,012.3	3,150.6	3,352.1
Debt Service/Total Exports (percent)						
IDB Member Countries	16.0	13.5	11.0	10.0	8.4	7.5
LDMCs	9.5	9.3	8.4	6.4	5.4	7.1
Developing Countries	21.0	19.5	15.5	15.3	13.3	11.1

Source: Data supplied by the International Monetary Fund, October 2006.

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In value terms, it translated into a surplus amounting to $32 billion in 2002 and $329 billion in 2006. Of this current account balance, the value of the trade balance (in goods and services) of member countries grew fourfold from $112 billion in 2002 to $450 billion in 2006. The current account balance of member countries as compared to the developing countries was higher by a little over 6 percentage points in 2006, which appears to be arising from the higher export revenues of the oil-exporting member countries. In the short-term, such a magnitude of current account surplus in the oil-exporting member countries has generated enormous liquidity which, in the longer term, needs to be prudently deployed in the form of a rapid building up of physical and human capital as well as ensuring the scaling up of intra-investment flows.

The current account deficit of the LDMCs has rapidly declined from 5.1 percent of GDP in 2002 to 1.4 percent of GDP in 2006 (Table 1.1 and Chart 1.4). In line with this trend, the trade deficit of the LDMCs also declined from 5.7 percent of GDP in 2002 to a slight surplus in 2006. In fact, this sustained improvement in both current account and trade balances of the LDMCs stems from lower debt servicing and higher international prices of non-energy commodities.

Beginning from 2002 and up to 2005, there was a deceleration in the growth of the stock of external debt of member countries, but in 2006, it registered a slight increase of 4.1 percent. A slower growth in the stock of external debt is to be expected in the presence of enormous capital and trade account surpluses. As a result, the debt servicing (as a share of total exports) of member countries has almost halved from 16 percent in 2002 to 8.4 percent in 2006.

The stock of external debt of the LDMCs rose from $83.9 billion in 2002 to $93.3 billion in 2006, which denotes an increase of $9.4 billion. However, compared to 2003, the external debt of the LDMCs rose by only $3.2 billion in 2006. In line with improved economic growth and export performance by the LDMCs, the debt servicing (as a share of total exports) declined from 9.5 percent in 2002 to 5.4 percent in 2006.

Strengthening Prospects and Addressing Short-term Challenges

The world output is expected to slightly decelerate from the estimated growth of 5.1 percent in 2006 to a projected growth of 4.9 percent in 2007. The expected deceleration of global output is mainly due to a projected economic slowdown in the advanced economies from 3.1 percent in 2006 to 2.7 percent in 2007 while the developing countries are projected to maintain growth at 7-plus percent.

In contrast, member countries are projected to grow at 6.1 percent in 2007 whilst the LDMCs are projected to sustain their rising trend of economic growth at 8.1 percent in 2007 (Table 1.1). Notably, the economic growth of both member countries and LDMCs is projected to be accompanied by lower inflation at under 7 percent in 2007 than in 2006. In particular, the projected economic growth in LDMCs will hinge on achieving a fiscal surplus at 1.2 percent of GDP and a robust trade expansion to 4.5 percent in 2007.

More broadly, a number of short-term policy challenges need to be addressed in order to ensure that member countries remain on a sustainable path of economic growth. Foremost among them is the uncertain international political situation, which could potentially evolve into instability and rapidly escalating energy prices. Such a scenario has the potential to trigger global recession and the erosion of hard-won economic growth and macroeconomic stability. In addition, a stable and peaceful regional environment is a prerequisite to the continued economic expansion of member countries and for resources to be devoted towards comprehensive human development and poverty alleviation. Moreover, continued economic growth in member countries will critically hinge on reforms aimed at improving the investment climate since ease of doing business effectuates higher rate of investment by the private sector. Policy makers in member countries need to address the remaining impediments and to ensure that the private sector investment rate rises to a higher trajectory.

In order to underpin long-term economic growth, the LDMCs must aggressively reform their economic and social policies, strengthen their implementation capacity, and improve their absorptive capacity to make the additional spending effective. The World Bank estimates that in order to achieve the MDGs the required additional ODA is between $40 and $60 billion annually. However, additional aid alone will not be sufficient to sustain higher economic growth and achieve MDGs. However, in order to achieve the MDG of halving poverty by 2015, the Sub-Saharan Africa region needs to grow at least 7 percent annually over the next eight years. Except for five LDMCs in the Sub-Saharan Africa region, the average growth during the past two years has been below the required growth of 7 percent. For the remaining LDMCs in the Sub-Saharan Africa region, the international donor community, besides implementing targeted poverty reduction projects, needs to provide support in alleviating the constraints on achieving higher economic growth that currently prevent a longer term and sustainable basis for comprehensive human development.

In recent years, the higher demand for import of primary commodities from rapidly growing emerging economies has partly contributed to the improved economic growth performance of the LDMCs. Higher non-energy commodity prices have yielded significant terms-of-trade gains to the LDMCs and, in some countries, partially offset higher energy imports. Besides well-known sharp swings in commodity prices, about 79 percent of exports of the least developed countries, mainly comprising of primary agricultural commodities and low value added goods, gained duty-free access to developed country markets. Therefore, it is paramount that the LDMCs reduce their reliance on the export of primary commodities as a major source of economic growth, and rebalance their development strategy towards the export of value added goods.

II. INTRA-TRADE PERFORMANCE

International trade plays a key role in promoting economic growth and reducing poverty. Since its inception, the IDB has endeavoured to strengthen economic cooperation through the promotion of intra-trade mainly via its trade financing activities. Recently, the Third Extraordinary Session of the Islamic Summit Conference held in Makkah Al Mukarramah, in Dhul Qadah 1426H (December 2005), adopted the OIC Ten-Year Programme of Action which recommended, *inter alia*, to raise intra-OIC trade to 20 percent of the overall trade volume within ten years and take steps to establish a free trade area. These targets are in line with the Strategic Thrust 'Facilitate Integration of Member Countries Economies' of the IDB 1440H Vision. Achieving these targets critically depends on exploiting opportunities emanating from the expansion of global as well as South-South trade.

1. Sustained Global and South-South Trade Expansion

Spurred by strong and sustained global economic growth, world exports[4] increased from $6.1 trillion in 2001 to $10.3 trillion in 2005, representing an annual average growth of 14 percent. The share of the industrialized countries in world exports remained predominant, though it declined steadily from 66.2 percent in 2001 to 61.8 percent in 2005. In contrast, the share of developing countries in world exports increased from 32.6 percent in 2001 to 37 percent in 2005 while the share of IDB member countries in world exports increased from 6.3 percent in 2001 to 7.5 percent in 2005.

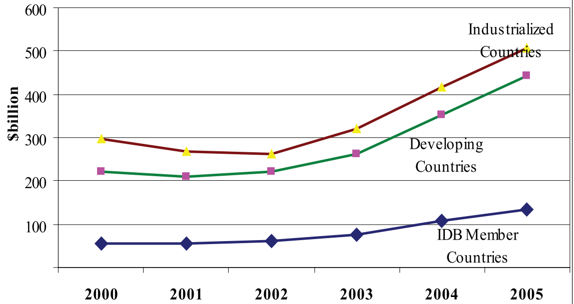
Total exports of member countries increased from $497 billion in 2001 to $995 billion in 2005, representing an annual average growth of 19 percent. Meanwhile, the exports of member countries to industrialized countries increased from $268 billion in 2001 to $508 billion in 2005, representing an annual average growth of 17.3 percent. The exports of member countries to the developing countries increased from $208 billion in 2001 to $443 billion in 2005, representing an annual growth of 20.8 percent.

Exports among developing countries more than doubled from $0.9 trillion in 2001 to $2 trillion in 2005, which constituted 46.2 percent of world exports in 2005. The growth of South-South trade was almost twice the growth in North-South trade during 2001 to 2005. This was mainly due to the competitiveness of manufactured goods exported by the emerging economies.

2. Robust Intra-Trade Performance

In 2005, the intra-export performance of IDB member countries improved significantly. Intra-exports among member countries increased from $57 billion in 2001 to $135 billion in 2005, representing an annual average growth of 24.1 percent (Chart 1.5). As a share of their total exports, intra-exports among member countries rose steadily from 11.4 percent in 2001 to 13.6 percent in 2005.

Chart 1.5
Exports of IDB Member Countries to Developing and Industrialized Countries



[4] Throughout these sections, wherever exports and imports are mentioned, they refer to merchandise exports and merchandise imports. The data are sourced from the IMF's Direction of Trade Statistics.

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Table 1.2
Inter- and Intra-Exports of World, Industrial, Developing and IDB Member Countries[1]

From ------------------>To	World					Industrial Countries					Developing Countries					IDB Member Countries				
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
World																				
Exports ($ billion)	6140	6429	7495	9117	10335	4065	4191	4841	5762	6391	2002	2161	2579	3258	3824	386	426	506	650	770
Annual Percent Change	-3.9	4.7	16.6	21.6	13.4	-4.1	3.1	15.5	19.0	10.9	-3.9	8.0	19.3	26.3	17.4	-1.8	10.5	18.6	28.5	18.5
Share of Partner Countries in World Exports	100	100	100.0	100.0	100.0	66.2	65.2	64.6	63.2	61.8	32.6	33.6	34.4	35.7	37.0	6.3	6.6	6.7	7.1	7.5
Industrial Countries																				
Exports ($ billion)	3915	4034	4637	5465	5912	2809	2877	3302	3831	4092	1080	1131	1310	1598	1780	207	223	260	318	358
Annual Percent Change	-2.8	3.0	14.9	17.9	8.2	-2.9	2.4	14.7	16.0	6.8	-3.4	4.6	15.9	22.0	11.4	-2.2	8.0	16.6	22.5	12.6
Share of Partner Countries in World Exports of Industrial Countries	100	100	100.0	100.0	100.0	71.8	71.3	71.2	70.1	69.2	27.6	28.0	28.2	29.2	30.1	5.3	5.5	5.6	5.8	6.1
Share of Industrial Countries in World Exports	63.8	62.8	61.9	59.9	57.2															
Developing Countries																				
Exports ($ billion)	2223	2392	2856	3648	4419	1255	1313	1538	1929	2298	920	1029	1268	1658	2042	179	203	246	331	411
Annual Percent Change	-5.6	7.6	19.4	27.7	21.1	-6.6	4.6	17.2	25.4	19.1	-4.5	11.9	23.2	30.8	23.2	-1.3	13.5	20.9	34.9	24.1
Share of Partner Countries in World Exports of Developing Countries	100	100	100.0	100.0	100.0	56.4	54.9	53.9	52.9	52.0	41.4	43.0	44.4	45.4	46.2	8.1	8.5	8.6	9.1	9.3
Share of Developing Countries in World Exports	36.2	37.2	38.1	40.0	42.8															
IDB Member Countries																				
Exports ($ billion)	497	505	611	804	995	268	263	320	417	508	208	220	263	352	443	57	63	74	108	135
Annual Percent Change	-7.7	1.7	20.9	31.6	23.8	-9.9	-1.8	21.6	30.6	21.6	-5.8	5.6	19.6	33.6	26.0	2.5	10.8	19.0	45.3	24.7
Share of Partner Countries in World Exports of IDB Member Countries	100	100	100.0	100.0	100.0	53.9	52.0	52.4	51.9	51.0	41.9	43.6	43.1	43.8	44.5	11.4	12.4	12.2	13.5	13.6
Share of IDB Member Countries in World Exports	8.1	7.9	8.1	8.8	9.6															

(1) IMF classifies countries in three main categories: industrial countries, developing countries, and a group of 26 small countries/territories called "other countries" not included elsewhere (n.i.e.). Note that the values of industrial and developing countries do not sum-up to the world total because the category n.i.e. is not included.
Source: IMF, Direction of Trade Statistics, CD-ROM, October 2006.

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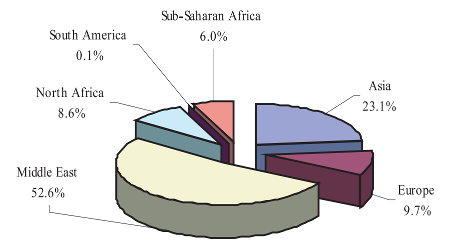
Intra-imports of member countries increased from $56 billion in 2001 to $143 billion in 2005, recording an annual average of growth of 26.4 percent. The intra-imports among member countries increased from 14.4 percent in 2001 to 17.2 percent of their total imports in 2005.

At the regional level, the share of twelve Middle Eastern countries (including GCC countries) in intra-exports reached 52.6 percent, followed by 23.1 percent for thirteen Asian countries, 8.6 percent for five North African countries, and only 6 percent for twenty-two Sub-Saharan African member countries in 2005 (Chart 1.6)

Chart 1.6
Exports Share of IDB Member Countries by Regions, 2005



There is a wide variation in both the volume and growth of intra-exports in individual member countries. In 2005, three member countries recorded a substantial increase in intra-exports in excess of over 100 percent (Guinea, Brunei and Sierra Leone), while twenty-nine member countries recorded growth above the average of 24.7 percent for member countries as a group. The volume of intra-exports of the top ten member countries totalled $98.6 billion in 2005, representing over 73 percent of the total intra-exports of IDB member countries.

Trade among member countries is growing faster than with the industrialized countries. To some extent, this trend reflects the regionalization of trade flows in contrast to the typical North-South trade pattern. However, through concerted trade integration measures, such as the establishment of free trade area, a further enhancement of intra-trade flows among member countries is still possible.

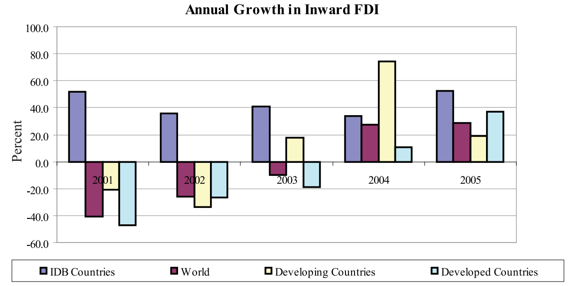
III. FOREIGN DIRECT INVESTMENT TO MEMBER COUNTRIES

Keeping in view the key role played by foreign direct investment (FDI) in raising economic growth and underpinning export competitiveness, the IDB, through its financing operations has sought to promote intra-investment in member countries. The Makkah Declaration and the OIC Ten-Year Programme of Action called upon the OIC member states to facilitate the freedom of movement of businessmen and investors across their borders and urged the IDB and its institutions to promote investment opportunities in member countries. Similarly, under the IDB 1440H Vision, it is suggested that the IDB should develop strategies to support an increase in domestic investment, to attract and retain FDI and to increase intra-investment among member countries.

1. Broad-based Upsurge in FDI Inflows[5]

The share of IDB member countries in the global FDI flows was less than 1 percent in 2000, which rose to 7.5 percent in 2005. FDI flows to all member countries increased from $45.4 billion in 2004 to $69.1 billion in 2005 (Table 1.3). FDI flows to developed countries, developing countries, and member countries are shown in Chart 1.7.

Chart 1.7
Annual Growth in Inward FDI



There are many factors responsible for the current upsurge in FDI flows to member countries, namely macroeconomic factors (higher economic growth, rising exports, and increased business and investment confidence); microeconomic factors (improving corporate profitability, favourable financing conditions, increasing stock market valuations, and fast rising commodity prices); and institutional factors (enhancing the process of privatization, and the liberalizing of FDI in the real estate sector).

Region-wise FDI shares of member countries are shown in Chart 1.8. In 2005, the share of the Middle East region in total FDI flows to member countries was the highest at 35.8 percent, followed by the Asia region (23.2 percent), the North Africa region (15.1 percent),

[5]According to UNCTAD World Investment Report 2006, FDI inflows comprise capital provided (either directly or through related enterprises) by a foreign direct investor to an FDI enterprise. FDI has three components: equity capital, re-invested earnings, and intra-company loans.

Table 1.3
FDI Inflows for Member Countries by Geographical Regions[1]

($ million)

Regions	2000-2002 (Annual Average)	2003-2005 (Annual Average)	2004	2005
North Africa	**3,709**	**6,285**	**4,394**	**10,433**
Algeria	872	866	882	1,081
Egypt	797	2,590	2,157	5,376
Libya	51	16	-354	261
Morocco	1,293	2,144	1,070	2,933
Tunisia	696	668	639	782
Sub-Saharan Africa	**3,713**	**6,470**	**5,717**	**7,929**
Benin	39	43	64	21
Burkina Faso	15	21	14	19
Cameroon	0	6	0	18
Chad	500	632	478	705
Comoros	1	1	0	1
Côte d' Ivoire	240	213	283	192
Djibouti	3	25	39	23
Gabon	-34	276	323	300
Gambia	41	8	2	24
Guinea	14	94	98	102
Guinea-Bissau	2	5	2	10
Mali	149	131	101	159
Mauritania	83	111	5	115
Mozambique	247	230	245	108
Niger	12	14	20	12
Nigeria	1,542	2,567	2,127	3,403
Senegal	58	61	77	54
Sierra Leone	17	19	26	27
Somalia	0	15	21	24
Sudan	560	1,722	1,511	2,305
Togo	53	47	59	49
Uganda	172	228	222	258
Middle East	**3,762**	**17,028**	**15,744**	**24,780**
Bahrain	220	810	865	1,049
Kuwait	-30	69	24	250
Iran	216	204	100	30
Iraq	-4	130	90	300
Jordan	342	873	651	1,532
Lebanon	1,250	2,444	1,899	2,573
Oman	66	468	200	715
Palestine	26	-3	-3	..
Qatar	390	1,098	1,199	1,469
Saudi Arabia	380	2,449	1,942	4,628
Syria	165	318	275	500
UAE	659	8,205	8,359	12,000
Yemen	81	-39	144	-266
Asia	**4,747**	**14,734**	**16,428**	**16,018**
Afghanistan	0	1	1	1
Azerbaijan	583	2,840	3,556	1,680
Bangladesh	421	501	460	692
Brunei	704	1,287	212	275
Indonesia	-2,461	2,186	1,896	5,260
Kazakhstan	2,236	2,648	4,113	1,738
Kyrgyzstan	2	89	175	47
Malaysia	2,515	3,688	4,624	3,967
Maldives	12	14	15	14
Pakistan	505	1,278	1,118	2,183
Tajikistan	23	113	272	54
Turkmenistan	132	49	-15	62
Uzbekistan	74	39	1	45
Europe	**1,985**	**5,013**	**3,169**	**9,941**
Albania	162	257	332	260
Turkey	1,824	4,757	2,837	9,681
South America	**-66**	**-24**	**-37**	**41**
Suriname	-66	-24	-37	41
IDB Countries	**17,851**	**49,507**	**45,414**	**69,143**
(IDB countries as % of World)	1.9	6.8	6.4	7.5
World	953,182	728,300	710,755	916,277
Developing Countries[2]	181,673	233,788	253,980	301,559
Developed Countries	724,731	432,332	396,145	542,312

Source: World Investment Report 2006.
[1]FDI inflows are recorded on net basis.
[2]Sum of developing countries is computed based on all reporting countries including South-East Europe and CIS countries and excluding China.
".." represents the negligible value or non-availability of data.

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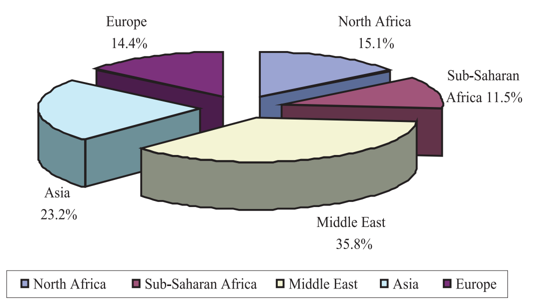
Chart 1.8
Regional Shares of FDI in IDB Member Countries



the Europe region (14.4 percent), and the Sub-Saharan Africa region (11.5 percent). Out of 56 member countries, 17 countries received more than $1 billion FDI flows while five countries attracted FDI flows of more than $4 billion in 2005.

With regard to various regions, the significant recovery of FDI flows to the Africa region was led by investment in natural resources. Higher price of minerals such as copper, diamond, gold and platinum, along with the consequent improved profitability of investment in natural resources, have attracted FDI in the African region, including Algeria, Egypt, Libya, Mauritania, Nigeria and Sudan.

In the Asian region, the privatization of public sector assets, regional trade integration, and industry level liberalization has contributed to a significant increase in FDI flows to large-scale projects in the automotive and the semi-conductor industries. Furthermore, the oil-related FDI flows to Azerbaijan and Kazakhstan are likely to taper off in coming years.

With regard to the Middle East region, high oil prices and consequently strong GDP growth were among the main factors that spurred FDI flows to the region. In addition, the regulatory regime was further liberalized, with an emphasis of privatization involving FDI, notably in the infrastructure sectors. These included water and power in Bahrain, Jordan, Oman, and the UAE; and transport and telecommunication in Jordan. Efforts by countries in the region to promote non-oil as well as real-estate investment also contributed to enhanced FDI flows.

2. Enhanced South-South FDI Flows

A significant emerging phenomenon is the strengthening of South-South based FDI flows, which according to the UNCTAD estimates, have expanded rapidly over the past 15 years. Total outflows from developing and transition economies increased from about $4 billion in 1985 to $61 billion in 2004, most of these being destined for other developing or transition economies. In fact, FDI among these economies increased from $2 billion in 1985 to $60 billion in 2004. During the period 2002-2004, the average annual intra-Asian FDI flows amounted to an estimated $48 billion. Interregional South-South FDI has primarily originated in Asia and been destined for Africa.[6]

There are an increasing number of enterprises in member countries who have strong "ownership advantages" and are now expanding their overseas investment. Such FDI outflows indicate that highly competitive enterprises in member countries are making overseas investment to assemble a portfolio of locational assets as a source of global competitiveness through the tapping of specialized innovations and skills in other countries. In 2005, FDI outflows from member countries increased from $13.4 billion in 2004 to $23.9 billion in 2005, higher by 79 percent over 2004. The share of FDI outflows of member countries in global FDI outflows increased from 0.3 percent in 2000 to 3.1 percent in 2005, implying that enterprises from member countries are becoming more global.

International Investment Conference for Azerbaijan sponsored by the Government of Azerbaijan and the IDB, and held in Baku, Azerbaijan on 7-10 November 2006. The Conference was inaugurated by H.E. Mr. Heydar Babayev, Minister of Economic Development and IDB Governor and the President of IDB Group. A total of 120 business persons and industrialists from 15 IDB member countyries attended the Conference along with 400 participants from Azerbaijan and participants from the Russian Federation and India.

Evaluating the regional performance of member countries, the Middle East region is becoming a significant source of FDI outflows due to surging liquidity and limited absorptive capacity within the region. In 2005, FDI outflows from the Middle East region were at the highest level at 62.2 percent of total FDI outflows from member countries followed by Asia. With regard to the performance of individual member

[6] World Investment Report 2006, UNCTAD

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countries, it appears that enterprises in the U.A.E., Kuwait, Saudi Arabia, and Bahrain are becoming significant outward direct investors. The U.A.E., with FDI outflows of $6.7 billion, was at the top in 2005. It is worth noting that enterprises from GCC countries typically invest in telecommunications, hotels, and real estate sectors.

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

IDB member countries need to be cognizant of the longer term issues and developments that affect their ability to address the challenges of economic development and social progress. In this context, developing countries, including member countries, face major perennial issues related to ensuring predictable flows of international development assistance and making adequate progress on the Doha Development Round. In addition, all stakeholders in member countries need to ensure that progress in achieving Millennium Development Goals (MDGs) remains on track so as to bring about the comprehensive human development of the people. In the context of emerging issues, policy makers in member countries need to focus attention on improving the access of the poor to financial services as well as in building institutions which leverage remittances for the socio-economic uplift of the poor. Besides targeted international development assistance towards poverty reduction programmes, urgent reforms in these two areas are imperative to give opportunities and means to the poor to better their lives on a longer term and sustainable basis.

1. Changing Composition of International Capital Flows to Developing Countries

Global development finance flows peaked in 2005. Net capital flows from official and private sources increased by 13 percent from $418 billion in 2004 to $472 billion in 2005. While net official lending (aid + debt) was negative, net flows of private capital to developing countries continued to grow for the third consecutive year, reaching $491 billion in 2005, much of it destined to middle–income countries that took advantage of the surge to improve their external debt profile and build official reserves of foreign exchange. By contrast, many low-income countries, particularly those in Sub-Saharan Africa, still have little or no access to international private capital, and instead depend largely on official finance from bilateral and multilateral creditors to support their development programmes.

Remittance flows have become important as they have out paced private capital flows and official development assistance (ODA) over the last decade. In 2005, remittance flows are estimated to have exceeded $233 billion worldwide, of which developing countries received $167 billion. Similarly, FDI flows to developing countries continued to grow in 2005, reaching a record level of $302 billion, or about 2.9 percent of aggregate GDP of the developing countries.

Net ODA increased by a record $27 billion in 2005, reaching $106.5 billion, almost 0.33 percent of gross national income (GNI) in donor countries. About two-thirds of the ODA increase is accounted for by debt relief grants provided to Iraq (nearly $14 billion) and Nigeria (about $5 billion). The share of debt relief in ODA has risen from an average of 3.7 percent in the 1990s to 6.6 percent during the period 2002-2004, followed by a sharp increase to 22 percent in 2005. This indicates that the donors have continued to shift their resources from concessional loans to grants, with the goal of limiting the rise in the debt burdens of aid recipients and thereby preventing a recurrence of lending/debt forgiveness cycles that have occurred over the past few decades. Net concessional lending from bilateral donors has averaged close to zero over the past five years (2001-2005), whereas in the early 1990s new lending exceeded repayments by about $6 billion on average.

Net resource flows (comprising net ODA, net other official, and net private flows) to member countries increased from $26 billion in 2000 to $44 billion in 2004 and then to $82 billion in 2005. There were eighteen member countries where the net resource flows exceeded $1 billion in 2005. Member countries which attracted a high volume of net resource flows during 2005 were as follows: Iraq - $15 billion, Turkey - $11.1 billion, and Indonesia - $8 billion. It may be noted that total ODA commitments to member countries increased from $20.4 billion in 2000 to $55.3 billion in 2005. The major beneficiary member countries of new ODA commitments in 2005 were as follows: Iraq - $19.1 billion, Nigeria - $6 billion, Indonesia - $3.9 billion, Afghanistan - $3.1 billion, and Sudan - $2.1 billion (Appendix VII - Table 6).

2. Future Prospects of the Doha Round Negotiations

The WTO Ministerial Conference, which was held in Hong Kong, China, in December 2005, established a timetable to complete the Doha Work Programme by the end of 2006. Most notable was the agreement to set 2013 as the date to end agricultural export subsidies as well as to complete a number of other important initiatives. After intense negotiations, members were deadlocked in reaching an agreement concluding the Doha Work Programme. Although significant efforts were exerted to achieve some consensus, due to differences among the major countries the negotiations could not proceed within the stipulated time period. Issues pertaining to agriculture and market access remained the major points of contention.

Progress on the Doha Work Programme cannot be achieved unless the major trading nations include a package of market access reforms to accommodate the interests of all countries. For example, the EU needs to lower its agriculture export subsidies and also offer bigger cuts in its farm tariffs; the US needs to substantially reduce their domestic support for agriculture; while major developing countries, on the other hand, need to show greater willingness to offer better market access opportunities in their industrial and service sectors. A successful conclusion of the Doha Work Programme has the potential to further accelerate the volume of global trade in goods and services.[7]

After a protracted suspension of the negotiations since July 2006, the soft revival of the Doha negotiations occurred on the sidelines of the World Economic Forum with a meeting of a select group of 30 trade ministers, which was held in Davos in January 2007. The trade ministers agreed to relaunch negotiations, spurred by the strong political will of the major trading countries, in order to achieve a successful outcome. With declared flexibilities, full fledged activities have commenced in different Negotiating Groups and, thereby restarting the multilateral process which at this stage involves agreeing to concrete modalities.

The IDB member countries of the WTO are actively involved in the various Negotiating Groups and have an inherent interest in ensuring that their trade and economic interests are safeguarded through the multilateral negotiating process. At a consultative meeting organized by the IDB in Geneva on 5 February 2007, while the member countries welcomed the soft resumption of the negotiations, they also emphasized the need for greater transparency and inclusiveness in the negotiating process. For its part, the IDB remains committed to supporting the active involvement of the member countries in the negotiating process through its Technical Assistance and Capacity Building Programmes.

[7]According to World Bank revised estimates (2005), global gains from the Doha Round negotiations would have been $96 billion in a likely Doha scenario, out of which gains for developing countries would be $16 billion.

3. Update on the Progress of the MDGs

Except for the Sub-Saharan region, the majority of the countries in other regions are on track to achieve the MDGs by 2015. Hunger, mainly caused by poverty, has declined in the developing countries but the overall progress has not been fast enough to reduce the number of people going hungry, which increased between 1995-1997 and 2001-2003. An estimated 824 million people in the developing world were affected by chronic hunger in 2003 though the worst-affected regions – Sub-Saharan Africa and Southern Asia – have made tentative progress in recent years.

According to the UNDP, progress towards achieving the MDG related to universal primary education has been uneven across different regions. Net enrolment ratios in primary education have increased to 86 percent in the developing world, ranging from 64 percent in Sub-Saharan Africa to 95 percent in Latin America and the Caribbean. Although Sub-Saharan region has made significant progress since 1990, in Burkina Faso, Djibouti, Mali and Niger, fewer than half the children of primary-school age are enrolled in school. South Asia, in contrast, has made major strides, especially over the period 1999-2004, when the enrolment rose from 72 to 89 percent. IDB member countries as a group recorded significant increase in primary education enrolment since 1990. Net primary school enrolment had increased from 76 percent in 1990 to 80 percent in 2004, though this was behind the 2004 target of 91 percent. With continued effort, member countries are likely to achieve this target of primary school enrolment.

Progress has also been made in MDG related to reducing child mortality; although the survival prospects have improved in every region, 10.5 million children died before their fifth birthday in 2004, mostly from preventable causes. The Sub-Saharan Africa region, with only 20 percent of the world's young children, accounted for half of the total deaths, a situation that has shown only a modest improvement. In contrast, child survival has improved markedly in South-Eastern and Eastern Asia and North Africa, where child mortality rates have declined by more than 3 percent annually. The mortality rate has been declining in member countries, particularly among the very young, such as under-5 and infants. For every 1,000 live births in member countries in 1990, 106 died before their fifth birthday. By 2004, the under-5 mortality rate in member countries declined to 87 per 1,000 live births though this was significantly behind the 2004 MDG target of 61 deaths per 1,000 live births. To achieve this target, combating child mortality in Sub-Saharan African member countries is a priority, where the under-5 mortality reached up to 283 deaths per 1,000 live births in 2004. In IDB member countries, the child immunization rate increased from 64 percent in 1990 to 75 percent in 2004, nearly achieving the MDG target of 78 percent in 2004.

One of the main challenges facing the developing countries is to halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. Between 1990 and 2004, sanitation coverage in the developing world increased from 35 to 50 percent. This meant that 1.2 billion people gained access to sanitation during this period. Another 300 million people would need to have been served to keep the world on track towards its 2015 target. The share of people using drinking water from improved sources has continued to rise in the developing world, reaching 79 percent in 2004, up from 71 percent in 1990, meaning the world is on track to reach its drinking water target. In line with this trend, the percentage of the population in IDB member countries with access to safe water also increased from 73 percent in 1990 to 77 percent, thus nearly achieving the MDG target for 2004. Meanwhile, the population with access to sanitation also increased to 59 percent in 2004 from 49 percent in 1990.

4. Access of the Poor to Financial Services

An important element of a well-functioning financial sector is the extent to which the poor have access to an array of financial services. Recent research has shown that legislation, institutional arrangements, and policies are needed to empower the poor, who are currently either under-served or excluded, to access affordable financial services such as payments, credit, deposit, and insurance services. Providing effective and affordable financial services to poor households and SMEs is important for engendering the pro-poor effect of economic growth and poverty reduction. For instance, it has been estimated that a 10 percent increase in financial development is likely to raise incomes of the poor by 4 percent while a 10 percent increase in the ratio of private credit to GDP is likely to reduce headcount poverty by 2.5 to 3 percentage points.

Large cross-country surveys by the World Bank have revealed significant obstacles which severely limit the access of the poor and the small and medium enterprises to financial services. In countries like Uganda and Nigeria, there is about one bank branch per 100,000 people while there are 14 deposit and 4 loan accounts per 1,000 people. In comparison, the number of bank branches in Iran, Indonesia, and Jordan ranges from 8 to 10 per 100,000 of the population.

Costs of opening and maintaining of bank accounts and non-interest costs of obtaining loans, such as documentation charges and collateral requirements, are examples of factors related to the affordability dimension of accessing financial services by the poor. In member countries, particularly in the Sub-Saharan Africa region, the minimum amount required to open a bank account ranges between 30 and 50 percent of GDP per capita. Maintaining such an account is costly as the charges typically exceed over 20 percent of GDP per capita.

Generally, evidence suggests that in developing countries, including member countries, relatively a large percentage of households tend to use informal financial institutions to save and borrow. Similarly, between one-fifth and one-half of small and medium enterprises complained about the lack of access to financing. Therefore, as a public good and an economic entitlement of the poor, there is a policy role to broaden access to affordable financial services.

In many member countries, issues related to ‘usage’ of financial services by the poor need to be integrated with ‘access’ to financial services. Despite having knowledge and access to financial services at market prices, a segment of the population in member countries is involuntarily excluded because the available financial services are not *Shari’ah*-compliant. In addition, progress has been made to successfully test *Shari’ah*-compliant microfinance products such as *kifala*, or mutual guarantee products that accommodate requirements of group lending, *takaful* or insurance services, *murabaha,* and *bai muajal* deferred sale contracts in member countries such as Bangladesh, Malaysia, Syria, and Yemen. During 1427H, the IDB has taken steps to integrate lessons learnt from such experiences and to initiate a programme of replicating *Shari’ah*-compliant microfinance facilities for the poor in member countries.

5. Leveraging Remittances for Development

International remittances sent by migrant workers have become the second most important source of external funding in developing countries. Beginning in 1998, the net official flows to developing countries stood at $61.1 billion, and then gradually declined to $21.6 billion in 2004 before turning negative $18.8 billion (i.e. net outflow) in 2005. In comparison, international remittances flowing to developing countries stood at $73 billion in 1998, which more than doubled to $167 billion in 2005. This surge in remittance flows represents an enormous transfer of resources from remittance-sending to remittance-recipient countries, most of which are low-income and the least developed countries.

Remittance flows to 41 IDB member countries for which the latest data is available almost doubled from $18.7 billion in 1990 to $37.8 billion in 2004, which constitutes almost a quarter of the total remittance flows to all developing countries. Although the relative importance of remittance flows in relation to ODA flows to member countries is declining, it stood at 140 percent of ODA flows in 2004. Therefore, remittance flows to member countries are a significant source of external funding. The top three remittance-recipient countries are Morocco, Pakistan, and Bangladesh, whose combined share in 2004 was about 31 percent of the total remittance flows to the 41 member countries. There were thirteen member countries with remittance flows exceeding US$1 billion in 2004. For the period 2000 to 2004, the ratio of remittances-GNI for 41 member countries averaged 2.5 percent, which is higher than the average for all developing countries as a group, estimated at 1.7 percent but lower than the average for low-income countries at 3.4 percent. In 2004, the following member countries had remittance-GNI ratios in double-digit: Jordan – 19.5 percent; Lebanon – 13.1 percent; Tajikistan – 12.6 percent; Albania – 11.5 percent; and Yemen – 10.9 percent. Therefore, remittances as non-debt creating inflows are an important source of external funding, both for middle- and low-income member countries. However, at the same time, relatively large remittance inflows pose challenges to macroeconomic management and vulnerability.

Unlike other major categories of external flows such as the official development assistance, including multilateral assistance, foreign direct investment, and foreign borrowings, remittances flows to enhance pro-poor growth effects have not been fully integrated into the national development strategies of the IDB member countries. Typically, enhancing the flow of remittances is seen as an issue that requires careful management of exchange rate policies so as to buoy up pressures on current account deficits. However, an important aspect of remittance flows is its significant poverty alleviation impact on the recipient poorest households. Various studies have quantified such an impact: estimates suggest that a 10 percentage point increase in the remittance-GDP ratio leads to a reduction in the poverty head-count ratio by 1.6 to 2 percentage point. For low-income households, there appears to be a high propensity to save and to invest in the education attainment of young household members. Such investment in human capital provides a trans-generational basis for long term development impact.

Globally, there are four major remittance corridors: the North and South Americas; the EU and North/West Africa; Southeast and East Asia; and the region stretching from North Africa to South Asia. The first three remittance corridors are well served in terms of supportive national policies and multilateral initiatives that aim to reduce migration, and cost of remittance transfers as well as forging a developmental impact of remittances at the local or grass-root level. However, the idea of using remittances as a development tool has not taken root in the remittance corridor stretching from North Africa to the South Asia regions, which also includes many member countries. In this stretch, besides all being member countries, almost $20 billion flows out annually as remittances from the GCC countries.

Another related aspect of remittance flows is its potential for strengthening inter-regional cooperation among member countries. In this context, so long as there is poverty and a lack of economic opportunities in home countries, there will always remain powerful economic incentives to migrant workers to move to neighbouring countries and regions. An eclectic approach will require an effective inter-regional collaboration based on encouraging migrant workers to remit their savings through 'home town associations' and provide advisory extension services for the start-up of small enterprises, which will then result in stemming the flow of migrant workers as well as assisting the goal of increasing participation of nationals in the workforce.

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Annex Table 1.1
Trade and Intra-Trade of IDB Member Countries

($ million)

	Countries	Exports 2005				Imports 2005			
		Intra-IDB MCs (a)	IDB MCs to World (b)	% of World (a/b)	Intra-IDB Annual % change	Intra-IDB MCs (a)	IDB MCs to World (b)	% of World (a/b)	Intra-IDB Annual % change
1	Afghanistan	78.8	239.7	32.9	8.7	1,613.2	3,034.7	53.2	46.8
2	Albania	12.2	658.5	1.8	2.9	227.1	2,621.6	8.7	19.5
3	Algeria	2,580.8	43,478.4	5.9	36.0	2,119.9	23,313.9	9.1	10.5
4	Azerbaijan	904.5	4,347.2	20.8	29.1	927.8	4,209.6	22.0	4.1
5	Bahrain	2,086.1	15,905.8	13.1	30.8	3,260.7	7,107.6	45.9	24.5
6	Bangladesh	328.4	8,494.4	3.9	25.5	2,930.0	13,850.9	21.2	33.0
7	Benin	113.3	300.4	37.7	26.0	224.6	892.9	25.2	6.6
8	Brunei	1,105.2	5,633.0	19.6	288.9	444.5	1,669.1	26.6	11.6
9	Burkina Faso	49.9	376.0	13.3	-36.4	427.0	1,089.6	39.2	18.1
10	Cameroon	338.1	3,622.1	9.3	5.2	540.9	2,540.0	21.3	20.8
11	Chad	5.0	1,840.3	0.3	27.4	136.1	486.4	28.0	11.8
12	Comoros	1.5	24.2	6.1	-22.1	25.0	131.5	19.0	21.6
13	Côte d'Ivoire	1,855.7	7,251.0	25.6	13.3	1,844.4	5,872.9	31.4	33.4
14	Djibouti	201.3	275.1	73.1	11.2	403.7	1,207.6	33.4	27.6
15	Egypt	4,009.1	15,467.4	25.9	36.7	5,088.3	33,159.7	15.3	24.2
16	Gabon	99.5	5,102.2	2.0	12.3	173.4	1,696.3	10.2	15.5
17	Gambia	5.5	38.6	14.2	27.2	210.9	638.8	33.0	19.8
18	Guinea	53.6	1,328.0	4.0	683.2	253.2	1,871.5	13.5	4.9
19	Guinea-Bissau	21.1	113.5	18.6	28.1	57.9	213.0	27.2	24.4
20	Indonesia	8,339.6	85,622.6	9.7	20.8	9,366.8	57,699.9	16.2	21.3
21	Iran	6,526.5	55,345.0	11.8	60.4	9,689.7	43,685.5	22.2	21.7
22	Iraq	1,064.2	17,654.1	6.0	-7.0	7,420.2	12,973.1	57.2	26.0
23	Jordan	1,969.0	4,300.6	45.8	23.3	4,085.2	10,497.2	38.9	26.5
24	Kazakhstan	2,475.9	23,557.0	10.5	29.7	1,129.6	20,235.3	5.6	25.3
25	Kuwait	5,030.9	35,250.1	14.3	40.3	3,170.7	15,378.6	20.6	20.4
26	Kyrgyz Republic	423.8	708.3	59.8	20.8	459.4	2,215.7	20.7	15.7
27	Lebanon	1,529.0	2,169.7	70.5	18.3	2,482.4	9,667.6	25.7	14.1
28	Libya	2,982.2	28,794.8	10.4	36.4	1,533.9	8,702.7	17.6	16.5
29	Malaysia	10,081.2	140,977.0	7.2	9.6	8,418.0	113,609.0	7.4	17.0
30	Maldives	0.6	98.7	0.6	-62.6	214.3	744.9	28.8	21.2
31	Mali	43.0	247.0	17.4	-38.6	541.5	2,060.5	26.3	16.7
32	Mauritania	146.0	933.4	15.6	17.1	175.7	1,364.2	12.9	9.7
33	Morocco	843.9	10,643.0	7.9	26.9	3,542.7	20,336.2	17.4	30.3
34	Mozambique	17.5	1,745.3	1.0	0.1	99.3	2,466.6	4.0	33.2
35	Niger	71.0	297.9	23.8	15.8	240.0	829.0	29.0	27.1
36	Nigeria	3,509.3	43,499.0	8.1	19.9	2,099.8	24,414.5	8.6	8.0
37	Oman	3,122.4	17,372.0	18.0	32.8	3,240.4	9,657.7	33.6	23.8
38	Pakistan	4,366.4	16,046.0	27.2	32.1	9,698.7	25,410.0	38.2	27.4
39	Palestine	-	-	-	-	-	-	-	-
40	Qatar	1,831.0	26,080.9	7.0	33.7	1,953.7	10,475.3	18.7	29.7
41	Saudi Arabia	24,894.0	156,806.0	15.9	39.6	7,669.0	59,509.4	12.9	23.7
42	Senegal	592.9	1,443.5	41.1	22.3	718.9	3,215.3	22.4	12.6
43	Sierra Leone	5.2	195.4	2.6	115.9	124.0	609.6	20.3	23.4
44	Somalia	224.3	248.9	90.1	36.1	334.1	671.1	49.8	20.7
45	Sudan	470.7	4,821.8	9.8	-9.0	2,238.0	6,670.5	33.6	41.3
46	Suriname	70.6	944.0	7.5	27.6	8.1	915.1	0.9	3.9
47	Syria	6,410.8	10,309.5	62.2	-36.5	7,423.3	16,465.6	45.1	-16.8
48	Tajikistan	283.5	908.7	31.2	9.2	594.0	1,330.0	44.7	8.4
49	Togo	190.5	364.1	52.3	-8.4	116.3	589.6	19.7	-15.9
50	Tunisia	1,168.0	9,982.1	11.7	32.2	1,519.4	14,480.0	10.5	15.2
51	Turkey	13,055.8	73,451.3	17.8	28.1	14,441.6	116,562.0	12.4	26.7
52	Turkmenistan	1,642.6	5,673.9	29.0	28.4	1,164.4	2,709.0	43.0	22.1
53	Uganda	83.1	780.4	10.6	45.6	208.6	1,647.5	12.7	20.7
54	U.A.E.	15,883.9	93,966.0	16.9	37.0	12,649.6	99,087.6	12.8	23.5
55	Uzbekistan	1,101.2	3,448.9	31.9	24.5	559.2	3,554.6	15.7	8.9
56	Yemen	608.5	5,606.3	10.9	61.1	2,286.0	4,799.8	47.6	22.6
	Total	**134,908.3**	**994,788.8**	**13.6**	**24.7**	**142,525.3**	**830,847.6**	**17.2**	**27.2**

Source: IMF, Direction of Trade Statistics, CD-ROM, October 2006.

Annex Table 1.2
FDI Outflows from IDB Member Countries[1]

($ million)

Regions	2000	2001	2002	2003	2004	2005
North Africa	**227**	**302**	**52**	**123**	**182**	**439**
Algeria	18	9	100	14	258	23
Egypt	51	12	28	21	159	92
Libya	98	175	-136	63	-271	138
Morocco	60	100	54	20	32	174
Tunisia	0	6	7	5	4	13
Sub-saharan Africa	**176**	**133**	**195**	**176**	**241**	**200**
Benin	4	2	1	0	-1	0
Burkina Faso	0	1	2	2	-9	-3
Cameroon	-12	29	7	36	..	..
Chad	0	0	0	0	..	..
Comoros	..	..	..	..	..	..
Côte d' Ivoire	8	-5	-4	23	-26	-4
Djibouti	0	0	0	0	0	0
Gabon	25	4	-32	-57	5	-28
Gambia	5	5	5	7	10	13
Guinea	..	5	7	..	..	..
Guinea-Bissau	..	0	1	1	-8	-4
Mali	4	17	2	1	1	2
Mauritania	1	..	..	-1	..	..
Mozambique	0	0	0	0	0	..
Niger	-1	-4	-2	0	7	3
Nigeria	169	94	172	167	261	200
Senegal	1	-7	34	3	13	30
Sierra Leone	..	..	..	..	..	..
Somalia	0	0	0	0	0	0
Sudan	0	0	0	0	0	0
Togo	0	-7	2	-6	-13	-10
Uganda	-28	..	..	..	..	..
Middle East	**612**	**-1,733**	**694**	**-2,740**	**6,568**	**14,864**
Bahrain	10	216	190	741	1,036	1,123
Kuwait	-303	-1,915	-76	-4,962	2,528	4,709
Iran	21	-26	39	-356	19	76
Iraq	0	0	0	0	0	0
Jordan	2	6	0	0	0	0
Lebanon	108	1	0	611	827	715
Oman	-1	..	..	153	250	44
Palestine	213	380	..	..	..	..
Qatar	18	17	-21	-2	192	352
Saudi Arabia	126	-612	143	83	709	1,183
Syria	0	0	0	0	0	0
UAE	429	201	407	991	1,007	6,661
Yemen	-10	-1	11	..	..	..
Asia	**2,219**	**446**	**2,894**	**2,297**	**5,505**	**7,328**
Afghanistan	0	0	0	0	0	0
Azerbaijan	1	12	326	933	1,205	1,221
Bangladesh	2	21	4	6	6	10
Brunei	20	9	24	76	4	..
Indonesia	150	125	182	15	3,408	3,065
Kazakhstan	4	-26	426	-121	-1,279	17
Kyrgyzstan	5	6	0	0	44	0
Malaysia	2,026	267	1,905	1,370	2,061	2,971
Maldives	0	0	0	0	0	0
Pakistan	11	31	28	19	56	44
Tajikistan	0	0	0	0	0	0
Turkmenistan	0	0	0	0	0	0
Uzbekistan	0	0	0	0	0	0
Europe	**876**	**497**	**175**	**499**	**859**	**1,078**
Albania	6	0	..	..	..	..
Turkey	870	497	175	499	859	1,078
South America	**0**	**0**	**0**	**0**	**0**	**0**
Suriname	0	0	0	0	0	0
IDB Countries	**4,111**	**-355**	**4,011**	**355**	**13,354**	**23,909**
World	**1,244,465**	**764,197**	**539,540**	**561,104**	**813,068**	**778,725**
Developing countries[2]	**146,028**	**72,526**	**51,910**	**46,450**	**125,001**	**121,213**
Developed countries	**1,097,521**	**684,786**	**485,111**	**514,806**	**686,262**	**646,206**

Source: World Investment Report 2006.

[1]FDI outflows are recorded on net basis..

[2]Sum of developing countries is computed based on all reporting countries including South-East Europe and CIS countries and excluding China.

“..” represents the negligible value or non-availability of data.

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2

FOSTERING ECONOMIC DEVELOPMENT

HIGHLIGHTS

- **Net Approvals of the IDB Group: ID3.5 billion ($5.2 billion)**
  - Project Financing from Ordinary Capital Resources: ID1,119 million ($1,636 million)
  - Project Financing by Affiliates and Funds: ID361 million ($538 million)
  - Technical Assistance: ID10.8 million ($15.9 million)
  - Trade Financing: ID2,006 million ($2,959 million)
  - Special Assistance Operations: ID12.6 million ($18.4 million)
- Co-financing by IDB: ID251 million ($368 million), or 22 percent of total project financing approvals
- Share of IDB Financing in Co-financed Projects: 20 percent
- LDMCs' Share in Total Loan Financing: 52 percent
- **Number of Approvals: 361**
  - 78 Projects financed from Ordinary Capital Resources
  - 41 Projects by Affiliates and Funds
  - 62 Technical Assistance Operations
  - 133 Trade Financing Operations
  - 47 Special Assistance Operations

Despite strong economic performance, formidable challenges still remain in the way to sustain growth in member countries and ensure greater opportunities for people to improve their social and economic conditions. Addressing these challenges requires sound and sustainable economic policies at the national level and well-targeted development assistance. The IDB Group and its development partners, especially multilateral development banks, have been working closely to improve the design, delivery and effectiveness of their assistance. Accordingly, the IDB Group continues to strengthen its focus on fostering economic development in member countries through development assistance.

I. REVIEW OF OPERATIONS, POLICIES AND INITIATIVES

1. Expanding IDB Group Development Assistance

In 1427H, IDB Group financing increased by 30 percent to ID3,508 million ($5,168 million) from ID2,665 million ($3,882 million) in 1426H[1]. This financing targeted 361 operations in 47 member countries and 15 non-member countries. Its breakdown shows that it included 78 project financing operations from Ordinary Capital Resources (OCR) totalling ID1,119 million ($1,636 million); 62 technical assistance operations worth ID11 million ($16 million); 41 project financing operations by affiliates and funds totalling ID361 million ($538 million); 133 trade financing operations amounting to ID2,006 million ($2,959 million); and 47 special assistance operations amounting to ID13 million ($18 million) [Table 2.1].

At the end of 1427H, the cumulative net approvals of the IDB Group reached ID34 billion ($46 billion). Of this amount, the share of project financing and technical

[1] Percentages in this section are calculated on the basis of ID values.

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Table 2.1
Net Financing of IDB Group by Major Categories

	1425H			1426H			1427H			1396H - 1427H		
	No.	ID million	$ million	No.	ID million	$ million	No.	ID million	$ million	No.	ID million	$ million
I. Project Financing from OCR *of which*:	145	913.0	1,333.5	129	930.6	1,363.7	140	1,129.4	1,652.0	1,869	10,178.1	13,816.5
Technical Assistance	54	13.3	19.2	49	9.6	14.1	62	10.8	15.9	589	162.3	214.4
II. Project Financing by Funds/Entities (UIF, IBP, APIF, ICD, & Treasury)	41	354.8	531.6	50	502.5	725.5	41	360.6	538.4	329	2,984.3	4,237.2
III. Total IDB Group Project Financing (I+II)	**186**	**1,267.8**	**1,865.1**	**179**	**1,433.1**	**2,089.2**	**181**	**1,490.0**	**2,190.4**	**2,198**	**13,162.4**	**18,053.6**
IV. Trade Financing Operations	138	1,884.8	2,799.5	94	1,223.2	1,780.6	133	2,005.6	2,958.7	1,945	20,254.1	27,200.3
V. Special Assistance	67	13.8	20.5	44	8.4	12.4	47	12.6	18.4	1,129	484.0	615.4
Total IDB Group Financing	**391**	**3,166.4**	**4,685.1**	**317**	**2,664.7**	**3,882.2**	**361**	**3,508.3**	**5,167.5**	**5,272**	**33,900.4**	**45,869.3**

assistance operations, and trade financing operations stood at 38.9 percent and 59.7 percent, respectively, while special assistance operations received 1.4 percent.

2. Adopting New Initiatives

A major new initiative implemented by the IDB in 1427H, following the decision of the Third Extraordinary Session of the OIC Summit, was the establishment of a special facility dedicated to fighting poverty in member countries (Box 2.1).

The year 1427H also witnessed the establishment of a new IDB subsidiary dedicated to trade financing, known as the International Islamic Trade Finance Corporation (ITFC). This new entity, endowed with an authorised capital of $3 billion, is expected to play an important role in promoting and facilitating intra-trade amongst member countries.

The war in Lebanon in 1427H (Summer 2006) prompted the IDB to provide a special assistance package worth $250 million for the reconstruction of the country. This package will focuss on restoring basic social services, such as healthcare and education, and reconstruction and rehabilitation of basic infrastructure for the provision of transport, power and water services. This package complemented the $500 million of IDB development assistance provided to Lebanon since the Taif Agreement, which ended the civil war.

Similarly, 1427H saw the IDB pledging around $200 million of assistance to Yemen over the four-year period 1428H-1431H (2007-2010) to support the implementation of the country's Third National Development Plan. This assistance will focus mainly on improving basic social services such as education and healthcare, vocational training, water supply and sanitation, power and transport services in rural areas, and private sector development.

Furthermore, following the outbreak of highly pathogenic Avian Influenza (Bird Flu), the IDB earmarked $103 million of combined loan and grant financing to assist affected member countries. In partnership with the FAO's Emergency Centre for Transboundary Animal Diseases (ECTAD), this financing aims at preventing and controlling the spread of Bird Flu.

II. DEVELOPMENT ASSISTANCE BY SECTOR AND REGION

1. Accelerating the Implementation of the IDB Strategic Plan

IDB assistance focuses on supporting the efforts of its member countries to fight poverty and achieve sustainable economic growth. Its Strategic Plan has identified, *inter alia*, human development, infrastructure development, and agricultural development and food security as priority sectors of intervention in member countries. In line with this Plan, the IDB has maintained its operational focus on these development areas.

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Box 2.1

IDB Establishes a Fund to Fight Poverty in Member Countries

The Third Extraordinary Session of the OIC Summit held in Makkah, Saudi Arabia, in late 1426H (2005) adopted a "**Ten-Year Programme of Action to Meet the Challenges Facing the Ummah in the 21st Century**". The Summit emphasized the need to mobilize resources from within the OIC membership to implement the Programme. One of the major tools underpinning the implementation of the Programme was the Summit's decision to set up a special fund within the IDB, as a clear expression of solidarity to help combat poverty; address institutional and productive capacity bottlenecks; and eradicate illiteracy, diseases and epidemics in OIC member countries—particularly in Africa. The establishment of this Fund was subsequently formalized at the 31st Annual Meeting of the IDB Board of Governors held in Kuwait in May 2006.

The Fund's targeted principal amount is $10 billion. Saudi Arabia and Kuwait have pledged initial contributions of $1 billion and $300 million, respectively, in addition to contributions from a further 20 member countries so far (end of March 2007). Some of the unique features of the Fund include the following:

- Being established on the basis of voluntary contributions by all member countries irrespective of their status in the development ladder (relatively richer countries are expected to contribute more).
- The Fund is a demonstration of the spirit of solidarity, "brotherhood" and South-South cooperation by IDB membership.
- It will tap into the non-conventional resources of *Zakat* and *Awqaf** to help fight poverty. To further enhance its catalytic role, the Fund will also attract resources from the private sector and Islamic banks.
- Many of the interventions will be at the community-level, necessitating a close working relationship with civil society organizations.
- The type of interventions will be dictated by a country's special needs and circumstances, in addition to the ongoing Poverty Reduction Strategy Papers (PRSPs).
- Taking into account the Islamic nature of IDB operations, the Fund will work according to the Islamic understanding of poverty, wherein the notion of well-being is inclusive of a healthy, comfortable and productive life. Stemming from these Islamic values and ethos, the Fund assistance will address all dimensions and forms of poverty, including lack of opportunities, capacities, security and empowerment.

The Fund is expected to be launched on the occasion of the 32nd Annual Meeting of the IDB Board of Governors to be held in Dakar, Senegal, in May 2007.

**Awqaf* (singular, *Waqf*) is an inalienable religious endowment and usually refers to assets that are donated, bequeathed or purchased for the purpose of being held in perpetual trust for a general or specific charitable cause that is socially beneficial. It is conceptually similar to the common law trust. Assets held as *Awqaf* have grown considerably over the centuries and have become an important institution dedicated to improving socio-economic welfare. *Awqaf* have traditionally targeted poverty reduction, disaster relief, shelter (e.g., orphanages), healthcare, education, culture and heritage, and environment. *Zakah* is 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*.

The year 1427H was the second year of the implementation of the IDB five-year operational plan. In order to support the implementation of this plan, the IDB has maintained its focus on portfolio quality improvement and has vigorously pursued the deployment and implementation of its new procurement guidelines aimed at improving the efficiency, transparency and equitability of its procurement process, while ensuring greater alignment with global best practices. The IDB has also deployed additional resources for project implementation supervision and follow-up, through enhanced field presence and dedicated follow-up field visits by IDB Headquarters and Regional Offices staff and Field Representatives. The year 1427H also witnessed a surge in the use of external technical expertise, especially in project preparatory activities in order to improve project quality and maturity. The IDB has further strengthened its focus on domestic capacity building in project formulation, policy-setting and implementation. The strengthening of domestic institutions is now widely recognized as an essential element in achieving development effectiveness.

In 1427H, total approvals for ordinary operations (project financing and technical assistance) increased by 13 percent, reaching ID1,129 million ($1,652 million), compared to ID931 million ($1,364 million) in 1426H[2]. Since inception, net cumulative approvals for project financing and technical assistance amounted to ID10,178 million ($13,817 million), covering 1,869

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[2]Percentages reported from this section onwards are calculated on the basis of $ values.

operations in 56 member countries. Of these, project financing accounted for 98.4 percent, or ID10,016 million ($13,602 million), while technical assistance operations accounted for 1.6 percent, or ID162 million ($214 million), covering 1,280 and 589 operations, respectively (Table 2.1).

2. Distribution of Approved Operations by Sector

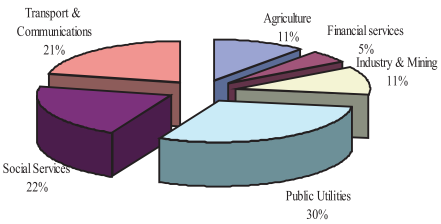
In 1427H, the breakdown of OCR financing shows that public utilities attracted 29 percent of IDB financing with ID329 million ($480 million), while the transport and communications sector received just over a quarter of IDB financing with ID306 million ($451 million) or 27 percent. About 22 percent of IDB financing was allocated to the social sector, which received ID252 million ($365 million). Industry attracted ID145 million ($216 million), or 13 percent, and agriculture received ID87 million ($126 million), or 8 percent, of the IDB's total financing. The remaining amount was allocated to equity financing in financial institutions.

Table 2.2 shows the sector distribution of IDB financing, while Chart 2.1 shows the cumulative sectoral distribution of approved projects and technical assistance operations.

Improving Power Services

Out of ID329 million ($480 million) committed to the public utilities sector, ID300 million was allocated to improving power infrastructure services. Around ID140 million ($204 million) was allocated to thermal power generation and, to a lesser degree, transmission and distribution projects in 8 member countries, including rural electrification projects worth ID42 million ($62

Chart 2.1
Sectoral Distribution of Projects and Technical Assistance from OCR (1396H-1427H)



million) in two member countries in Africa. Furthermore, a total amount of ID80 million ($117 million) was allocated to two hydropower projects in Asia, including the New Bong Escape Hydropower Project in Pakistan, a $150 million BOT scheme co-financed with the Asian Development Bank and other financiers (Box 2.2). A further ID80 million ($117 million) was allocated to the gas sector for two gas conveyance systems (gas pipelines) in Indonesia (Box 2.3) and Syria (Arab Gas Pipeline Project).

Cumulative approvals in the power sector had reached $2.7 billion by the end of 1427H. This assistance focused on power generation, transmission and distribution. Furthermore, the IDB has supported (regional) hydropower development, especially in Africa, including programmes along the Senegal, Niger and Gambia Rivers, which have attracted over $200 million. In the last three years alone, the IDB has committed around $1 billion for power generation, transmission and distribution projects. This assistance has targeted both green-field and brown-field projects, which have focused mainly on energy efficiency and emission control, through the conversion of existing power plants into combined cycle power generation

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

(in million)

	1425H			1426H			1427H			1396H-1427H		
Sector	**No.**	**ID**	**$**	**No.**	**ID**	**$**	**No.**	**ID**	**$**	**No.**	**ID**	**$**
Agriculture	12	59.1	85.3	14	60.1	88.8	19	87.2	126.5	321	1,142.4	1,527.7
Financial services	43	48.3	70.8	39	29.4	43.2	21	9.3	13.4	263	525.2	704.3
Industry & Mining	7	84.8	124.8	2	90.7	129.6	6	145.4	216.1	144	1,139.5	1,520.3
Public Utilities	21	288.0	422.4	23	422.0	615.7	26	328.7	480.3	312	3,010.0	4,139.4
Social Services	41	158.4	227.2	40	184.9	272.5	49	252.5	365.1	520	2,205.7	2,980.8
Transport & Communications	21	274.4	403.0	11	143.5	213.9	19	306.4	450.8	309	2,155.4	2,944.0
Total	**145**	**913.0**	**1,333.5**	**129**	**930.6**	**1,363.7**	**140**	**1,129.4**	**1,652.0**	**1,869**	**10,178.1**	**13,816.4**

Box 2.2

First Hydropower Public-Private Partnership in Pakistan Supported by IDB

In 1427H, the IDB concluded the financing of its debut BOOT (build-operate-own-transfer) scheme for a hydropower project. Based in Pakistan, the project, known as the New Bong Escape Hydropower Project, is estimated to cost $150 million.

Hydropower development is being encouraged by the Government of Pakistan and is considered vital to provide energy security and generate cheaper power, especially with the backdrop of rapidly escalating hydrocarbon prices. The Project is an 80 megawatt run-of-the-river plant located downstream of the Mangla Dam on the Jhelum River in Azad Jammu and Kashmir. The low-head hydropower project is environmentally friendly and does not involve any resettlement or displacement or the construction of a new dam. The power generated will be fed into the national grid and the electricity will be supplied to the nearby load centre. Generation of electricity is expected by the beginning of 2009.

The Project represents a number of landmarks for the IDB and the country. It will be the first large-scale private sector infrastructure project in Azad Jammu and Kashmir, and the first private sector co-financing arrangement between the Asian Development Bank (AsDB) and IDB.

The project company is a joint venture between Pakistan's Laraib Energy Limited and Ranhill Berhad from Malaysia. The Project, which is being constructed on a BOOT basis, is to be transferred to the Government of Azad Jammu and Kashmir at the end of a 25-year concession at nominal value. The financing is on a non-recourse basis which means that there are no government guarantees for loan repayments. Both the IDB and AsDB will each provide $37.3 million, while a consortium of local Pakistani banks will finance the remaining balance. A *Shari'ah*-compliant lease facility from the IDB will be utilized to finance the project plant and equipment.

systems, and the reduction of losses through upgraded transmission systems. It was against this backdrop that the IDB participated in 1427H in the elaboration of the World Bank-led "Clean Energy and Development Investment Framework".

Providing Sustainable Access to Water Supply and Sanitation Services

Water financing historically accounts for over 15 percent of IDB aggregate project financing approvals. The IDB has provided around $2.5 billion of assistance to 45 member countries through some 250 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. Around 20,000 water points were provided for rural communities in Africa. The IDB is also heavily involved in advocacy and policy-related activities in this sector through regional and global water forums and think-tanks, such as the World Water Forum (WWF), the World Water Council (WWC) and the Global Water Partnership (GWP). It is also a founding member of the newly established Arab Water Council (AWC) and a partner of the COMSTECH Inter-Islamic Network on Water Resources Development and Management (INWRDAM) and the African Ministers' Council on Water (AMCOW) [Box 2.4].

Despite the growing needs for investment in water infrastructure services in member countries, demand for IDB financing for water supply and sanitation projects declined sharply in 1427H with a total allocation of ID29 million ($42 million), compared to ID164 million ($239 million) in 1426H. This pause was probably due partly to the surge in demand for water financing witnessed persistently in the past few years. Moreover, a number of member countries have decelerated investment while restructuring this sector.

Box 2.3

Construction of South Sumatra-West Java Gas Pipeline in Indonesia

The rapid growth of Indonesian economy has fuelled demand for energy, including oil and gas. This, in turn has led the Government of Indonesia to develop new oil and gas fields and associated distribution systems. One of these is the South Sumatra-West Java Gas Pipeline Project. This Project includes the construction of a 660 km long gas pipeline linking South Sumatra, which has large gas reserves but limited local consumption, and West Java, which has limited gas reserves but is the largest consumer market for gas.

The Project, which is estimated to cost around $628 million, is sponsored by Perushan Negara Gas (PGN), the national gas company of Indonesia. It is being funded primarily by a consortium of multilateral and international banks, including the IDB, AsDB, KfW (German bilateral aid agency) and ING (a Dutch commercial bank). The IDB is providing $65 million in lease financing for the acquisition and construction of an onshore portion of around 100 km of this gas pipeline, which represents just over 10 percent of the total cost of the project. The AsDB is providing $75 million in debt financing, while the KfW and ING are providing $35 million and $50 million, respectively, towards the $500 million debt portion of this project, which has an 80/20 debt-equity ratio.

Box 2.4

IDB at the 4th World Water Forum

The Fourth World Water Forum (4WWF) was held in Mexico City on 16-22 March 2006 around the overarching theme of "*Local Actions for a Global Challenge*". The Forum is a triennial event co-organized by the World Water Council (WWC) and the host country. Previous forums were held in Marrakech (1997), the Hague (2000) and Kyoto (2003). The IDB has been associated with this event since its inception.

The Mexico Forum was a six-day event, which included a Ministerial Conference. The Forum focused on the following framework themes: (i) Water for Growth and Development, (ii) Implementing Integrated Water Resources Management, (iii) Water Supply and Sanitation for All, (iv) Water for Food and the Environment, and (v) Risk Management. In addition, each day opened with a Regional Plenary Session (Americas, Africa, Asia-Pacific, Europe and Middle East).

At the invitation of the Government of Mexico, the IDB supported the regional preparatory process for the Forum for Africa (in partnership with AMCOW and the African Development Bank) and the Middle East (in partnership with the Arab Water Council and the World Bank). The IDB was also involved in the Ministerial Conference. The IDB was also a member of the Global Task Force (GTF) on "Financing Water For All", which presented its findings at the Forum—the GTF was chaired by the OECD Secretary General. Furthermore, the IDB delivered three keynote addresses and co-hosted a number of topical sessions on (i) trans-boundary water management in Africa; (ii) water financing in Africa; (iii) non-conventional water resources; and (iv) Middle East Day.

Doubling Assistance to the Transport Sector

The IDB financing in the transport sector amounted to ID306 million ($451 million) in 1427H, which was mainly allocated to land transport projects, including road projects totalling ID281 million ($410 million) and, to a much lesser degree, railway projects amounting to ID27 million ($40 million). Out of the total amount committed for road projects around ID137 million ($200 million) targeted projects in 9 member countries in Sub-Saharan Africa. In addition, IDB is providing ID80 million towards the financing of a major road axis linking the cities of Fez and Taza in Morocco.

Cumulatively, IDB assistance in the transport sector (land, air and water transport) has totalled over $3 billion since its inception, with the largest share of 70 percent going to land transport, 20 percent to water transport, and 10 percent to air transport. At the end of 1427H, transport and communications accounted for 22 percent of active portfolio with around $1.6 billion. IDB intervention in this sector focused primarily on land transport, mainly road projects in land-locked member countries in Africa and Central Asia. Since its inception, the IDB has financed over 200 road projects. In Africa, most financed road projects focused on developing the East-West (Trans-Sahelian) and North-South (Trans-Saharan) land corridors in order to promote trade between member countries.

Focusing on Education

IDB intervention in the social sector targeted education, health and reconstruction projects in Indonesia and Pakistan. The education sector attracted ID127 million ($186 million), around half of the overall allocation to the social sector amounting to ID252 million ($365 million). An amount of ID97 million ($142 million), or 75 percent, targeted the construction of tertiary education facilities in Indonesia, Lebanon and Tunisia.

Historically, IDB assistance in the education sector has represented around 10 percent of its aggregate project financing approvals with $1.6 billion. However, the past few years have witnessed a stronger engagement in this sector, which now represents 15 percent of IDB active portfolio with $985 million. Furthermore, the IDB has allocated $300 million over a five-year period towards the implementation of the Bilingual Education Programme, in partnership with UNESCO, in least developed member countries (LDMCs) in Africa, in order to promote school enrolment.

Furthermore, over the past four years, the IDB has committed $390 million for the financing of 44 science and technology operations. It has also provided grant financing totalling $29 million, since 1996, for a groundbreaking regional programme known as the International Centre for Biosaline Agriculture (ICBA), an agricultural research organization, established by the IDB, dedicated to harnessing saline water resources for agricultural production. The ICBA is to refocus its programmes to better address water management issues.

Improving Healthcare Services and Training

In 1427H, the health sector received an allocation of ID51 million ($75 million), covering, *inter alia*, the construction of three hospitals in Indonesia, Jordan and Senegal. The IDB has designed an anti-malaria

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programme, in partnership with the WHO and the International Federation of the Red Cross and Red Crescent Societies (IFRCRCS), for its member countries in Africa. This initiative is part of the so-called "*Quick-Wins*" programme of the IDB 1440H Vision, a blueprint for its long-term objectives. Similarly, it is also considering up-scaling its blindness control programme in African member countries, following the success of its small-scale campaigns in Burkina Faso, Chad, Djibouti, Mali and Niger (Box 2.5).

IDB cumulative assistance in the health sector totalled around $1 billion, leading to the establishment of more than 2,700 primary healthcare units, close to 100 district/regional hospitals, and a number of specialist hospitals in 40 member countries. Currently, the health portfolio represents 7 percent of the active portfolio with around $440 million, covering 64 operations.

Supporting Victims of Natural Disasters

As part of the implementation of its special reconstruction assistance packages, the IDB provided $15 million and $80 million, respectively, to Indonesia and Pakistan, in 1427H in soft loan financing for the reconstruction of housing facilities for Tsunami and earthquake victims in these two countries (Box 2.6).

Supporting Food Security and Rural Development

The agriculture sector's share of IDB financing amounted to ID87 million ($126 million), targeting

Box 2.5

IDB Support for "Vision 2020—The Right to Sight" in Africa

More than 37 million people worldwide are blind. Every year, an additional 1-2 million persons go blind. Around 75 percent of this blindness is treatable and/or preventable and 90 percent of blind people actually live in the poorest parts of the developing world. If no action is taken to remedy this situation, the number of blind people could reach 75 million by 2020. In 1999, to address this global problem, the World Health Organisation, in partnership with the International Agency for the Prevention of Blindness, launched a global initiative known as "Vision 2020—The Right to Sight". The objective of this initiative is to eliminate avoidable blindness by the year 2020. A number of public and private organizations from IDB member countries are taking part in this global effort, including Nadi Al Bassar, a Tunisian NGO dedicated, *inter alia*, to preventing and treating blindness in Tunisia and developing countries, particularly in Sub-Saharan Africa.

In 2002, Nadi Al Bassar requested the IDB to participate in the financing of blindness control campaigns in some African member countries, where cataract is the leading cause of blindness, and ophthalmologists and trained eye medical staff are in short supply. This partnership between the IDB and Nadi Al Bassar have yielded, to date, seven blindness control campaigns in five IDB member countries, namely, Burkina Faso, Chad, Djibouti, Mali and Niger. In addition to performing medical examination and treatment, including surgery, the programme also provides capacity development and training to local medical staff to ensure the sustainability of the programme.

How does the programme work? the IDB funds the fielding out to the concerned member countries of the blindness control campaign team, which normally consists of 8-10 medical specialists, all of whom are members of the Nadi Al Bassar NGO. This team would normally perform around 300 to 400 cataract operations in a week free of charge. The members of the team, who are all volunteers, would also provide training to the local ophthalmologists and paramedical staff in the various procedures related to cataract surgery, preparation of patients, equipment operation and maintenance.

What did the programme achieve? Between 2002 and 2006, the IDB provided around $280,000 of assistance. During this period as many as 10,791 patients were examined in five countries; 2,335 patients, who suffered from cataract and were blind or partially blind, recovered their sight after surgery; 35 local medical technicians and ophthalmologists received training in their respective countries, and 8 ophthalmologists were sent on training abroad.

Construction of housing facilities for earthquake victims in Pakistan. The IDB has provided an assistance of $80 million.

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Box 2.6

Emergency Aid by IDB

According to the recently published "Natural Disaster Hotspots: A Global Risk Analysis", a report jointly prepared by the World Bank and Columbia University, as many as 29 IDB member countries are located in disaster-prone areas. In 2005, following the Indian Ocean Tsunami, the IDB earmarked a total of $500 million emergency assistance package to Indonesia, Maldives and Somalia, as well as three non-member countries, namely, India, Sri Lanka and Thailand. In late 2005, following the earthquake in Pakistan, the IDB earmarked an assistance package totalling $502 million to assist the Government in the reconstruction of areas affected by the earthquake. Moreover, in partnership with the UNDP, the IDB has provided special assistance in conflict-affected areas such as Palestine and Afghanistan.

Furthermore, in partnership with the Global Facility for Disaster Reduction and Recovery (GFDRR), an initiative spearheaded by the World Bank and the UN-ISDR (International Strategy for Disaster Reduction), the IDB is assisting its member countries in the implementation of the "Hyogo Framework", a blueprint for disaster reduction efforts for the period 2005-2015.

agriculture-and fisheries-related projects in 7 member countries. These projects included two fishery projects in Bangladesh and Indonesia, worth ID6 million ($9 million) and ID22 million ($32 million) respectively. The remaining ID58 million ($85 million) was focused primarily on agricultural development projects in Sub-Saharan African member countries, including Nigeria where the IDB is providing a ID21 million ($30 million) package for the National Programme for Food Security (Box 2.7). IDB assistance to the agriculture and agro-industry sector, in terms of percentage of total net approvals, has increased slightly from 6 percent in 1426H, to 8 percent in 1427H. This allocation is still below the 14 percent peak achieved in 1424H. However, it is fairly consistent with recent trends of ODA and government expenditure in the agriculture sector witnessed in the past few years.

Food security is one of the IDB's priority areas. Cumulative assistance in the agriculture sector totalled around $1.9 billion at the end of 1427H. It primarily targeted irrigation, agricultural production improvement and micro-credit schemes. Presently, the agriculture portfolio represents around 10 percent of its active portfolio with $690 million covering 87 operations. Cumulatively, the IDB has supported nearly 200 irrigation and land development projects with a total area of over 1 million hectares, benefiting tens of millions of people living in rural areas.

Box 2.7

IDB Support to Food Security in Nigeria

Following the resounding success of Nigeria's National Programme for Food Security (NPFS)-Phase I, a nationwide Government-funded programme launched in 2001 and completed in 2006 at a total cost of $67.5 million, the Government of Nigeria decided to upscale this Programme and solicit donor support to bring its expansion to fruition. The new Programme, known as the NPFS-Expansion Phase is estimated to cost around $364 million and is designed to support 6.5 million rural and peri-urban dwellers across the nation. The IDB is supporting this major programme and is providing $30 million of loan financing towards its implementation. This loan, which is the IDB's debut operation in Nigeria following the later's joining of the IDB in 2005, is to be used to finance an integrated support package mainly aimed at enhancing agricultural productivity through improved land use and water management, and capacity development in livestock management, including integrated aquaculture. The project will target rural communities in the States of Anambra in the south, and Gombe and Yobe in the North of the country. The agricultural component of the project is expected to benefit about 8,100 farm households, or some 61,000 rural dwellers, while the capacity development programme is expected to target around 580,000 rural dwellers, most of whom are poor.

Boosting Assistance to Industrial Sector

The year 1427H witnessed a sharp increase in IDB support to the industrial sector (such as manufacturing,

Within its emergency assistance package in Tsunami affected countries, the IDB extended a grant of an amount of $3 million for the construction of the "Islamic Solidarity School" for the orphans in Indonesia. The total cost of the project was $3.75 million. The school was completed and opened in July 2006.

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the extractive industry and the petrochemical industry), which attracted ID145 million ($216 million), or 13 percent of the financing compared to merely 6 percent registered in 1426H. This was partly due to IDB involvement in the financing of Saudi Basic Industries Corporation (SABIC) $5 billion Yansab Petrochemical Project. The IDB is participating with $100 million in the Islamic financing facility of this major petrochemical project, which aims at strengthening the market position of Saudi Arabia in the high value polymers products industry. The IDB has also been involved in expanding the car engine production capacity of Iran Khodro Company (IKCO), Iran's leading car manufacturer, by an additional 250,000 units per annum through a $63 million financing to be used for setting-up a new IKCO fuel-efficient, low-emission car engine production facility in Tehran.

Expanding Non-Sovereign Financing Programme

Having recognised the growing role of the private sector and sub-sovereign players such as state-owned-enterprises, municipalities and local governments in economic development and employment generation, the IDB is increasingly engaging these non-sovereign entities. In 1427H, no less than 20 percent, or $335 million, of total OCR project financing was extended to non-sovereign entities without any sovereign guarantee, thanks to innovative financing structures that mitigated risks and yielded satisfactory security packages. This financing targeted 6 projects, mainly in power infrastructure and manufacturing, in 5 IDB countries.

Doubling Support to Infrastructure Sector in Five Years

Investment in infrastructure development, particularly in rural areas, reduces poverty through higher growth in agricultural production and rural non-farm employment opportunities. IDB assistance in this sector has more than doubled over the last 5 years, from ID278 million ($354 million) in 1423H to ID635 million ($931 million) in 1427H. This assistance has mainly targeted power generation, transmission and distribution; water supply and sanitation; and the construction and expansion of road networks, particularly in member countries in Central Asia and Sub-Saharan Africa. Furthermore, the IDB has supported a number of rural electrification programmes aimed at providing access to basic services at affordable tariffs to rural populations (Box 2.8).

Box 2.8
IDB Support to Rural Electrification in Morocco

Electricity coverage in rural areas in Morocco is expected to jump from 21 percent to 92 percent between 1994 and the end of 2007. The national electricity company, Office National de Electricité (ONE), which has nationwide responsibility for the provision of power services, has made the provision of rural power services one of its top priorities and has subsequently developed a strong partnership with the IDB to achieve, in stages, its ambitious national rural electrification programme. This partnership has led the IDB to commit around $140 million of financing, targeting four projects over the period 2001-2005 for the provision of rural power services and power generation. In 2006, the IDB provided a further $56 million of combined loan and Istisna'a financing for the provision of electricity services to some 45,000 rural households in over 1,100 villages located in 13 provinces. Along with this new project, total IDB financing is expected to provide access to power services to over 180,000 rural households, or around 1.2 million inhabitants, in 3,600 villages, which represents about 10 percent of the national aggregate rural electrification target for the period 1996-2007.

The IDB extended a loan of an amount of ID9.3 million ($12.2 million) for the construction of the Gao Bridge in Mali. The bridge was completed in September 2006 and is expected to link the Trans Saharan Road to the national road network as well as roads coming from neighbouring member countries, i.e. Niger and Burkina Faso.

3. Regional Distribution of Projects and Technical Assistance in 1427H

Table 2.3 presents the regional distribution of IDB approvals in 1427H. During the year, IDB financing targeted 39 member countries and a number of regional and international organizations. These included 15 Asian member countries and 22 African member countries. Concessional financing approved for member countries in the Africa region totalled $246 million, while approvals for member countries in the Asia region reached $167 million. The share of member countries in Asia and Africa of the total amount approved for

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Table 2.3
Distribution of OCR Financing by Regions, 1427H

	No. of Operations	ID million	$ million	Share (%)
Concessional Financing				
African Countries	48	169.3	245.8	15.0
Asian Countries	23	115.0	166.5	10.2
Other Countries	3	6.1	8.7	0.5
Regional	28	1.3	1.9	0.1
Sub-total	**102**	**291.7**	**422.9**	**25.8**
Ordinary Financing				
African Countries	14	302.6	445.3	26.8
Asian Countries	24	535.2	783.8	47.4
Other Countries	-	-	-	-
Regional	-	-	-	-
Sub-total	**38**	**837.8**	**1,229.1**	**74.2**
Grand Total	**140**	**1,129.5**	**1,652.0**	**100.0**

project financing and technical assistance stood at 58 percent and 42 percent, respectively. In 1427H, overall IDB financing to member countries in the CIS region reached $95 million or 6 percent of the total amount approved for project financing and technical assistance.

In cumulative terms, aggregate commitments to member countries in Africa and Asia have reached $5,825 million (42 percent) and $7,205 million (52 percent), respectively, while the remaining 6 percent targeted member countries in Europe and Latin America and international and regional organizations.

III. DEVELOPMENT ASSISTANCE TO THE LEAST DEVELOPED MEMBER COUNTRIES

Out of the 32 countries classified by the United Nations as "low human development"[3], 17 are IDB least developed member countries (LDMCs)[4] . In many of these countries, more than half of the population still lives below the $1 a day income poverty line. Despite achieving substantial economic growth, in the past few years, LDMCs still face formidable development challenges. Along with the international development community, the IDB continues to support LDMCs' efforts to achieve the MDGs. IDB financing to LDMCs, which is highly concessional, focuses on addressing, in a balanced way, both the impact and the root-causes of poverty. In addition to providing project financing, the IDB also extends Technical Assistance for project preparation, capacity building in project formulation and supervision, and policy setting and implementation. Furthermore, under the Declaration on IDB Group Cooperation with Africa, adopted by the IDB Board of Governors in 1423H (2002), commonly known as the "Ouagadougou Declaration", the IDB Group committed $2 billion in financing over a five-year period in key sectors underpinning poverty alleviation and human development, and private sector development in Sub-Saharan African LDMCs. Moreover, the IDB is providing debt relief to a number of LDMCs in the framework of the HIPC Initiative.

1. Operations in LDMCs

In 1427H, LDMCs received 52 percent or $220 million of total concessional financing ($423 million), while, historically, they received more than 70 percent of cumulative concessional financing between 1396H and 1427H. This decline was primarily due to the need to allocate substantial concessional resources to support disaster recovery programmes in Pakistan and Indonesia and post-conflict assistance in Lebanon.

LDMCs received $3 million (17 percent) of the overall amount allocated for technical assistance ($16 million) in 1427H, while their historical share stood at around 60 percent. Despite this demand-driven decline in the allocation of technical assistance resources to LDMCs, the IDB remains fully committed to supporting capacity development and institutional building in LDMCs.

Project and technical assistance financing approved for LDMCs has totalled ID3,002 million ($4,065 million) since the IDB's inception up to the end of 1427H, representing 45 percent of aggregate financing approved for all types of operations for LDMCs (Table 2.4). However, the LDMCs' share of cumulative loan approvals represents 69 percent, with a total amount of ID2,000 million ($2,682 million).

Continuing to Live up to Ouagadougou Commitment

Progress in the implementation of the Ouagadougou

[3]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).

[4]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.

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Table 2.4
Net Approvals for LDMCs, 1427H and 1396H-1427H

Mode of Financing	1427H				1396H-1427H			
	No.	ID million	$ million	LDMCs Share (Percent)	No.	ID million	$ million	LDMCs Share (Percent)
Loan (Ordinary Resources)	24	137.6	199.5	51.2	397	1,999.7	2,682.2	68.8
LDMC's Loan	6	12.3	17.6	100.0	140	217.5	300.0	100.0
Equity	1	0.1	0.2	1.8	32	68.3	89.1	21.9
Leasing	4	117.2	171.9	35.4	31	361.3	508.8	14.3
Instalment Sale	1	4.4	6.5	4.0	23	138.9	196.5	8.2
Istisna'a	2	16.2	23.3	4.2	11	81.6	111.2	4.0
Profit Sharing	-	-	-	-	1	3.5	4.4	5.6
Technical Assistance	14	2.1	3.0	19.4	313	99.1	127.8	61.0
Line of Financing	1	10.1	15.0	100.0	6	31.9	45.1	12.4
Sub-total	**53**	**300.0**	**437.1**	**26.6**	**954**	**3,001.7**	**4,065.1**	**29.5**
Import Trade Financing Ops (ITFO)	19	554.9	814.1	38.7	255	3,582.4	4,776.9	22.5
Special Assistance (Waqf) Operations	10	1.3	1.9	1.9	255	205.7	250.9	63.8
Grand Total	**82**	**856.1**	**1,253.1**	**33.2**	**1,464**	**6,789.8**	**9,092.8**	**25.5**

Declaration continued satisfactorily in 1427H. During the fourth year of implementation of this five-year programme, the IDB Group approved a total of $492 million. Of this amount, $299 million targeted project financing and technical assistance operations, and $194 million was allocated to trade financing operations.

After four years of the implementation of the Declaration, the Bank Group has approved a total of $1,656 million for operations in LDMCs in Africa. This represents 83 percent of the $2 billion earmarked for the five-year period 1424-1428H (Table 2.5). Of this amount, 71 percent was allocated to project financing and technical assistance operations and 29 percent to trade financing.

2. Maintaining Participation in Multilateral Debt Relief

To reinforce its commitment to assist least developed countries to achieve the MDGs, particularly in the frica region, the international donor community endorsed the Multilateral Debt Relief Initiative (MDRI) in September 2005. The MDRI cancels the debt owed to the IDA, African Development Fund, and IMF. The modalities for implementing the MDRI have been developed, and debt relief under the terms of the Enhanced HIPC Initiative is being provided to eligible countries[5] .

Out of the 40 eligible HIPCs, 20 are IDB member countries. Of these, ten member countries, namely, Benin, Burkina Faso, Cameroon, Mali, Mauritania, Mozambique, Niger, Sierra Leone, Senegal and Uganda, have reached completion point. Four member countries, namely, Chad, Gambia, Guinea and Guinea Bissau are at decision point stage while another six member countries, namely, Comoros, Cote d'Ivoire, Kyrgyz Republic, Somalia, Sudan, and Togo are at the pre-decision stage.

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

The IDB has approved participation in HIPC debt relief

[5]Twenty-one countries have reached the "completion" point and are receiving irrevocable debt relief, while 9 countries have reached their "decision" points and are receiving interim relief. The total cost of the HIPC and MDRI Initiatives for the first 30 countries is estimated by the World Bank at $63 billion in 2005 net present value (NPV) terms if all creditors participate.

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Table 2.5
Ouagadougou Declaration:
Gross Approvals by IDB Group

($ million)

	1424H	1425H	1426H	1427H	1424H-1427H
Ordinary Operations	276.7	258.5	240.8	298.1	1,074.1
Concessional loans	192.5	155.1	179.4	174.3	701.2
Technical Assistance	6.4	8.8	6.7	1.9	23.8
Ordinary Financing	77.7	94.7	54.8	121.9	349.1
Other Project Financing (Entities and Fund	27.8	8.0	59.7	0.7	96.2
Sub-total Project Financing	**304.5**	**266.5**	**300.5**	**298.8**	**1,170.3**
Trade Operations	57.5	111.3	123.7	193.6	486.1
Grand Total	**361.9**	**377.8**	**424.2**	**492.4**	**1,656.4**

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

Country	NPV Date	IDB NPV* Share ($ million)	BED Approval
Benin	Dec. 1998	4.7	Yes
Burkina Faso	Dec. 1999	20.7	Yes
Cameroon	Jun. 1999	1.6	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

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

packages of all its member countries that have reached their decision points, except for Mozambique, where the IDB had no exposure at its decision point, and Guinea Bissau, where delivery of the IDB's share of debt relief is yet to be finalised. The IDB's debt relief packages have been implemented for Benin, Burkina Faso, Mauritania, Niger, Uganda, Mali and Senegal.

IV. PROMOTING PRIVATE SECTOR DEVELOPMENT AND PUBLIC-PRIVATE PARTNERSHIPS

Private sector investment, in terms of percentage of GDP, remains generally stagnant in member countries at around 16 percent. Private sector development covers a multitude of inter-related issues such as pursuing macroeconomic stability, improving the business environment through effective regulation and corporate governance, public-private partnerships, especially in the provision of infrastructure services, and the targeted privatization of state-owned enterprises. In this context, the IDB Group seeks to promote the growth of the private sector in member countries through the activities of the Islamic Corporation for the Development of Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and affiliates, namely the Islamic Banks Portfolio for Investment and Development (IBP) and the IDB Unit Investment Fund (UIF).

In addition, in order to stimulate public-private synergy for infrastructure development and poverty alleviation initiatives in member countries in 1422H (2001) the IDB launched the Infrastructure Fund and before that, in 1421H (2001), the Awqaf Properties Investment Fund (APIF).

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

During 1427H, ICD approved the financing of 17 new private sector operations totalling $129 million, which represents an increase of 5 percent over 1426H. ICD financing mainly supported private sector investment

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in the financial services, real estate and industrial sectors. Since it commenced operations in 1421H, ICD cumulatively approved 81 projects totalling $476 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 expand their export base and put in place a favourable environment for foreign direct investment (FDI) by providing export credit and political risk insurance. In line with its strategic plan adopted in 1425H, ICIEC is now providing risk cover for promoting the private sector in LDMCs. Overall, ICIEC continued to post growth in its operational activities. In 1427H, total new insurance commitments increased by 73 percent, compared to 1426H, reaching $1,399 million, while the actual business insured increased by 39 percent to $859 million. Aggregate insurance commitments for the period 1417-1427H totalled $3.76 billion, while total business insured over the same period stood at $2.28 billion at the end of 1427H.

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

IBP aims to mobilize resources and support in order to increase intra-trade among member countries. During 1427H, IBP financed 9 operations totalling $238 million, including 8 trade financing operations amounting to $203 million. Since its inception, IBP approved 264 operations worth $4,367 million, including syndicated financing initiated by the Portfolio.

4. IDB Unit Investment Fund (UIF)

UIF mobilizes resources through securitization of its lease and instalment sale assets and complements IDB project and trade financing operations. In order to strengthen regional capital markets, a policy decision was made in 1426H to allocate an amount of 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 facilities, UIF is encouraging institutional investors to actively trade units as principals rather than agents or brokers.

In 1427H, UIF financed 13 operations totalling $125 million. Cumulatively, UIF committed $1,830 million of financing for a total of 201 operations since it began operations in 1412H (1989).

5. IDB Infrastructure Fund

As a private investment vehicle dedicated to infrastructure development in member countries, the IDB Infrastructure Fund constitutes a prime example of public-private partnership for development. As at the end of 1427H, the Fund had committed a total amount of $774 million in 18 projects in 9 member countries. The Fund's investment has targeted primarily the power, petrochemical, telecom, transport and mining sectors, which together attracted around 95 percent of the Fund's commitments, while the remaining 5 percent targeted the oil and gas sector.

6. Awqaf Properties Investment Fund (APIF)

Awqaf organizations are not-for-profit entities that are established to oversee, promote, manage, or carry out activities, facilities, projects or properties that are founded as Awqaf. 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 desirable and economically feasible. In addition to its own capital resources of $57 million, the APIF has access to a $50 million IDB line of financing and a technical assistance pool of $250,000 to be utilised for supporting the expansion of APIF activities. In addition to using conventional *Shari'ah*-compliant modes of financing in 1426H, the APIF introduced, a new BOT product for

Under Awqaf Properties Investment Fund (APIF), the IDB provided financing of $5 million for the construction of Waqf building in Conakry, Guinea.This building was completed in 2006 and is used for both commercial and housing purposes. The income generated from this Waqf building will be used to develop the education sector in the country.

participation in real estate investment opportunities of charitable Awqaf organizations.

During 1427H, the APIF approved 25 operations totalling $121 million. Cumulatively, the APIF approved 59 operations in 20 member countries and 1 non-member country amounting to $300 million, around 80 percent of which was based on lease financing.

V. LEVERAGING DEVELOPMENT PARTNERSHIPS

Forging strategic partnerships and alliances with other development partners has been given a new impetus with the adoption of the IDB Group Strategic Framework in the 1440H Vision. The IDB continues to work closely with the Coordination Group[6], Islamic banks, national development finance institutions (NDFIs), multilateral and bilateral development institutions, United Nations agencies and civil organizations.

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 the IDB's catalytic role); sharing of knowledge, market intelligence and information; staff exchange; joint field visits; and joint advocacy and outreach activities such as hosting of workshops and symposia. Participation in consultative groups and roundtable meetings provides an opportunity to further strengthen dialogue and partnership among donors, governments, civil society and other stakeholders. The IDB is participating in the harmonization of policies, procedures and practices among 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.

During 1427H, the IDB strengthened its focus on building partnerships for development, in line with its strategic plan and vision. In doing so, it pursued greater engagement with the UN system. The IDB addressed the UN General Assembly in an informal thematic debate on development held in November 2006. It signed a new cooperation agreement with the UNDP in the framework of the MDGs. Similarly, it is refocusing its cooperation with a number of multilateral and bilateral donors, especially the African Development Bank (AfDB), with whom the IDB has recently signed a Memorandum of Understanding on technology-sharing; the Asian Development Bank (AsDB), and the Japan Bank for International Cooperation (JBIC). The drive for partnering was also clearly reflected in the volume of co-financed operations in 1427H, which reached $368 million, targeting eight projects in seven countries. This represents about 22 percent of the total amount approved by the IDB in 1427H, for project financing and technical assistance. Co-financiers in these projects included Coordination Group partners and multilateral institutions such as AsDB, European Investment Bank, the World Bank and the International Finance Corporation. As shown in Annex Table 2.1, during 1427H, the total cost of co-financed projects was $1,802 million, of which the IDB contributed 20 percent, while the contribution of other international financiers reached 44 percent of the total cost.

2. Co-financing with the Coordination Group

As a member of the Coordination Group, the IDB maintains 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 a possible inspiration for the current harmonization drive, which basically replicates this model on a global scale. 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 (e.g., procurement).

In 1427H, the IDB hosted the 60th Meeting of the Coordination Group to review on-going and planned joint activities in the member countries. Out of the eight operations co-financed with other donors, three were co-financed with members of the Coordination Group (the Arab Fund, Kuwait Fund and Saudi Fund), who, collectively, financed around $437 million (56 percent) of the total cost of these projects. The total amount of co-financing of the Coordination Group members represented 30 percent of the overall contribution of co-financiers.

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

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VI. ASSISTANCE FOR GLOBAL OUTREACH

In its development outreach strategy, the IDB Group seeks to enhance the social capital of Muslim communities living in non-member countries. The IDB 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 its inception, the Programme's assistance to Muslim communities in non-member countries has focused on developing and strengthening institutions involved in education, social and healthcare services 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 1427H, the IDB approved 47 community-based operations, totalling ID12.6 million ($18.4 million) from the IDB Waqf Fund (formerly known as the Special Assistance Account). Seventeen operations totalling $10.6 million were approved for 10 member countries and 30 operations amounting to $7.8 million were approved for Muslim communities and organizations in 15 non-member countries (Annex Table 2.2).

Cumulative approvals of Waqf Fund Special Assistance Programme show that by the end of 1427H, a total of $615.4 million had been approved for 1,129 operations and programmes, of which $404.3 million was approved for 439 operations in member countries and $211 million for 690 operations for Muslim communities and organizations in non-member countries (Annex Table 2.3).

VII. MANAGING FOR DEVELOPMENT EFFECTIVENESS

In partnership with other MDBs, the IDB has been supporting the efforts of member countries to increase the impact of its development assistance in terms of making meaningful progress towards poverty reduction goals and improving the socio-economic conditions of people. To achieve greater development impact, the core strategy of the IDB is to design projects that match the capacity of its member countries to implement them and sustain their activities into future. In this regard, the IDB focuses on two inter-related aspects to ensure that its development assistance leads to a discernable improvement in people's lives. Firstly, the post-evaluation of completed projects provides a key tool for learning lessons from past experience in order to improve the design of future development assistance. Secondly, the IDB constantly reviews its portfolio of on-going projects so as to ensure the timely implementation of approved operations and adherence to its implementation guidelines and safeguards.

1. Operations Evaluation

The IDB accords the highest importance to operations evaluation in order to draw meaningful lessons from past experience and, ultimately, improve future development assistance. Within this framework, the IDB conducts both ex-ante (on-going projects) and ex-post (completed projects) evaluation. Further areas of operations evaluation activities include Country Assistance Evaluation (CAE), sector and thematic studies, and impact evaluation.

Between 1411H and 1427H, a total of 329 operations have been evaluated by the IDB. These include 287 completed operations, 9 on-going projects, 19 special

The IDB extended a loan of $10.13 million for the Integrated Rural Development Project of Dubreka, Guinea. The project will be completed in July 2007 and will have an impact on food security, income and living condition.

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assistance operations, 5 CAEs, and 9 sector and thematic studies.

In 1427H, the IDB conducted 37 evaluations, including 26 post-evaluations of completed operations, one special evaluation of an on-going project, and two CAE studies for Senegal and Tajikistan. The sector-wise distribution of the 26 post-evaluated operations is: transport and communications (46 percent), public utilities (23 percent), health and education (19 percent), and agriculture (12 percent). Out of these 26 operations, 75 percent were rated successful or highly successful, while 25 percent were rated partly successful. Two CAE studies conducted for Senegal and Tajikistan were completed in 1427H and are highlighted in Box 2.9.

To enhance the effectiveness of evaluation activities, the IDB has established partnerships with MDBs and other donor agencies. In addition to information sharing, these partnerships are expected to enhance the IDB's capacity in high-level evaluations such as country assistance evaluation, sector and thematic evaluation, and impact evaluation.

2. Assessment of the Portfolio

In 1427H, the IDB continued to enhance its focus on project supervision and follow-up activities. This was achieved through:

(i) greater budgetary and staff resources for supervision activities;

(ii) appointment of field representatives to closely monitor project implementation;

(iii) improving the institutional capacity of executing agencies through the provision of capacity building assistance whenever warranted, and

(iv) review of internal procedures to improve efficiency.

The year 1427H witnessed a continued focus on improving the overall quality of the portfolio, as further efforts were exerted to speed up the implementation of approved operations and trim down the portfolio of projects that were eligible for cancellation. By the end of 1427H, the overall size of the active portfolio had reached 765 operations, amounting to ID5,363.2 million. Out of these, 474 operations (representing 62 percent of the total amount) were disbursing, while the remaining 291 operations (38 percent of the total amount) were at the pre-disbursement stage (Table 2.7).

Box 2.9
Country Assistance Evaluation (CAE) for Senegal and Tajikistan

CAE for Senegal

It shows that the IDB's assistance in the education sector of Senegal was in line with Government's efforts to boost the gross primary enrolment and reduce disparities across both regions and gender. The impact of the IDB financing in education has been mostly visible in Dakar, Thies, Ziguinchor, and Kolda where access to education has improved. The IDB has funded several health projects in Senegal, most notably in the poorest regions. It has to help Senegal extend water systems in rural areas and cope with the urgent need for reliable and low-cost power supply. The IDB's assistance in agriculture and rural development was in harmony with its several strategic goals mainly food security, agricultural development, and poverty alleviation.

The IDB's assistance (ordinary operations) to Senegal between 1979 and 2005 totalled ID266 million ($354 million) of which ID159 million was disbursed (60 percent). This assistance targeted 70 operations in the following sectors: (i) public utilities (32 percent); (ii) transport and communications (25 percent); (iii) agriculture (17 percent); (iv) social services (education and health) (16 percent); and (v) industry (8 percent). Furthermore, the IDB approved 20 import trade financing operations (ITFO), totalling ID135 million ($209 million), some 90 percent of which was disbursed. The ITFO focused mainly on the import of commodities such as crude oil, sulphur, soybeans oil, and sunflower seeds. Although the IDB's assistance to Senegal was in line with its strategic objectives, project implementation was relatively slow.

CAE for Tajikistan

It concludes that the IDB's assistance to Senegal has helped in achieving significant but uneven progress throughout the sectors. This assistance has contributed to stregthening social sectors (education and health) and building infrastructure (highways). The IDB supported highway project has provided a strategically important trading route that connects Tajikistan with China, thus offering Tajikistan, a landloked country, with access to sea ports. The IDB assistance in the social sector has helped improve education and health services. On the other hand, the IDB interventions in public utilities and agriculture are recent and have yet to be ascertained.

Between 1991 and 2006, the IDB's total commitments in Tajikistan reached ID79 million ($108 million) of which $42 million were disbursed. The IDB's development assistance to Tajikistan covered a number of sectors. While the IDB was generally effective in supporting the social sector (education and health) and the transport sector, it was less effective in improving public utilities and agricultural development, due to project implementation delays caused by the limited institutional capacity of the executing agencies.

Table 2.7
Evolution of the Portfolio

(ID million)

	1425H		1426H		1427H	
	No.	Amount	No.	Amount	No.	Amount
Active Portfolio	816	5,100.3	814	5,249.6	765	5,363.2
Disbursing	460	2,970.9	470	2,851.3	474	3,144.0
Non-Disbursing	356	2,129.4	344	2,398.4	291	2,219.2
(i) Unsigned	100	692.7	93	853.5	68	707.5
(ii) Signed but not declared effective	69	445.9	54	558.2	48	449.8
(iii) Effective but not disbursing	187	990.7	197	986.7	175	1,062.0
Completed Operations	821	3,517.9	933	4,109.7	1092	4,783.7
Cancelled Operations	213	1,431.5	233	1,690.3	272	2,049.6
Grand Total	1850	10,049.7	1980	11,049.6	2129	12,196.5

3. Boosting Disbursement Volume

In line with the current project portfolio quality improvement programme, a stronger focus was placed on quality-at-entry and the timely implementation of projects. This has resulted in the completion of 390 operations valued at ID1,854 million (representing around 35 percent of the active portfolio at the end of 1427H) between the beginning of 1425H and the end of 1427H, while 79 operations valued at ID833 million were cancelled over the same period. Moreover, the new project implementation guidelines, introduced in 1426H, for post-entry processing such as the signing of financing agreements, agreement effectiveness and first disbursement date have started to bear fruit and have focused attention on project implementation. As a result, disbursements from OCR increased by 34 percent from ID435 million in 1426H to ID584 million in 1427H, while the disbursement ratio[7] has grown from 14 percent in 1426H to 15 percent in 1427H. Furthermore, total disbursement volumes more than doubled between 1421H and 1427H.

[7]Amount disbursed during a year as percentage of amount available for disbursement at the beginning of that year.

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Annex Table 2.1
Project Co-Financed with other Institutions in 1427H

Country	Project Name	Mode	Total Cost in $ million	(ID million)	($ million)	Co-Financier Name	($ million)
Indonesia	Pgn. Gas Pipeline – Phase II of South Sumatra to West Java	Leasing	628.0	44.0	65.0	Asian Development Bank	75.0
Jordan	New Al-Zarqa Hospital	Loan/ Installment Sale	65.6	27.2	39.2	Saudi Fund for Development	20.0
Lebanon	Lebanese University, Tripoli Campus Mohammedia	Istisna'a	114.7	29.2	42.0	Saudi Fund for Development	15.0
Morocco	Thermal Power Plant Upgrade (Additional I)	Istisna'a	110.0	16.6	23.3	European Investment Bank	52.9
Morocco	Mohammedia Construct of Fes-Taza Segment	Istisna'a	598.3	80.0	119.2	Kuwait Fund for Arab Economic Development	67.4
						Arab Fund for Economic and Social Development	133.7
						European Investment Bank	305.5
Pakistan	New Bong Escape Hydropower Project	Leasing	149.2	25.2	37.3	Asian Development Bank	37.3
Senegal	Acquisition of a 60 MW Power Plant in Dakar	Leasing	59.7	18.2	27.2	West African Development Bank	12.2
Yemen	Power Sector Project	Loan	77.0	10.5	15.0	World Bank including: IDA and IFC	50.0

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Annex Table 2.2
Summary of Operations Approved from the IDB Special Assistance and Member Countries and for Muslim Communities in Non-Member Countries

(ID million)

	Member Countries			Muslim Communities in Non-Member Countries			Total		
	No.	ID	$	No.	ID	$	No.	ID	$
1399	1	0.70	0.90				1	0.70	0.90
1400	5	6.92	9.07	1	0.78	1.00	6	7.70	10.07
1401	3	1.96	2.25	5	3.30	4.00	8	5.25	6.25
1402	6	5.49	6.31	1	0.62	0.70	7	6.11	7.01
1403	3	3.05	3.65	3	3.09	3.35	6	6.14	7.00
1404	24	55.17	57.43	9	5.39	5.76	33	60.56	63.19
1405	9	19.01	22.36	21	9.59	10.72	30	28.60	33.07
1406	4	0.67	0.75	16	9.16	10.48	20	9.83	11.23
1407	9	5.71	7.07	8	3.62	4.44	17	9.33	11.52
1408	40	24.79	32.23	24	5.65	6.91	64	30.44	39.14
1409	11	24.07	28.24	23	6.28	8.02	34	30.35	36.27
1410	32	40.21	49.85	21	3.64	4.74	53	43.85	54.59
1411	34	23.80	30.10	25	4.34	5.62	59	28.14	35.73
1412	27	7.63	10.22	38	22.34	29.87	65	29.96	40.09
1413	16	11.57	15.82	18	2.58	3.56	34	14.14	19.38
1414	27	12.13	17.00	38	5.19	7.06	65	17.33	24.06
1415	9	1.06	1.50	27	4.14	5.92	36	5.20	7.42
1416	8	3.85	5.61	39	4.88	7.17	47	8.73	12.78
1417	10	9.14	12.90	27	3.70	5.25	37	12.84	18.15
1418	11	4.39	5.90	39	6.74	9.09	50	11.14	14.99
1419	24	3.30	4.55	38	6.31	8.69	62	9.61	13.24
1420	14	8.78	11.99	50	14.37	18.57	64	23.15	30.56
1421	14	7.97	10.91	25	4.43	5.83	39	12.40	16.74
1422	16	4.96	6.26	31	5.73	7.24	47	10.69	13.50
1423	12	5.71	7.69	28	4.42	5.88	40	10.13	13.56
1424	17	12.73	17.80	30	4.05	5.79	47	16.78	23.60
1425	26	7.18	10.64	41	6.64	9.87	67	13.82	20.51
1426	10	3.13	4.70	34	5.24	7.69	44	8.37	12.38
1427	17	7.31	10.61	30	5.33	7.82	47	12.64	18.43
Grand Total	**439**	**322.40**	**404.32**	**690**	**161.55**	**211.03**	**1129**	**483.95**	**615.35**

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Annex Table 2.3
Profile of Projects Approved during 1427H

(in million)

No.	Country	Project Name	Mode	Approval Date	Total Cost in	IDB Financing		Description
					$	ID	$	
1	Albania	Construction of Buna Bridge	Loan	28/05/2006	9.55	6.00	8.57	Securing uninterrupted flow of traffic, reducing vehicle operating cost, saving time and bringing about overall economic improvements through enhanced accessibility and mobility.
2	Azerbaijan	IDB International Investment Conference	T.A.	30/04/2006	0.56	0.20	0.27	Strengthening economic ties and trade cooperation and investment between OIC member countries and Azerbaijan.
3	Azerbaijan	Mingechaur Hydro Power Project (Phase-II)	Leasing	14/01/2007	105.00	55.00	80.00	Increasing the reliability of the country's electricity supply by adding power generation capacity to the existing Mingechaur Hydro Power Project.
4	Bahrain	Gulf Finance House (Additional II)	Equity	15/02/2006	0.09	0.04	0.09	Participating in the equity capital increase.
5	Bahrain	Replacement of Sitra Causeway Bridge	Istisnaa	28/05/2006	248.89	46.50	67.42	Enhancing the transport infrastructure network in Bahrain through construction of a modern link between Manama and Sitra island.
6	Bahrain	Marine Environment Geographic Information System (Phase-II)	T.A.	29/06/2006	0.41	0.15	0.21	Creating an on-line operational and comprehensive marine environment geographic information system which can be regularly updated and used as a decision making support tool.
7	Bahrain	International Islamic Rating Agency	Equity	19/08/2006	1.61	0.24	0.35	Participating in capital increase.
8	Bangladesh	Marine Fisheries Capacity Building	Loan / T.A	24/03/2006	12.79	6.69	9.57	Enhancing capacity building of the Department of Fisheries to monitor, control and undertake surveillance of marine fisheries resources.
9	Bangladesh	Feasibility Study for Construction of Bhola Power Plant	T.A.	19/12/2006	0.33	0.20	0.30	Enabling the government to conduct an in-depth feasibility study of the construction of the Bhola 150 MW combined cycle power plant and the associated transmission line to meet the growing demand for electric power in the Southern zone of Bangladesh.
10	Benin	Akpro Misserete-Bonou-Kpedekpo Road - Supplementary	Loan	03/07/2006	31.18	3.57	5.14	Improving socio-economic development in the Oueme and Zou provinces by decreasing transport costs.
11	Benin	Blindness Control Campaign	T.A.	01/11/2006	0.09	0.04	0.06	Enabling control blindness and restoring the sight of persons suffering and improving the skills of the local medical personnel in the field of ophthalmology.
12	Brunei	Human Capacity Building of Banking and Financing	T.A.	03/10/2006	0.49	0.20	0.30	Developing the expertise and skills in the areas of banking and finance by implementing a long term human capacity building strategy.
13	Burkina Faso	Integrated Rural Development of Debe Plain (Supplementary)	Loan	04/03/2006	11.35	0.50	0.70	Achieving food security and improving living conditions by developing sustainable production systems through irrigation, crop intensification and infrastructure development.

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14	Burkina Faso	Agricultural Development Project Downstream Small Dams	Loan / LDMC	28/05/2006	14.11	8.86	12.40	Promoting agricultural land development to increase production of food crops in the Eastern region to alleviate poverty, enhance food security and preserve the natural resources.
15	Burkina Faso	Samendeni Dam Project	Loan / LDMC	12/11/2006	130.01	9.31	13.78	Constructing an earth dam, a hydro-electric power plant, and development of 1500 ha agricultural land.
16	Burkina Faso	2nd Blindness Control Campaign	T.A.	19/01/2007	0.09	0.04	0.06	Restoring the sight of persons suffering from cataract and improving the skills of local medical personnel in the field of ophthalmology.
17	Cameroon	Basic Education Quality Improvement Pilot	Loan /T.A.	03/07/2006	12.52	7.13	10.40	Laying the foundation for basic education quality enhancement leading to reduction in repetition rate and increasing exam pass rate through training of teachers and supervisory staff, acquisition of books, provision of access to new information technologies.
18	Chad	Massaguet-Massakory Road Project	Loan	12/11/2006	29.95	7.00	10.31	Upgrading of 68 km road into a paved road and ensuring access of the poor to basic social services.
19	Cote d' Ivoire	Construction of Singrobo-Yamous Soukro Highway (Phase-II)	Istisnaa	14/01/2007	39.73	26.25	39.11	Improving the level of existing highways link between Abidjan, the economic capital of the country and its political and administration Capital Yamoussoukro.
20	Djibouti	Institutional C.B. of the Environment & Urbanism Sector	T.A.	18/04/2006	0.24	0.15	0.21	Supporting implementation of overall government housing and environment policy aimed at developing human resources and preserving and promoting environment quality.
21	Djibouti	Boulaos Thermal Power Plant Upgrade (Phase III)	Loan/ Istisna'a Sale	03/07/2006	11.89	6.69	9.93	Meeting increasing demand for electricity in the city of Djibouti and its suburbs by replacing an aging diesel-fired generator unit, in operation since 1976, by 7.45 MW new unit.
22	Djibouti	Blindness Control Campaign	T.A.	03/12/2006	0.09	0.04	0.06	Reducing avoidable blindness by restoring sight of persons suffering from cataract, and by improving the skills of the local medical personnel in the field of ophthalmology.
23	Egypt	Potable & Waste Water Connections to Households	Loan / T.A.	10/09/2006	13.29	7.11	10.18	Improving access of poor families to potable water and sewerage services and maximizing the economic and environmental benefits of under-utilized infrastructure investments made in the water and waste water sectors.
24	Gabon	Construction of the Ovan-Makoku Road	Istisnaa	12/11/2006	78.30	52.50	77.62	Improving the transfer of goods and services between rural areas and economic centers in East-central Gabon through the construction of a 98 km road linking Ovan to Makoku.
25	Gabon	Preliminary Eng. Design & Feasibility Study of the Mayumba Deep Water Port	T.A.	14/01/2007	5.74	2.50	3.72	Opening up the Nyanga province through a sea servicing, and making available imported products needed by the population.
26	Gambia	Arab Gambian Islamic Bank (Additional I)	Equity	27/02/2006	0.60	0.14	0.20	Participating in the capital increase.
27	Gambia	Lowland Development Project	Loan / LDMC	28/05/2006	12.71	7.60	10.70	Contributing to food security and alleviating poverty of population of Western division through development of lowland and upland.
28	Guinea	Construction of Labe-Kourmangi Road	Loan	03/07/2006	12.36	7.46	11.12	Upgrading the existing road section from an earth road to a modern paved road.

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29	Indonesia	Iain Ar-Raniry Unviversity Banda-Aceh (2004 Tsunami Program)	Istisnaa / I. Sale	09/04/2006	35.58	24.54	35.58	Restoring and upgrading the academic facilities of the higher education disrupted by the 2004 Tsunami and earthquake disaster.
30	Indonesia	North Sumatra University Hospital	Istisnaa / I.Sale	09/04/2006	39.40	22.64	32.60	Enhancing the healthcare system services by providing high quality healthcare services & catering to the teaching needs of the medical students of the university.
31	Indonesia	Islamic University of Alaudin Makassar	Istisnaa / I.Sale	03/07/2006	43.24	23.80	34.74	Upgrading and expanding academic and research facilities as well as curricula to impart quality education and advanced training in modern science faculties in addition to the traditional faculties of Islamic studies and *Shari'ah*.
32	Indonesia	Rehabilitation & Reconstruction of Simeulue Island Tsunami	Loan	17/07/2006	15.00	10.27	15.00	Improving the livelihood of the island inhabitants by providing basic and reliable medical, education and transport services.
33	Indonesia	Development of Belawan and Sibolga Fishing Ports Project (Tsunami)	Istisnaa / T.A.	13/08/2006	35.33	21.87	32.15	Providing improved port infrastructure (built to international standards), through upgrading and construction of ports facilities in two ports in North Sumatra by 2011.
34	Indonesia	PGN Gas Pipeline - Phase II of South Sumatra to West Java	Leasing	10/09/2006	628.00	44.00	65.00	Building a 610 km pipeline of gas transportation that will link gas production zones in Sumatra to consuming zones in Java.
35	Indonesia	Capacity Building of Biopesticide Production, Bioteck Center	T.A.	06/12/2006	0.35	0.20	0.29	Introducing biopesticide for the control of plant diseases with a view to strengthening food security and improving quality of life of farmers in Indonesia.
36	Indonesia	Rehabilitation of Agriculture Infrastructure in Nanggroe Aceh (Tsunami Financing)	Loan	14/01/2007	15.00	10.27	15.00	Helping the reconstruction and up gradation effort in the agricultural sector and improving the livelihood conditions of the inhabitants of the province by providing modern and more efficient irrigation techniques and integrated crop management.
37	Iran	Doubling of Tehran-Mashhad Railway Line (Supplementary)	I.Sale	10/04/2006	1.08	0.73	1.08	Providing supplementary financing for the project.
38	Iran	Iran and Internet	T.A.	27/04/2006	0.16	0.10	0.15	Studying the impact of the Internet on individual attitude and social/economic/political behavior and on the use of the media through a three-year in-depth investigation.
39	Iran	Power Transmission and Distribution System in Fars Province	Leasing	03/07/2006	97.45	29.52	43.09	Developing and optimizing power transmission and distribution system and ensuring optimal delivery of electricity to the demand centers in an efficient and effective manner.
40	Iran	Iran Foreign Investment Forum Seminar 2007	T.A.	29/08/2006	0.37	0.13	0.19	Attracting foreign direct investment by conducting the proposed Iran Foreign Investment Seminar - 2007.
41	Iran	Iran-Khodro Company (Phase-II)	Leasing	07/10/2006	234.48	42.87	63.38	Procurement of machinery & equipment to manufacture modern, fuel-efficient, low-emission automobile engines initially 250,000 p.a. and subsequently raising production to 500,000 engines annually.

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42	Iraq	Training Poor Girls & Women Head of Households in Kirkuk	T.A.	19/01/2007	0.13	0.04	0.06	Empowering poor girls and women and upgrading their household skills so as to help them find ways and means to alleviate their poverty.
43	Jordan	New Al-Zarqa Hospital	Loan / I.Sale	05/03/2006	65.60	27.20	39.20	Constructing a new 400-bed hospital building fully-equipped with state of the art medical facilities and information systems.
44	Lebanon	Eight Schools in Bekaa	Loan	05/03/2006	10.36	6.10	8.90	Constructing 8 new schools, including 81 classrooms and 60 laboratories/workshops, fully equipped with modern facilities, educational and pedagogical equipment.
45	Lebanon	Lebanese University, Tripoli Campus	Istisnaa	09/04/2006	114.66	29.22	42.00	Improving the quality of learning environment in the technical faculties through construction of buildings that are within the functional scope of the disciplines, equipped with the necessary modern equipments and materials.
46	Lebanon	Study/Design of the Greater Beirut Water Supply Scheme	T.A.	14/01/2007	5.00	2.98	4.50	Providing the Lebanese citizens with basic water needs (750,000m^3 day during the dry season), as water demand is increasing due to population growth,
47	Libya	Al-Zawia Combined Cycle Power Plant (Supplementary)	Leasing	03/09/2006	271.98	4.86	7.00	Satisfying the increasing demand for electricity by adding more power generation capacity to the plant.
48	Maldives	Upgrading the National Health Laboratory	T.A.	11/01/2007	0.28	0.18	0.26	Upgrading the equipment facilities of the national health lab. to enable it to monitor food and pharmaceutical quality and their safety.
49	Mali	Construction of Four Access Roads	Loan	03/07/2006	12.88	7.00	10.46	Improving the transfer of goods and services between major population centers and the other regions through the construction of 37.5 km of access roads linking the selected centers to the national paved road network.
50	Mali	Rural Electrification Project	Loan	03/07/2006	6.16	3.80	5.66	Constructing public lighting networks, including supply and erection of supporting poles and electric power transmission cable and accessories as well as provision and fixing of light bulbs and acquisition of three diesel electric generators.
51	Mauritania	Nouakchott Power Plant Expansion	Leasing / Loan	10/09/2006	20.36	11.65	16.58	Reducing acute electricity shortage through expansion of the capacity of the existing power generation station by acquiring 2 sets of 7-MW diesel generators, construction of 33/15-KV substation, construction of distribution power cable and associated civil works.
52	Morocco	Mohammedia Thermal Power Plant Upgrade (Additional I)	Istisnaa	04/03/2006	110.00	16.64	23.30	Satisfying the increasing demand of electric energy by enhancing the power plant's performance and improving its environmental impact by upgrading the coal-fired units 3 and 4 generating 150 MW each.
53	Morocco	Rural Electrification For Thirteen Provinces	Istisnaa / Loan	05/03/2006	67.62	38.90	56.35	Improving the standards of living of the rural population through delivering electrical energy from the national grid.
54	Morocco	Institutional Strengthening of the Bank Al-Maghrib	T.A.	30/08/2006	0.65	0.20	0.30	Supporting the reforms undertaken by the Bank Al-Maghrib which aims at strengthening the institutional capacity in terms of analyzing and formulating monetary policies, evaluating its financial and macro-economic impacts through development of an analytical macro-economic framework.
55	Morocco	Medicinal & Aromatic Plants Valorization Program	T.A.	19/11/2006	0.17	0.06	0.08	Improving the livelihoods of rural women through sustainable use, processing and marketing of medical and aromatic plants.

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56	Morocco	Blindless Control Campaign	T.A.	23/12/2006	0.08	0.03	0.04	Providing access for ophthalmologic services to the rural population and visually rehabilitate 400 persons suffering from cataract.
57	Morocco	Construction of Fes-Taza Segment	Istisnaa	14/01/2007	598.34	80.00	119.18	Improving the living standards of people and creating employment by supporting the country's economic development and, particularly, the tourist and agro-based industry sector.
58	Mozambique	Gurue-Magige Road	Loan	28/05/2006	11.83	7.34	10.56	Stimulating economic growth and contributing directly to the poverty reduction strategy program, which focuses on providing access to basic social services including health, education, and water supply.
59	Niger	Institutional Capacity of MSHRT	T.A.	15/03/2006	0.32	0.20	0.28	Increasing the institutional capacity of MSHRT for timely collection of data, statistical analysis and generating reports.
60	Niger	Goure-Djadjiri Road Reconstruction (Supplementary)	Loan	09/04/2006	15.32	2.50	3.60	Reconstructing of 148 km long existing Goure-Djajiri road which aims at reducing the transport costs and improving the level of service as well as road safety.
61	Niger	Franco-Arabic Lower Secondary Education Development	Loan / LDMC	09/04/2006	15.75	10.00	14.01	Enabling access to lower secondary education and enhancing quality.
62	Niger	Niamey Second Bridge Project	Loan	14/01/2007	32.27	7.00	10.40	Constructing a second bridge on Niger River in Niamey of about 500 m length and 8 kilometers of access roads to reduce the level of traffic congestion in Niamey, in general, and between the two banks of Niger river, in particular.
63	Niger	4th Blindness Control Campaign	T.A.	19/01/2007	0.10	0.05	0.07	Restoring the sight of persons suffering from cataract and improving the skills of local medical personnel in the field of ophthalmology.
64	Nigeria	National Program for Food Security-Expansion Phase Supplemantary	Loan	12/11/2006	37.18	20.70	30.00	Improving food security and reducing poverty in an economically and environmentally sustainable way through establishment of production/ demo sites in rural areas of high agriculture potentials.
65	Pakistan	Reconstruction of Housing for the Victims of 2005 Earthquake	Loan	28/05/2006	93.24	55.17	80.00	Reconstructing houses for victims of the earthquake in the selected union councils of Bagh district in Pakistan-administered Kashmir, and facilitating reconstruction and recovery efforts in the affected areas.
66	Pakistan	Railways Development (Phase-II)	I. Sale	28/05/2006	64.68	26.94	39.07	Improving the freight transportation by increasing freight handling and carrying capacity of the railway system.
67	Pakistan	Meezan Bank Ltd. (Additional III)	Equity	19/09/2006	8.96	1.23	1.82	Exercising preemptive rights by IDB in the paid up capital increase.
68	Pakistan	New Bong Escape Hydropower Project	Leasing	21/11/2006	149.20	25.23	37.30	Constructing and operating a low-head, 79 MW hydro electric power generating complex.
69	Palestine	Education Sector Support Project (Phase II)	Loan	07/02/2006	24.40	7.00	10.00	Improving the educational facilities by providing increased and equitable access to primary and secondary education through construction of 23 new schools, extension of 11 existing schools in different districts and providing them with necessary equipment and furniture.
70	Saudi Arabia	SABIC-Yansab Petrochemical Project	Leasing	06/06/2006	5,000.00	67.00	100.00	Capturing the high value sectors of polyethylene, polypropylene and ethylene glycol markets in Europe and Asia, by establishing a "state-of-the-art" world scale petrochemical complex with a highly competitive cost base.

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71	Saudi Arabia	KSA Strategic Planning Workshops	T.A.	11/12/2006	0.82	0.06	0.09	Producing a strategic plan that will initiate the process of transformation of KSA into a knowledge society shaped by its strategic interests.
72	Saudi Arabia	Training Poor Girls & Women Beautician, Al Qaseem	T.A.	19/01/2007	0.05	0.02	0.03	Empowering poor girls and women and providing them with ways and means to learn specific skills to earn their livelihood.
73	Senegal	Upgrading of Dakar Expressway	Istisnaa /Loan	28/05/2006	37.18	22.72	32.72	Improving the urban mobility in Dakar through upgrading the dual expressway Vdn (5.7 km) including the construction of 3 grade-separated inter-changes and related access roads.
74	Senegal	Dalal Jamm Hospital in Dakar	Loan / LDMC	03/07/2006	59.28	7.00	10.21	Contributing to the Ten-Year National Social Health Development Plan by modernizing and reinforcing present health facilities, particularly at the level of national referral hospitals, and providing health care in new fields.
75	Senegal	Acquisition of 60 MW Power Plant in Dakar	Leasing	14/01/2007	59.69	18.22	27.14	Acquisition of a 60 MW diesel power station and its installation on a turn-key basis to meet the demand for electricity.
76	Senegal	Additional Feasibility Studies for the Phosphate Mining Project in Matam	T.A.	14/01/2007	0.52	0.30	0.43	Preparing a bankable project proposal for the development of phosphate mining by the private sector in Matam region of Senegal.
77	Sierra Leone	C.B. of the Sierra Leone Road Transport Corp	T.A.	14/01/2007	0.46	0.29	0.42	Repairing and ensuring the sustainability of the fleet of buses supplied through IDB financing and improving the performance of the Corporation.
78	Sudan	Mobile Clinics	T.A.	29/10/2006	0.16	0.02	0.03	Providing the poor women and families in the remote rural areas of war torn Darfour with medical care.
79	Sudan	White Nile Sugar Project	Leasing	12/11/2006	421.48	35.00	52.00	Acquisition of plant & machinery to produce sugar both to fulfill domestic sugar demand and also enable export to key markets.
80	Sudan	Omdurman Islamic University Faculty of Engineering	Loan / LDMC	12/11/2006	15.93	9.71	14.17	Helping the government in its efforts to encourage entrepreneurship by producing well-trained engineers and technicians with the skills needed for the development of country's economy.
81	Sudan	C.B. of National Oilseed Production and Research Institute	T.A.	27/12/2006	0.43	0.20	0.29	Helping in enhancing the quality of applied research pertaining to the creation of superior breeds of the oil seeds with high oil content.
82	Sudan	Khartoum New Water Treatment Plant (Supplementary)	Istisnaa	14/01/2007	15.97	2.03	3.00	Supplying potable water for the region of Khartoum through the procurement and installation of water transmission system.
83	Syria	Al-Sham Bank	Equity	06/03/2006	96.00	6.08	8.70	Participating in the first Islamic Investment and Commercial Bank operating under the new regulation of the Central Bank of Syria.
84	Syria	The Arab Gas Pipeline Project	I. Sale	10/09/2006	163.35	35.00	51.70	Syrian part of the Arab Region Natural Gas Pipeline Network, which will use cheaper and environment leaner gas from Egypt instead of solid and liquid fuels for power generation, industrial and commercial sectors.

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85	Togo	Construction & Equipment of Health Centers (Supplementary)	Loan	02/04/2006	8.96	0.69	0.99	Supplementary financing to cover the gap of ID400,000 caused by the depreciation of the ID vis-a-vis the FCFA.
86	Togo	Rural Water Supply in the Regions of Kara and Savanes	Loan	10/09/2006	11.80	7.00	10.40	Increasing access to quality water supply and sanitation facilities to rural population.
87	Tunisia	Sidi Bouzid Higher Institute for Technological Studies	Istisnaa / Loan	03/07/2006	18.38	10.66	15.36	Expanding scientific and technological education and enhancing its quality and relevance in order to produce highly qualified technicians and mid-level managers in order to respond to market demands.
88	Tunisia	Institutional C.B. of the National Office of Sanitation	T.A.	18/07/2006	0.41	0.19	0.28	Building the institutional capacity by helping implement the master plan for upgrading the overall management information system.
89	Turkey	Community-Based Health Education and Prevention	T.A.	26/07/2006	0.12	0.03	0.04	Increasing the health awareness and status of the local community's maternal and general health, reducing infant morbidity and mortality, and improving the available health services for women, children and the elderly.
90	Turkey	Conference of Patent Offices of OIC Member Countries	T.A.	27/12/2006	0.10	0.05	0.07	Serving as a platform of co-operation where the member countries will have the opportunity to discuss the issues on institutional capacity building, information technologies and the role of the IDB in international trade.
91	U.A.E.	Training Young Men and Women to Start Small Business-Ajman	T.A.	09/01/2007	0.03	0.01538	0.02	Empowering young men and women to start their own small businesses.
92	Uzbekistan	Global Line of Financing to Three Banks for SMEs	Line	14/01/2007	15.00	10.07	15.00	Extending financing to small and medium enterprises in Uzbekistan through Asaka Bank, Ipoteka Bank and Uzpromstroy Bank.
93	Yemen	Power Sector Project	Loan	28/05/2006	77.00	10.50	15.00	Addressing the increasing demand for electricity and raising supply of electricity from the grid to cover 18 governorates.
94	Regional	International Conference on Coastal Oceanography, Malaysia	T.A.	01/02/2006	0.05	0.02	0.03	Understanding links between the critically important components of the ocean environment, marine aquaculture and sea farming activities and developing sustainable aquaculture industry in coastal zones.
95	Regional	4th Forum on Investing in Technoloy in the Arab Region	T.A.	07/02/2006	0.15	0.04	0.05	Building-up the momentum resulting from the first, second & third forums aiming to discuss the factors for creating an effective investment channel between investment community & technological development and focusing on issues that will foster an Arab venture capital industry actively engaged in the economic and technological development.
96	Regional	INOGE Workshop on the Development of Agriculture Biotechnology	T.A.	16/02/2006	0.04	0.03	0.04	Presenting latest developments in biotechnology and discussing technical, health, and ethical issues including *Shari'ah* compatibility and opportunities for scientific cooperation of OIC countries.
97	Regional	INWARDAM Regional Training Workshop on Water and Sanitation Sector	T.A.	10/03/2006	0.04	0.02	0.03	Providing a forum for participatory discussion and exchange of experiences on public-private partnership in sustainable management of water services by sharing of experiences among participants and providing guidance to stakeholders.

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98	Regional	15th International Conference on Higher Education Excellence-IAS	T.A.	14/03/2006	0.20	0.03	0.05	Discussing and formulating policy guidelines and programs conducive to a substantial improvement in the quality of higher education, scientific research and knowledge output of universities in OIC countries.
99	Regional	INTROM International Workshop Hybridoma Technology Applied to Tropical Diseases	T.A.	19/03/2006	0.03	0.01	0.02	Presenting state of-the-art developments in biotechnology applications to medicines and disseminating the knowledge and skills on hybridoma technology for application in tropical diseases.
100	Regional	IDB Prizes for Contribution of Women in Development	T.A.	20/03/2006	0.25	0.10	0.15	Recognizing, rewarding and encouraging accomplishment of outstanding merit in integrating women in the development process.
101	Regional	11th Scientific Conference of Arab Veterinary Doctors	T.A.	10/04/2006	0.08	0.03	0.04	Taking stock of the extent and impact of disease episodes in the Arab countries and working out a co-ordinated response thereto.
102	Regional	Workshop on Sandstorms and its Negative Impact on Health	T.A.	15/04/2006	0.02	0.01	0.02	Assessing and highlighting the negative impacts of sandstorms on health environment and economy, and initiating the promotion of scientific research on this subject.
103	Regional	3rd Meeting of the Panel for Eminent Women, Kuala Lumpur	T.A.	17/04/2006	0.14	0.10	0.14	Developing ways and means of involving women in IDB's ordinary operations, increasing IDB activities that directly benefit women and discussing outcome of IDB prize for women's contribution in development.
104	Regional	Summer Camp of Excellence in Science & Maths for High School	T.A.	11/06/2006	0.23	0.04	0.06	Providing talented female high school students with science and mathematics skills.
105	Regional	12th Asian Symposium on Medicinal Plants (XII)	T.A.	01/07/2006	0.16	0.02	0.03	Gathering an international and regional expertise to discuss protection management exploitation and processing of natural plants of the rain forest for the production of pharmaceuticals of high added value.
106	Regional	Workshop on Biosaline Agriculture for OIC Member Countries	T.A.	23/07/2006	0.03	0.02	0.03	Assessing current status of OIC countries in biosaline agriculture and formulating relevant policies in view of emerging challenges.
107	Regional	Apprenticeship For C.B. of OIC Member Countries in Biosaline Agriculture	T.A.	09/08/2006	0.03	0.02	0.03	Training four R&D junior scientists and technicians from Bangladesh, Burkina Faso, Senegal and Indonesia on biosaline agriculture technology by ICBA.
108	Regional	ISNET International Seminar on Space Technology Applications	T.A.	09/08/2006	0.06	0.02	0.02	Sharing knowledge and experience in application of technologies in disaster forecast, monitoring and mitigation, and exchanging views and information on new developments relating to disasters management.
109	Regional	International Pan-African Syposium on Innovation in Maths Teaching	T.A.	13/08/2006	0.12	0.03	0.04	Discussing and introducing innovative approaches and methodologies in the teaching of mathematics in Africa, introduction of ICT and changes in content and methods at B.Sc. M.Sc. and Phd. Levels.
110	Regional	Marine Resources Management Project	T.A.	10/09/2006	3.66	0.35	0.50	Improving management of fisheries in the Red Sea through training, institutional building and promoting regional policy dialogue.

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111	Regional	International Workshop on Coastal Water Management	T.A.	23/09/2006	0.05	0.02	0.03	Understanding the links between critically important factors of the ocean environment and marine resources.
112	Regional	Training in Leadership for Representatives of Youth NGOs	T.A.	08/10/2006	0.07	0.04	0.06	Strengthening the capacity of youth non-governmental organizations by providing their leading representatives with crucial knowledge and skills in management.
113	Regional	International Conference on ICT for the Muslim World	T.A.	15/10/2006	0.09	0.02	0.03	Integrating individual and group efforts to explore research areas in ICT related to Islam and disseminating results and applications to Muslim communities, adopting Islamic concepts in ICT, developing Islamic standards in various ICT fields and discussing ICT as an enabler in Islamic education.
114	Regional	1st International Conference of Arab Society for Medical Research	T.A.	16/10/2006	0.02	0.01	0.01	Organizing a collaborative scientific research strategy to combat endemic diseases, assessing health and social issues resulting from such endemic diseases and updating knowledge and exchange.
115	Regional	Study Visit in the Field of Cotton/Textile,West Africa	T.A.	17/10/2006	0.07	0.03	0.05	Equiping the businesswomen with knowledge particularly in terms of appropriate technology to be used and quality control of textile processing products that will enable them to improve their businesses experience.
116	Regional	Organizing the 2nd Round Negotiations of TPS-OIC	T.A.	01/11/2006	0.89	0.07	0.10	Supporting the 2nd round of negotiations that will aim at complementing the PRETAS with trade related issues such as rules of origin and tariff and non-tariff barriers in order to prepare the necessary ground for its implementation.
117	Regional	Regional Study On French/ Arabic Education	T.A.	21/11/2006	0.27	0.19	0.28	Carrying out a regional study that will highlight education policy options, and related strategies and activities for a customized development of French/Arabic teaching and learning in Burkina Faso, Guinea, Mali, and Senegal.
118	Regional	4th Symposium on the Prospects of Scientific R&D Technology in Arab World	T.A.	21/11/2006	0.06	0.04	0.06	Organized by the ASTF under the patronage of the President of Syrian Arab republic and attended by international S&T experts besides high ranking scientists and experts in the field of S&T in the Arab world.
119	Regional	1st Technical Meeting with Private Sector on OIC Ten-Year Programme of Action	T.A.	02/12/2006	0.03	0.02	0.03	Identifing quick-wins, i.e., S&T projects to be implemented within the coming 15 months with major financing from the private sector.
120	Regional	OIC Businesswomen Network	T.A.	06/12/2006	0.04	0.01	0.02	Supporting women entrepreneurs in OIC member countries in improving their businesses through providing PC, web designing data collection, etc.
121	Regional	International Conference on S&T (Aquaculture, Fisheries and Oceanography)	T.A.	17/01/2007	0.26	0.02	0.04	Assessing and benefiting from the latest scientific development in agriculture, oceanography, management of the fisheries and the environment for preservation of marine bio-diversity of the Arabian sea to foster fish farming as a base food for self-reliance.

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3

FORGING TRADE AND ECONOMIC COOPERATION

HIGHLIGHTS

Trade Financing Approvals

- Up to end of 1427H: ID20 billion ($27 billion)
- In 1427H: ID1.9 billion ($2.8 billion)
- Annual Growth: 56 percent between 1426H and 1427H

International Islamic Trade Finance Corporation (ITFC)

- Approval of Articles of Agreement in Jumad Awwal 1427H (May 2006)
- Inaugural Meeting of the General Assembly on 6 Safar 1428H (24 February 2007)

OIC Ten-Year Programme of Action

- Support IDB to establish a Special Fund for poverty alleviation
- Support substantial increase in IDB's Authorized, Subscribed and Paid-up Capital
- Achieve 20 percent intra-OIC trade

During 1427H, the IDB expanded its trade financing activities and undertook several initiatives to forge trade, financial and economic cooperation among member countries. In particular, the Inaugural Meeting of the General Assembly of the International Islamic Trade Finance Corporation (ITFC) was held and efforts were made to support the integration of member countries into the global trade system, and contribute to the implementation of the OIC Ten-Year Programme of Action.

I. ENHANCING TRADE FINANCING

1. Increasing Aggregate Trade Financing

Total trade financing approvals for 1427H amounted to ID1.9 billion ($2.8 billion), representing a growth of 56 percent over ID1.2 billion ($1.8 billion) recorded in the previous year (Table 3.1). This growth in trade financing approvals was mainly a result of the increased availability of funding from Ordinary Capital Resources, greater efforts to mobilize resources from the market, the strategic diversification of trade portfolio by extending financing to more countries, especially in Africa, and increasing product coverage. A particularly noteworthy fact is that IDB trade finance operations is in a transition phase, pending the commencement of business by ITFC. This trend in trade finance expansion and diversification is expected to further gain momentum under the new trade finance entity.

2. Expanding Import Trade Financing Operations (ITFO)

ITFO remains the most effective financing instrument used by IDB in the facilitation and promotion of intra-OIC trade. Under this financing arrangement, preference is granted to imports of raw materials and other intermediate goods originating from member

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Table 3.1
Net Trade Financing from 1397H to 1427H

(ID million)

Year (H)	ITFO*		EFS		IBP		UIF		TOTAL**	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Up to 1420H	942	9,173.9	130	324.6	101	1,065.7	32	134.7	1205	10,699.0
1421H	55	712.2	16	112.9	9	149.7	8	74.9	88	1,049.7
1422H	52	894.3	15	108.6	8	66.1	5	35.5	80	1,104.5
1423H	63	783.6	2	19.5	14	190.0	10	70.8	89	1,063.9
1424H	67	892.2	10	87.4	14	114.5	14	67.9	105	1,162.0
1425H	74	1,275.7	17	165.2	15	204.8	14	110.4	120	1,756.1
1426H	42	783.9	10	109.3	17	230.6	17	85.4	86	1,209.2
1427H	75	1,435.0	17	255.9	8	135.8	10	60.0	110	1,886.7
Net Approval	**1370**	**15,950.9**	**217**	**1,183.4**	**186**	**2,157.4**	**110**	**639.5**	**1883**	**19,931.1**

* Figures include operations under 2SMF and Syndication.
**. Figures exclude trade activities of ICD, APIF and Treasury Operations.

countries. A key guiding principle is the developmental content and impact of these goods.

Total ITFO approvals in 1427H were ID1.4 billion ($2.1 billion), compared to ID783.9 million ($1.1 billion) achieved in 1426H (Table 3.2). The main reasons behind the overall growth in approvals under various trade financing schemes were the increase in resource availability and the widening of geographical and product coverage. This emphasis will be maintained to ensure even greater access by more member countries.

As shown in Table 3.3, financing comprised 75 operations spread among beneficiaries in 21 member countries. Given the objective to promote intra-OIC trade, 88 percent of the approvals were in favour of imports from member countries. This shows an improvement in the intra-OIC trade approvals since 1423H as indicated in Table 3.4.

Member countries in the Asia region continued to be the leading beneficiaries of trade financing. In 1427H, financing to the Sub-Saharan Africa region grew by 63 percent reaching $191.1 million. This was the single largest annual growth in trade financing to this region since the launching of the Ouagadougou Declaration in 1423H (2002). Countries that benefited this year were Burkina Faso, Gambia, Mali, Nigeria, Senegal and Togo.

A notable change in the pattern of ITFO in 1427H was the relative increase in financing extended to beneficiaries in the private sector. Financing to the private sector

Table 3.2
Comparison of Trade Schemes by Net Approvals and Disbursements (1423H-1427H)

(in million)

Schemes/ Funds		1423H		1424H		1425H		1426H		1427H	
		Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
ITFO*	ID	783.6	725.2	892.2	719.2	1,275.7	1,149.9	783.9	917.8	1,435.0	795.2
	$	1,036.0	993.5	1,270.0	1,075.2	1,885.6	1,729.4	1,143.9	1,325.0	2,110.6	1,187.4
EFS	ID	19.5	41.0	87.4	40.4	165.2	125.6	109.3	183.5	255.9	72.0
	$	26.0	56.2	121.8	60.5	246.5	188.9	160.3	264.9	378.1	107.5
IBP	ID	190.0	41.0	114.5	25.0	204.8	59.4	230.6	23.7	135.8	12.5
	$	260.3	56.2	171.3	37.2	308.0	89.4	333.0	34.2	202.8	18.6
UIF	ID	70.8	81.0	67.9	83.0	110.4	66.0	85.4	83.8	60.0	69.6
	$	97.0	111.0	101.5	124.1	166.0	99.3	123.3	121.0	89.6	103.9
Total	**ID**	**1,063.9**	**888.2**	**1,162.0**	**867.7**	**1,756.1**	**1,400.9**	**1,209.2**	**1,208.8**	**1,886.7**	**949.2**
	$	**1,419.3**	**1,216.8**	**1,664.5**	**1,297.0**	**2,606.1**	**2,107.0**	**1,760.4**	**1,745.1**	**2,781.1**	**1,417.5**

* Figures include disbursements for 2SMF and Syndication.

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Table 3.3
Gross ITFO Approvals by Country (1425H-1427H)

COUNTRY	1425H			1426H			1427H		
	No.	ID million	$ million	No.	ID million	$ million	No.	ID million	$ million
Algeria	1	13.8	20.0						
Bahrain	2	33.8	50.0	2	21.4	32.5	1	17.4	25.0
Bangladesh	9	294.2	435.0	3	136.6	200.0	11	443.3	650.0
Benin	1	2.5	3.6						
Burkina Faso	1	1.7	2.6				1	25.0	36.0
Chad	1	2.2	3.2						
Egypt	11	218.8	325.0	3	67.7	100.0	3	92.8	140.0
Gambia							1	3.4	5.0
Indonesia				1	17.2	25.0	3	27.4	41.0
Iran	15	135.3	200.2	7	69.3	103.6	14	127.4	188.4
Jordan	1	4.6	7.0	1	4.6	7.0	5	43.9	65.0
Kuwait	1	17.3	25.0	4	78.9	110.0	3	91.4	135.0
Lebanon				1	68.2	100.0	2	7.9	12.0
Malaysia	1	6.6	10.0						
Maldives				1	8.1	11.7			
Mali	1	39.6	61.3	1	8.1	12.1	1	39.5	58.1
Mauritania				1	27.1	40.0			
Morocco				1	69.1	100.0	1	47.2	70.0
Niger	2	6.8	10.0	1	3.5	5.0			
Nigeria							2	25.0	37.0
Pakistan	11	220.5	325.0	1	16.4	25.0	4	207.0	300.0
Qatar				1	1.7	2.6			
Saudi Arabia	2	147.3	215.0	2	41.9	60.0	5	96.8	143.0
Senegal	2	10.2	15.0	2	13.7	20.0	3	32.9	49.0
Sudan	1	0.7	1.0	1	19.9	30.0	1	6.6	10.0
Togo							1	4.2	6.0
Tunisia	5	74.7	110.0	4	59.0	85.0	4	41.1	60.0
Turkey	13	90.8	134.0	3	30.4	44.5	8	37.7	55.1
U.A.E	1	13.6	20.0	1	21.1	30.0	1	17.2	25.0
Yemen	1	1.4	2.0						
Total	**83**	**1,336.4**	**1,974.9**	**42**	**783.9**	**1,144.0**	**75**	**1,435.0**	**2,110.6**

represented 38 percent of total ITFO approvals. Oil products, such as crude oil and refined petroleum, represented the single largest product financed. The trend towards increased private sector financing will help reduce this concentration in the coming years. Intermediate goods and raw materials constituted the second largest proportion of the products/commodities financed (Table 3.5). Another area where significant progress was recorded in 1427H was in the mobilization of resources. A total of $1,073 million was mobilized, showing an increase of 91 percent over $562 million mobilized in 1426H.

3. Continuing Trade Financing Under Different Funds

Export Financing Scheme (EFS)

EFS was dissolved during 1427H following the formal establishment of ITFC. However, since this new

Table 3.4
Intra-Trade Performance under ITFO from 1397H to 1427H

Year	No. of Countries	No. of Operations	Amount*		Member Country	
			ID million	$ million	$ million	Percent
Till 1415H	17	758	7,078.5	8,696.3	6,670.0	76.7
1416H	7	44	333.9	498.5	330.5	66.3
1417H	7	45	354.3	504.9	312.6	61.9
1418H	8	32	351.9	479.4	389.4	81.2
1419H	10	31	581.0	787.2	321.0	40.8
1420H	11	33	478.1	649.8	479.8	73.8
1421H	11	56	731.6	952.0	772.1	81.1
1422H	14	53	896.7	1,130.5	897.6	79.4
1423H	14	64	802.6	1,061.0	913.5	86.1
1424H	16	70	997.9	1,416.6	1,025.6	72.4
1425H	20	74	1,275.7	1,885.6	1,325.6	70.3
1426H	21	42	783.9	1,143.9	861.1	75.3
1427H	21	75	1,427.8	2,112.9	1,848.6	87.5
Total		**1,377**	**16,093.7**	**21,318.7**	**14,299**	**67.1**

*Net of Cancellations.

Corporation has not yet commenced business activities, EFS funds continued to be managed by IDB for financing trade activities. The total financing under this Scheme was ID256 million ($378.1 million) in 1427H, showing an increase of 136 percent over the ID109.3 million ($160.3 million) recorded in 1426H as listed in Table 3.6. This financing went to 10 beneficiaries in 7 countries.

Cumulative approvals under the Scheme since its inception in 1408H amounted to ID1.2 billion ($1.7 billion) extending to beneficiaries in 7 countries (Table 3.1). Unlike other IDB financing schemes, all approvals under EFS were directed towards intra-OIC trade.

Arab Bank for Economic Development in Africa (BADEA) Scheme

Under a Memorandum of Understanding signed with BADEA, IDB manages this Scheme as a Mudarib. The funds under the Scheme had increased to $75 million by the end of 1427H. The amount was used to finance the export of goods from Arab countries to non-Arab members of the African Union. The increase in the size of the fund means more countries can benefit from the financing.

This arrangement has been successfully implemented for nine years, and so far $163.6 million of trade financing for beneficiaries in 12 African Union member countries has been approved. The total financing extended under this Scheme in 1427H was $39.1 million to beneficiaries in 5 African Union countries as listed in Table 3.7. The 185 percent increase over the financing of $13.7 million extended in the previous year was largely as a result of the increase in the size of the fund.

Islamic Banks Portfolio for Investment and Development (IBP)

Like the EFS, this Scheme was also dissolved following the establishment of ITFC. Approvals of trade financing

Table 3.5
Gross Import Trade Financing Approvals by Commodity from 1397H to 1427H

Commodity	1425H		1426H		1427H		1397H 1427H	
	$ million	%	$ million	%	$ million	%	$ million	%
Crude Oil	860.0	43.6	275.0	23.8	969.0	45.9	9,338.2	38.6
Refined Petroleum Products	135.0	6.8	390.0	33.8	420.0	19.9	2,115.8	8.7
Industrial Intermediate Goods	533.7	27.0	364.7	31.6	308.4	14.6	6,093.5	25.2
Rice and Wheat	200.0	10.1	25.0	2.2	0.0	0.0	967.3	4.0
Others	246.1	12.5	99.2	8.6	415.5	19.7	5,701.1	23.5
Total	**1,974.8**	**100.0**	**1,153.9**	**100.0**	**2,112.9**	**100.0**	**24,215.9**	**100.0**

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Table 3.6
EFS Approvals by Exporting Country in 1427H

No.	Commodity	Importing Country	No. of Operations	ID million	$ million
EGYPT					
1	Industrial Inputs & Home Appliances	Jordan	1	16.9	25.0
INDONESIA					
1	Raw Edible Oil	Saudi Arabia	1	16.9	25.0
IRAN					
1	Line Export Development Bank of Iran	MC/NMC	1	5.1	7.5
2	National Iranian Cooper Industries (NICICO)	Saudi Arabia	1	10.0	15.0
KUWAIT					
1	Refined Petroleum Products (KPC)	Bangladesh	5	84.4	125.0
MALAYSIA					
1	Picture Tubes and Kits (PEPCO)	Iran	1	7.4	10.6
MOROCCO					
1	Rock Phosphate (OCDP)	Indonesia	1	6.8	10.0
SAUDI ARABIA					
1	Agricultural Input (SABIC)	Sudan	1	20.9	30.0
2	Steel Coils (Hadeed S.A)	Iran	1	20.0	30.0
3	Crude Oil & Petroleum Products (ARAMCO)	Pakistan	4	67.6	100.0
	Grand Total			**256.0**	**378.1**

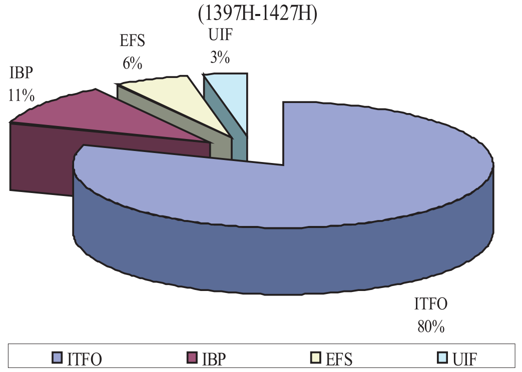
under IBP during 1427H were ID135.8 million ($202.8 million), spread over 8 operations, compared to ID230.6 million ($333.0 million) in 1426H (Table 3.1).

Unit Investment Fund (UIF)

In 1427H, total trade financing by UIF amounted to ID60 million ($89.6 million), compared to ID85.4 million ($123.3 million) of trade financing extended in 1426H (Table 3.1).

Average shares of various components of trade financing during 1397H-1427H are shown in Chart 3.1.

Chart 3.1
Shares of Various Components of Trade Financing
(1397H-1427H)



II. MAINTAINING CAPACITY BUILDING ASSISTANCE FOR TRADE

1. Assistance to Member Countries on WTO-Related Matters

Although the WTO rules-based trading system promises new opportunities, it is continuing to pose numerous challenges to developing countries, especially with regards to their capacity to implement the new obligations and commitments undertaken. For developing countries to achieve tangible gains from WTO current capacity building initiatives need to effectively constraints emanating from insufficient infrastructural, institutional and human capacity. The Ministerial Declaration arising from the Sixth WTO

Participants of the WTO Trade Policy Course, held during 19 June to 7 July 2007 in Istanbul.

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Table 3.7
BADEA-EFS Operations
Approved between 1419H and 1427H

Year	Exporting Country	Importing Country	$ million
1419H	Jordan & GCC	Mauritius	3.4
	Saudi Arabia	Tanzania	5.0
	Total		**8.4**
1420H	Arab Countries	Uganda	4.4
	Total		**4.4**
1421H	Arab Countries	Guinea	7.0
	Arab Countries	Mauritius	5.0
	Arab Countries	Seychelles	4.7
	Total		**16.7**
1422H	Arab Countries	PTA Bank Kenya	4.7
	Arab Countries	Senegal	5.0
	Total		**9.7**
1423H	Arab Countries	Mauritius	5.0
	Arab Countries	PTA Bank, Kenya	2.5
	Arab Countries	Afreximbank	15.0
	Arab Countries	Seychelles	4.8
	Total		**27.3**
1424H	Kuwait or Libya	Zimbabwe	4.9
	Arab Countries	Senegal	5.0
	Arab Countries	Mauritius	9.7
	Arab Countries	Kenya	5.0
	Arab Countries	Gambia	4.9
	Total		**29.5**
1425H	Jordan	Angola	5.0
	Arab Countries	Tanzania	4.8
	Arab Countries	Seychelles	5.0
	Total		**14.8**
1426H	Arab Countries	Mauritius	9.7
	Arab Countries	Cap Verde	4.0
	Total		**13.7**
1427H	Arab Countries	Mauritius	9.7
	Arab Countries	Kenya	5.0
	Arab Countries	Tanzania	4.4
	Arab Countries	Senegal	10.0
	Arab Countries	Seychelles	10.0
	Total		**39.1**
Grand Total			**163.6**

Ministerial Conference in Hong Kong reiterated the need to intensify technical assistance in order to enable developing countries to face the enormous challenges arising from the implementation of different WTO agreements. These challenges include, among others, legislative adjustments, the costly implementation of new standards, fiscal costs, reallocation of labour and productive capacity, strengthening negotiating capacity, and alleviating supply-side capacity constraints.

In response to the needs of its member countries, IDB has continued to expand the scope of activities under its Technical Assistance Programme (TAP) on WTO related matters. As expected, the TAP activities in 1427H primarily aimed at strengthening the human and institutional capacity of OIC member countries to enable them to better participate in the multilateral trading system. These included the holding of workshops and seminars on WTO Agreements, the organizing of trade policy courses, and the undertaking of thematic studies (Box 3.1). IDB also organized a consultative meeting

Box 3.1
IDB Activities on WTO-Related Matters in 1427H

- Seminar on WTO Accession Issues, IDB Headquarters, Jeddah, 28 - 29 March 2006
- Seminar on Trade in Services for OIC Member Countries, Abu Dhabi, United Arab Emirates, 22 - 24 May 2006.
- Three weeks Trade Policy Course in English, Istanbul, Republic of Turkey, 19 June 7 July 2006.
- Workshop on Capacity Building for Facilitation of Trade and Investment for the OIC Member Countries, Jeddah, 26 - 28 June 2006.
- Seminar on the WTO/TRIPS Agreement and its Impact on Access to Medicines, Dakar, Senegal, 10 -1 2 July 2006.
- Joint Workshop with the WTO on the TRIPS Agreement for Arab Countries, Kuwait, 18 - 20 September 2006.
- Seminar in English on Trade and Transfer of Technology, Islamabad, Islamic Republic of Pakistan, 27 - 29 November 2006.
- Contribution to the Symposium on Globalization and WTO: Challenges for the Muslim Countries, Tehran, Islamic Republic of Iran, 3 - 4 December 2006.
- Technical Assistance to Sudan for the recruitment of local experts for archiving and documentation to support the Sudan Commission for WTO Affairs.
- Three weeks Trade Policy Course for Arab Members Countries of the OIC, Casablanca, Kingdom of Morocco, 15 January - 2 February 2007.
- Consultative Meeting on WTO Issues for the OIC Member Countries' Permanent Missions in Geneva, Switzerland, 5 February 2007.

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for OIC member countries as a forum to exchange views on issues relating to WTO. In addition, specific technical support was provided to one member country on WTO, acession matters.

2. Trade Cooperation and Promotion Programme (TCPP)

The primary objective of TCPP is enhancing intra-OIC trade through the promotion and facilitation of trade cooperation and capacity building. To this end, the Programme has extended support to agencies in member countries in a structured manner. In 1427H, it gained prominence as both the scope of its activities and country coverage increased. The thematic focus was on capacity building for export promotion and capabilities. The specific activities supported during the year under review are listed in Box 3.2.

3. Activities in the Area of Intra-Trade and Investment

As part of its efforts to promote intra-investment, the IDB organized an Annual Conference on "The Role of the Private Sector and Financial Institutions in Promoting Intra-Trade, Intra-Investment and Joint Ventures" in collaboration with the Ministry of Finance, Kuwait, on the occasion of the 31st Meeting of its Board of Governors in Kuwait in May 2006. Senior officials from leading private sector companies and financial institutions made presentations on the practical experience of their respective institutions in the area of intra-trade, intra-investment and joint ventures, the problems faced by these institutions, how they resolved them, and the lessons that could be learnt from their experiences. The major recommendations made by the Conference are summarized in Box 3.3.

In accordance with the resolution adopted by the Standing Committee for the Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC) in its Twenty-First Session held in Istanbul on 22-25 December 2005, IDB organized a Workshop on Capacity Building for the Facilitation of Trade and Investment for OIC member countries on 26-28 June 2006 in Jeddah. The report and recommendations of this Workshop served as the basis for the exchange of views during the 22nd Session of COMCEC which was held in Istanbul on 21-24 November 2006. The workshop highlighted that the success of capacity-building initiatives requires sustained commitment, and trade facilitation (TF) initiatives must be compatible with other social and economic objectives of national policy. In addition, these initiatives must be complemented by a holistic approach, including human resource management and development. The major recommendations of the workshop are summarized in Box 3.4.

Box 3.2
Trade Cooperation and Promotion Program activities in 1427H

- 6th Conakry International Trade Fair, Conakry, Guinea, 23 Feb - 6 Mar 2006.
- The Second Arab Conference for Arab Intra Trade, Doha, Qatar, 3-5 April 2006.
- Seminar on Legal Aspects of E-Commerce, Tunis, Tunisia, 19-21 April 2006
- Global Islamic Trade Forum, Kuwait, 22-23 April 2006.
- Second on the Job Training of CIS Chambers of Commerce, Istanbul, Turkey, 24-28 April 2006.
- World Halal Forum, Kuala Lumpur, Malaysia, 8-10 May 2006.
- Meeting on IDB's Trade Finance Programmes with Egyptian Businessmen, Cairo, Egypt, 17-18 May 2006.
- Workshop/Roundtable on Cotton Industry in West African OIC Member Countries, Rabat, Morocco, 12-13 June 2006.
- Seminar on Export Promotion in OIC Member Countries, Istanbul, Turkey, 12-13 July 2006.
- 2nd Trans-Saharan Trade Fair of Niamey, Niamey, Niger, 29 Sep - 8 Oct 2006.
- World Islamic Economic Forum (WIEF) 2006, Islamabad, Pakistan, 5-7 Nov 2006.
- Training on Export Strategies and International Marketing - Arab Countries, Cairo, Egypt, 12-16 and 19-24 November 2006.
- Meeting on Sharing of Malaysia's Experience in Trade Promotion, Kuala Lumpur, Malaysia, 20-26 Nov 2006.
- 11th MUSIAD International Trade Fair and 10th International Business Forum, Istanbul, Turkey, 22-26 Nov 2006.
- 2nd Round of Trade Negotiations for Trade Preferential System among OIC Member States, Istanbul, Turkey, 24-26 Nov 2006.
- (Arab speaking countries) & Workshop on EPC, Amman, Jordan, 12-13 Dec 2006.
- Meeting on Trade in Cement (in coordination with RRO), Rabat, Morocco, 15-18 Jan 2007.
- Training on Export Promotion for Libya and Bahrain, Cairo, Egypt, 15-19 Jan 2007.
- Seminar on Export Promotion for French-Speaking Countries, Rabat, Morocco, 16-17 Jan 2007.

Box 3.3
Major Recommendations of the IDB Annual Conference on
"The Role of the Private Sector and Financial Institutions in Promoting
Intra-Trade, Intra-Investment and Joint Ventures" Kuwait, 29-30 May 2006

At the IDB Level

- Enhance the role of the private sector by providing greater assistance to small-and medium-size enterprises.
- Develop a pipeline of joint ventures, including those requiring public-private partnership, and play a catalytic role in their promotion and financing.
- Promote research in agricultural products which have high intra-trade potential.
- Help create an epoch business forum to promote development dialogue, business networking and opportunities.
- Contribute to enhancing the profile of Islamic banks and financial institutions, which are less known in member countries, particularly those operating in West Africa.
- Enhance the Bank's internal capacity and staff training in the area of structured finance to handle the risks associated with intra-trade and intra-investment in member countries.

At member country level

- Encourage free movement of people among member countries by easing and eventually eliminating visa requirements through a resolution of the OIC.
- Offer investment protection through clear and implementable legal provisions/reforms at all relevant levels and eliminate double taxation between member countries.
- Expedite the signing of the Preferential Trade Agreement (PTA) among member countries and initiate the process of establishing an "Islamic Free Trade Area", as a step towards establishing an "Islamic Common Market".
- Provide regularly updated information on companies through foreign missions in member countries and dedicated websites.
- Encourage financial institutions to develop innovative financial instruments, indices and pricing benchmarks in order to enhance intra-investment, improve financial markets, and encourage the flow of surplus resources within member countries.
- Encourage leading successful companies to proactively seek joint ventures and cross-border businesses in member countries.

At the regional level

- Created suitable institutional framework to encourage joint ventures, particularly in areas such as the cotton industry, infrastructure, and energy.
- Establish an Intra-Middle East railway system and cost effective overland trucking services.
- Establish regional information centres to regularly provide updated information on trade and investment opportunities and other related services.
- Assist regional financial institutions to cooperate on covering political and commercial risks in order to facilitate trade and investment flows among member countries.
- Encourage co-financing and syndicated lending by financial institutions in member countries to promote the development of intra-trade and intra-investment.
- Harmonize trade and investment laws and regulations to facilitate intra-regional trade and investment flows among member countries.

III. RECENT INITIATIVES TO PROMOTE TRADE INTEGRATION

1. Launching of the International Islamic Trade Finance Corporation (ITFC)

Compared to other MDBs, IDB Group is the only institution with an autonomous entity entirely devoted to trade financing and promotion. Since the approval by the IDB Board of Governors in Jumad Awwal 1426H (June 2005) to establish the ITFC, IDB has taken a number of steps during 1427H and at the beginning of 1428H. The ITFC Articles of Agreement were approved during the Annual Meeting in Kuwait in Jumadi Awwal 1427H (May 2006), and several member countries and financial institutions signed the Articles of Agreement. Since then, some of these signatories have concluded the ratification process and the Inaugural Meeting of the General Assembly of the ITFC was held in Jeddah in 6 Safar 1428H (24 February 2007). All trade financing operations performed by the various entities in the IDB Group will now be conducted by the ITFC.

Following the signing of the Articles of Agreement of ITFC and the dissolution of EFS, IDB approved the continued usage of EFS funds for normal trade financing activities pending commencement of the business activities of ITFC. It may be recalled that EFS funds constitute part of the initial Subscribed Capital of ITFC. These funds are now employed along with the Ordinary Capital Resources of IDB under similar terms and conditions during this interim period. Key features of ITFC are listed in Box 3.5

Box 3.4
Major Recommendations of the Workshop on "Capacity Building for Facilitation of Trade and Investment for OIC Member Countries"
Jeddah, 26-28 June 2006

Enhancement of Production Capacity

- Give the leading role to SMEs in exploiting new export opportunities.
- Establish a coherent policy framework (taxation, liberalization, Free Trade Areas and Regional Trade Agreements.
- Support professional associations, simplify enterprise creation (licensing), implement legal codes, establish arbitration centres, modernize customs, use ICT and develop e-commerce and insurance services.

Institutions and Infrastructure Development

- Build the capacity of all stakeholders including commercial business, government agencies and academia to facilitate trade and investment.
- Mobilize adequate resources to support infrastructure, in particular in the education and health fields.
- Ensure compliance of products with international markets based on international standards and related guidelines.
- Cooperate in the areas of multimodal transport, trade and transit facilitation.
- Accede to the Framework Agreement on Trade Preferential System among the OIC Member Countries (TPS-OIC) and the Protocol on the Preferential Tariff Scheme of the TPS-OIC (PRETAS).
- Enhance competitiveness through legislative reforms, creation of new administrative structures, development of sound regulatory bodies.

Human Resource Management and Development

- Ensure free movement for the business community by issuing multiple visas.
- Enhance cooperation and coordination with international organizations and donor communities, especially in developing human resources.

Creating a Conducive Environment for Attracting FDI

- Support the development of trade finance regulations, institutions, and instruments, including documentary credit systems, electronic payment systems, and export credit insurance guarantees.
- Strengthen the capacity and efficiency of stock markets and open them to foreign investors through minimizing transaction costs; promote quality listings; establish effective regulatory and supervisory frameworks, and ensure an acceptable level of transparency and disclosure standards.
- Consider investment opportunities in the less advanced countries.

General Recommendations

- Contribute to the Aid for Trade discussion in the WTO by identifying their priority needs and submitting proposals.
- Consider common positions in international trade and FDI-related debates and encourage closer South-South cooperation and coordination.
- Participate in international conventions relating to transport and trade facilitation, especially under the auspices of UNCTAD, UN-CEFACT, WCO, IMO, ICAO and UNCITRAL.

2. Supporting Initiatives for Promoting Intra-Trade

The promotion of intra-trade is a key objective of IDB trade financing. Towards this end, IDB is always undertaking initiatives to ensure realization of this key objective. Accordingly, 88 percent of all ITFO and 100 percent of EFS operations approved in 1427H were in support of intra-trade. There has also been a marked increase in the diversity of products financed and the countries covered under the ITFO activities.

In Rabi Thani 1427H (May 2006), IDB signed a Memorandum of Understanding (MoU) with the Government of Turkey aimed at promoting trade between Turkey and member countries in Africa. The MoU covered several areas with specific focus on the promotion of intra-trade and intra-investment within the framework of the Turkish Government's strategy to increase trade links with Africa. Earlier in the year, a co-financing agreement with Eximbank, Malaysia, was signed by IDB as part of the implementation of the MoU between the Government of Malaysia and IDB. This

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Box 3.5
International Islamic Trade Finance Corporation

The establishment of the International Islamic Trade Finance Corporation (ITFC) as an autonomous entity within the IDB Group was approved by the IDB Board of Governors at its meeting held in Jumad Awwal 1426H (June 2005). Since then, all the legal and procedural documentation has been completed and the Corporation's Inaugural Meeting of the General Assembly was held in Jeddah, Kingdom of Saudi Arabia on 6 Safar 1428H (24 February 2007) and is now ready to commence operations.

According to its Articles of Agreement, the ITFC has the following key features:

- Authorised Capital of $3 billion, divided into three hundred thousand (300,000) shares with a par value of $10,000 and a Subscribed Capital of $500 million.
- The IDB will maintain a majority shareholding of a minimum of 51 per cent and the balance will be held by member countries and financial institutions from these countries.
- The primary objective of the Corporation will be to facilitate intra-trade among OIC member countries using Shariah-compliant instruments.
- The principal office of the Corporation will be located in Jeddah, Kingdom of Saudi Arabia, and the first branch will be opened in Dubai, United Arab Emirates.
- The Corporation will be mandated to mobilize funds from the market to complement its financing requirements and will also be managing dedicated funds with contributions from member countries.

latter agreement sets aside $100 million for financing palm-oil and other resource-based manufactured exports.

3. Future Orientation of Trade Operations

The establishment of ITFC clearly indicates the way forward as far as the trade financing activities of IDB are concerned. With the consolidation of trade financing by the ITFC, it is expected that it will help achieve synergy and further enhance intra-trade among member countries.

A key reason for this strategic shift is to rationalize the manner in which IDB conducts trade financing and promotion activities. In addition to its share capital, ITFC will be benefiting from an annual allocation of $1 billion from IDB in the form of a fund placement as well as to manage specific purpose-fund placements by member countries. In view of the fact that ITFC will be private sector-driven, the proposed placement of specific purpose funds by member countries will ensure that the developmental objectives of IDB Group remain fulfilled. Resources mobilization from the financial markets currently undertaken by IDB to complement trade financing requirements, such as syndications, 2SMF and co-financing, will be complementing the trade financing operations requirements of the new Corporation. With the addition of trade-related entity, IDB Group will be better placed to assist in addressing challenges of increasing trade financing operations in order to support intra-OIC trade target.

IV. COOPERATION WITH THE ORGANIZATION OF THE ISLAMIC CONFERENCE (OIC)

As a demonstration of its endeavours to foster socio-economic and commercial cooperation among its members, the IDB Group has always maintained excellent relations with OIC and its affiliates and specialized institutions. Under such a relationship, the IDB has played an effective and dynamic role by providing opportunities to exchange views on matters of collective concern in order to enable OIC institutions to play their assigned role in serving the Ummah.

1. Economic and Commercial Cooperation

Cooperation with Specialized OIC Institutions

The IDB has developed strong working relationships with 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; and the Islamic Chamber of Commerce and Industry (ICCI) in Karachi.

During 1427H, cooperation between IDB and these institutions included undertaking joint studies, collaborating in the collection and exchange of information, promoting training activities, and participating in joint working groups, task forces and meetings. In addition, the IDB along with OIC institutions helped in holding an Islamic Conference Summit, Islamic Conference of Foreign Ministers (ICFM) sessions, Consultative and Sessional Committee meetings on the periphery of the annual Standing Committee for Economic and Commercial Cooperation (COMCEC), and Islamic Commission for Economic, Cultural and Social Affairs (ICECS).

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Recently, the IDB has also supported the activities of the two newly established institutions within the OIC, namely the Islamic Conference Youth Forum for Dialogue and Cooperation (ICYF-DC), and the Islamic Chamber of Research & Information Centre (ICRIC). In order to structure joint activities, the IDB and ICYF-DC have formally strengthened their cooperation by signing a Memorandum of Understanding. In addition, the IDB and ICRIC held fruitful discussions concerning collaboration for undertaking and financing research projects and training programmes.

Participation in OIC Islamic Conferences

During 1427H, the IDB participated in the 33rd Islamic Conference of Foreign Ministers (ICFM) held on 19-21 June 2006 in Baku (Azerbaijan).

In addition, the IDB took part in the following events of the OIC during 1427H:

- The Fourth High Level Meeting between the IDB and Malaysia, Malaysia, 14-16 February 2006.
- The Coordination Meeting of the OIC Institutions, Jeddah, Saudi Arabia, 5 March 2006.
- The Meeting of the Intergovernmental Group of Experts on Implementing the UN Programme of Action for 2001-2010 for the LDCs of the OIC, Jeddah, Saudi Arabia, 6-7 March 2006.
- The Twenty Ninth Session of the Islamic Commission on Economic, Cultural and Social Affairs (ICECS), Kingdom of Saudi Arabia, 9-11 May 2006.
- The Ninth Consultative Meeting for Economic and Trade Cooperation between OIC Organs, Kingdom of Saudi Arabia, 10 May 2006.
- The Preparatory Meeting of the 5th Session of the Islamic Conference for Tourism Ministers, Baku, Azerbaijan, 4-6 July 2006.
- The General Coordination Meeting between the OIC and UN, Morocco, 11-13 July 2006.
- The Fifth Islamic Conference of Ministers of Tourism, Baku, Azerbaijan, 9-12 September 2006.
- The Fifth High Level Meeting between the IDB and Malaysia, Jeddah, 5-7 November 2006.
- The Eighth Session of the Islamic Standing Committee for Information and Cultural Affairs (COMIAC), Dakar, Senegal, 13 – 15 November 2006.
- The Third Islamic Conference for Higher Education and Scientific Research, Kuwait, 19-21 November 2006.

The IDB has also been engaged in co-financing seminars, courses and workshops related to trade, economic development, health, education, e-commerce, small and medium enterprises, capacity building, agriculture, water management, information and communication technology, finance, tourism, and transport sector.

Implementation of the OIC Ten-Year Programme of Action

As mandated by the Third Extraordinary Session of the Islamic Summit Conference, the IDB is working on the following issues:

- Establishing a special fund within the IDB to help address and alleviate poverty, and provide job opportunities;
- Coordinating with the OIC General Secretariat in order to make the necessary contacts with the World Health Organization and other relevant institutions to draw up a programme for combating diseases and epidemics, to be financed through a special fund that will be created within IDB;
- Taking necessary measures for ensuring a substantial increase in Authorized, Subscribed, and Paid-up Capital of the IDB, so as to strengthen its role in providing financial support and technical assistance to OIC member countries; and
- Establishing a new autonomous trade finance entity within the IDB Group to be called the International Islamic Trade Finance Corporation.

Cooperation at COMCEC Level

The Third Extraordinary Session of the Islamic Summit Conference mandated COMCEC to promote measures to expand the scope of intra-OIC trade, and to consider the possibility of establishing a Free Trade Area between member states. Accordingly, the Twenty-second Session of the COMCEC held in Istanbul on 30 Shawwal-3 Dhul Qa'da 1427H (21-24 November 2006), considered the following measures:

- Reviewing the Implementation of the Plan of Action and Cooperation among the Stock Exchanges of the OIC countries;
- Reporting by the IDB and ICDT on the expansion of intra-OIC trade;
- Reporting by the Trade Negotiating Committee on establishing a Trade Preferential System among OIC member states;
- Addressing matters related to WTO activities;
- Reporting on a Capacity Building Programme for Poverty Alleviation in OIC member countries;
- Exchanging views on Capacity Building for Facilitation of Trade and Investment.

In addition, the second round of trade negotiations under the Framework Agreement on Trade Preferential System among the OIC Member Countries (TPS-OIC) was launched during the 22nd Session of COMCEC. The first meeting of the Second Round of the TPS-OIC, held during 3-5 Dhul Qa'da 1427H (24-26 November 2006) took note of IDB financial support for the First Round of Negotiations and encouraged it to continue its support for future negotiations. It entrusted the IDB and ICDT to follow up on the expansion of intra-OIC trade and report to COMCEC and other OIC forums. It also entrusted the IDB and ICDT with monitoring matters relating to WTO activities as well as with rendering technical assistance to member states, particularly on issues of trade in services and trade facilitation.

Finally, the Twenty-second Session of the COMCEC designated "Micro-Credit Financing and Poverty Alleviation in Member States" as the theme for the Exchange of Views at the Twenty-third Session of the COMCEC and requested SESTRCIC to organize, in collaboration with the IDB, the OIC General Secretariat, relevant OIC institutions and other related international organizations, a workshop on this topic prior to the COMCEC Session.

2. Cooperation at Standing Committee for Scientific and Technological Cooperation (COMSTECH) Level

The IDB has actively cooperated and supported COMSTECH in increasing resources through co-financing and collaboration with national, regional and international S&T partners. In addition, the IDB has helped in mobilizing the private sector and participating in relevant S&T forums within the framework of its catalyst role as a development financing institution.

In this context, the IDB has developed its own S&T Strategy with the help of its Advisory Panel on Science & Technology, in line with OIC Strategy and requests received from member countries. This Strategy is currently under implementation.

OIC Vision 1441H for S&T

The IDB and COMSTECH are both members of the Vision 1441H Task Force established by the Secretariat General of the OIC to oversee the implementation of the Vision for S&T. This Task Force has held three meetings and its recommendations have been included in the current exercise of aligning IDB 1440H Vision and the OIC Ten-Year Programme of Action.

Centres of Excellence

The COMSTECH has been mandated by the Islamic Summit Conference to implement the OIC Institutional Capacity Building Programme, comprising the establishment of about 21 Centres of Excellence in various fields of S&T. In this regard, the IDB and COMSTECH are implementing a scheme whereby identified and peer-reviewed S&T institutions of learning and research will be invited to develop cooperative arrangements among themselves. The IDB has approved 2 such arrangements associating (i) HEJ Research Institute of Chemistry in Pakistan with the Medicinal and Aromatic Plants Research Institute in Sudan, and (ii) the IDB's International Centre for Biosaline Agriculture (ICBA) with the National Institute for Agricultural Research in Niger (INRAN).

COMSTECH Institute of Advanced Technology (CIAT)

The COMSTECH has decided to establish the CIAT for the purpose of training and research in frontier technologies such as biotechnology, nano-sciences, composite materials, engineering design, information technology and robotics among others, which will give an edge to member countries. The Centre will provide a unique access to advanced technologies of high value addition on a self-reliant basis for OIC member countries. The IDB has provided a $2 million grant for this project which is now in operation.

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

Recognizing the importance of ensuring the appropriate legal, institutional and economic environment for promoting economic, commercial and technical cooperation among its member countries, the OIC has developed a number of multilateral agreements and statutes. Some of these have become effective upon completion of the minimal legal requirements, while others are still pending, due to non-completion of the necessary legal procedures.

General Agreement on Economic, Technical and Commercial Cooperation among Member States

This Agreement was adopted as per Resolution No 1/8-E of the 8th Islamic Conference of Foreign Ministers (ICFM), held in Tripoli, Libya, on 16-22 May 1977. It aims at "encouraging capital transfer and investment, exchange of data, experience, technical and technological skills among member states and at facilitating the implementation of fair and non-discriminatory treatment among these countries while giving special attention to the least developed member states". This Agreement became effective from 28 April 1981. Up to the end of 1427H, it had been signed by 41 member states and ratified by 29.

Agreement on the Protection and Guarantee of Investments among Member States

This Agreement was adopted as per Resolution No 7/12-E of the 12th Session of the ICFM held in Baghdad, Iraq, on 1-6 June 1981. It spells out the basic principles governing the promotion of capital transfers among member states and the protection of investments against commercial risks, while guaranteeing the transfer of capital and its proceeds abroad. The Agreement became effective in February 1988 when 10 member states ratified it. Up to the end of 1427H, it had been signed by 30 member states and ratified by 22.

Framework Agreement on Trade Preferential System

This Agreement was adopted as per Resolution No 1 of the 6th Session of COMCEC held in Istanbul, Turkey, on 7-10 October 1990. In this Resolution, the OIC General Secretariat was "requested to contact member states to expedite the formalities of their joining the Framework Agreement and urged member states to start in the meantime, bilaterally or through COMCEC, exchanging lists of respective offers of concessions and initiate informal consultations on them as a prelude to the future negotiations on the said concessions". By the end of 2002, 12 out of 23 member states had signed and ratified the Agreement. Having secured the minimum number of 10 necessary ratifications, the Framework Agreement became effective in October 2002.

The first round of trade negotiations was concluded successfully with the adoption of the final version of the Protocol on the Preferential Tariff Scheme for TPS-OIC (PRETAS). The Framework Agreement of the TPS-OIC has been signed and ratified by 17 and signed by 13 OIC member countries. The second round of negotiations was launched in Istanbul during 24-26 November 2006.

Statute of the Islamic Civil Aviation Council

The statute was adopted in Niamey, Niger, on 22-26 August 1982. It has been signed by 16 and ratified by only 9 member states. Accordingly, it has not yet become effective.

Statute of the Islamic States Telecommunications Union (ISTU)

The Statute was adopted as per Resolution No 17/15-E of the 15th ICFM held in Sana'a, Yemen, on 18-22 December 1984. It has been signed by 13 but ratified by only 11 member states. The Statute has not yet entered into force, it needs a minimum of 15 ratifications.

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

The Statute was adopted in Istanbul, Turkey, on 1-4 November 1998. The signing ceremony was held during the 15th COMCEC when 3 member states signed. Up to the end of 1427H, 6 member states have signed the Statute and only 3 have ratified it.

4. Activities of the Task Forces of the 8th Islamic Summit

In line with the relevant OIC resolutions, the task forces established in the priority areas of intra-trade, training, health, and illiteracy eradication have continued to work on the quantitative targets already set in each area.

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Task Force on Intra-trade

The IDB continues to engage itself and its member countries with numerous initiatives geared towards the sustainable promotion of intra-OIC trade in accordance with the directives of its Board of Governors. During 1427H, the major initiative was the establishment of the ITFC. In addition, the IDB is also working to help boost intra-OIC trade through the following complementary actions:

- Memoranda of understanding with member countries for the promotion and facilitation of trade, such as with Turkey and Malaysia;
- Capacity-building programmes through training, seminars, workshops, awareness campaigns and forums to share experiences and best practices;
- Structured trade financing, involving pre - and post-shipment, and other products like post-harvest financing are being currently developed;
- The Issuance of Irrevocable Commitment to Reimburse for reducing the overall transaction costs.

Task Force on Training

The target in the area of training was to increase by 30 percent the number of people trained by various OIC institutions. During 1427H, the following programmes were organized jointly with OIC-affiliated institutions:

- Workshop on Price Statistics and Indices, Ankara, 21-23 Muharram 1427H (20-22 February 2006), held in collaboration with SESRTCIC;
- Training Course on Logistics and Export Competitiveness, Casablanca, 28 Muharram – 3 Safar 1427H (27 February-3 March 2006), held in collaboration with ICDT;
- Training Programme for Staff of the National Chambers of Commerce of Middle Eastern Countries, Doha, 29 Jumad Awwal- 2 Jumad Thani 1427H(25-28 June 2006), held in collaboration with the Islamic University of Technology, Dhaka;
- Training of Trainers on Entrepreneurship Development, Karachi, 17-23 Dhul Hijja 1426H (28 January- 3 February 2005), held in collaboration with ICCI;
- Training Course on Computer Network Server Administration in LINUX Environment, Dhaka, 21-25 Shawwal 1427H (12-16 November 2006) held in collaboration with the Islamic University of Technology, Dhaka.

Task Force on Health

The IDB continued to support the implementation of the Self-Reliance in Vaccine Production covering the following two major areas: (i) capacity building of organizations involved, such as vaccine producers, national regulatory authorities, and national control laboratories in the respective countries, through training and familiarization visits, and (ii) preparation of feasibility studies which can be used as bankable documents.

Out of the approved \$5.6 million, an amount of \$2.48 million had been spent on six projects and seven training courses by the end of 1427H.

The 3rd Annual Meeting of Self Reliance in Vaccine Production (SRVP) Programme, held on 22-25 January 2007, in Cairo, Egypt.

Task Force on Illiteracy Eradication

A Technical Assistance Grant for an amount of \$3.5 million has been approved for the eradication of illiteracy in the Islamic world. Up to the end of 1427H, 11 Technical Assistance operations amounting to ID2.72 million (\$3.3 million) had been approved under the Programme, representing 94.2 percent of the approved amount in favor of 10 countries namely: Bangladesh, Chad, Djibouti, Gambia, Jordan, Mauritania (2 operations), Morocco, Sierra Leone, Sudan and Yemen.

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V. BROADENING PARTNERSHIPS FOR DEVELOPMENT

Realizing, that the promotion of cooperation, especially through boosting trade and economic activities, helps alleviate poverty in member countries by stimulating economic growth and diversifying production, the IDB has initiated numerous activities to forge broader partnerships for socio-economic development in its member countries.

1. Cooperation with Regional Organizations

In order to realize its strategic objective of enhancing cooperation among member countries, the IDB is also undertaking joint activities with regional and international organizations. During 1427H, the IDB continued to forge close ties with the Coordination Group, regional development banks and member countries' institutions and agencies in order to enhance the development impact of the IDB's operations in member countries.

2. Cooperation with International Organizations

The IDB is working closely with Multilateral Development Banks (MDBs), UN bodies and other international organizations. During 1427H, the IDB joined the Task Force on "Water for All", comprising MDBs, bilaterals and the World Water Council located in Marseille, France. The IDB is also cooperating with leading donors in Education for All Fast Track Initiatives in Burkina Faso, Guinea, Mauritania and Niger, among others.

During 1427H, the IDB began reviewing the effectiveness of the Memorandum of Understanding (MoU) signed with UN institutions in order to further broaden areas to help member countries attain MDGs.

Following the Rome Declaration and Paris High Level Forum on Harmonization and Alignment among MDBs, the IDB is now reviewing internal arrangements with a view to simplifying business processes and procedures, including disbursements.

Furthermore, the IDB and UNDP signed a new MoU on 27 November 2006, which is intended to provide fresh impetus to the cooperation agreement signed between the two institutions in 1986, and to refocus their intervention in specific areas of cooperation.

An MoU was signed on 17 July 2006, between the IDB Group and UNIDO on the implementation of the Investment Promotion Technical Assistance Program (ITAP). In addition, an agreement was reached to cooperate closely in "enhancing production and trade efficiency" as well as international competitiveness of the cotton value chain in IDB member countries, and to exert joint efforts to encourage the exchange of expertise in capacity building to promote industrial development.

Existing MoUs and Cooperation Agreements with development partners are being reviewed to bring about greater coherence in joint activities.

VI. SUPPORTING THEMATIC PROGRAMMES FOR REGIONAL COOPERATION

1. International Centre for Biosaline Agriculture (ICBA)

During 1427H, the ICBA initiated work on developing its new Strategic Plan for the period 2007-2011. In this connection, an expert panel of consultants was recruited to draft the new Plan. Following are the major ICBA operational activities during 1427H:

- The ICBA negotiated with the Environment Agency-Abu Dhabi (EAD) to implement a four-year survey (2005-2009) to identify all land types in the Emirate, including salt-affected areas. The agreement provided AED4.55 million for the ICBA, making this project the largest in-country endeavour by the Centre to date.

- A project funded by the International Fund for Agricultural Research (IFAD), Arab Fund for Economic and Social Development (AFESD) and the OPEC Fund was initiated on a forage project involving seven member countries, namely, Jordan, Oman, Pakistan, Palestine, Syria, Tunisia and the UAE. The project is now being implemented in all seven countries and the preliminary results of using saline irrigation water for forage species are encouraging.

- ICBA is implementing an Asian Development Bank-funded three-year project in Uzbekistan, Kazakhstan and Turkmenistan to develop salt-tolerant plants and halophytes, as well as capacity building in biosaline agriculture.

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- Bilateral projects with Bangladesh (horticultural crops in saline areas); Egypt (marginal water for irrigation in dry areas); Iran (halophytes for salt-affected areas); Jordan (date palm cultivation); and Pakistan (uses for low-quality water) are ongoing.

Five MoUs has been signed with agricultural research organizations while the Centre's Global Biosalinity Network, an on-line information database, increased its membership to 552 institutions from 68 countries.

Capacity building is an important component of the ICBA's work. During 1427H, workshops were conducted for scientists and technicians in various countries, including Bahrain, Oman, Morocco, Syria and Uzbekistan, as well as at ICBA headquarters.

During 1427H, the ICBA and COMSTECH organized a training course in Niger, where farmers are experiencing the onslaught of salinity due to improper irrigation methods. An intensive workshop on biosaline agriculture was conducted at Niamey in August 2006. Four participants of the workshop were then selected for a six-week internship at ICBA headquarters in Dubai in November 2006. They were joined by interns from Burkina Faso, Somalia, Indonesia and Algeria.

2. Saudi Arabian Project for the Utilization of Hajj Meat

The IDB has been assigned by the Government of Saudi Arabia to manage the Saudi Arabian Project for the Utilization of Hajj Meat. This project serves Hajj pilgrims by performing the slaughter and related services on their behalf. The IDB 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.

Starting in 1427H, pilgrims were able to buy their offerings online after an agreement had been signed with the Net-way Company to design and develop an electronic system on the Internet to enable pilgrims in any part of the world to pay for *hady and odhia (nusuk)* by using their credit cards or through cash transfers. This service has been developed in cooperation with the National Commercial Bank (NCB) of Saudi Arabia. Furthermore, this service also allows the IDB to build up a central data base that will assist in planning and preserving cleanliness of the holy sites.

Table 3.8
Distribution of Sacrificial Meat
During Hajj Seasons, 1424H – 1427H

(Number of animals)

Sl. No.	Country	1424H	1425H	1426H	1427H
1	Azerbaijan	5,000	5,000	25,000	5,000
2	Bangladesh	59,000	59,000	59,000	59,000
3	Burkina Faso	2,500	-	2,500	2,500
4	Chad	5,000	5,000	5,000	5,000
5	Comoros	3,000	-	3,000	3,000
6	Djibouti	7,000	7,000	7,000	7,000
7	Ghana	500	500	500	500
8	Guinea Bissau	5,000	-	5,000	5,000
9	Guinea	5,000	5,000	5,000	5,000
10	Jordan	20,000	20,000	20,000	20,000
11	Lebanon	55,000	55,000	55,000	55,000
12	Mali	2,500	2,500	2,500	2,500
13	Mauritania	10,000	10,000	10,000	10,000
14	Mozambique	4,000	4,000	4,000	4,000
15	Niger	2,500	2,500	2,500	2,500
16	Pakistan	10,000	10,000	10,000	10,000
17	Senegal	10,000	10,000	10,000	10,000
18	Sierra Leone	5,000	5,000	5,000	5,000
19	Sudan	10,000	10,000	10,000	10,000
20	Syria	10,000	10,000	10,000	10,000
21	Tanzania	6,000	6,000	6,000	6,000
22	Gambia	5,000	5,000	5,000	5,000
23	Iraq	20,000	10,000	20,000	20,000
24	Palestine	-	-	-	30,000
Total Distribution Outside the Kingdom		**242,000**	**241,500**	**282,000**	**292,000**
Total Distribution to the Poor at Haram		**331,092**	**262,454**	**333,902**	**391,931**
Total		**593,092**	**503,954**	**615,902**	**683,931**

In 1427H, the total number of sacrificial meat animals slaughtered was 683,931. Out of these, 391,931 were distributed amongst the poor and needy of the Haram area in Makkah Al-Mukarrama. The remaining were distributed outside the Kingdom of Saudi Arabia. The distribution of meat in different countries from 1424H to 1427H is shown in Table 3.8.

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4

ENHANCING THE ROLE OF ISLAMIC FINANCING AND INVESTING IN HUMAN CAPITAL

HIGHLIGHTS

- Size of Islamic financial services industry: $879.4 billion
- Total approvals: $4.77 billion
- IDB *Shari'ah* Advisory Committee approves *Shari'ah*-compliant instruments for hedging and liquidity management to conduct treasury operations
- Rise in *Murabaha*-based financing
- Participation in establishment of one and capital increase of two Islamic financial institutions
- Technical Assistance to Kyrgyz Republic for introduction of Islamic banking in the country
- Continuation of Policy Dialogue with stakeholders in the areas of Poverty Alleviation and Islamic Financial Sector Development
- IRTI produces three major studies through in-house research and organizes 26 Training Programmes
- Capacity Building Assistance of $2.4 million for 87 operations
- 8,314 science graduates worldwide benefit from three IDB Scholarship Programmes

As an instrument to achieve comprehensive human development, the IDB Group has identified the development of the Islamic financial services industry (IFSI) as one of the three objectives in its Strategic Framework. The objective of comprehensive human development has also been identified by the OIC Ten-Year Programme of Action and the IDB 1440H Vision as a priority area. In particular, the pro-poor effect of economic growth can be engendered by investing in the development of science and technology.

I. OVERVIEW OF DEVELOPMENTAL ISSUES IN THE ISLAMIC FINANCIAL INDUSTRY AND THE ROLE OF THE IDB GROUP

The size of the IFSI has been estimated at $879.4 billion, which is a relatively minor segment in the context of the global financial industry (Table 4.1). However, various segments of the IFSI are growing rapidly and are projected to maintain a double-digit growth over the next five to ten years. In particular, Islamic banking institutions and, in some cases, *takaful* institutions, have already become systemically significant in several countries. This has prompted governments and financial sector supervisory authorities to respond to the needs of the rapidly growing IFSI. During 1427H, supportive changes in regulatory and tax environments faced by IFSI were introduced in many countries in the West, the Middle East and East Asian regions. Some countries have also amended their laws or filled-in some missing components, especially in the area of financial trust laws, to provide support for the issuance of new kinds of financial instruments such as *Sukuk* and Islamic real estate investment trusts (REITs). Examples of some of the major supportive reforms are: Bahrain's new Financial Trust Laws; Malaysia's launching of Islamic REITs; Singapore's tax reforms to facilitate *Murabaha* financing and tax neutrality for *Sukuk*; the Financial Services Authority (FSA) of the UK granting

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Table 4.1
Estimated Size of Islamic Financial Services Industry in 1427H (2006)

Islamic Financial Institutions	($ billion)
Islamic banks (assets)[1]	290.0
Islamic banking windows (assets)[1]	230.0
Islamic non-banking FIs	
Modaraba Companies Pakistan (assets)[2]	0.4
Others (assets)[3]	4.0
Islamic Capital Markets	
Sukuk (outstanding)[4]	19.0
Malaysia Domestic Islamic Bonds	18.0
Islamic Funds (total size)[5]	13.0
Shari'ah Compatible Stocks[6]	300.0
TAKAFUL (gross premium written)[7]	5.0
Total	**879.4**

Sources: Based on estimates of "Ten-Year Framework for Development of Islamic Financial Services Industry" joint IDB/IRTI-IFSB initiative:
1. General Council of Islamic Banks and Financial Institutions: Islamic Finance Directory (2005).
2. Modaraba Association of Pakistan (2004) (Website: http://www.modarabas.com/).
3. Based on estimates for Islamic Real Estates and Mortgages.
4. Liquidity Management Centre (Website: http://www.lmcbahrain.com/). These figures also include the Malaysian global and Bahraini domestic issues.
5. Islamic Banker London (January, 2006) provides list of known *Shari'ah* compliant Mutual Funds with total amount of $8 billion under management. This amount represents about 40 percent of the funds in the list. The other funds in the list are estimated to be $3 billion.
6. Estimates based on IRTI Occasional Paper (2005), "Islamic Capital Market Products: Development and Challenges".
7. Estimates are based on background papers written for "Ten-Year Framework for Development of Islamic Financial Services Industry" joint IDB/IRTI-IFSB initiative.

tax neutrality to Islamic financial institutions vis-à-vis conventional products; and Indonesia's adoption of the Blueprint of Islamic Banking Development. These developments highlight that important strategic repositioning are taking place with the emerging of Islamic financial centres in the world in order to provide a competitive basis for financial intermediation. In this scenario, during 1427H, the IDB Group enhanced its catalytic role for a coordinated development of the IFSI by the promotion of policy dialogue, the sharing of best practices, and the dissemination of knowledge and experience through international, regional, and local-level seminars and training activities.

New *Shari'ah*-compliant tradable instruments such as Islamic-REITs, as well as hedging products and investment funds, have been introduced. Over the past few years, project finance and private equity have gained importance in the Islamic investment banking business while consumer durable financing, through *Murabaha* and leasing, has dominated the retail Islamic banking business. *Takaful*, which is *Shari'ah*-compliant insurance, has also grown in business volume.

The potential for providing *Shari'ah*-compliant financing to small and medium enterprises (SMEs) has not yet been fully addressed. In fact, Shari'ah-compliant financial services have underserved the needs of the poor and the SME sector. At present, the industry is evolving from a mere banking-based service provider to one based on an array of rapidly growing niche segments in the financial markets.

The broader geographical development of the IFSI has also further highlighted harmonization issues related to operational and *Shari'ah* standards, and the development of a common regulatory regime to support cross-border transactions. Given such a background, the preconditions for the orderly and sustainable development of the IFSI rest on the industry's own genuineness to ensure continued support of service-users, creating cost effectiveness and improving the quality of services, and attainting international credibility by adhering to best practices of risk management, capital adequacy, transparency, disclosures and corporate governance. In this regard, the IDB during 1427H continued to support the activities of standard-setting bodies, such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB), in coming up with best practice standards for the industry. The IDB also helps in addressing the challenges of financial sector development with national authorities, international institutions, and the relevant regulatory and standard-setting bodies.

Besides its support for strengthening the institutional framework of the IFSI, the IDB has continued to focus on the implementation of a four-pronged strategy involving developing and using innovative *Shari'ah*-compliant instruments. These include lowering the cost of resource mobilization; helping the financial industry by identifying its future needs, promoting dialogue among its stakeholders, coordinating its orderly growth and creating the necessary support institutions; supporting Islamic banks by way of equity participation, as well as providing co-financing opportunities; and promoting research and training activities in critically needed areas of Islamic finance.

II. MOBILIZING RESOURCES AND UTILIZING ISLAMIC FINANCE

The IDB has traditionally relied on its capital resources to finance operational activities. However, from 1424H, the IDB has embarked upon mobilizing funds through the issuance of *Ijarah Sukuk* and *Ijarah*-based Medium-Term Notes. Having stratified its resource needs during 1427H, the IDB, concentrated on developing methods of cost reduction through liquidity and risk management. In this regard, *Shari'ah*-compliant methods were developed and approved in 1427H for hedging currency risk and rate of return swaps. These instruments will be utilized for the IDB's treasury management. Liquidity management has been enhanced through the short-term utilization of funds in reverse *Murabaha*. Currently, there is an approved limit of ID500 million for reverse *Murabaha* for a maturity period of up to one year.

Moreover, the experience and internal expertise developed by the IDB during the issuance of its *Ijarah Sukuk* also became useful for its member countries. During 1427H, the IDB extended its technical assistance to the Government of Indonesia for the issuance of local currency *Sukuk* and advised on amendments in local laws pertaining to the establishment of 'special purpose vehicles' and the transfer of assets. Besides product development-related activities, the IDB has continued to utilize various *Shari'ah*-compliant modes of financing for extending development assistance to member countries.

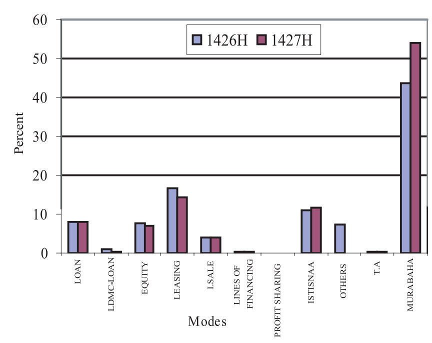
Approved Operations by Mode of Finance

The use of specific mode of financing is guided by the development needs of member countries. This objective necessitates increased use of the leasing mode of finance with the additional benefit of creating leasing portfolio against which *Sukuks* can be issued. The suitability of a particular mode of finance or a blend depends on the nature of the operation and the source of funding. In addition to its ordinary capital resources (OCR), the IDB also manages or operates funds such as the Islamic Banks Portfolio (IBP), the Awqaf Property Investment Fund (APIF), the Unit Investment Fund (UIF), and the Islamic Development Bank Infrastructure Fund (IDBIF).

Net approvals by the IDB Group (excluding Special Assistance Operations) during 1427H totalled $5.2 billion, a significant increase of 33.1 percent over last year when it amounted to $3.9 billion. *Murabaha*, Leasing, and *Istisna'a* modes of finance have traditionally constituted the major proportion of the total financing portfolio of the IDB, and this remained so in 1427H (Table 4.2).

Analyzing at a more disaggregated level, while the amount of both Equity and Leasing finance increased in 1427H, their share in the total of net approvals declined to 6.4 percent and 13.2 percent, respectively, from 7.3 and 15.9 percent in 1426H. *Istisna'a* based financing remained steady at about 11 percent. Approvals of *Murabaha* based financing rose significantly during 1427H to reach $3 billion, which constituted 58 percent of net approvals against the share of 46 percent in 1426H. These changes in the composition of the use of modes of finance are presented in Chart 4.1.

Chart 4.1
Financing by Modes (Percentage) 1427 H vs 1426 H



Total net approvals from OCR increased by 50 percent, rising from $2.5 billion in 1426H to reach $3.8 billion in 1427H. Over the past three years from 1425H to 1427H, the Leasing mode has shown an upward trend. In 1427H, when it stood at $487.7 million, up from $448 million in 1426H. However, the share of Leasing in OCR net approvals decreased to 13 percent in 1427H from its share of 17.9 percent in 1426H. Similarly, the amount of financing though *Istisna'a* mode increased but its proportion in OCR net approvals declined. Approvals through *Murabaha* modes of financing increased

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Table 4.2
IDB Group Net Approvals (excluding Special Assistance Operations) 1425H-1427H

($ million)

	Loan	Loan (LDMC Programme	Equity	Leasing	Instalment Sale	Lines of Financing	Profit Sharing	Istisna'a	Others	Technical Assistance	Murabaha	Grand Total
Ordinary Capital Resources (OCR)												
1425H	300.9	19.0	33.5	404.0	138.8	25.0		393.1		19.2	1,885.6	3,219.1
1426H	296.0	33.9	26.5	448.0	127.8	7.5		409.8		14.1	1,143.9	2,507.5
1427H	389.4	17.6	11.2	487.7	159.2	15.0		556.0		15.9	2,110.6	3,762.6
Treasury												
1425H			19.2	8.0					112.7		163.5	303.4
1426H			16.0						277.7			293.7
1427H			10.1								164.0	174.1
Islamic Banks Portfolio (IBP)												
1425H				92.8					2.0		308.0	402.8
1426H				6.0							333.0	339.0
1427H				35.0							202.8	237.8
Unit Investment Fund (UIF)												
1425H				62.9					10.0		166.0	238.9
1426H				55.1							123.3	178.4
1427H				35.0							89.6	124.6
Awqaf Properties Investment Fund (APIF)												
1425H				26.6			10.1				5.0	41.8
1426H			5.0	54.9							6.0	65.9
1427H				95.5							8.0	103.5
Infrastructure Fund												
1425H			124.7									124.7
1426H			202.4									202.4
1427H			239.1									239.1
Islamic Corporation for the Development of the Private Sector (ICD)												
1425H			23.1	27.5	12.0						25.0	87.6
1426H			34.4	51.9	22.2						14.2	122.6
1427H			68.9	27.0	27.8						5.6	129.3
Export Financing Scheme (EFS)												
1425H											246.5	246.5
1426H											160.3	160.3
1427H											378.1	378.1
Total												
1425H	300.9	19.0	200.5	621.8	150.8	25.0	10.1	393.1	124.7	19.2	2,799.6	4,664.7
1426H	296.0	33.9	284.3	615.9	150.0	7.5		409.8	277.7	14.1	1,780.7	3,869.9
1427H	389.4	17.6	329.3	680.2	187.0	15.0		556.0		15.9	2,958.7	5,149.1

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significantly from $1.1 billion in 1426H to $2.1 billion in 1427H, an increase of more than 84 percent. As a result, *Murabaha* now constitutes 56.1 percent of OCR net approvals compared to 46 percent in 1426H. This development has heightened the importance of risk management and hedging instruments as part of the liquidity management of OCR funds.

The Islamic Corporation for the Development of the Private Sector (ICD) constitutes the private sector investment arm of the IDB. Its net approvals further increased from $122.6 million in 1426H to $129.3 million in 1427H. Leasing and *Murabaha* both declined from their previous amounts. However, equity mode continued its upward trend where the amount increased from $34.4 million in 1426H to $68.9 million in 1427H, which constituted 53.3 percent of the financing operations approved by the ICD.

III. PROMOTING GROWTH AND STABILITY OF ISLAMIC FINANCIAL INDUSTRY

A robust institutional framework of the IFSI, along with a supportive legal, tax and regulatory environment, have a vital strategic bearing on the effectiveness of the IDB Group's operations. Therefore, since its inception, the IDB has accorded importance to the development of the IFSI by catering to its various institutional and architectural needs, providing equity support and technical support, addressing research, training and human resource needs, and promoting consultation and dialogue among the various stakeholders.

1. Cooperation with Islamic Banks

Despite the highly impressive growth of the IFSI, its overall share in the financial system of member countries is still very small: for example, 9.7 percent in Malaysia; 4.2 percent in Bahrain; and 2.7 percent in Turkey. Given sustained economic growth in member countries and the availability of ample liquidity, there is considerable room for growth and expansion of the IFSI worldwide.

One of the key components of the IDB's support for the IFSI is the provision of equity participation in eligible Islamic financial institutions. In this context, the IDB, since its inception, has approved equity participation in 33 Islamic banks and financial institutions worldwide for a total amount of ID148.7 million ($207.7 million). During 1427H, the IDB participated in the establishment of the first Islamic bank in Syria, as well as in the capital increases of Islamic banks, one each in Gambia and Pakistan, totalling ID7.4 ($10.7 million). Furthermore, as part of its efforts to strengthen infrastructure institutions, the IDB has also participated in the capital increase of the International Islamic Rating Agency. During 1427H, in order to further enhance support for the IFSI, the IDB signed a partnership agreement with the Government of the UAE, the General Council for Islamic Banks and Financial Institutions, Al-Baraka Group and the Dubai Islamic Bank.

2. Cooperation with National and Multilateral Development Finance Institutions

Supportive polices for the SME sector are important for developing entrepreneurship and broad based economic growth through innovation, employment generation, and poverty alleviation. In this context, the IDB has forged strategic partnerships with national development finance institutions (NDFIs) in member countries to support the growth of the SME sector as a tool for poverty reduction. For this purpose, the IDB extends lines of financing to NDFIs by mainstreaming use of Islamic financial products by the SMEs. Currently, there are 30 lines of financing in 14 member countries amounting to ID256.6 million ($339.3 million).

The IDB also extends assistance for capacity building of NDFIs through the training and skill building of their staff in order to manage a sound portfolio of SME projects. In addition, the IDB seeks to enhance the effectiveness of NDFIs by promoting the exchange of best practices in SME financing among NDFIs in member countries. For this purpose, the Association of National Development Finance Institutions (ADFIMI) was established in 1986 to provide a forum for the exchange of ideas and experience to help enhance the contribution of SMEs to economic growth, income generation and human capital. The ADFIMI now has 57 members in 20 countries and it has trained 1,500 NDFI executives. During 1427H, the ADFIMI conducted training programmes to enhance knowledge of managers in development finance. It also organized national-level seminars which addressed issues of SME financing, complemented by the participation of experts from other member countries to share their experiences. It also chalked out a comprehensive training programme, as well as holding an annual seminar for the CEOs of NDFIs.

The IDB has been offering technical support to member countries in their efforts to develop the IFSI at a national level. During 1427H, the IDB approved a Technical Assistance programme for the Kyrgyz Republic aimed

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at introducing Islamic banking in the country. This will train bankers and regulators, formulate legal structures and equip the training centre. As a pilot project, one conventional bank will be converted into an Islamic bank under this assistance.

3. Recent Developments in Strengthening Islamic Financial Infrastructure

Over the past twenty-five years, the IDB has played a proactive role in strengthening the workings of various Islamic standard-setting bodies and infrastructure institutions which have been established by stakeholders to cater to the specific needs of the industry. During 1426H and 1427H, the IDB established two dialogue platforms: the Islamic Financial Sector Development (IFSD) Forum and the IFSD Working Group. In addition, the IDB participated in various IFSB technical committees towards the development of (a) Corporate Governance Guidelines; (b) a Task Force on Money Markets; (c) the Principles of Disclosure and Transparency; and (d) Prudential Financial Statistics for Islamic Financial Institutions. Of these, the first guideline was finalized and adopted during 1427H, while the work on the other three is in progress. Also, during 1427H, the IDB continued to collaborate with the AAOIFI in deliberating on various standards, and with the IIFM and LMC on their product and market making development efforts.

During 1427H, several initiatives were undertaken by the IDB to operationalize IFSI Development as a top priority strategic thrust of Vision 1440H. A number of sub-projects have been formulated in various areas for implementation during the current year. These initiatives are aimed at sustaining the robust growth of the IFSI by addressing a number of challenges and gaps such as the lack of a supportive legal, tax and regulatory framework in some member countries; the weak state of infrastructure institutions; a lack of access for the poor to Islamic financial services; a gross underutilization of the potential of Awqaf for social investment; small and undercapitalized Islamic financial institutions; and the need to give impetus to the rapid development of Islamic capital markets.

4. The Role of the IDB *Shari'ah* Advisory Committee

With the rapid development of the IFSI, the overlapping of functions relating to the setting of *Shari'ah* standards has emerged as an important issue. In this regard, the IDB has extended the role of its *Shari'ah* Advisory Committee as a guiding body for standard setting bodies such as the IFSB. Such shared institutional features are expected to reduce the cost of operations and avoid the duplication of efforts.

In 1427H, the *Shari'ah* Advisory Committee held four ordinary and three extra-ordinary meetings and passed three significant rulings. It approved a method which can be used for hedging against risks associated with currency rates and profit rates, and a formula for early repayment. Given that the IDB's unit of account is Islamic Dinar, *Shari'ah*-compliant hedging will help to maintain the financial soundness of the IDB. The use of *Murabaha*, which is a fixed-return mode of finance, in financing of development projects in the wake of fast-changing market rates also entails the necessity of profit rate hedging to reduce the cost of finance. Thus, these hedging techniques, which are based on commodity trading, will help the IDB Group and other Islamic financial institutions to effectively undertake their treasury operations.

Another important development during 1427H was the appointment of an Internal *Shari'ah* Auditor for the IDB. The IDB is in the process of setting up a procedure and system for the office of the Internal *Shari'ah* Auditor, which is expected to be functional by the end of this year.

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

Knowledge generation, management, and training in the area of Islamic economics and finance are conducted by the Islamic Research and Training Institute (IRTI), a member of the IDB Group. Functionally, the IRTI focuses on research, training, information dissemination, and the organizing of working groups. Currently, the IRTI's operational strategy is to further sharpen its focus and involve market players, their regulators, and public and private sector organizations in its programmes.

1. Promoting Research Activities

During 1427H, the IRTI produced three major studies through in-house research. A number of other research papers were produced through research conferences. All these were focused on four broad areas: Sustainable Development and Poverty Alleviation, including *Zakah* and *Awqaf*; Financial Products and Markets Development; Risk Management, Regulation,

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Supervision and Governance Issues in Islamic Finance; and Developing Teaching Material for Islamic Economics and Finance.

Investor protection and private sector development are important for socially responsible business activity in the Islamic system. Two of the IRTI studies focused on Islamic Law, Corporate Finance, and Financial Development and Privatization in Developing Countries: Some Empirical Evidence. The first study investigates the rights of investors under Islamic law and discusses how these may affect corporate finance and financial markets (Box 4.1). The second study evaluates the efficiency of a privatization strategy in the context of Malaysia. Another paper entitled "Simulation in Islamic Economics" introduces to researchers in Islamic economics a new framework and a research tool. The framework is complexity theory and the tool is agent-based simulation. The paper argues that the alternative framework and research technique might be more suitable to Islamic economics than their conventional counterparts. In addition to many examples frequently cited in the literature, the paper provides an application to Islamic economics that shows how *riba*, mark-up finance, and *zakah* affect economic performance.

The IRTI's Occasional Paper for 1427H was on Islamic Finance and the Challenges of Hedging. Risk in financial markets is a legitimate concern. This paper highlights the *Shari'ah* view on risk and how it fits within a general framework of exchange in the form of gharar. After outlining and evaluating the current approaches, the study suggests some Islamic instruments for hedging different kinds of risks and highlights the major advantages, limitations, and differences of conventional instruments. The study concludes by exploring conditions and prerequisites needed for the suitable application of these instruments (Box 4.1).

Box 4.1
Research Highlights

1. Hedging in Islamic Finance

Risk taking is a *sine quo non* for economic progress. While excessive risk will impede investment and growth, yet a total absence of it distorts incentives and reduces economic efficiency. Furthermore, the balancing of different types of risks is a challenge in both Islamic as well as conventional finance. The IDB-IRTI Occasional Paper No.10 explores the differences between *Shari'ah* and conventional approaches of risk management and suggests some *Shari'ah*-compliant hedging methods.

Shari'ah advocates that risk-taking and its management must be integrated with real activity. In this approach, risk cannot be traded separately from the ownership of real goods and services. Therefore, risk management is achieved by undertaking those economic activities that generate wealth at a faster rate than the risk so that the evolving risk can be compensated for. With this approach, economic growth and risk management go hand in hand. As opposed to this, conventional finance adopts a separation approach, whereby risk can be separated from real goods and services and independently traded. This creates a dichotomy in the objectives of wealth creation and risk management. Further, the commoditization of risk leads to its proliferation and disproportionates allocation, leading to systemic instability. The paper then explores various possible *Shari'ah* hedging methodologies. It highlights three hedging methodologies: (i) Economic Hedging: which operates through creating a natural or a dynamic hedge, (ii) Cooperative Hedging: which is based on the cooperative and bilateral arrangement of adjustments to manage mutual risks, and (iii) Contractual Hedging: which is based on combining different contracts or splitting the receivables in cash and kind to manage various kinds of risks.

2. Islamic Law, Corporate Finance and Financial Development

The role of legal systems is considered vital in enforcing private property rights, contractual arrangements, and the rights of investors which affect financial markets. The effectiveness of legal systems in protecting investors facilitates efficient corporate financing and enhances financial development.

This study investigates shareholder and creditor rights in Islamic law and discusses how these may affect financial markets. It presents the main features of *Shari'ah* law vis-à-vis western law and rulings with respect to the rights of stakeholders in debt and equity instruments. A theoretical model shows that the protection of shareholders and creditors by the legal system is an important determinant not only of patterns of corporate finance but also of the development of debt and equity markets in different countries. It discusses the Islamic perspective on corporate bankruptcy and disclosure laws and lays emphasis on strengthening and protecting the rights of shareholders to increase the proportion of equity financing by corporates and the Islamic financial sector. The structure and growth of the corporate sector and Islamic financial system would depend not only on detailing the *Shari'ah* principles for various aspects of the corporate sector, but also on the necessary legal and informational framework and support institutions that can strengthen investor rights in general and shareholder rights in particular.

During 1427H, in addition to internal research studies, the IRTI in collaboration with other bodies, organized and presented research in seven conferences and seminars. Such events offer important opportunities for generating additional knowledge, increasing the pool of researchers in Islamic economics and finance, and providing a platform for broadening research partnerships with other organizations. Important events during 1427H that generated new momentum in research and a better awareness of the issues among policy makers were: the Second International Conference on Islamic Banking: Risk Management, Regulation and Supervision held in Malaysia; the Islamic Trade, Banking and Finance Conference held in London, UK; the International Conference on an "Interdisciplinary Approach to Economic Analysis: Lessons from *Ibn Khaldun's* Economic Contribution", held in Spain; and a Workshop for Textbooks on Islamic Economics held in Jeddah.

2. Engaging in Policy Dialogue

During 1427H, two Working Groups initiated activities on: (i) Poverty Alleviation and (ii) Financial Sector Development. These two Working Groups provided platforms for engaging in dialogue and forging strategic partnerships with centres of excellence, practitioners, and policy makers in member countries. Research and policy-oriented proposals carried out in the framework of these Working Groups are expected to enhance networking between institutions, and develop shared ownership of ideas.

The Poverty Alleviation Working Group held its first meeting of stakeholders and civil society organizations of Sub-Saharan African member countries to deliberate on the document entitled "Poverty Reduction Strategies in Member Countries in Sub-Saharan Africa: Incorporating Roles of *Zakah* and *Awqaf*". As a follow-up to this meeting, a study on "The Application of *Zakah* at State Level" is under preparation. A preliminary document on *Fiqh* issues related to the above topic has been prepared, which will be the basis for discussion in the second meeting of this Working Group.

The Working Group on Financial Sector Development has been established with the objectives of networking and creating partnerships with relevant institutions and resource persons in order to identify the challenges of the industry and meeting them by systematically coordinating core competencies. In 1427H, this Working Group held technical committee meetings and one consultative meeting with various stakeholders. An Islamic Financial Sector Forum was also held in Kuwait, in conjunction with the IDB Group Annual Meeting to discuss and deliberate on the "Ten-Year Framework for the Development of the Islamic Financial Services Industry" with representatives of the Islamic financial industry and their regulators (Box 4.2).

In the near-term, the IRTI intends to integrate its various activities related to research agenda, seminars and Working Group policy dialogues with a focus on developmental strategies in five areas: (i) Financial Engineering & Product Development; (ii) Islamic Capital Markets (ICMs); (iii) Islamic Microfinance & *Takaful* (IMf&T); (iv) Risk Management & Financial Architecture; and (v) Frontiers & the Teaching of Islamic Finance.

3. Organizing Training Programmes

In order to support the development of human capital and competencies in member countries, the IRTI, during 1427H, organized 26 training programmes in 17 different countries. These programmes covered the following thematic areas: Islamic Economics & Finance; Poverty Measurement and Reduction; Human Resource Development, and Macroeconomic Policies. Some of these training programmes were country-specific while others were regional in nature. The training material generated through such training programmes is made 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 offering three specialized courses on: (i) Islamic Capital Markets, (ii) *Sukuk*, and (iii) Poverty Reduction Concepts and Methodologies for Professional Staff of IDB Group entities. Another important educational and training initiative that continued this year was the Distance Learning Courses for university students and practitioners in the industry through video conferencing and the Global Distributed Learning Network (GDLN) facility. In 1427H, two courses on (i) "Fundamentals of Islamic Economics" and (ii) "Current Issues in Islamic Finance" were conducted through the GDLN facility which ran for 10 weeks each. Five universities from the UK, Kuwait, Lebanon, Iran and Pakistan participated in each of these courses. A special short course on "Risk Management" comprising of five lectures was also held through the GDLN facility.

During 1427H, two initiatives were launched to

Box 4.2
The Ten-year Framework for
the Development of the Islamic Financial Services Industry

The Purpose

The aims and objectives of the Master Plan are to:

- Provide a general framework for IDB and IFSB members and other interested countries to share experiences and consider the formulation of national and regional Master Plans to promote the IFSI in their respective jurisdictions so that economic development can be achieved side by side with justice, social progress and financial stability;
- Identify the challenges of the IFSI and suggest initiatives, ways and means through which the IFSI can interact with the conventional financial system and compete with it on equal terms;
- Enhance the role of the IFSI in redirecting financial resources towards real investment and the creation of employment opportunities;
- Provide a framework for policy dialogue among national, regional and international financial and architectural institutions and the industry; and
- Ensure the IFSI's growth, sustainability and competitiveness and its successful integration into rapidly changing international financial markets.

Recommendations, Implementation and Follow-up

The summary recommendations of the IFSI Framework Document cover a broad set of strategies and initiatives to be undertaken for developing the various components of the IFSI – namely, banks, non-banking financial institutions, inter-bank and capital markets, and insurance services (*Takaful*) - and to provide the required support for infrastructure, institutions.

Recommendations for Institutional Development

- Enhance the capitalization and efficiency of the IFSI to ensure that they are adequately capitalized, well-performing and resilient, and on a par with international standards and best practices;
- Enhance the access of the large majority of the population to financial services;
- Enhance *Shari'ah* compliance, effectiveness of corporate governance and transparency;
- Develop the required pool of specialized, competent and high-calibre human capital and ensure utilization of state-of-the-art technology;
- Promote the development of standardized products through research and innovation; and
- Comply with the international prudential, accounting and auditing standards applicable to the IFSI.

Recommendations for Infrastructural Development

- Develop an appropriate legal, regulatory and supervisory framework; as well as an IT infrastructure that will effectively cater for the special characteristics of the IFSI and ensure tax neutrality;
- Develop inter-bank, capital and derivatives markets for the IFSI;
- Promote public awareness of the range of Islamic financial services;
- Strengthen international Islamic financial infrastructure institutions and enhance collaboration among them;
- Foster collaboration among countries that offer Islamic financial services; and
- Conduct initiatives and enhance financial linkages to integrate domestic IFSIs with regional and international financial markets.

Implementation and Follow-up

Implementation and follow-up of this Framework document should be carried out by a joint standing committee in consultation with the industry players and other stakeholders.

strengthen the teaching of Islamic economics at university level. One is the Text book Project in which a number of universities are participating to develop textbooks on Islamic economics. The second is the IRTI's effort to consolidate key literature on the subject in the form of a handbook on Islamic Economics. The first volume is entitled "*Anthology of Islamic Economics, Vol. I, Exploring the Essence of Islamic Economics*" (Annex Table 4.1).

4. Improving Information Services

During 1427H, a number of conference proceedings, research papers and lectures were published (Annex Table 4.2). Two bi-annual research journals were published by the IRTI in English and Arabic. In 1427H, the IRTI's electronic publications portal was enhanced and the IRTI's publications are now downloadable through this portal.

In addition, the IRTI has completed the experimental phase of its Islamic Banks Information System (IBIS), which is available through the internet. A full version will be available by the end of 1428H. The IBIS has been developed as a highly interactive database of key financial statistics and vital information about a large number of individual Islamic financial institutions in different parts of the world. Also, during 1427H, the IDB Database on Experts (IDBDE) was updated with more recent information on experts. The IDBDE aims at facilitating the identification of experts and scientists from around the world in various fields.

5. Promoting Knowledge

The IRTI has initiated various programmes to promote knowledge-building in the areas of Islamic economics and finance. Initiated eighteen years ago, an IDB Prize, alternating between Islamic Economics and Islamic Banking & Finance, is awarded every year for outstanding scholarly or practical contributions by individuals or institutions. The prize consists of a cash award of ID30,000 and a citation. The 1426H IDB Prize for Islamic Banking and Finance was awarded to Prince Mohammed Al-Faisal Al-Saud of the Kingdom of Saudi Arabia in recognition of his services and pioneering efforts in the development of the concept and business of Islamic finance which he has rendered over the past three decades. The prize was awarded on the occasion of the 31st Annual Meeting of the IDB Board of Governors, held in Kuwait.

The IRTI also offers a Visiting Scholar Scheme whereby scholars are invited to spend a short term at the IRTI to carry out their research. Eminent Scholar Lectures and *Shari'ah* Lectures are other examples of such activities. Research grants and partial funding to doctoral students on topics related to Islamic economics and finance are some other ways in which knowledge is developed. During 1425H, Prof. Dr. Shawqi Ahmad Dunya, the IDB Prize winner in 1425H, delivered a lecture on "Economic Perspectives in the Holy Qur'an".

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

Creating links between scientific and technological capabilities, and the needs of human development, are crucial to the long-term economic growth of IDB member countries. The IDB promotes the strategy of developing science-based human capital by building partnerships and creating synergy among OIC science and technology institutions. The OIC Ten-Year Programme of Action sets out a vision for creating links between the challenges of economic development and the enhancement of science-based human capital. During 1427H, the IDB supported new initiatives to strengthen knowledge-based economic development in member countries. The following sections highlight the IDB's operational activities undertaken during 1427H to support literacy and healthcare services, the 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 the Education and Health Sectors

The IDB Group provides support for the comprehensive development of human capital in its member countries with the view to accelerating the literacy rate and improving the quality and coverage of healthcare. Between 1990 and 2004, the adult literacy rate for member countries as a group increased by 32 percentage points, from 38 percent in 1990 to 70 percent in 2004. By contrast, life expectancy improved by 3 years from 59 years in 1990 to 62 years in 2005. In order to further accelerate progress in human development, the IDB has scaled-up its efforts to alleviate poverty in its member countries through sustained support aimed at improving primary education and healthcare services.

In providing human development-related assistance, the IDB ensures quality-at-entry of projects in terms of their potential impact on education sector outcomes in member countries. Since 1420H, the IDB has substantially increased its net approvals in the education and health sectors. Up to the end of 1427H, the cumulative assistance provided by the Bank to education and health sectors in member countries totalled ID1,197.41 million ($1,615.02 million) and ID746.49 million ($1,000.18 million), respectively.

2 Supporting Science and Technology Operations

The IDB, in collaboration with the relevant OIC institutions such as COMSTECH and ISESCO, assists in the development of science-based human capital in member countries. The IDB supports scientific and technological development in member countries in three distinct areas: (i) assisting in building physical facilities and infrastructures; (ii) building collaboration and the exchange of knowledge through activities such as the short-term exchange of experts, on-the-job training, and conferences; and (iii) providing financing research and development projects by designated centres of excellence.

Over the past five years, the IDB has approved 53 science and technology operations in member countries, covering all the above three thematic areas, for a total amount of $753.17 million. Over the same period, the IDB has approved 51 Technical Assistance operations in science and technology amounting to $6.34 million. The Country Cooperation Programme facilitates the exchange of knowledge amongst member countries. During the last three years, 29 operations, one recruitment of experts, 11 on-the-job trainings and 17 workshops/conferences have been organized for a total amount of $1.21 million.

3. Scholarship Programmes

IDB Scholarship Programmes aim to assist in the development of scientific, technical, and research capabilities of scientists and researchers in member countries and non-member countries, and to build up science-based human capital. There are three types of scholarship programmes: (i) the Scholarship Programme for Muslim Communities in Non-Member Countries, established in 1404H (1983); (ii) the Merit Scholarship Programme for High Technology for Member Countries, established in 1411H (1991); and (iii) the M.Sc. Scholarship Programme for the LDMCs, established in 1418H (1998).

3.1 The IDB Scholarship Programme for Muslim Communities (SPMC)

The IDB provides scholarships to deserving students who have the talent and merit but not the resources to pursue their first degree level education. Support to such students in specific disciplines enables them to become professionals who are dedicated to the development of their communities and countries. The approved disciplines are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. Scholarships are available to study in the students' own countries or in IDB member countries. The Programme also includes banking, finance, administration, management, accountancy and marketing for Muslim communities in transition economies such as the Commonwealth of Independent States (CIS) and the countries of Eastern Europe. The IDB awards the scholarships as grants to the Muslim communities and as interest-free loans (*qard hasan*) to students recommended by their communities. The refunded loans are deposited in trusts (*Awqaf*) that are established in each country to help other needy students from the same communities. Annex Table 4.3 provides information on scholarships awarded under the Programme during 1427H. The cumulative approved scholarships up to the end of 1427H are:

Number of Muslim Communities Supported:	48
Number of Member Countries Supported: (on exceptional basis)	10
Number of Graduate Students:	4,752
Number of Students Currently Enrolled:	2,698
Total Financing:	ID46.52 million ($62 million)

3.2 Merit Scholarship Programme for High Technology (MSP)

The MSP provides an outright grant to scholars to undertake doctoral or post-doctoral research in designated universities. This Programme aims to develop technically qualified human resources in IDB member countries. Annex Table 4.4 provides information on scholarships awarded under the Programme during 1427H. The cumulative total of approved scholarships up to the end of 1427H is:

Number of Scholars Selected:	346
Scholars Awarded Doctoral Degrees:	184
Scholars Currently Enrolled:	162
Member Countries Covered:	46
Number of Beneficiary Institutions:	237
Total Financing:	ID10 million ($13 million)

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

The aim of this Programme is to provide students with access to educational opportunities and to create an intermediate level of science-based human capital. This Programme also leads students from the LDMCs to qualify for the IDB Merit Scholarship Programme for High Technology. For this purpose, new features have been introduced in this Programme to allow students from the LDMCs to register for qualifying courses for doctoral research. Annex Table 4.4 provides information on Scholarship awarded under the Programme from 1422H to 1427H while the cumulative total of approved scholarships up to the end of 1427H is:

Number of Students Selected:	183
Number of Students Graduated:	77
Number of Students Currently Enrolled:	106
Total Financing:	ID0.71 million ($0.946 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.

The three IDB scholarship programmes have benefited over eight thousand science graduates worldwide. Among non-member SPMC graduates, 98 percent of the traced graduates are in gainful employment. For MSP graduates, 46 member countries and 203 of research institutions have benefited from the IDB's support. Over 80 percent of MSP graduates have returned to their own countries. For MPST, 4 science graduates from the LDMCs have enrolled for doctoral research programmes. Overall, the IDB 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 presents the achievements of graduates of the three IDB scholarship programmes and the impact they have made in addressing the challenges of daily life in member countries and communities, and have thus contributed to broad-based economic development as well.

4. Special Programmes for Science and Technology

The IDB, in partnership with COMSTECH and other centres of excellence in member countries, has launched the following initiatives to support the development of science and technology resources. The major activities of the following Programmes during 1427H are presented below.

4.1 IDB's Young Researcher Support Programme

The IDB's Young Researchers Support Programme provides individual research grants ranging between $8,000 and $15,000. Initially, the IDB approved $350,000 for the Pilot Phase in 1422H. So far, fifteen Young Researchers have benefited from the Programme. As the Pilot Phase has been completed, its evaluation is being carried out in collaboration with the COMSTECH with a view to formulating it into an annual Programme.

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 the IDB Scholarship Programmes have contributed to economic well-being in their respective countries. A selection of achievements by IDB graduates is presented below to illustrate efforts made by the Bank in creating linkages between the challenges of economic development and the stepping up of relevant scientific and technological capabilities.

Dr. M. Affan Badar from India (IN/1983/025) obtained first degree in Engineering from Aligarh Muslim University, India; Masters from King Fahd University of Petroleum & Minerals (KFUPM), Saudi Arabia; and Ph.D from University of Alabama, USA. He is now Professor, Mechanical Engineering and Director, Centre for Systems Modelling & Simulation, Indiana State University, USA.

Dr. Shariq Aqil from India (IN/1983/002) obtained Masters degrees from Aligarh Muslim University, India. He is now Director, Medical Unit, Aligarh Muslim University and is also President of the All India Paediatricians' Association.

Dr. Habib Saizi Somanje from Malawi (MAI/1986/001) studied Medicine in Pakistan and is the first Muslim doctor in Malawi. He is currently the Director of the Centre for Prevention of Communicable Diseases in Malawi, which is directly attached to the Office of the President of Malawi.

Dr. Aminu Bello Kasarawa from Nigeria (UNI/1990/014) graduated in Medicine from Usman Danfodio University, Sokoto, Nigeria. He was declared '**best student of the year'** in the year of his graduation.

4.2 Annual Inter - Islamic Networks Workshop Programme

A state-of-the-art workshop programme with an annual allocation of $200,000 was approved in 1419H. This programme has completed eight cycles of implementation through OIC Science & Technology Networks established by the COMSTECH, respectively 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). Two more COMSTECH-sponsored networks related to the agricultural sector were established during 1427H, with their headquarters in Sudan.

4.3 IDB Prizes for Science & Technology

Three IDB Prizes for Science & Technology were launched in 1423H (2002) to promote excellence in scientific research and education. 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 three categories: (i) excellence in a given scientific specialty; (ii) outstanding scientific and technological contributions to social and economic development; and (iii) the best performing R&D centre in one LDMC. To date, four editions of the IDB Prizes have been completed.

In 1427H, three IDB Prizes for Science & Technology were awarded to the Malaysian Palm Oil Board, Malaysia; the Faculty of Engineering, Cairo University, Egypt; and the Faculty of Science, Islamic University of Gaza, Palestine. The 5th Edition is under implementation and the awards will be presented during the 32nd Annual Meeting of the IDB Board of Governors Meeting in Senegal.

4.4 Centres of Excellence Cooperation Programme

The IDB and COMSTECH are implementing a programme whereby peer-reviewed S&T institutions of research will be invited to develop cooperative arrangements among themselves. With COMSTECH and the IDB as facilitators, lead centres will assist in the capacity building of partner centres. The IDB has approved 2 such projects: (i) the HEJ Research Institute of Chemistry in Pakistan partnering with the Medicinal and Aromatic Plants Research Institute in Sudan through a $130,000 grant and (ii) the International Centre for Biosaline Agriculture (ICBA) partnering with the National Institute for Agricultural Research in Niger (INRAN) through a $150,000 grant.

4.5 S&T Expatriate Nationals Programme

The IDB, in cooperation with its OIC partners and international agencies, has initiated various schemes that are at different stages of start-up and implementation, for example, the S&T Expatriate Nationals Scheme has been built on the UNDP-TOKEN reference model and is supported by a yearly allocation of $0.2 million.

VI. CAPACITY BUILDING ASSISTANCE

Since the late nineties, various development organizations have launched knowledge-sharing initiatives with interconnected goals: improving internal knowledge sharing; sharing knowledge with and learning from partners and project beneficiaries to effectively communicate, cooperate and collaborate on programmes; and building the capacity of project beneficiaries to more effectively access, adapt and apply knowledge to local conditions. The IDB's programme in capacity building caters to the sharing of knowledge and dissemination of skills, supporting civil society through non-governmental organizations (NGOs), and supporting women-in-development initiatives. Through capacity building programmes, the IDB seeks to alleviate managerial, technical, and institutional constraints, and strengthen grass roots level community organizations.

1. Knowledge-Sharing and Disseminating Skills

IDB activities in this area aim to mobilize and exchange skills, talents and technical know-how for further accelerating socio-economic development in member countries. These objectives are met through (i) On-the-job training and familiarization visits, (ii) Recruitment of experts for a specific and well-defined assignment, and (iii) Organization of workshops and seminars. Since the inception of the Programme in 1403H up to the end-1427H, 1,400 operations with a total outlay of $30.8 million have been approved for national and regional institutions. These aggregate operations have consisted of 622 operations with a total of $10.8 million for training, 244 operations amounting to $4.4 million for expert services, and 534 operations with a total financing of $15.7 million for the organization of seminars and workshops. During 1427H, 87 operations with a total of $2.4 million were approved (Table 4.3).

Table 4.3
Capacity Building Assistance During 1427H

Type of Activity	No. of Operations	Approvals ($)
On-the-Job Training / Study Visits	32	796,980
Recruitment of Experts	14	314,450
Seminars and Workshops	41	1,317,000
Total	**87**	**2,428,430**

2. Supporting Civil Society

The NGOs are essential partners in the development process because of their proximity to local communities and activities at the grassroots level. The IDB provides funding for projects which are designed and implemented by NGOs in order to address the basic needs of disadvantaged groups and to empower communities at the grassroots level in member countries. It also finances capacity building programmes to improve the effectiveness of the activities of NGOs. Since 1421H, the IDB has approved 125 projects amounting to $4 million benefiting various NGOs from more than 30 member countries.

3. Women-in-Development Initiatives

Women are more vulnerable to poverty, whether in terms of money (income poverty) or in terms of well-being (human poverty). In this context, the IDB Women Advisory Panel has been constituted to provide guidance on mainstreaming women's concerns in IDB operations and formulating appropriate programmes to promote and encourage women's participation in the socio-economic development of their countries. In line with the Panel's recommendations in 1427H, the IDB has begun the process of formulating a strategic framework for mainstreaming women in the activities of the IDB Group.

The IDB Prize for "Women's Contribution to Development" was launched in order to raise greater awareness of successful examples of mainstreaming women in the development process. The Prize recognizes accomplishments through an award of $50,000 for an individual or group of individuals and $100,000 for an organization or group of organizations. The first edition of the Prize was awarded to two individual laureates and three organizations during the 31st Annual Meeting of the Board of Governors of the IDB Group in Kuwait in 1427H (2006).

IDB extended $27 million to upgrade and modernize Islamic University of IAIN Syarif Hidayatullah in Indonesia. The project, which was declared complete in May 2005, facilitated the construction of five new science faculty buildings; upgrading of five existing departments into faculties; modernize training centres, and laboratories; improvement of the curriculum; and introduction of MS/MA and Ph.D. programmes. A post evaluation study found that the number of courses offered by the University increased from 38 in 1999 to 46 in 2005 while the students enrolment more than tripled to 15,051 during the same period. The University also became a seat of higher learning in Indonesia as the research projects awarded to students/faculty increased by 95 while the number of research publications by the faculty increased by 45 during the period 1999 to 2005.

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Annex Table 4.1
IRTI Training Programmes Implemented during 1427H

No	Training Activities	Venue	Collaborating Institution(s)	Number of Participants and Course Category
1.	Investment Funds Compatible with *Shari'ah* [In Arabic]	Kuwait City, Kuwait	1) SAMA, Saudi Arabia 2) Central Bank of Kuwait	- National Course - 18 Participants
2.	Workshop on "Price Statistics and Indices" [In English]	Ankara, Turkey	Statistical, Economic and Social Research and Training Centre for Islamic Countries [SESRT-CIC] Ankara, Turkey	- International Workshop - 22 Participants
3.	Logistics and Export Competitiveness [In French]	Casablanca, Morocco	Islamic Centre for Development of Trade (ICDT), Morocco	- Regional Workshop - 13 Participants
4.	*Shari'ah* Rules Governing Banking Operations and their Applications in operations of Saudi British Bank [In English]	Dammam, Saudi Arabia	Institute of Banking SAMA	- National Course - 15 participants
5.	Islamic Banking Operation [In Arabic]	Damascus, Syria	Central Bank of Syria	- National Course - 41 Participants
6.	*Zaka*h as a Tool for Poverty Reduction [In Arabic]	Nouakchott, Mauritania	Islamic Cultural Association of Mauritania	- National Course - 45 Participants
7.	*Shari'ah* Rules Governing Banking Operations and their Applications in operations of Saudi British Bank [In English]	Jeddah, Saudi Arabia	Institute of Banking SAMA	- National Course - 14 Participants
8.	*Shari'ah* Rules Governing Banking Operations and their Applications in operations of Saudi British Bank [In English]	Riyadh, Saudi Arabia	Institute of Banking SAMA	- National Course - 15 Participants
9.	Human Resources Development (In Russian/English Languages)	Tashkent Uzbekistan	Centre for Professional Development in Foreign Economic Relations, Ministry for Foreign Economic Relations, Investments and Trade [CFPDFER/MFERIT]	- National Course - 50 Participants
10.	Securitization and its Application in Islamic Banks [In Arabic]	Amman, Jordan	Institute of Banking Studies, Jordan.	- Regional Course - 30 Participants
11.	Practical Models & Instruments for Management of Macro-Economics [In Arabic]	Cairo, Egypt	i) Egyptian Banking Institute, Egypt; and ii) Arabic Planning Institute, Kuwait	- Regional Course - 20 Participants
12.	Regulation and Supervision of Islamic Banks [In English]	Jakarta, Indonesia	SEACEN Centre, Malaysia	- Regional Course - 34 Participants
13.	Establishing *Zakah* and *Awqaf* Institutions [In French]	Niamey, Niger	- CONIZAWA, Niger - *Bait Al Zakah*, Kuwait - *Awqaf* Foundation, Kuwait	- National Seminar - 65 Participants
14.	Training Program for the Staff of National Chambers of Commerce of Middle Eastern Countries [In English]	Doha, Qatar	Islamic Chamber of Commerce & Industry [ICCI], Karachi, Pakistan	- Regional Workshop - 22 participants
15.	Developing Professional Skills of Staff of *Zakah* Institutions [In Arabic]	Khartoum, Sudan	Higher Institute of Zakat Studies, Sudan	- Regional Course - 31 Participants
16.	Poverty Reduction: Concepts and Methodologies [In English]	Jeddah, Saudi Arabia	HRMD, IDB	- For IDB staff - 14 participants
17.	*Sukuk* and Its Application in Islamic Banking [English]	Khartoum, Sudan	Higher Institute of Banking and Finance, Khartoum, Sudan	- 32 participants
18.	Accounting and Auditing in Islamic Institutions [Arabic]	Damascus, Syria	Central Bank of Syria	- National Course - 36 Participants
19.	Computer Network Server Administration in LINUX Environment [In English]	Dhaka, Bangladesh	Islamic University of Technology [IUT], Bangladesh	- Regional Workshop - Participants
20.	*Sukuk* as Sources of Financing Development Projects [In English]	Jeddah, Saudi Arabia	HRMD, IDB Group	- For IDB staff
21.	Founding Voluntary Projects [In Arabic]	Kuwait City, Kuwait	Kuwait *Awqaf* Public Foundation	- Regional Course
22.	Principles and Practices of Islamic Economics and Banking [In Russian / English]	Baku, Azerbaijan	Azerbaijan State Economic University [ASEU], Azerbaijan	- Regional Course
23.	Human Resources Development [In Arabic]	Damascus, Syria	State Planning Organization	- National Course
24.	Financing Small and Medium Enterprises [In English]	Paramaribo, Suriname	Central Bank Van Suriname	- National Course
25.	Rights and Duties of the Staff Working in the Voluntary Sector [In Arabic]	Kuwait City, Kuwait	Kuwait *Awqaf* Public Foundation	- Regional Course
26.	Human Resource Management and Development [In Arabic]	Lebanon	Islamic College of Business Administration	- Regional Course

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Annex Table 4.2
Knowledge Creation and Dissemination during 1427H

Categories		Activity	
I. Research	1.		Islamic Law, Corporate Financial Development
	2.		Privatization in Developing Countries: An Empirical Evidence
	3.		Islamic Finance and the Challenges of Hedging (Occasional Paper 1427H)
	4.		Simulation in Islamic Economics
II. Seminar/Conferences	1.		International Conference on Interdisciplinary Approach to Economic Analysis: Lessons from Ibn Khaldun's Economic Contribution
	2.		International Seminar on Awqaf in Europe Trust held in London, UK
	3.		Young Professional Forum on Islamic Economics held in Malaysia
	4.		Second International Conference on Islamic Banking: Risk Management, Regulation and supervision jointly organized by IRTI and Islamic Financial Services Board [IFSB], Malaysia
	5.		3rd Seminar on Challenges Facing Islamic Financial Services Industry jointly with IRTI-IFSB, Kuwait
	6.		7th Harvard University Forum on Islamic Finance and Workshop
	7.		Islamic Trade, Banking and Finance Conference, London by Muslim Council of Britain, UK
	8.		Conference on Islamic Finance for Nordic Banks and Export Companies, Stockholm, Sweden
	9.		Course on Islamic Capital Markets an internal training course held in Jeddah
	10.		Round Table Discussion on Shariah-based Risk Mitigation Techniques with IRTI, IFSB and Central Bank of Sudan on 21st December, 2006 in Sudan
III. Publication of Seminar Proceedings and Compilations	1.		Proceedings of the Research Seminar held in Malaysia in 1425H on "Macroeconomics from Islamic Perspective"
	2.		Proceedings of the Roundtable on Islamic Economics: Current State of Knowledge and Development of the Discipline held in IDB Headquarters
	3.		Hand Book on Islamic Economics: Vol. 1 "Foundation, History, Nature and System
IV. Strategic Dialogue and Partnership Initiatives			
(1) Working Group on Islamic Financial Sector Development	1.		Consultative Meeting of IFSD-WG held with cooperation with DIFC Dubai
	2.		Ten-Year Framework for the Development of the Islamic Financial Services Industry
	3.		IFSD Forum held with CIBAFI in Kuwait on 01/05/1427H [28th May, 2006]
	4.		Islamic Financial Industry Development: Technical Support Initiative – Concept Paper prepared for 1440H Vision Initiative
	5.		Participated in three IFSB Technical Committee Meetings on Transparency & Market Discipline Working Group, Malaysia
	6.		Lecture on "Islamic Finance and Penetration of Financial Services" in IDB Headquarters
(2) Working Group on Poverty Alleviation	1.		First Meeting was held in IDB Headquarters, Jeddah, Saudi Arabia
	2.		Study on Application of Zakah is under preparation.
(3) Working Group on ICT for Development	1.		The first consultative meeting was held in Putrajaya, Malaysia on 1-2 Nov, 2006. The meeting was attended by representatives from UNDP, IDRC, ISESCO, MDEC, MIMOs and IDB.
	2.		The International Forum for ICT Strategies and Investment (IFISI) 2006 jointly with the Ministry of Economic & General Affairs, Morocco from 1-3 March, 2006 in Marrakesh, Morocco.

Annex Table 4.3
IDB Scholarship Programme for Muslim Communities in Non-member Countries

No.	Country	Upto 1427H (December, 2006)						1427H	
		Year Started	Quota	Active/ Current	Graduates	Non-completion	Total	Quota	Utilization
1	Argentina	1997	18	3	0	0	3	2	---
2	Australia	2006	2	1	0	0	1	2	1
3	Bosnia-Herzegovina	1994	102	22	26	7	55	10	1
4	Brazil	2006	2	2	0	0	2	2	2
5	Bulgaria	1989	63	23	21	14	58	3	---
6	Burundi	2002	6	12	0	1	13	2	---
7	Cambodia	1992	34	22	13	2	37	2	---
8	Canada	1994	24	15	14	3	32	2	---
9	Central African Republic	1994	32	13	0	0	13	3	---
10	China	1992	144	116	44	2	162	20	40
11	Congo	1992	34	10	10	7	27	2	---
12	Congo (Zaire)	1987	100	29	10	13	52	7	---
13	Eritrea	1986	145	28	67	30	125	6	---
14	Ethiopia	1990	209	101	76	21	198	15	15
15	Fiji	1986	50	5	27	14	46	2	---
16	Ghana	1986	227	83	141	19	243	9	10
17	Greece	1995	21	1	1	0	2	2	---
18	Guyana	1994	25	6	7	7	20	2	2
19	India	1983	2,260	539	1,906	78	2,523	140	---
20	Kenya	1983	204	50	114	25	189	8	8
21	Kibris	1988	33	0	6	2	8	2	---
22	Lesotho	1995	20	0	1	4	5	2	---
23	Liberia	1987	125	42	25	28	95	5	---
24	Madagascar	1987	73	17	13	14	44	2	2
25	Malawi	1986	93	17	16	16	49	3	3
26	Mauritius	1986	58	10	34	4	48	2	2
27	Mongolia	1991	37	15	13	14	42	2	2
28	Myanmar	1985	191	42	67	58	167	8	11
29	Nepal	1987	96	33	73	10	116	4	7
30	New Zealand	1993	24	7	6	2	15	2	---
31	Papua New Guinea	2000	14	0	0	1	1	2	---
32	The Philippines	1986	465	156	314	109	579	22	40
33	Russian Federation	1993	111	25	15	18	58	8	---
34	Rwanda	1990	43	28	22	2	52	3	6
35	Singapore	1985	82	3	47	5	55	2	---
36	South Africa	1987	160	42	78	25	145	8	---
37	Sri Lanka	1983	216	39	211	5	255	6	8
38	Tanzania	1985	348	94	164	61	319	17	16
39	Thailand	1986	312	89	296	24	409	13	---
40	Trinidad-Tobago	1989	48	10	26	7	43	2	---
41	U.S. Virgin Isles	1995	22	2	0	0	2	2	---
42	Vanuatu	1999	16	3	1	1	5	2	---
43	Vietnam	1995	24	9	12	3	24	2	1
44	Yugoslavia (Croatia)	2001	10	9	3	0	12	2	3
45	Yugoslavia (Kosovo)	1995	20	6	3	3	12	2	---
46	Yugoslavia (Macedonia)	1991	36	43	32	8	83	2	7
47	Zambia	2000	15	5	1	2	8	2	---
48	Zimbabwe	1993	29	6	10	1	17	2	---
Member Countries included on Exceptional Basis:									
49	Afghanistan	1986	434	229	156	46	431	20	23
50	Albania	1994	34	19	6	2	27	2	---
51	Azerbaijan	1994	21	0	2	0	2	2	---
52	Cote d'Ivoire	1987	75	13	21	6	40	2	---
53	Kazakhstan	1992	72	2	12	38	52	5	---
54	Mozambique	1992	44	21	13	5	39	3	---
55	Nigeria	1987	885	455	388	59	902	---	---
56	Palestine	1984	173	44	119	6	169	4	---
57	Somalia	1996	100	75	25	9	109	10	5
58	Togo	1986	110	7	44	23	74	2	---
	Total		**8,371**	**2,698**	**4,752**	**864**	**8,314**	**422**	**215**

Definitions
(i) Country = Beneficiary country
(ii) Quota = Total No. of scholarships allotted/budgeted
(iii) Total = Total No. of scholarships utilized
(iv) Graduates = No. of students completed their studies
(v) Non-completions = Students who could not complete for various reasons like failure, withdrawal, absence, death, misconduct, sickness etc.

Annex Table 4.4
IDB Merit Scholarship Programme and M.Sc.
Scholarship Programme in Science and Technology for Least Developed Member Countries

No	Countries	IDB Merit Scholarship Programme		M.Sc. Scholarship Programme in Science and Technology	
		1427H	Total up to 1427H	1427H	Total up to 1427H
1	Afghanistan	-	1	3	16
2	Albania	1	3	-	-
3	Algeria	1	14	-	-
4	Azerbaijan	-	1	-	-
5	Bahrain	-	4	-	-
6	Bangladesh	3	25	-	-
7	Benin	1	3	1	11
8	Brunei Darussalam	-	0	-	-
9	Burkina Faso	-	1	1	5
10	Cameroon	-	4	-	-
11	Chad	-	2	1	11
12	Comoros	-	0	1	4
13	Cote d'Ivoire	-	0	-	-
14	Djibouti	-	0	1	5
15	Egypt	3	25	-	-
16	Gabon	-	0	-	-
17	Gambia	-	3	1	8
18	Guinea	-	4	1	13
19	Guinea Bissau	-	0	-	-
20	Indonesia	4	30	-	-
21	Iran	3	20	-	-
22	Iraq	1	4	-	-
23	Jordan	1	11	-	-
24	Kazakhstan	-	2	-	-
25	Kuwait	-	4	-	-
26	Kyrgyz Republic	-	4	-	-
27	Lebanon	-	4	-	-
28	Libya	-	3	-	-
29	Malaysia	3	18	-	-
30	Maldives	-	2	1	11
31	Mali	2	3	1	7
32	Mauritania	-	2	1	10
33	Morocco	-	8	-	-
34	Mozambique	-	1	-	-
35	Niger	-	3	2	12
36	Nigeria	2	2	-	-
37	Oman	1	8	-	-
38	Pakistan	3	22	-	-
39	Palestine	3	14	2	6
40	Qatar	-	0	-	-
41	Saudi Arabia	-	6	-	-
42	Senegal	-	4	-	-
43	Sierra Leone	-	1	1	11
44	Somalia	-	2	1	15
45	Sudan	1	16	-	-
46	Suriname	-	0	-	-
47	Syria	2	13	-	-
48	Tajikistan	-	3	-	-
49	Togo	-	1	2	4
50	Tunisia	3	11	-	-
51	Turkey	1	18	-	-
52	Turkmenistan	-	0	-	-
53	Uganda	1	6	1	16
54	United Arab Emirates	-	0	-	-
55	Uzbekistan	2	2	-	-
56	Yemen	-	8	1	18
	Total	**42**	**346**	**23**	**183**

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5

ACHIEVING INSTITUTIONAL EFFECTIVENESS

HIGHLIGHTS

- Thirty-First Annual Meeting of the Board of Governors held in Kuwait with H. H. the Emir of Kuwait as the Guest of Honour.
- The Board of Governors approved proposal to double the Authorized Capital of the IDB from ID15 billion to ID30 billion.
- The Board of Governors decided to establish a special Poverty Reduction Fund.
- The Board of Governors approved 5 percent of Net Income for Technical Assistance Operations.
- The Board of Governors approved 2 percent of Net Income to finance Merit Scholarship Programme.
- The Board of Executive Directors considered 369 items during 1427H.
- IDB gears up for Organizational Reform.
- Thirty-Second Annual Meeting to take place in Senegal.

The year 1427H witnessed a number of initiatives and decisions which will further enhance the impact, image and institutional effectiveness of the IDB. The 31st Annual Meeting of the IDB Board of Governors held in Kuwait was historic in doubling the authorized capital of the IDB, clearing the ITFC Articles of Agreement, and deciding on the establishment of a special Fund to help alleviate poverty and provide job opportunities in OIC member countries. In addition, with a view to improving the conduct of business in the IDB and achieving its strategic objectives, the process for reforming the IDB Group has been started. At the same time, an exercise on the Delegation of Authority has already been completed, aiming to provide a modern working environment, empowering staff with a decentralized decision-making process, and introducing clear accountability. Further, the newly developed IDB Group Business Enhancement and Systems Transformation (BEST) is expected to bring about a quantum leap in the quality of services provided to its member countries.

I. HISTORIC ANNUAL MEETING OF THE BOARD OF GOVERNORS

1. Inaugural Session

The Thirty-First Annual Meeting of the IDB Board of Governors held in Kuwait during 3-4 Jumad Awwal 1427H (30-31 May 2006) was historic in many ways. It was one of the largest attended Annual Meetings in terms of the number of participants and it witnessed two landmark decisions of the Board of Governors - to increase the Authorized Capital of the IDB from ID15 billion to ID30 billion and to establish a special Fund within the IDB to help alleviate poverty and provide job opportunities in OIC member states in accordance with a resolution passed by the Third Extraordinary Islamic Summit held in Makkah during December 2005.

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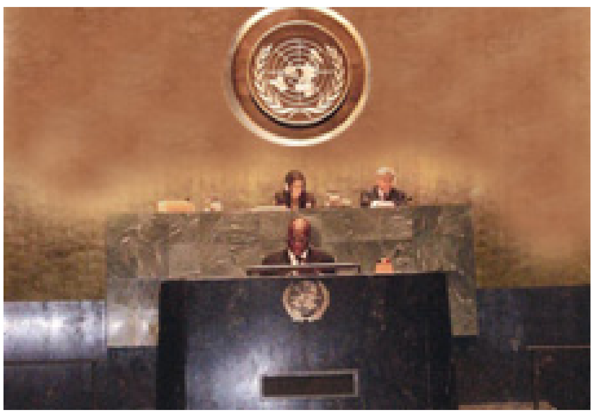
The Guest of Honour this year's Annual Meeting was H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, Emir of the State of Kuwait. H. E. Mr. Badr Mashari Al-Humaydhi, Minister of Finance for the State of Kuwait and the Chairman of the IDB Board of Governors chaired the Meeting.

In his opening address, H.E. Dr. Ahmad Mohamed Ali, President of the IDB Group, thanked H. H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah for gracing the occasion and delivering an enlightening speech. He congratulated the Chairman of the Board of Governors of the IDB, the Government and the people of the State of Kuwait, for their excellent arrangements and hospitality. The President briefly reviewed the performance of the IDB Group for the year 1426H and stated that the phenomenal developments taking place in the international arena and the rapid changes brought about by globalization have impacted the social and economic development indicators of the member countries of the IDB. He reminded member countries to join ranks and form a single block to confront the challenges and consequences of globalization through economic integration and effective utilization of human and material resources. In this context, he referred to strategic planning and the IDB 1440H Vision as the mission of the IDB for confronting these challenges in the light of the Makkah Declaration and the Ten-Year Programme of Action adopted by the Third Extraordinary Islamic Summit. At various forums, the IDB has presented its 1440H Vision (Box 5.1) and emphasized the need for achieving MDGs in member countries (Box 5.2).



On behalf of the President, IDB Group, the Vice-President (Operations) participated in the UN General Assembly on the occasion of the thematic debate on "Partnerships towards Achieving the MDGs" on 27 November 2006. In the IDB statement, the establishment of a special Fund for poverty reduction has been highlighted.

In his statement, H. E. Mr. Badr Mashari Al-Humaydhi, Chairman of the Board of Governors, commended the pioneering developmental role played by the IDB and

Box 5.1
IDB Reception on 1440H Vision During the World Bank/IMF Annual Meetings

H.E. Prof. B.J. Habibie, Former President of the Republic of Indonesia and Vice Chairman of the IDB 1440H Vision Commission presented a keynote address on IDB's 1440H (2020) Vision at a luncheon on the occasion of the World Bank/IMF Annual Meetings held in Singapore during October 2006.

In his keynote address, Prof Habibie stated that given the strategic challenges facing member countries, and the Islamic vision of development, the IDB has formulated several key objectives. He emphasized that the IDB should become a world-class development institution, inspired by Islamic principles to promote global development, as articulated in the vision statement.

According to the President of the IDB, "The mission of the IDB is to promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and bringing prospering to the people. This is a cause like no other and the IDB is privileged to be entrusted with the responsibility."

Box 5.2

IDB at the United Nations General Assembly

Recently, the IDB Group has been accorded observer status at the United Nations General Assembly. The IDB Group's request for observer status was overwhelmingly approved by the General Assembly at its 91st Session on 28 March 2007. Indeed, the IDB Group is privileged to be the first South-South financing institution to obtain observer status in the General Assembly which would help strengthen cooperation with the United Nations as well as its agencies.

Earlier during 1427H, the IDB had the opportunity to participate in the UN General Assembly's Informal Thematic Debate on Development entitled: "Partnerships towards Achieving the Millennium Development Goals" on 27 November 2006 at UN Headquarters in New York, USA. The IDB was extended an invitation for participation by Sheikha Haya Rashed Al Khalifa, President of the United Nations General Assembly.

The IDB delegation emphasized the IDB's goals and efforts to promote development and combat poverty through various development programmes. The occasion also witnessed the signing of a Memorandum of Understanding (MoU) between the IDB and the United Nations Development Program (UNDP) for cooperation between the two institutions on issues related to achieving MDGs in their respective member countries.

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expressed the hope that 1440H Vision would help meet the aspirations and challenges set forth by the Extraordinary Islamic Summit. He observed that the support of the State of Kuwait for the IDB since its establishment has been out of its belief in the IDB's ability to attain its objectives and suggest measures to meet the challenges faced by the Muslim Ummah, especially through the implementation of the Vision.

H. H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, Emir of the State of Kuwait, the Guest of Honour, stated that the IDB has become the embodiment of the aspirations of the Muslim Ummah towards development, prosperity and progress. He recalled that his country established the Kuwait Fund out of its belief that economic development is one way of ensuring success through Islamic solidarity. He looked forward to further effective contributions from the IDB towards the economic development of the Ummah in the future.

H. E. Prof. Ekmeleddin Ihsanoglu, Secretary General of the OIC, observed that the IDB is one of the main driving forces in furthering the socio-economic development of the OIC member states and in consolidating Islamic solidarity. He emphasized the need for adopting the right measures to face the challenges of globalization and enhancing coordination.

H. E. Mr. Abdoulaye Diop, Minister of Economy and Finance and the IDB Governor for Senegal, H. E. Mrs. Suheir Abdul Rahman M. Al-Ali, Minister of Planning and International Cooperation and the IDB Governor for Jordan, and H. E. Dr. Davood Danesh Jaffari, Minister of Economic Affairs and Finance and the IDB Governor for Iran, addressed the meeting on behalf of the African, Arab and Asian countries, respectively and a number of Governors addressed the Annual Meeting during the Working Sessions.

2. Meeting of the Procedures Committee

The Procedures Committee appointed by the Board of Governors at the 31st Annual Meeting met on 2 Jumad Awwal 1427H (29 May 2006). The Board of Governors adopted the Agenda of the Meetings as recommended by the Procedures Committee.

3. Activities of the Board of Governors

During the Working Sessions, the Board of Governors took note of and approved:

- The Thirty-First Annual Report of the Board of Executive Directors for the Year 1426H (2005-2006);
- Audited Statements of Accounts of the IDB for the year 1426H (2005-2006);
- Transfer of Balance on the Profit & Loss Account of the IDB as at the end of the Financial Year 1426H (2005-2006) to the General Reserve;
- Audited Statement of Accounts of the Waqf Fund for the year 1426H (2005-2006);
- Audited Statement of Accounts of the Export Financing Scheme for the Year 1426H (2005-2006);
- Audited Statement of Accounts of the Islamic Banks' Portfolio for the year 2005;
- Audited Statement of Accounts of the IDB Unit Investment Fund for the 2005;
- Audited Statement of Account of the Awqaf Properties Investment Fund for the financial year 1426H (2005-2006); and
- Audited Statement of Accounts of the World Waqf Foundation for the financial year 1426H (2005-2006).

4. Approvals and Decisions of the Board of Governors

The Board of Governors approved:

- Allocation of an amount equivalent to 5 percent but not less than $5 million of the net forecasted income of the IDB for the financial year 1427H for financing Technical Assistance Operations in the form of grants for the year 1428H;
- Allocation of an amount equivalent to 2 percent but not less than $2 million of the forecasted IDB net income for the financial year 1427H, to finance the Merit Scholarship Programme in the form of grants for the year 1428H, in addition to the current allocation from the Waqf Fund; and
- The additional capital increase by Kazakhstan.

The Board of Governors also decided to:

- Increase the authorized capital of the IDB by ID15 billion to ID30 billion; and
- Establish a special Fund within the IDB for poverty reduction.

5. Award of the IDB Prizes

During the closing ceremony of the Annual Meeting, the Chairman announced the award of the three different IDB Prizes for the year 1426H – the IDB Prize in Islamic Banking & Finance, the IDB Prize in Science and Technology, and the IDB Prize in Contribution to Women in Development.

The winner of the IDB Prize in Islamic Banking & Finance was H. H. Prince Mohamed Al-Faisal Al-Saud of the Kingdom of Saudi Arabia, in recognition of his services and pioneering efforts in the development of the concept and business of Islamic Banking & Finance for more than three decades.

Three institutions won the IDB Prize in Science and Technology in three categories: The Malaysian Palm Oil Board, Malaysia (Category 1); the Faculty of Engineering, Cairo University, Egypt (Category 2); the Faculty of Science, Islamic University in Gaza, Palestine (Category 3).

The IDB Prizes in Contribution to Women in Development were awarded to two individuals and three institutions. The individuals were: Ms. Nofa Qutaifan Alfayez (Jordan) and Ms. Fatima Abderrahim Asad Aljade'a (Palestine). The institutions were the Family Revival Society (Palestine); the Society of Women of the Future (Burkina Faso); and the Alga Rural Women's Society (Kyrgyz Republic).

6. Election of the Chairman and Vice-Chairmen of the Board of Governors

The Board of Governors elected the IDB Governor for the Republic of Senegal as the Chairman of the Board of Governors, and the IDB Governor for the Republic of Suriname and the IDB Governor for the Syrian Arab Republic as Vice-Chairmen for the term of office 1427H-1428H (2006-2007), starting immediately after the end of the 31st Annual Meeting until the end of the 32nd Annual Meeting.

II. ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS

During 1427H, the Board of Executive Directors (BED) held 7 meetings and a number of Standing and Special Committee meetings. A summary is given in Table 5.1.

During the meetings, the Board considered 369 items related to project financing, trade financing, Waqf Fund operations, policy issues, IBP, UIF, and APIF, as well as operations approved by the President of the IDB, under the authority delegated to him by the Board. Of these, the Board adopted 149 Resolutions. The Board also took note of 135 items approved by the President. The remaining items were standing items, and standard follow-up and progress reports, on which resolutions are generally not adopted.

The work of the Board is also facilitated by a number of standing, special and ad-hoc committees which, in some cases, also take decisions on its behalf.

1. Standing Committees

Finance and Administrative Committee

The Finance and Administrative Committee helps the Board in deciding matters relating to the management of liquid funds and the financial management of the IDB. This committee conducts a quarterly review of

Two ladies from Jordan and Palestine and three women's organizations from Kyrgyz Republic, Burkina Faso and Palestine were awarded IDB Prizes in Contribution of Women in Development during the 31st Annual Meeting of the IDB Board of Governors in Kuwait, in May 2006

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Table 5.1
Activities of the Board of Executive Directors during 1427H

B.E.D. Meeting No.	No.	Trade Operations*	Projects**	Waqf Fund Operations	Policy items	Other Items	AMD Items	Follow-up Reports	Items Approved by the President and submitted to BED for information***	Total No. of Agenda items	Resolutions Adopted
5-6 Safar 1427H (5-6 March 2006)	236	1	5	6	9	12	3	2	7	45	22
11-12 Rabi Awwal 1427H (9-10 April 2006)	237	-	5	8	7	7	1	2	17	47	21
01 Jumad Awwal 1427H (28 May 2006)	238	-	9	7	1	7	-	2	16	42	19
6 Jumad Thani 1427H (2 July 2006)	239	-	11	-	6	6	1	2	11	37	17
17-18 Sha'baan 1427H (10-11 September 2006)	240	-	9	5	8	9	-	3	41	75	20
21 Shawwal 1427H (12 November 2006)	241	-	7	6	9	8	1	3	23	57	20
24-25 Dhul Hijjah 1427H (14-15 January 07)	242	-	12	4	17	10	-	3	20	66	30
Total		**1**	**58**	**36**	**57**	**59**	**6**	**17**	**135**	**369**	**149**

*Only one Trade Financing Operation was considered by the Board. All other Trade Financing Operations were approved by the President, IDB under the authority delegated by the Board and thereafter submitted to the Board for information are covered under "Items Approved by the President".
**Projects + TAs.
***This column also includes TA Projects approved by the President, IDB.
Note: Out of 369 items, the Board adopted Resolutions on 149 items. The President approved 135 items, as indicated in the 1st and 3rd footnotes. The remaining 85 items which were considered by the Board on which no Resolution was required, pertain to Reports of the Board Committees, Standing Items such as Adoption of Agenda, Approval of Minutes, Brief Oral Report of the President, WWqF and other items for information.

financial reports and a follow-up of overdues on account of share capital subscription. During six meetings, the Committee considered 48 items. It assessed the annual operations plan and programmes of the IDB, and recommended the IDB administrative and personnel policies to the Board for approval. In Dhul Hijjah 1427H, it held a joint meeting with the Operations Committee and considered the 1428H Operations Plan, the General Administrative Budget of the IDB and the Administrative Budgets of Trust and other Funds, and recommended them for the approval of the Board.

Operations Committee

During 1427H, the Operations Committee held six meetings and examined operations and projects to be financed from the Ordinary Resources of the IDB, Special Accounts for the LDMCs, Waqf Fund Operations, and Trade Finance Operations, including BADEA resources. It also considered the Operations Plan and Programmes of the Operations Complex and other entities of the IDB. Another important activity was the finalization of the draft of the 31st Annual Report and the clearance of the draft annotated outline of the 32nd Annual Report of the IDB. The Committee also looked into the overdues on operations financed.

Audit Committee

During the same period, the Audit Committee held seven meetings and covered 74 items during which it reviewed the enhancement of the IDB's internal control environment, the management of its liquid assets and its risk management function, and it provided guidelines to strengthen Departments responsible for carrying out such functions.

The Committee reviewed the financial statements and the Management Letter to the External Auditors; the Annual Report of the Internal Audit Office and the implementation of audit recommendations of the Annual Work Programme; the Report of the Operations Evaluation Office; and Equity Portfolio status. The Committee evaluated the offers from auditing companies and finalized recommendations to the Board for selection of External Auditors for the IDB and its affiliated funds. The Committee also approved a report on introducing a new business solution within the IDB under the Information Technology Programme.

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IDB Group Business Enhancement and Systems Transformation (BEST)

The BEST is a business initiative expected to effect a quantum leap in the quality of services that the IDB provides to its member countries, by enabling a substantial improvement in the efficiency and effectiveness of its business processes and reporting. Upon its introduction, existing information systems will be replaced by advanced and integrated systems. The targeted benefits of the ITP for various categories of beneficiaries are:

Member Countries

- Reduction in the time and cost of approval/ processing of client-related transactions;
- Improvement in the supervision of projects under implementation; and
- Provision of on-line project information and transactions through the Portal.

IDB Group Departments and Entities

- Increase in productivity and cost-effectiveness of the business processes;
- Improvement in the efficiency of business processes;
- On-line staff information and transactions; and
- Reduction in the approval/processing time of staff transactions.

IDB Group Management

- Capturing, analyzing and providing timely decision-support information.

The implementation of the ITP is expected to be undertaken in four phases in five years. The core systems (financial systems and business applications of the Operations Departments) are expected to be implemented in the first 3 years. The business suite selected for the implementation is the SAP, which will be implemented by a partner and monitored by a Quality Assurance Consultant. The Project commenced on 12 November 2006.

The work of the Project will be overseen by an Executive Committee chaired by the President. A Steering Committee chaired by the Vice President (CRS) will closely monitor and direct the implementation. A Program Management Office has been established for daily project management.

2. Special Committees

The Special Committees of the BED met within the framework of the terms of reference.

- 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 Programme 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 development.
- 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.

III. ORGANIZATIONAL DEVELOPMENT

1. Review of Organizational Structure

With a view to bringing further improvements in the conduct of business in the IDB, the Bank has continued its review of its organizational structure, and adjusted its main functions and business channels in line with the mandates of the Strategic Framework and 1440H Vision. As a result, functional changes have been brought about in a number of Departments including the Operations Complex, the Bank Secretariat Department, and the Economic Policy and Statistics Department. The review also consisted of studies on the Treasury Department, the Asset Management Department and the newly established International Islamic Trade Finance Corporation.

Three new committees have been created for the implementation of 1440H Vision, namely the Strategic Implementation Steering Committee (SISC), Chaired by the President, the Group Reform Technical Committee (RTC), and the Programme Implementation Committee (PIC). The IDB has invited world-class consulting firms to provide their services to bring about the reform envisaged in 1440H Vision.

2. Organizational Reform

In line with the implementation of 1440H Vision, the IDB Group's transformation into a world class knowledge-based organization entails key changes in its mission, knowledge capacity, programmes, management system and innovation, with Information and Communications Technology (ICT) as a critical enabler. The reform programme was accorded the highest priority by the Board of Executive Directors at the 239th meeting in Jumad-II 1427H (June 2006).

Key Targets

- Accelerated focus on human development, with priority to achieving the goals related to poverty reduction, health, universalizing education, empowerment of women, etc;
- Greater attention to country-focused development strategies;
- Upgrading of IDB's research and training facility to full consultancy status;
- More decentralization of authority and decision-making in the organization; and
- Transformation into a more networked organization, enabling into tap in to external resources, and strengthen collaborations and partnerships with other institutions.

Core Deliverables

- New corporate governance system and delegation of authority;
- New human resources strategy, policies and procedures;
- Redesigned business processes and support in the implementation plan;
- New operations guidelines and procedures;
- New knowledge management strategy; and
- Master Plan for change management.

3. New Delegation of Authority

An exercise on the Delegation of Authority was completed this year. It is expected to provide a modern working environment and empower the staff with a decentralized decision making process and clear accountability to take informed decisions within their respective authority, guidelines and controls. The first phase of this exercise covered Operations, Finance, Treasury and Human Resources. The second phase is expected to develop instruments for the remaining processes.

A study conducted on various committees as a tool to support organizational structure is expected to empower departments and offices, and improve accountabilities.

4. Distance Learning

The Distance Learning Centre has been engaged in disseminating knowledge – mostly courses on Islamic banking, capacity building, etc, to member countries and staff of the IDB. The Centre has assisted six video conference centres to participate in the Islamic banking and economics lecture series organized by the IRTI. The staff in the IDB have also utilized the facilities of the Centre to access online courses and seminars with other institutions.

IV. IT ENHANCEMENTS

An important IT enhancement this year has been the introduction of new online services and better web content through the new IDB Web Portal, which is expected to provide improved online services. It features content management, facilitating easy web publishing. The portals for other members in the IDB Group and a new intranet are in the process of implementation. Upon full implementation, the Portal will enable secure access to a variety of information related to projects, bringing communication between IDB and its customers to better levels.

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Other important IT enhancements introduced this year have been:

- Various types of notification systems for the beneficiaries of the projects; the integration of SWIFT messages with the projects/operations disbursements and receipts; and Reuter's currencies exchange and LIBOR rates in the business applications;
- A re-designed Local Disbursement System;
- A Projects Portfolio Management system as an online early warning system for Projects/Operations Officers and a Projects Portfolio Performance Index System in the Operations;
- Human resources applications to support day–to-day activities and incorporate new staff rules in human resources business;
- The Development of more than 20 PC-based Windows, Lotus Notes and Web–based applications for automating business areas of various Departments; and
- The Establishment of an Information Security Function for the protection of automated information of the IDB Group from unauthorized access, modification, destruction and disclosure.

V. STAFF DEVELOPMENT

The IDB continues to be a multi-ethnic mix of high-calibre staff from different parts of the world. Currently, the IDB staff comprises of nationalities from 56 countries around the world. The total number of staff as of end-1427H is 942, comprising 465 professionals, 82 special category, 319 general category and 76 manual staff.

1. Young Professionals Programme

The Young Professionals Programme facilitates the introduction of young graduates from reputed institutions to work for the IDB. During 1427H, 23 Young Professionals accepted job offers under the Young Professionals Programme. Currently 30 Young Professionals are undergoing training in different Departments of the IDB, based on a rotation plan. Nine Young Professionals were confirmed during the year.

2. Training

The IDB provided training opportunities to 699 staff during this year. The training programmes help the staff to gain an edge over others in their field of expertise by acquiring the latest knowledge. Details of the number of staff who benefited from these programmes are given in Table 5.2.

Table 5.2
Staff Training during 1427H

Training Type	Directors	Professional	Special	General	Manual	Total
In-house		235	21	121		377
Languages		48	6	47	5	106
External	2	22		2		26
Computer		19	4	161	6	190
Total	**2**	**324**	**31**	**331**	**11**	**699**

VI. LIBRARY

With its extensive collection of publications, periodicals, books, online resources and databases, the library provides an excellent learning and research environment for staff. The library website provides access to bibliographic databases and online resources concerning member countries, as well as other country reports. The new library management system enables staff and visitors to access various services, while the Resource Centre promotes training and continuous learning.

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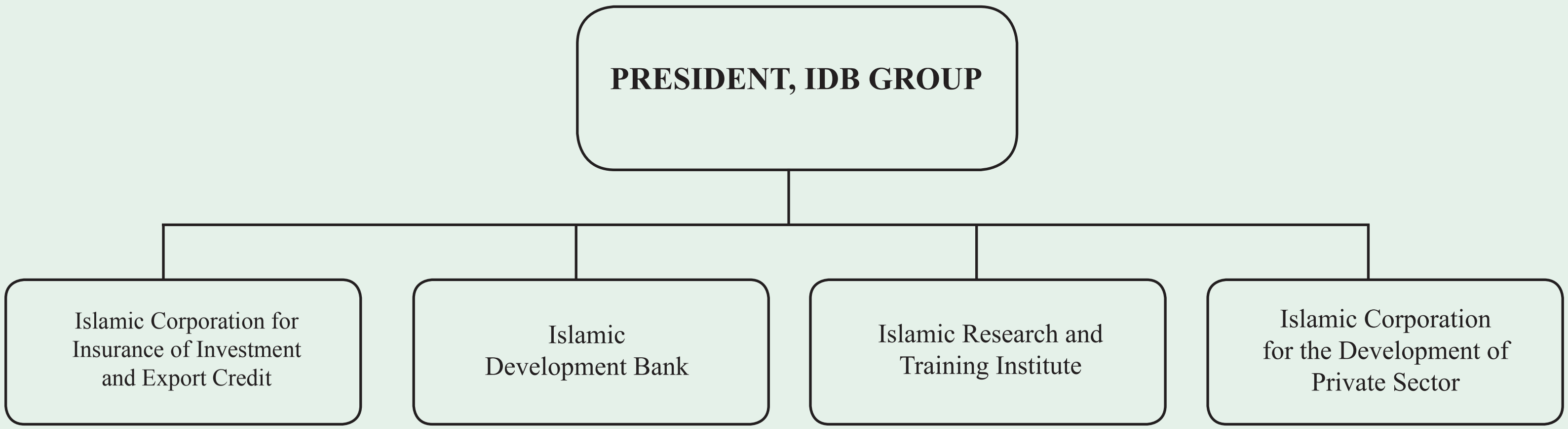
Annex 5.1
Organizational Chart of the Islamic Development Bank Group



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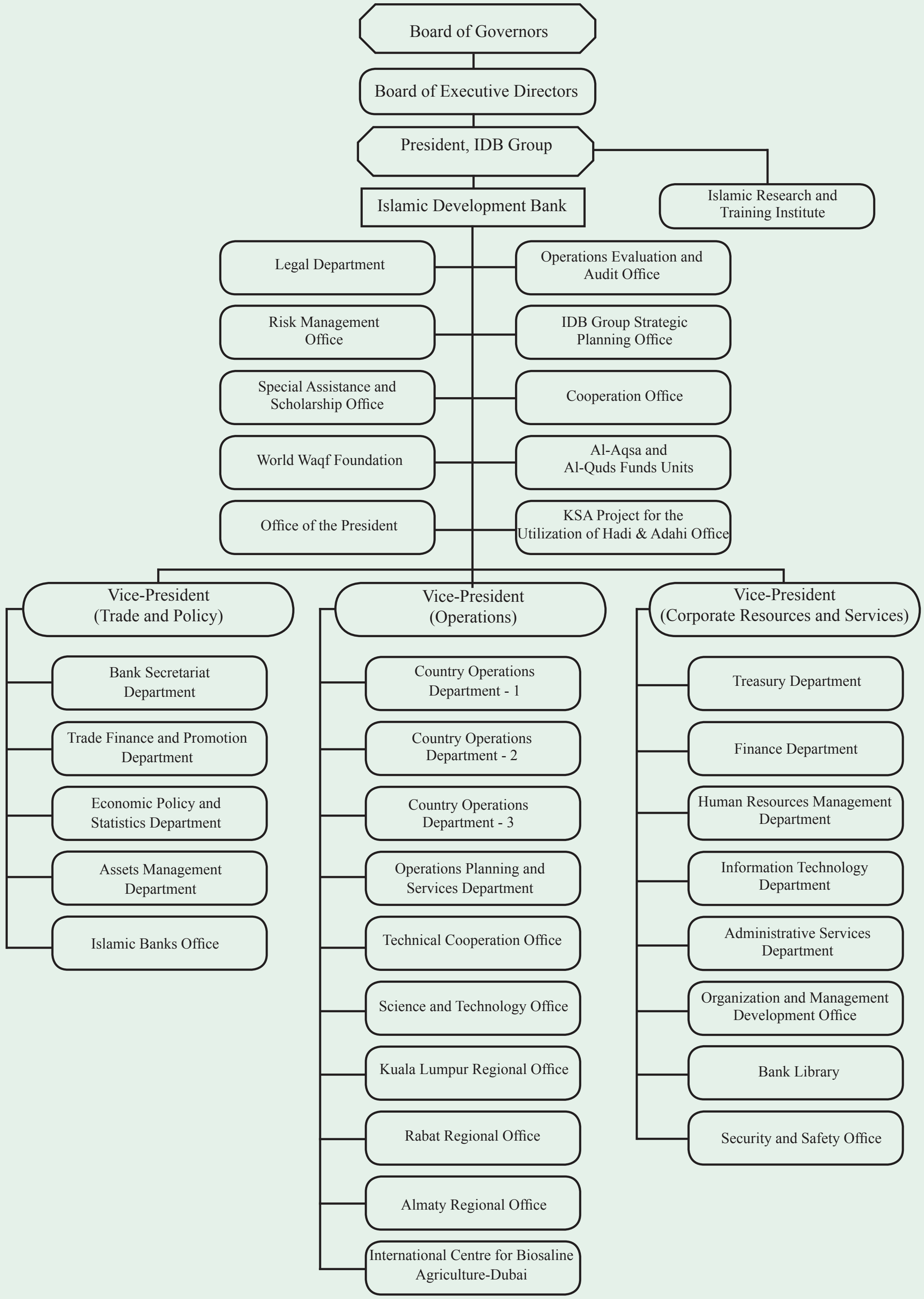
Annex 5.2
Organizational Chart of the Islamic Development Bank



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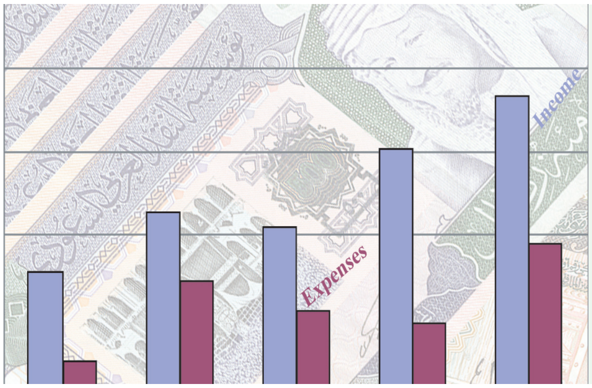

6

FINANCIAL RESULTS

HIGHLIGHTS

Ordinary Capital Resources (OCR)

- Total Assets: ID6.1 billion
- Members' Funds : ID4.81 billion
- Gross Income : ID317 million
- Net income: ID123 million
- Total OCR Disbursements: ID1.39 billion
- Total OCR Repayments: ID1.41 billion

Waqf Fund

- Total Income: ID46.5 million
- Net Assets: ID914 million

Ratings

- Standard & Poor's
  - Long-term: AAA
  - Short-term: A-1+
- Moody's
  - Long-term: Aaa
  - Short-term: Prime-1
- Fitch
  - Overall: AA+
  - Short-term: F1+
  - Outlook: Positive
- European Commission
  - IDB included in the list of 13 MDBs eligible for zero-risk weight

The financial results of the Ordinary Capital Resources (OCR) of the IDB in 1427H were a reflection of the steady growth of IDB development financing activities and the sound financial policies pursued by the Bank.

I. OPERATIONS OUTCOME

1. Approvals

The net approvals from the OCR amounted to ID1,129.4 million ($1,652 million) in 1427H compared to ID930.6 million ($1,363.7 million) in 1426H which denotes a growth of 21.4 percent. The cumulative net approvals of OCR up to the end of 1427H reached ID10,178.1 million ($13,816.5 million).

2. Disbursements

In 1427H, OCR disbursements amounted to ID1,388 million ($2,072.7 million) compared to ID1,409.3 million ($2.034.4 million) in 1426H. Disbursements in ITFO operations have declined while disbursements in Loans, *Istisna'a* and Instalment Sales increased relative to the previous year (Table 6.1).

3. Repayments

OCR repayments in 1427H amounted to ID1,412 million ($2,108.6 million) remained almost at the same level of last year of ID1,487.7 million ($2,147.7 million) (Table 6.1).

II. FINANCIAL RESULTS

In 1427H, OCR has recorded a net income of ID123.5 million, reflecting an increase of ID15 million or 14 percent when compared with 1426H (after excluding the write back of impairment provision to income in 1426H of ID37 million) (Table 6.2).

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Table 6.1
IDB Group Disbursements and Repayments

(ID million)

	Disbursements			Repayments		
	1425H	**1426H**	**1427H**	**1425H**	**1426H**	**1427H**
OCR	1,654.1	1,409.3	1,388.0	1,082.3	1,487.7	1,412.0
of which ITFO	1,149.9	917.8	795.2	797.7	1,135.7	1,009.4
Sukuk	137.2	56.3	8.5	5.0	18.9	47.0
Export Finance Scheme	125.6	183.5	72.0	39.8	152.1	201.0
Islamic Bank's Portfolio	59.4	23.7	12.5	42.8	34.3	26.2
Unit Investment Fund	66.0	83.8	69.6	45.5	97.3	92.6
Islamic Corporation for the Development of the Private Sector	56.0	48.8	27.0	17.5	6.5	4.9
Awqaf Properties Investment Fund	12.7	8.5	14.9	2.9	10.7	6.3
Special Assistance Grants	8.1	4.3	5.0	-	-	-
Total	**1,981.9**	**1,761.9**	**1,589.1**	**1,230.8**	**1,788.6**	**1,743.1**

Table 6.2
Net Income, 1423H – 1427H

(ID million)

	1423H	**1424H**	**1425H**	**1426H**	**1427H**
Gross Income	161	222	207.9	272.5	317.3
Exchange (Loss) / Gain	9	(29)	(6)	1	-
Total Expenses*	(97)	(134)	(133)	(128)	(194)
Net Income	**73**	**59**	**69.3**	**145.2**	**123.5**

*Include administrative expenses, depreciation and financing cost

1. Growth in Gross Income

The Gross Income of OCR for 1427H amounted to ID317.3 million, reflecting an increase of ID45 million or 16.5 percent when compared with 1426H (Table 6.3). The exceptional performance in 1427H is mainly attributable to the prudent investment strategy adopted by the Bank by channeling its resources to more profitable modes of financing, general increase in market rates and income arising from early repayment related to Leasing, Instalment Sales and *Istisna'a* projects in some member countries.

The income from commodity placements increased by 107.6 percent over the previous year. This rise is attributable to the increased level of liquid funds placed in these assets as a result of proceeds from issuance of *Sukuk* and Short-term *Murabaha* with higher yields in an environment of rising LIBOR-linked rate of returns.

The income from ITFO operations declined by ID6 million or 20 percent mainly due to decrease in the investment in *Murabaha*, which is evident from the fact that repayments of ID1,009.4 million have exceeded disbursements of ID795.2 million.

The income from Leasing for 1427H increased by ID7.7 million or 6.2 percent when compared with the last year, after excluding the effect of income associated with early repayments amounting to ID2.5 million in 1427H and ID13.2 million in 1426H.

The Income from Instalment Sale and *Istisna'a* substantially increased by ID21 million over the previous year. This increase is mainly attributable to income arising from early repayments under both modes of financing by ID5.3 million and ID4 million, respectively. After excluding the effect of income from early repayments, income from Instalment Sale and *Istisna'a* still increased by ID11.7 million or 31 percent when compared with the previous year.

The Loan Service Fees have increased by 5.6 percent over the previous year which is in line with the increase in the level of disbursements.

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Table 6.3
Composition of Gross Income, 1423H – 1427H

(ID million)

	Amount/ %	1423H	1424H	1425H	1426H	1427H
Commodity Placements with Banks	Amount	27	12	16	26	54
	%	17	5	8	10	17
ITFO	Amount	22	20	19	30	24
	%	14	10	9	11	8
Leasing	Amount	60	112	102	137	134
	%	37	50	49	50	42
Instalment Sale & Istisna'a	Amount	29	38	36	38	59
	%	18	17	17	14	19
Loan Service Fees	Amount	10	17	15	18	19
	%	6	8	7	7	6
Investments in Equity Capital	Amount	7	12	17	17	19
	%	4	5	8	6	6
Others (incl. Mudarib Fees)	Amount	6	11	3	6	8
	%	4	5	1	2	2
Total	**Amount**	**161**	**222**	**208**	**272**	**317**
	%	**100**	**100**	**100**	**100**	**100**

2. Well Contained Growth in Expenses

During 1427H, the total Administrative Cost of IDB increased by 9.8 percent over the previous year (Table 6.4). The increase is consistent with the planned increase in the annual administrative budget of OCR and includes certain IT development cost charged during the year.

The depreciation on Leasing is charged to the income statement only in respect of "assets-in-use" or completed projects. The charge for the year of ID85 million is in line with 1426H charge of ID84 million.

The increase in financing cost from ID28 million in 1426H to ID49 million in 1427H is attributable to the average balance outstanding in respect of *Sukuk* and

Table 6.4
Expenses and Provisions, 1423H – 1427H

(ID million)

	Amount/ %	1423H	1424H	1425H	1426H	1427H
Total Administrative Cost	Amount	49	46	49	51	56
Staff Cost	Amount	39	37	38	40	42
	%	40	28	29	24	22
Administrative Expenses	Amount	10	9	11	11	14
	%	10	7	8	7	7
Depreciation – Leasing	Amount	40	74	66	84	85
	%	41	55	50	51	44
Depreciation - Property & Equipment	Amount	2	2	2	2	3
	%	3	2	1	1	2
Financing Cost	Amount		6	10	28	49
	%		4	8	17	25
Operations Risk Provision	Amount	6	6	6	-	1
	%	6	4	4	-	-
Total	**Amount**	**97**	**134**	**133**	**165**	**194**
	%	**100**	**100**	**100**	**100**	**100**

Short-term Reverse *Murabaha* financing of ID1,000 million in 1427H compared to ID690 million in 1426H.

3. Overdues on Operations

The IDB closely monitors the overdues of its member countries and suspends further approvals and disbursements on approved projects until the settlement of current overdues.

At the end of 1427H, overdues in respect of OCR operations amounted to ID13.5 million ($20.1 million) after taking into account rescheduling under the HIPC Initiative and bilateral Settlement Plans. These exclude overdues with respect to Iraq, amounting to ID40.15 million ($60 million) and Somalia, amounting to ID19.52 million ($29 million).

The overdues for 1427H have remained almost at the same level of last year (Table 6.5). In relative terms, overdues as a percentage of total outstanding debt were 0.4 percent in both 1427H and 1426H.

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 ID106.3 million. During 1427H, the first three repayments under this agreement have been received amounting to ID66.1 million, being 62 percent of the total outstanding amount.

4. Provisions Policy

The IDB carried out a comprehensive review of its operations portfolio with a view to determining the adequacy of the provisions. Based on the incurred loss model adopted by the IDB as required by IAS 39, total provisions on its portfolio amounted to ID114.8 million for 1427H.

Major aspects of provisioning policy of the IDB are as follows:

- The portfolio is reviewed for any specific debt impairment which requires provisions; impairment could result from rescheduling, as is the case for HIPC-eligible countries or as a result of other loss default events which are specific to a particular operation.

- In instances where there are similar assets in the portfolio which suffered impairment loss due to certain loss events, the IDB 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 outstanding repayments subject to specific provision, multiplied by the country risk default rate and the loss severity rate.

III. FUNDING THE OPERATIONS

The total assets of OCR increased by 3.7 percent to ID6,107.4 million in 1427H. The growth in assets is due to increase in the paid-up capital as a result of receipt of capital instalments from member countries, the transfer of profits to the general reserve, and an increase in the fair value reserve due to appreciation of the market value of the quoted equity securities. The liquidity level of IDB in 1427H has also been maintained in line with 1426H.

Table 6.5
Overdues on Operations 1423H – 1427H

(ID million)

Finance Type	1423H	1424H	1425H	1426H	1427H
ITFO	-	0.7	0.1	7.1	0.2
Leasing and Instalment Sale[1]	4.2	0.6	1.5	0.7	6.1
Loan (including service fees)	2.8	6.0	7.2	5.8	7.2
Total	**7.0**	**7.3**	**8.8**	**13.6**	**13.5**

[1]An amount of ID1.6 million has been subsequently settled out of the overdues as of end of 1427H.

1. Doubling of Authorized Capital

Pursuant to the decision by the Board of Governors in their 31st Annual Meeting held in Kuwait, the

Authorized Capital of the IDB increased from ID15 billion in 1426H to ID30 billion in 1427H whereas the Subscribed Capital increased from ID8 billion in 1426H to ID13.2 billion in 1427H. Furthermore, the remaining amount of ID1.3 billion representing 70 percent of the Callable Capital under the 2nd General Capital increase was also called up.

This decision of the Board further strengthened the IDB's capitalization and helped to fund and sustain member countries growing needs for development assistance. The total members' funds rose steadily from ID3,899 million in 1423H to ID4,813 million in 1427H (Table 6.6). This rise is attributable to continuous receipts of share capital instalments from member countries, the transfer of profits to the general reserve, and an increase in the fair value reserve of the quoted equity securities due to appreciation in the market value.

2. Overdues on Share Capital Subscription

The total overdues on IDB share capital had increased by ID64 million at the end of 1427H to ID71 million when compared with 1426H, which is mainly due to the calling up of the instalment on the second general increase during the last quarter of 1427H (Table 6.7).

3. Specialised Funds

The IDB mobilizes funds for its Affiliates through various *Shari'ah*-compliant financial instruments. By the end of 1427H, the IDB had mobilized $325 million through the IDB Unit Investment Fund (UIF), $100 million through the Islamic Bank Portfolio for Investment and Development (IBP), ID134.50 million (US$201.93 million) through the Export Financing Scheme (EFS), ID38.17 million (US$45.80 million) through the Awqaf Properties Investment Fund (APIF), and ID92.25 million (US$138.74 million) through the Investment Deposit Scheme.

IV. MANAGEMENT OF LIQUID FUNDS

IDB policy aims at maintaining an adequate level of liquidity to ensure uninterrupted availability of liquid funds to meet undisbursed IDB commitments, debt servicing and other cash requirements.

Liquid funds are placed with financial institutions operating in international financial markets and in member countries. The placement of liquid funds is made in the currencies of the SDR basket, which is the ID unit of account of the OCR. The ITFO, a short-term trade financing facility, is financed from IDB liquid funds and is considered a part of its liquidity.

Table 6.6
Member Countries Funds, 1423H – 1427H

(ID million)

Members Fund	Amount / %	1423H	1424H	1425H	1426H	1427H
Paid-Up Capital	Amount	2,677	2,711	2,725	2,736	2,810
	%	69	67	64	59	58
Capital Reserves	Amount	26	26	26	26	26
	%	1	1	1	1	1
General Reserves	Amount	1,118	1,187	1,242	1,308	1,443
	%	29	29	29	28	30
Fair Value Reserve	Amount	4	86	211	403	410
	%	-	2	5	9	9
Profit for the year	Amount	73	59	69	145	123
	%	1	1	1	3	2
Total Members Fund	**Amount**	**3,899**	**4,069**	**4,274**	**4,618**	**4,813**
	%	**100**	**100**	**100**	**100**	**100**

Table 6.7
Overdues on Share Capital, 1423H – 1427H

(ID million)

	1423H	1424H	1425H	1426H	1427H
Initial Capital Subscription	8	8	6	4	4
2nd General Capital Increase	44	16	6	3	67
Total	**52**	**24**	**12**	**7**	**71**

Table 6.8A presents the composition of liquid asset placements in major currencies as at the end of 1427H while Table 6.8B also shows the placements by type of liquid asset instruments. In 1427H, the placements in *Shari'ah*-compliant instruments yielded a net return of ID54 million ($80.3 million), which is equivalent to an annual rate of return of 4.32 percent.

Table 6.8A
Composition of Liquid Assets in Major Currencies, 1423H – 1427H

(FCY/ID million)

Currency	FCY / ID	1423H	1424H	1425H	1426H	1427H
Euro	Balance	592	506	334	74	268
	ID Equivalent	467	428	284	62	233
US Dollar	Balance	77	360	57	1,350	1,315
	ID Equivalent	54	241	38	936	881
Japanese Yen	Balance	19,069	14,671	25,282	23,067	17,701
	ID Equivalent	117	91	161	136	97
Pound Sterling	Balance	171	149	97	88	105
	ID Equivalent	197	187	120	107	139
Other	ID Equivalent	5	6	2	25	1
Sub-Total	ID million	1,724	1,625	1,420	1,266	1,351
Add: Local Currency Deposits (Denominated in ID) with Central Banks of Member Countries		13	16	18	16	3
ITFO (ID million)		884	676	1,008	776	494
Total Liquid assets of IDB-OCR		**1,737**	**1,641**	**1,438**	**2,058**	**1,848**

V. WAQF FUND

The resources of the Waqf Fund in 1427H increased to ID914 million when compared with ID904 million in 1426H, which is a growth of 1.1 percent. This marginal growth is due to the improvement in the returns from the investment of Waqf funds. The resources of the Waqf Fund are comprised of the Principal Amount of the Waqf Fund amounting to ID749 million ($1.1 billion), the balance of the Special Assistance Account of ID43 million ($64 million), and the Special Account for the Least Developed Member Countries of ID122 million ($182.2 million).

During 1427H, efforts were made to redeploy Waqf funds from low-yielding managed funds to *Shari'ah*-compliant investments such as Sukuk, Murabaha, Mudarabah and Equity investments in member countries. However, net income during 1427H amounting to ID42 million declined by 24.3 percent compared with the previous year. This downward trend is mainly attributable to an exceptional gain realized in the previous year from the sale of securities in the local

Table 6.8B
Investment of Liquid Assets, 1423H – 1427H

(ID million)

Liquid Asset Instruments	Amount/ %	1423H	1424H	1425H	1426H	1427H
Shari'ah-Compliant Deposits	Amount	813	891	368	1,187	1,293
	%	44	48	20	64	69
Current Call Accounts	Amount	27	58	43	79	58
	%	1	3	2	4	3
Local Deposits Denominated in ID (with Central Banks of Member Countries)	Amount	13	16	19	16	3
	%	1	1	1	1	1
ITFO	Amount	884	676	1,008	776	494
	%	47	36	54	42	27
Total	**Amount**	**1,737**	**1,641**	**1,438**	**2,058**	**1,848**
	%	**100**	**100**	**100**	**100**	**100**

stock market, due to a substantial appreciation in the market value of those securities.

The Waqf Fund's total expenses for the year 1427H amounted to ID4.5 million, registering an increase of ID 3.2 million over the previous year, mainly due to an increase in the financing cost of Reverse Murabaha. During 1427H, the Special Assistance disbursed a total of ID44.7 million as Grants, compared to ID36.3 million in 1426H, which is a 23.1 percent increase over the previous year.

VI. RISK MANAGEMENT

In 1427H, the IDB developed a number of new risk management policies, while approved guidelines were mainstreamed into its standard operating procedures. These policies and guidelines pertained to project finance, and corporate finance. A notable accomplishment during 1427H was the development and implementation of the Financial Reporting System (FRS) in the IDB, which is aimed at monitoring and managing risks related to country, credit, liquidity, market, investment and operations portfolio.

An important milestone during the course of 1427H was the assigning for the first time of the ratings of "Aaa" for long-term and "Prime-1" for short term to IDB by Moody's Investors Services. The IDB also maintained for the fifth consecutive year the highest ratings "AAA" for long-term and "A-1+" for short-term from Standard & Poor's. Furthermore, Fitch Ratings also upgraded the ratings of the IDB from "AA" to "AA+" and the outlook from Stable to Positive and assigned a rating of "F1+", the highest level, for the short term. These ratings confirm, inter alia, the financial soundness of the IDB as a result of following prudent financial policies.

On 27 March 2007, under the Directive of the European Parliament and Council, the European Commission included IDB in the list of the 13 Multilateral Development Banks (MDBs) eligible for zero-risk weight as laid down in the provisions of the European Union. The Directive was published in the Official Journal of the European Union and entered into force on 17 April 2007. With this step, the Bank would be able to mobilize resources from EU financial markets on competitive terms. Earlier, under the New Capital Accord published in June 2004 by the Basel Committee on Banking Supervision, the IDB was included in the list of MDBs eligible for zero-risk weight.

Post evaluation study of Beyla Kerouane Agro-Pastoral Project in Guinea was undertaken during 1427H. The project was completed in December 2003 at the total cost of $25.7 million. The study showed that project achieved or exceeded its objectives concerning development of agriculture and livestock, construction of feeder roads, extension of rural credit, training of farmers, and protection of environment. The post evaluation study concluded that the project generated socio-economic impact on the lives of over 336,000 people in the region.

Annex Table 6.1
OCR Significant Financial Information, 1423H – 1427H

(ID million)

	1423H	1424H	1425H	1426H	1427H
Total Income	**161**	**222**	**208**	**272**	**317**
Exchange (Loss) / Gain	9	(29)	(6)	1	-
Expenses & Provisions	(97)	(134)	(133)	(128)	(194)
Net Income	73	59	69	145	123
ASSETS					
Current Call & Time Deposits	469	167	111	95	61
Shari'ah Compatible Investments (net)	385	798	319	1,187	1,293
Other Deposits & Investments	-	4	9	68	96
Investment in Trust Funds	312	316	319	321	331
ITFO (net)	884	676	1,008	776	494
Leasing (net)	521	645	793	752	783
Istisna'a (net)	153	272	344	483	581
Instalment Sale Financing (net)	466	469	452	479	486
Loans (net)	669	657	737	835	979
Less: Operations Risk Provision[2]	(135)	-	-	-	-
Investments in Equity Capital (net)	241	327	470	676	693
Other Assets	146	126	198	219	310
Total Assets	**4,111**	**4,457**	**4,760**	**5,891**	**6,107**
Resources and Liabilities					
Members' Funds	3,899	4,069	4,274	4,619	4,813
Sukuk and Other Financing	-	265	321	1,128	1,170
Deferred Income and Accruals	212	123	165	144	124
Total Resources	**4,111**	**4,457**	**4,760**	**5,891**	**6,107**
Financial Ratios	**Percent**	**Percent**	**Percent**	**Percent**	**Percent**
Total Income[4] / Total Assets	3.2	2.7	2.9	3.2	3.8
Net Income / Total Assets	1.8	1.3	1.4	2.5	2.0
Average Return on Liquid Funds	4.0	2.1	2.8	4.2	4.3
Total Expenses[5] / Total Income[4]	43.8	51.3	49.3	42.9	47.0
Total Expenses[5] / Total Assets	1.4	1.4	1.4	1.4	1.8
Exchange Rate (1 ID=$)	1.370	1.495	1.504	1.444	1.493

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. Total income is taken net of Leasing *(Ijara)* Depreciation and exchange gain / (loss).
5. Total expenses exclude Leasing *(Ijara)* Depreciation, which is netted against Total Income.

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Annex Table 6.2
Assets and Resources of the Waqf Fund, 1423H – 1427H

(ID million)

	1423H	1424H	1425H	1426H	1427H
Income from:					
Commodity Placements with Banks	5.86	5.35	6.87	7.40	13.92
Profit on Managed Investments	43.58	2.21	2.22	-	-
Net Result of UIF Deposits	(0.05)	(0.24)	(0.13)	(0.37)	(0.78)
Investments in Syndicated Murabaha , Mudarabah & Investments in Units & Equity Funds and Sukuk	2.70	4.78	10.85	48.43	26.60
Investment in ICIEC	(1.37)	1.34	(0.29)	0.32	0.91
Investment UIF Shares	1.86	1.52	1.04	1.43	2.83
Exchange (Loss)/Gain	(7.57)	(3.73)	(0.24)	(0.44)	3.00
Total Income	**45.02**	**11.23**	**20.32**	**56.77**	**46.48**
Expenses	**(1.54)**	**(1.36)**	**(1.18)**	**(1.37)**	**(4.53)**
Net Income	**43.48**	**9.87**	**19.14**	**55.40**	**41.95**
Assets					
Deposits and Investments	263	359	412	448	408
Managed Funds (Fund Managers)	365	184	0	0	0
Specific Deposits with IDB/UIF	10	3	2	1	1
Syndicated Murabaha , Mudarabah & Investments in Units & Equity Funds and Sukuk	107	121	180	300	293
Investment in UIF Units	65	61	73	76	95
Infrastructure Fund	2	22	25	43	51
Investment in ICIEC	60	62	62	62	63
Investment in OIC net	1	1	1	1	1
Loans & Technical Assistance	80	89	93	100	122
Accrued Income and Miscellaneous	7	6	5	14	12
Share of HQ Building	26	24	23	22	21
Due from IDB (OCR)	**-**	**-**	**31**	**-**	**-**
Total Assets	**986**	**932**	**907**	**1,067**	**1,067**
Deduct: Liabilities					
Accruals & Other Liabilities	(23)	(25)	(16)	(109)	(114)
Specific Deposit from IDB-UIF	(21)	(13)	(11)	(11)	(11)
Due to IDB (OCR)	(41)	(6)	-	(44)	(28)
Net Assets	**901**	**888**	**880**	**904**	**914**
Represented by:					
Special Assistance	77	59	44	48	43
Special Account for LDMC	95	98	102	113	122
Principal Amount of Waqf Fund	729	731	734	742	749
Total Resources	901	888	880	904	914

1. Prior years' amounts have been reclassified to conform with current year's presentation.

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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

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
29 Dhul Hijjah 1427H (19 January 2007)

with

AUDITORS' REPORT

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

29 Dhul Hijjah 1427H (19 January 2007)

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DELOITTE & TOUCHE
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P.O. Box 442
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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 29 Dhul Hijjah 1427H (19 January 2007) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Ordinary Capital Resources as of 29 Dhul Hijjah 1427H (19 January 2007), 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 Committee 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

Hamoud Ali Rubian
Registration No. 222

20 Rabi' Awwal 1428H
8 April 2007G

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	Notes	1427H	1426H
ASSETS			
Cash at banks	3	61,098	94,770
Commodity placements with banks, net	4	1,293,291	1,187,182
Murabaha financing, net	5	493,692	776,108
Accrued income and other assets	6	256,366	163,425
		2,104,447	2,221,485
Istisna'a assets, net	7	581,368	482,732
Installment sales financing, net	8	486,179	478,575
Loans, net	9	979,391	835,086
Ijarah Muntahia Bittamleek, net	10	782,999	751,827
		2,829,937	2,548,220
Investments in equity capital, net	12	692,559	676,145
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	201,172	191,940
Awqaf Properties Investment Fund		14,629	14,629
Other investments, net	16	96,373	67,953
Property and operating equipment, net	17	53,577	55,579
TOTAL ASSETS		6,107,393	5,890,650
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	18	687,362	644,430
Sukuk liability	19	607,363	627,418
Total liabilities		1,294,725	1,271,848
MEMBERS' EQUITY			
Paid-up capital	21	2,809,959	2,735,940
Capital reserve	22	26,267	26,267
General reserve	23	1,443,239	1,308,367
Fair value reserve		409,733	403,080
Net income for the year		123,470	145,148
Total members' equity		4,812,668	4,618,802
TOTAL LIABILITIES AND MEMBERS' EQUITY		6,107,393	5,890,650

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 20 Rabi Awwal 1428H (8 April 2007).

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 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	Notes	1427H	1426H
Income from:			
Commodity placements with banks	4	53,840	26,354
Other investments	2		630
Murabaha financing	5	24,493	30,256
Istisna'a assets	7	24,547	15,862
Installment sales financing	8	34,391	21,828
Loan service fees	9	18,638	17,847
Ijarah Muntahia Bittamleek	10	133,886	137,232
Investments in equity capital	12	19,577	17,091
Investment in Islamic Banks' Portfolio for Investment and Development	14	1,414	1,284
Mudarib fees & others	14, 26	6,510	4,095
		317,296	272,479
Foreign exchange (loss)/gain, net		(398)	987
Financing cost	18, 19	(49,398)	(28,218)
		267,500	245,248
Administrative expenses:			
Staff costs		(41,956)	(39,965)
Other		(13,810)	(10,995)
		(55,766)	(50,960)
Depreciation:			
Ijarah Muntahia Bittamleek	10	(84,704)	(83,954)
Property and operating equipment	17	(2,779)	(2,325)
		(87,483)	(86,279)
(Provision for)/ recovery of impairment of assets	11	(781)	37,139
Net income		123,470	145,148
		========	========

The attached notes from 1 through 33 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	1427H	1426H
CASH FLOWS FROM OPERATIONS		
Net income	123,470	145,148
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	87,441	86,279
Provision/ (recovery) for impairment of assets	781	(37,139)
Gain due to early repayment of Ijarah assets	(4,060)	(13,255)
Changes in operating assets and liabilities:		
Other investments	(28,313)	(56,779)
Murabaha financing	283,986	262,704
Istisna'a assets	(100,960)	(136,567)
Installment sales financing	(6,979)	(12,073)
Loans	(144,526)	(88,590)
Accrued income and other assets	(92,941)	(23,305)
Accruals and other liabilities and Sukuk liabilities	22,877	786,264
Net cash from operating activities	140,776	912,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Commodity placements with banks	(185,994)	54,495
Ijarah Muntahia Bittamleek, net	(111,466)	(50,904)
Investments in equity capital	(10,649)	(13,778)
Investment in Awqaf Properties Investment Fund	-	(2,647)
Investment in Islamic Corporation for the development of the private sector	(9,232)	-
Purchase of property and operating equipment, net	(735)	(497)
Net cash used in investing activities	(318,076)	(13,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in paid-up capital	74,019	10,564
Technical assistance and scholarship program grants	(10,276)	(3,358)
Net cash from financing activities	63,743	7,206
(Decrease) / Increase in cash and cash equivalents	(113,557)	906,562
Cash and cash equivalents at the beginning of the year	1,270,271	363,709
Cash and cash equivalents at the end of the year (Note 24)	1,156,714	1,270,271
Supplemental non-cash information		
Net unrealized fair value gains from investments in equity capital (Note 12)	6,653	191,978

The attached notes from 1 through 33 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	Paid-up capital	Capital reserve	General reserve	Fair value reserve	Net income for the year	Total
Balance at 29 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
Increase in paid-up capital	74,019	-	-	-	-	74,019
Net unrealized gains from investments in equity capital	-	-	-	6,653	-	6,653
Net income	-	-	-	-	123,470	123,470
Transfer to reserves	-	-	145,148	-	(145,148)	
*Allocation for Grants	-	-	(10,276)	-	-	(10,276)
Balance at 29 Dhul Hijjah 1427H	2,809,959	26,267	1,443,239	409,733	123,470	4,812,668

* According to the Board of Governors' resolution No. BG/3-426, and the Board of Executive Directors' resolution No. BED/BG/4-426, 5% of the Bank 1426 net income was allocated to finance technical Assistance Operations in the form of grants during the year 1427H.

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 was 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.

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 29 Dhul Hijjah 1427H (19 January 2007)

1. INCORPORATION AND ACTIVITIES

Islamic Development Bank (the "Bank") is a multilateral 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 in manner acceptable to the Bank.

As a multilateral 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 (EFS)	Management services and equity participation (subsidiary)	57%	Financing exports of member countries
Islamic Banks' Portfolio for Investment and Development (IBP)	Mudarib and equity participation (subsidiary)	50%	Investment finance
Islamic Development Bank - Unit Investment Fund (UIF)	Mudarib	-	Investment finance
Islamic Corporation for the Development of the Private Sector	Equity participation (subsidiary)	83%	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.

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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 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 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.

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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 long-term period, 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 is 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 suffer as a result of rescheduling the dues from certain countries and from settlement plans mutually agreed with the beneficiaries due to its participation in the debt relief initiative for the Heavily Indebted Poor Countries (HIPC). The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. In addition, a portfolio provision is 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.

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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 other 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:

	1427H	1426H
Income from operations	41,118	36,370
Net income	25,803	20,796
Total assets	653,391	626,790
Total liabilities	34,268	47,326

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.

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(In Thousands of Islamic Dinars)

k) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and commodity placements with banks having a maturity of three months or less at the date of acquisition.

l) Post-employment benefits plans

The Bank has two defined post-employment benefit plans, the Staff Retirement Plan and the Post-Employment Medical Scheme, both of which require contributions to be made to separately administered funds. The cost of providing benefits under the plans is determined separately for each plan based on actuarial valuation. Actuarial gains and losses are recognized as income or expense where material. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

3. CASH AT BANKS

Cash at banks at end of Dhul Hijjah comprises the following:

	1427H	1426H
Cash on hand	207	211
Current accounts	12,014	30,756
Call accounts	48,877	63,803
Total	61,098	94,770

Current accounts at end of Dhul Hijjah 1427H include ID 2.56 million (1426H - ID 16.48 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:

	1427H	1426H
Placements with Islamic banks	170,658	38,991
Placements with conventional banks	1,248,315	1,152,334
	1,418,973	1,191,325
Less: Provision for impairment (note 11)	(4,143)	(4,143)
Less: Third party placements	(121,539)	-
Commodity placements with banks, net	1,293,291	1,187,182

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.

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(In Thousands of Islamic Dinars)

5. MURABAHA FINANCING, NET

Murabaha financing at the end of Dhul Hijjah comprises the following:

	1427H	1426H
Gross amounts receivable	856,813	1,040,974
Less: share of syndicate members	(326,512)	(233,203)
Less: Unearned income	(33,785)	(27,269)
	496,516	780,502
Less: Provision for impairment (Note 11)	(2,824)	(4,394)
Murabaha financing, net	493,692	776,108

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:

	1427H	1426H
Total income from Murabaha financing	24,887	32,017
Less: Share of investment depositors (Note 2e)	(394)	(1,761)
Income from Murabaha financing, net	24,493	30,256

6. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Accrued income from placements	11,398	4,268
Accruals from projects	80,849	52,321
IDB Group current accounts (note 27)	149,536	89,084
Staff loans and advances	10,012	9,687
Prepayments and other assets	4,571	8,065
Total	256,366	163,425

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(In Thousands of Islamic Dinars)

7. ISTISNA'A ASSETS, NET

Istisna'a assets at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Istisna'a assets in progress	372,845	333,172
Istisna'a receivables	280,869	207,616
	653,714	540,788
Less : Unearned income	(67,085)	(55,119)
	586,629	485,669
Less : Provision for impairment (Note 11)	(5,261)	(2,937)
Istisna'a assets, net	581,368	482,732

8. INSTALLMENT SALES FINANCING, NET

Receivable from Installment sales financing at the end of Dhul Hijjah comprises the following:

	1427H	1426H
Gross amounts receivable	670,801	660,534
Less: Unearned income	(175,734)	(172,446)
	495,067	488,088
Less: Provision for impairment (Note 11)	(8,888)	(9,513)
Installment sales financing, net	486,179	478,575

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:

	1427H	1426H
Loans	1,052,522	907,996
Less: Provision for impairment (Note 11)	(73,131)	(72,910)
Loans, net	979,391	835,086

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10. IJARAH MUNTAHIA BITTAMLEEK, NET

Ijarah Muntahia Bittamleek at the end of Dhul Hijjah comprises the following:

	1427H	1426H
Cost:		
Assets not yet in use:		
At the beginning of the year	261,868	251,613
Additions	147,438	132,021
Transferred to assets in use	(89,290)	(121,766)
At the end of the year	320,016	261,868
Assets in use:		
At the beginning of the year	819,895	829,220
Disposal due to early repayment	(32,458)	(131,091)
Transferred from assets not yet in use	89,290	121,766
At the end of the year	876,727	819,895
Total cost	1,196,743	1,081,763
Accumulated depreciation:		
At the beginning of the year	(304,873)	(284,148)
Disposal due to early repayment	546	63,229
Charge for the year	(84,704)	(83,954)
At the end of the year	(389,031)	(304,873)
Balance at the end of the year	807,712	776,890
Less: Provision for impairment (Note 11)	(24,713)	(25,063)
Ijarah Muntahia Bittamleek, net	782,999	751,827

Included in assets in use is an amount of ID 111 million (1426H - ID 103.6 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 represent the Bank's share in the lease pool (also see note 2d).

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11. PROVISION FOR IMPAIRMENT OF ASSETS

The movement in the provision for impairment is as follows:

	1427H	1426H
Balance at the beginning of the year	173,909	211,048
Provided for/ (recovery)	781	(37,139)
Balance at the end of the year	174,690	173,909

During 1426H, the Bank entered into a Memorandum of Understanding with one of the member countries for the settlement of the amounts due. Consequently the Bank reassessed the provision against the dues from that member country and wrote 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:

	1427H	1426H
Equity investments:		
Listed	569,495	555,300
Unlisted	175,707	172,600
	745,202	727,900
Less: Provision for impairment (Note 11)	(52,643)	(51,755)
Investments in equity capital, net	692,559	676,145

The movement in equity capital investments is summarized as follows:

	1427H	1426H
Balance at the beginning of the year	676,145	470,389
Net unrealized gains	6,653	191,978
Additions during the year	9,761	13,778
Balance at the end of the year	692,559	676,145

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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 1427H is ID 320 million (1426H - ID 320 million) and the called-up installments at end of Dhul Hijjah 1427H are ID 159.5 million (1426H - ID 159.5 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 (ITFC) to focus primarily on trade finance for the IDB Group. Subsequently, the Board of Governors of IDB vide resolution BG/1-427 (by circulation) on 7 Rabi Awwal 1427H (5 April 2006) resolved to dissolve the Fund and that the amount which each participant is entitled in its assets shall be transferred to and become part of the initial capital of the ITFC. As per resolution BED/01/05/427/(238)/44 the assets transfer will be based on the adjusted net book value method as at 30.12.1426H as per report of valuation consultant. Any income accruing to EFS thereafter will be transferred to the general reserve of ITFC.

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 (1426H - 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:

	1427H		
	Subscribed Amount	Paid-up amount	
	US$ Thousands	US$ Thousands	ID Thousands
Fixed capital	49,674	49,674	39,699
Variable capital	177,000	-	-
Total	226,674	49,674	39,699

As per the Portfolio's regulations, the Bank has undertaken to purchase the fixed capital of the Portfolio from other member banks and financial institutions if offered for sale up to a maximum of 50% of such shares at the book value of those shares at the date of the sale.

The Bank manages the Portfolio as a Mudarib. The Muradib fee payable to the Bank is 15% of income before Mudarib share. However, if the return on equity exceeds benchmarks based on 12 months LIBOR, a stratified Mudarib fee over and above 15% of income will be introduced, with a corresponding reduction in the rate of dividends.

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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 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 (ITFC) to focus primarily on trade finance for the IDB Group. The Executive Committee of the Portfolio in its meeting number 34 held on November 25, 2005 approved the sale of the net assets of the Portfolio based on the adjusted net book value method as of the date of the sale. Members of the Portfolio who agreed to join the new corporation based on the adjusted net book value as of the date of the sale will have their equity transferred to the new corporation. The assets of the Portfolio is currently under liquidation and certain assets will be purchased by the IDB Group whereas the trade related assets will be taken over by ITFC.

Subsequently, the Articles of ITFC were approved by the Board of Governors of IDB in their 31st meeting held in Kuwait on May 31, 2006 (corresponding to Jumad Awwal 4, 1427H), where several member countries signed the memorandum of agreement. The Articles of the ITFC came into effect on 29 Dhul Qadah 1427H (20 December 2006).

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 1427H, the Bank owns 83% (1426H - 91%) of the paid-up capital of the Corporation.

16. OTHER INVESTMENTS, NET

Other investments at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Lease & Real Estate Funds	10,465	10,309
Investment in Sukuks	88,995	60,838
	99,460	71,147
Less: Provision for impairment (note 11)	(3,087)	(3,194)
Other investments, net	96,373	67,953

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 at the end of Dhul Hijjah 1427H and 1426H represents a share in the investment in Sukuks issued by various governments and certain other entities.

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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 1427H	13,043	104,013	25,433	142,489
Additions during the year	-	3	753	756
	13,043	104,016	26,186	143,245
Less: share of assets allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1427H	-	(31,851)	(5,328)	(37,179)
Allocations during the year	-	-	21	21
	-	(31,851)	(5,307)	(37,158)
At 29 Dhul Hijjah 1427H	13,043	72,165	20,879	106,087
Accumulated depreciation				
At 1 Muharram 1427H	-	40,736	23,883	64,619
Charge for the year	-	2,564	1,134	3,698
	-	43,300	25,017	68,317
Less: share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1427H	-	(9,804)	(5,084)	(14,888)
Allocation during the year	-	(730)	(189)	(919)
	-	(10,534)	(5,273)	(15,807)
At 29 Dhul Hijjah 1427H	-	32,766	19,744	52,510
Net book value:				
29 Dhul Hijjah 1427H	13,043	39,399	1,135	53,577
30 Dhul Hijjah 1426H	13,043	41,230	1,306	55,579

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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:

	1427H	1426H
Investment deposits	52,277	61,117
IDB Group current accounts (note 27)	30,734	25,571
Accruals	26,299	30,139
Other liabilities	578,052	527,603
Total	687,362	644,430

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 562.73 million as of 29 Dhul Hijjah 1427H (30 Dhul Hijjah 1426H: ID 500.19 million) which represents the purchase price including the accrued markup under these agreements. The related finance cost for the year ended 29 Dhul Hijjah 1426H is ID 20.69 million (30 Dhul Hijjah 1426H: ID 9.18 million)

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 0.6 million at end of Dhul Hijjah 1427H (1426H - ID 10.3 million) relating to the Bank's staff retirement and medical plans are invested in the investment deposit scheme.

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.

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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 1427 H (19 January 2007) is ID 29 million (1426H: ID 19.03 million)

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 Bank underwrites the investment and actuarial risk of the plan and provides for the deficit in the plan assets over the estimated remaining years of 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:

	1427H	1426H
Current service cost	5,698	5,338
Present value adjustment	5,278	5,164
Expected return on plan assets	(4,990)	(3,994)
Net periodic pension cost	5,986	6,508

The following table summarizes the benefit obligations and plan assets at the end of Dhul Hijjah:

	1427H	1426H
Benefit obligations	(104,914)	(94,474)
Fair value of plan assets	87,432	86,013
Plan benefit obligations in excess of plan assets	(17,482)	(8,461)

Plan benefit obligation in excess of plan assets shall be amortized over the remaining period of the staff services.

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Movements in accrued pension cost during the years ended at end of Dhul Hijjah are as follows:

	1427H	1426H
Balance at the beginning of the year	8,685	8,468
Net periodic pension cost	5,986	6,508
Funding and contributions	(13,422)	(6,291)
Balance at the end of the year	1,249	8,685

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:

	1427H	1426H
Discount rate of return	5.6%	6.0%
Expected return on plan assets	4.2%	4.2%
Rate of compensation increase	3%	3%

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%.

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21. PAID-UP CAPITAL

The capital of the Bank at the end of Dhul Hijjah comprises the following:

	1427H	1426H
Authorized 3,000,000 shares of ID 10,000 each (1426H - 1,500,000 shares of ID 10,000 each)	30,000,000	15,000,000
Issued: 1,500,000 shares of ID 10,000 each (1426H – 810,000 shares of ID 10,000 each)	15,000,000	8,100,000
Issued shares not subscribed	(1,782,320)	(110,600)
Subscribed capital	13,217,680	7,989,400
Share capital not yet called	(9,146,850)	(5,224,270)
Installments not yet due	(1,190,088)	(20,895)
Called-up capital	2,880,742	2,744,235
Installments due, not yet paid	(70,783)	(8,295)
Paid-up capital	2,809,959	2,735,940

The Board of Governors has decided to increase the Bank's authorized and subscribed share capital to ID 30,000,000 and ID 15,000,000 respectively through its resolution No. BG/6-427 for purpose of financing the Bank's operating activities. .

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.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Cash at banks	61,098	94,770
Commodity placements with banks (note 2k)	1,095,616	1,175,501
Total	1,156,714	1,270,271

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25. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Murabaha financing	1,205,494	986,533
Installment sales financing and Istisna'a assets	1,661,446	1,656,437
Loans	1,114,752	1,113,279
Ijarah Muntahia Bittamleek assets	760,567	565,415
Investments in equity capital	9,300	10,980
Investment in Islamic Corporation for the Development of the Private Sector	67,114	69,271
Investment in Awqaf Properties Investment Fund	2,684	2,771
The project of Information Technology Plan (ITP)	20,998	-
Total	4,842,355	4,404,686

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 1427H of ID 0.63 million (1426H - ID .63 million) in respect of projects sold to the Fund and of ID 101.85 million (1426H - ID 93.20 million) in respect of other operations, which are covered by counter guarantees acceptable to the Bank.

27. RELATED PARTY BALANCES

In the ordinary course of its activities, the Bank transacts business with related parties as described in Note 1. The terms of these transactions are approved by the Bank's management. The net balances due/from (to) IDB group entities at the end of Dhul Hijjah are as follows:

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	1427H		1426H	
	Assets	Liabilities	Assets	Liabilities
World Waqf Foundation	412	-	387	-
Islamic Solidarity Fund	2,075	-	2,075	-
Awqaf Properties Investment Fund	8,598	-	-	(3,910)
Export Financing Scheme	-	(25,731)	29,441	-
Islamic Banks' Portfolio for Investment and Development	70,979	-	-	(743)
IDB - Unit Investment Fund	16,705	-	-	(14,492)
Islamic Corporation for the Insurance of Investment and Export Credit	403	-	4,564	-
Special Account Resources Waqf Fund	29,406	-	43,755	-
IDB Special Assistance Fund	-	(4,984)	-	-
IDB Pension Fund	1,523	-	8,579	-
IDB Medical Fund	80	-	190	-
Al-Aqsa and Al Quds Funds	3,389	-	-	(4,350)
Islamic Corporation for the Development of the Private Sector – ICD	15,966	-	-	(2,076)
Badea	-	(19)	93	-
Total	149,536	(30,734)	89,084	(25,571)

28. NET ASSETS IN FOREIGN CURRENCIES

The net assets in foreign currencies at the end of Dhul Hijjah are as follows:

	1427H	1426H
United States Dollar	632,960	468,000
Euro	462,230	257,185
Pound Sterling	167,472	149,076
Japanese Yen	100,960	158,393
Other currencies	22,028	37,419

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29. ASSETS AND LIABILITIES ACCORDING TO THEIR RESPECTIVE MATURITY PERIODS OR EXPECTED PERIODS TO CASH CONVERSION

	Maturity period determined				Maturity Period not determined	Total
	Less than 3 months	3 to 12 months	1 to 5 Years	Over 5 Years		
29 Dhul Hijjah 1427H						
Total assets	1,246,172	887,857	944,886	651,870	2,376,608	6,107,393
	=======	=======	=======	=======	=======	=======
Total liabilities	496,673	194,972	603,080	-	-	1,294,725
	=======	=======	=======	=======	=======	=======
30 Dhul Hijjah 1426H						
Total assets	1,860,921	455,578	733,766	209,058	2,631,327	5,890,650
	=======	=======	=======	=======	=======	=======
Total liabilities	644,632	-	627,216	-	-	1,271,848
	=======	=======	=======	=======	=======	=======

30. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

	Public utilities	Transport & telecom	Agriculture	Industry & mining	Social Services	Others	Total
29 Dhul Hijjah 1427H							
Total assets	648,450	651,094	238,233	206,686	520,897	3,842,033	6,107,3934
	=======	=======	=======	=======	=======	=======	=======
30 Dhul Hijjah 1426H							
Total assets	984,028	520,343	320,238	451,341	514,656	3,100,044	5,890,650
	=======	=======	=======	=======	=======	=======	=======

The geographical locations of assets are as follows:

	Member countries			Non member countries	Total
	Asia	Africa	Europe		
29 Dhul Hijjah 1427H					
Total assets	4,744,827	1,187,862	52,717	121,987	6,107,393
	========	========	========	========	========
30 Dhul Hijjah 1426H					
Total assets	4,308,691	1,382,702	26,936	172,321	5,890,650
	========	========	========	========	========

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The geographical locations of assets reflect the countries in which the beneficiaries of the assets are located.

31. ZAKAT AND TAX TREATMENT

Since the Bank's equity is part of Baitul Mal (public money), it is not subject to Zakat or tax.

32. RISK MANAGEMENT

The Bank has a Risk Management and Control Office ("RMCO") fully independent from all business departments as well as other entities of the Bank. The RMCO is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Bank through the identification, measurement and monitoring of all types of risks inherent in its activities. The Bank has also established a Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the Bank's risk management framework and appetite, with a view to ensuring that there are 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 overdue. 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.

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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
29 Dhul Hijjah 1427H (19 January 2007)

with

AUDITORS' REPORT

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

29 Dhul Hijjah 1427H (19 January 2007)

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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

AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Special Account Resources Waqf Fund (the "Waqf Fund") as of 29 Dhul Hijjah 1427H (19 January 2007) and the related statements of activities, cash flows and changes in resources for the year then ended. These financial statements and the Waqf Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Waqf Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Special Account Resources Waqf Fund as of 29 Dhul Hijjah 1427H (19 January 2007), 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 Committee 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

20 Rabi' Awwal 1428H
8 April 2007G

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
as of 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	Notes	1427H	1426H
ASSETS			
Cash at banks		41,814	30,491
Placements and fixed deposits with banks		366,368	417,652
Murabaha and other funds – net	3	131,812	152,594
Investments in specific deposit - UIF	5	628	628
Investments in units (UIF & IBP)	5	94,761	76,244
Investment in Islamic Corporation for the Insurance of investment and Export Credit (ICIIEC)	6	62,720	61,815
Investment in Islamic Ijarah Sukuk	7	161,092	147,621
Accrued income and other assets		12,304	13,601
Other investments	8	52,397	44,147
Property and equipment – net	9	21,354	22,343
Loans net	10	121,903	99,593
TOTAL ASSETS		1,067,153	1,066,729
LIABILITIES AND RESOURCES			
LIABILITIES			
Payable to IDB - Ordinary Capital Resources	4	29,407	43,755
Accruals and other liabilities	11	113,702	108,577
Specific deposit from IDB – Unit Investment Fund		10,511	10,872
Total liabilities		153,620	163,204
RESOURCES			
Waqf Fund principal amount	12	748,855	742,171
Special assistance	13	42,589	48,177
Special account for least developed member countries	14	122,089	113,177
Total resources		913,533	903,525
TOTAL LIABILITIES AND RESOURCES		1,067,153	1,066,729

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive directors on 20 Rabi Awwal 1428H (8 April 2007)

The attached notes from 1 through 22 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF ACTIVITIES
For the Year Ended As of 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	Notes	1427H	1426H
Income from:			
Placements and fixed deposits with banks		13,924	7,397
Murabaha and other funds	3	16,332	41,953
Specific deposit from IDB - Unit Investment Fund	5	(777)	(368)
IDB - Investments in units	5	2,832	1,433
Investment in ICIIEC	6	905	324
Investment in Islamic Ijarah Sukuk	7	10,269	6,462
Foreign currency exchange gain (loss), net		3,004	(436)
Total income		46,489	56,765
Expenses:			
Staff costs		(445)	(367)
Finance cost	11	(4,089)	(999)
Total expenses		(4,534)	(1,366)
Net income		41,955	55,399
Allocated to:			
Waqf Fund principal amount	2 (n)	6,293	8,310
Special assistance	2 (n)	27,271	36,009
Special account for least developed member countries	2 (n)	8,391	11,080
		41,955	55,399

The attached notes from 1 through 22 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended As of 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	1427H	1426H
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	41,955	55,399
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,009	1,028
Change in operating assets and liabilities:		
Murabaha and other funds	20,782	(44,352)
Accrued income and other assets	1,297	(8,393)
Accruals and other liabilities	5,125	93,039
Loans	(22,310)	(6,105)
Net cash from operations	47,858	90,616
CASH FLOWS FROM INVESTING ACTIVITIES:		
Placements with banks having maturity more than three months, net	8,369	96,245
IDB – Unit Investment Fund:		
Specific deposit	-	1,390
Investments in units	(18,517)	(3,059)
Investment in ICIIEC, net	(905)	(324)
Investment in Islamic Ijarah Sukuk	(13,471)	(76,363)
Other investments	(8,250)	(18,217)
Specific deposit from IDB - Unit Investment Fund	(361)	(898)
Additions to property and equipment	(20)	(20)
Special assistance program expenses	(11,322)	(11,923)
Net cash used in investing activities	(44,477)	(13,169)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in payable to/ receivable from IDB - Ordinary Capital Resources	(14,348)	74,914
Income transferred from IDB - Ordinary Capital Resources	2,606	1,115
Net grants for causes and contribution from Islamic Development Bank for technical assistance grants from Special Assistance Account	(23,231)	(20,811)
Net cash (used in) from financing activities	(34,973)	55,218
Net (decrease) increase in cash and cash equivalents	(31,592)	132,665
Cash and cash equivalents at beginning of year (Note 16)	439,774	307,109
Cash and cash equivalents at end of year (Note 16)	408,182	439,774
	======	======

The attached notes from 1 through 22 form an integral part of these financial statements.

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ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CHANGES IN RESOURCES
For the Year Ended As of 29 Dhul Hijjah 1427H (19 January 2007)
(In Thousands of Islamic Dinars)

	Notes	1427H	1426H
Waqf Fund principal amount resources:			
Balance at beginning of year		742,171	733,694
Attributable net income for the year		6,293	8,310
Share of income transferred from IDB - Ordinary Capital Resources	15	391	167
Balance at end of year		748,855	742,171
Special assistance resources:			
Balance at beginning of year		48,177	44,177
Attributable net income for the year		27,271	36,009
Share of income transferred from IDB - Ordinary Capital Resources	15	1,694	725
Grants for causes	13	(33,390)	(24,410)
Program expenses		(11,322)	(11,923)
Contribution from IDB- Ordinary Capital Resources for technical assistance grants and scholarship programme		10,159	3,599
Balance at end of year		42,589	48,177
Special account for least developed member countries resources:			
Balance at beginning of year		113,177	101,874
Attributable net income for the year		8,391	11,080
Share of income transferred from IDB - Ordinary Capital Resources	15	521	223
Balance at end of year		122,089	113,177
Total resources		913,533	903,525
		======	======

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 29 Dhul Hijjah 1427H (19 January 2007)

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 commingled 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.

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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.

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(In Thousands of Islamic Dinars)

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/4-426, and the Board of Executive Directors' resolution No. BED/BG/6-426, 5% of the IDB-OCR 1426 net income was allocated for the financing of 1427H 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:

	1427H	1426H
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.

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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

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 Portfolio is to be merged with a new entity, International Islamic Trade Finance Corporation (ITFC), which will takeover the operations of the Portfolio. The amounts invested by the Waqf Fund at the end of Dhul Hijjah are as follows:

	1427H	1426H
Syndicated Murabaha and other funds	63,270	99,457
Mudarabah and equity funds	68,542	53,137
Murabaha and other funds – net	131,812	152,594

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 1427H is ID 29.40 million (1426H – due to IDB - OCR of ID 43.80 million).

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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.

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 29 Dhul Hijjah 1427H ID 97.24 (1426H-ID 97.24 million, with called-up installments of ID 73.56 million (1426H- ID 73.56 million) of which ID 72.74 million were paid (1426H: 72.70 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, which includes the Fund's share of income based on the management accounts, are summarized as follows:

	1427H	1426H
Balance at beginning of year	61,815	61,491
Share of profit during the year	905	324
Balance at end of year	62,720	61,815

7. INVESTMENT IN ISLAMIC IJARAH SUKUK

Investment in Sukuk certificates as at the end of Dhul Hijjah 1427H and 1426H represents a share in the investment in Sukuks issued by the various governments and certain other entities.

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8. OTHER INVESTMENTS

Other investments at the end of Dhul Hijjah are summarized as follows:

	1427H	1426H
Infrastructure Fund	51,018	42,768
OIC - Network SDN BHD	1,379	1,379
Total	52,397	44,147

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 489.20 million) (1426H US$ 730.50, ID 506.00 million). The Bank has committed US$ 100 million (ID 66.97 million) (1426H US$100, ID 69.20 million) of which US$ 85.50 (ID 57.26 million) was paid up to 29 Dhul Hijjah 1427H (1426H US$ 61.74 million, ID 42.70 million). The investment is currently stated at cost, as fair value cannot be reliably measured.

The investment in OIC - Network SDN BHD represents an investment in a Malaysia based Fund, which was accounted for at cost.

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:

	1426H	Addition/charge	1427H
Cost			
Buildings	34,443	-	34,443
Furniture and equipment	6,505	20	6,525
Total	40,948	20	40,968
Accumulated depreciation			
Buildings	12,395	730	13,125
Furniture and equipment	6,210	279	6,489
Total	18,605	1,009	19,614
Net book value at year end	22,343		21,354

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(In Thousands of Islamic Dinars)

10. LOANS, NET

Loans at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Loans	135,339	110,909
Provision for impairment	(13,436)	(11,316)
Loans – net	121,903	99,593

11. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Contribution for Bosnia Fund	52	54
Accrued expenses and others	4,488	2,946
Other liabilities	109,162	105,577
Total	113,702	108,577

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 29 Dhul Hijjah 1427 (19 January 2007) was ID 4,089 (1426H: 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.

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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 Dhul Hijjah 1427H and 1426H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

	1427H	1426H
Relief against disasters and calamities	7,080	3,415
Assistance for Islamic causes	9,825	9,034
Technical assistance grants	10,617	6,991
Technical cooperative program	1,849	1,215
Scholarship program	4,019	3,581
Contribution to AAOIFI	-	174
Total	33,390	24,410

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.

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 are as follows:

	1427H	1426H
Return on deposits with other banks	-	132
Return on call accounts	2,606	983
Total	2,606	1,115

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(In Thousands of Islamic Dinars)

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 Shar'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:

	1427H	1426H
Waqf Fund principal amount	391	167
Special Assistance	1,694	725
Special Account for Least Developed Member Countries	521	223
Total	2,606	1,115

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprise the following:

	1427H	1426H
Cash at banks	41,814	30,491
Fixed deposits with banks	366,368	409,283
Total	408,182	439,774

17. UNDISBURSED COMMITMENTS

Undisbursed commitments at the end of Dhul Hijjah are as follows:

	1427H	1426H
a) For disbursements:		
Special Assistance Grants	78,512	85,846
Loans to Least Developed Member Countries ("LDMC")	110,173	126,092
Special loans	1,427	3,361
Technical assistance grants	63,634	66,870
Scholarship program	9,223	9,541
	262,969	291,710
b) Investments with Trust Funds	5,692	60,907
Total	268,661	352,617

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(In Thousands of Islamic Dinars)

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:

	1427H	1426H
United States Dollar	271,313	284,536
Euro	273,682	269,356
Japanese Yen	72,120	76,939
Pound Sterling	87,280	77,022
Other currencies	18,703	6,747

19. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

	29 Dhul Hijjah 1427H Maturity period determined					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not determined	Total
Assets	427,927	1,984	302,739	110,560	223,943	1,067,153
Liabilities	153,620	-	-	-	-	153,620

	30 Dhul Hijjah 1426H Maturity period determined					
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not determined	Total
Assets	456,086	108,351	225,335	70,758	206,199	1,066,729
Liabilities	152,434	10,770	-	-	-	163,204

20. CONCENTRATION OF ASSETS

Economic sectors:
All operations of the Waqf Fund are receivable in respect of social sector financing. All investments are invested in accordance with criteria set out by management to ensure that the investee institutions have a credit rating acceptable to the management of the Waqf Fund or are in accordance with furthering the aims and objectives of the Bank.

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(In Thousands of Islamic Dinars)

The geographical locations of assets and liabilities of the Waqf Fund are as follows:

	29 Dhul Hijjah 1427H Member countries			Non-member Countries	Total
	Asia	Africa	Europe		
Assets	756,182	128,461	13,841	168,669	1,067,153
Liabilities	153,620	-	-	-	153,620

	30 Dhul Hijjah 1426H Member countries			Non-member Countries	Total
	Asia	Africa	Europe		
Assets	818,694	112,844	5,934	129,257	1,066,729
Liabilities	163,204	-	-	-	163,204

The geographical locations of assets and liabilities for 1427H and 1426H reflect the countries in which the beneficiaries of the assets are located.

21. COMINGLING OF ASSETS

The management of the Waqf Fund has reviewed the comingling of the assets of the Waqf Fund principal amount, Special assistance account and Special account for Least Developed Members Countries (LDMC) as presented in these financial statements. The management has taken the advice of the Bank’s legal counsel and is of the opinion that the presentation set out in these financial statements is in accordance with the requirements of the regulations of the Waqf Fund.

22. ZAKAT AND TAX TREATMENT

Since the Waqf Fund’s resources are part of Baitul Mal (public money), the Waqf Fund is not subject to zakat or tax.

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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
EXPORT FINANCING SCHEME

FINANCIAL STATEMENTS
29 Dhul Hijjah 1427H (19 January 2007)

with

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
29 Dhul Hijjah 1427H (19 January 2007)

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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

AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors

Islamic Development Bank

We have audited the accompanying statement of financial position of Islamic Development Bank - Export Financing Scheme (the "Fund") as of 29 Dhul Hijjah 1427H (19 January 2007) and the related statements of income, cash flows and changes in participants' equity for the year then ended. These financial statements and the Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Export Financing Scheme as of 29 Dhul Hijjah 1427H (19 January 2007), 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 Committee of the Fund.

As explained in notes 1 and 2, during the year the IDB Board of Governors resolved to dissolve the Fund. Consequently, adjustments are required to value the assets and liabilities to their estimated fair values. The accompanying financial statements do not include any adjustments which are 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

20 Rabi' Awwal 1428H
8 April 2007G

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF FINANCIAL POSITION
29 Dhul Hijjah 1427H (19 January 2007)
(In thousands of Islamic Dinars)

	Notes	1427H	1426H
ASSETS			
Cash at banks	3	505	3,624
Commodity placements with banks	4	175,224	75,615
Receivable from operations:			
Murabaha financing	5	85,038	215,065
Less: Provision for operation risks	5	(2,293)	(4,178)
Receivable from operations, net		82,745	210,887
Receivable from Islamic Development Bank – Ordinary Capital Resources	6	24,079	-
Accrued income and other assets		1,097	226
TOTAL ASSETS		283,650	290,352
LIABILITIES AND PARTICIPANTS' EQUITY			
LIABILITIES:			
Accruals and other liabilities	7	15,027	1,558
Payable to Islamic Development Bank – Ordinary Capital Resources	6	-	29,417
Total liabilities		15,027	30,975
PARTICIPANTS' EQUITY:			
Participants' contributions	8	134,507	134,507
Contribution bonus	9	18,023	18,023
General reserve	9	16,020	16,020
Retained earnings		100,073	90,827
Total participants' equity		268,623	259,377
TOTAL LIABILITIES AND PARTICIPANTS' EQUITY		283,650	290,352

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 20 Rabi Awwal 1428H (8 April 2007).

The attached notes from 1 through 15 form an integral part of these financial statements

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
STATEMENT OF INCOME
For the Year Ended 29 Dhul Hijjah 1427H (19 January 2007)
(In thousands of Islamic Dinars)

	Notes	1427H	1426H
Income from:			
Commodity placements with banks		3,383	2,117
Murabaha financing		5,194	6,676
Compensation to Islamic Development Bank – Ordinary Capital Resources	6	(785)	(2,112)
		7,792	6,681
Exchange (loss)/gain		(126)	1,485
Financing cost		(131)	-
Administrative expenses		(174)	(163)
Recovery of impairment provision	5	1,885	3,279
Net income		9,246	11,282

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 29 Dhul Hijjah 1427H (19 January 2007)
(In thousands of Islamic Dinars)

	Notes	1427H	1426H
CASH FLOWS FROM OPERATIONS			
Net income for the year		9,246	11,282
Adjustments to reconcile net income to net cash from operating activities:			
Recovery of impairment provision		(1,885)	(3,279)
Changes in operating assets and liabilities:			
Murabaha financing		130,027	(39,480)
Receivable from/(payable to) Islamic Development Bank – Ordinary Capital Resources		(53,496)	(33,047)
Accrued income and other assets		(871)	483
Accruals and other liabilities		13,469	28
Net cash from/(used in) operating activities		96,490	(64,013)
CASH FLOWS FROM INVESTING ACTIVITY			
Change in commodity placements with banks		(115,355)	21,229
Net cash (used in)/from investing activity		(115,355)	21,229
CASH FLOWS FROM FINANCING ACTIVITY			
Change in participants' contributions		-	250
Net cash from financing activity		-	250
Decrease in cash and cash equivalents		(18,865)	(42,534)
Cash and cash equivalents at the beginning of year	13	47,095	89,629
Cash and cash equivalents at the end of year	13	28,230	47,095

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 29 Dhul Hijjah 1427H (19 January 2007)
(In thousands of Islamic Dinars)

	Participants' contributions	Contribution bonus	General reserve	Retained earnings	Total
Balance at 29 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
Net income for the year**	-	-	-	9,246	9,246
Balance at 29 Dhul Hijjah 1427H	134,507	18,023	16,020	100,073	268,623

** As per resolution BED 01/05/427/(238)/44 any income accruing to the Fund after 30/12/1426H will be transferred to the general reserve of ITFC. Since the transfer of assets and liabilities have not been completed as of 29 Dhul Hijjah 1427H, the amount of ID9,246 is being disclosed as part of retained earnings of the Fund.

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
29 Dhul Hijjah 1427H (19 January 2007)

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 (ITFC) to focus primarily on trade finance for the IDB Group. Subsequently, the Board of Governors of IDB vide resolution BG/1-427 (by circulation) on 7 Rabi Awwal 1427H (5 April 2006) resolved to dissolve the Fund and decided that the amount which each participant is entitled in the Funds assets shall be transferred to and become part of the initial capital of the ITFC. As per resolution BED/01/05/427/(238)/44 the assets transfer will be based on the adjusted net book value method as at 30.12.1426H as per the report of valuation consultant. Any income accruing to EFS thereafter will be transferred to the general reserve of ITFC.

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 transferred to the new entity, ITFC, 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, which requires valuing assets at their net realizable amounts at the date of liquidation, and liabilities at the actual monetary amounts required to settle them. Since the management believes that the adjusted net book value of the Fund as of 29 Dhul Hijjah 1427H (19 January 2007) approximates the actual net book value as of that date, the financial statements were prepared under the historical cost convention.

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(In thousands of Islamic Dinars)

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 date of three months or less from the date of acquisition.

3. CASH AT BANKS

Cash at banks at the end of Dhul Hijjah is comprised of the following:

	1427H	1426H
Call accounts with Islamic banks	213	207
Call accounts with conventional banks	292	3,417
Total	505	3,624

(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:

	1427H	1426H
Placements with Islamic banks	6,704	61,111
Placements with conventional banks	168,520	14,504
Total	175,224	75,615

5. MURABAHA FINANCING

Murabaha financing at the end of Dhul Hijjah is comprised of the following:

	1427H	1426H
Gross amounts receivable	97,851	226,992
Less: Share of the Saudi Fund for Development	(10,242)	(6,953)
Less: Unearned income	(2,571)	(4,974)
Murabaha financing, net	85,038	215,065

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 is to be charged to 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 two export financing agreements made during the year.

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:

	1427H	1426H
Balance at beginning of the year	4,178	7,457
Recovery of assets' impairment	(1,885)	(3,279)
Balance at the end of the year	2,293	4,178

During the year 1426H, the Bank entered into a Memorandum of Understanding with one of the member countries for the settlement of the amounts due and has since then received all installments due. The Fund reassessed the provision against the dues from that member country and wrote back the excess provision to income.

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(In thousands of Islamic Dinars)

6. RECEIVABLE FROM/(PAYABLE TO) ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

Investments and realization of investments made through the inter-fund account between the Fund and the Bank are considered as cash flows, with the corresponding amounts passed as advances or settlement of advances from the Bank.

From 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 29 Dhul Hijjah 1427 was ID 785 thousand (Dhul Hijjah 1426: ID 2,112 thousand).

7. ACCRUALS AND OTHER LIABILITIES

The Fund has entered into a commodity purchase and sale agreement with a bank. Under the terms of the agreement, the Fund has purchased a commodity from that bank on deferred payment basis and has simultaneously sold it through that bank to a third party. Included in the accruals and other liabilities, is an outstanding balance of ID 10.2 million as of 29 Dhul Hijjah 1427H (30 Dhul Hijjah 1426H: Nil), which represents the purchase price including the accrued markup under the agreement. The related financing cost has been disclosed in the statement of income.

8. PARTICIPANTS' CONTRIBUTIONS

Participants' contributions at the end of Dhul Hijjah are comprised of the following:

	1427H	1426H
Amount subscribed	320,250	320,250
Installments not yet due	(160,750)	(160,750)
Called-up amount	159,500	159,500
Installments due not yet paid	(26,029)	(26,029)
Installments paid not yet due	1,036	1,036
Paid-up contributions	134,507	134,507

9. 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.

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(In thousands of Islamic Dinars)

10. 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

	1427H	1426H
United States Dollar	105,209	105,721
Japanese Yen	24,883	12,618
Euro	98,366	80,676
Pound Sterling	33,632	34,339
Deutsche Mark	1,781	1,777
French Franc	1	80
Non-SDR constituent currencies	(682)	(527)

11. 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:

1427H

	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	505	-	-	-	-	505
Commodity placements with banks	175,224	-	-	-	-	175,224
Murabaha financing	4,359	68,715	11,762	202	-	85,038
Receivable from IDB	24,079	-	-	-	-	24,079
Accrued income and other assets	1,097	-	-	-	-	1,097
	205,264	68,715	11,762	202	-	285,943
Less: Provision for operation risks						(2,293)
Total assets						283,650
Liabilities						
Accruals and other liabilities	(13,394)	-	-	-	(1,633)	(15,027)
Total liabilities	(13,394)	-	-	-	(1,633)	(15,027)

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(In thousands of Islamic Dinars)

1426H

	Maturity period determined: Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity period not determined	Total
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)
Payable to IDB	(29,417)	-	-	-	-	(29,417)
Total liabilities	(29,417)	-	-	-	(1,558)	(30,975)

12. 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:

1427H

	Member countries: Asia	Member countries: Africa	Non-member countries	Total
Cash at banks	499	-	6	505
Commodity placements with banks	108,421	-	66,803	175,224
Murabaha financing	81,534	3,504	-	85,038
Accrued income and other assets	1,097	-	-	1,097
Receivable from IDB	24,079	-	-	24,079
	215,630	3,504	66,809	285,943
Less: Provision for operation risks				(2,293)
Total assets				283,650

(In thousands of Islamic Dinars)

	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

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of Dhul Hijjah comprises the following:

	1427H	1426H
Cash at banks	505	3,624
Commodity placements with banks	27,725	43,471
Total	28,230	47,095

14. ZAKAT AND TAX TREATMENT

Any liability for zakat and income tax is the responsibility of the individual participant.

15. COMMITMENTS

The Fund's undisbursed commitments for Murabaha financing operations as at 29 Dhul Hijjah 1427H amounted to ID 257.2 million (1426H - ID 206.2 million).

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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 2006

WITH

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ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
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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

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 2006, 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 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 Committee of the Portfolio.

As explained in notes 1 and 2, the Executive Committee of the Portfolio in its meeting number 34 held on November 25, 2005 approved the sale of the net assets of the Portfolio to ITFC based on the adjusted net book value method as of the date of sale and the Portfolio shall cease its operations. Consequently, adjustments are required to value the assets and liabilities to their estimated fair values. The accompanying financial statements do not include any adjustments which are 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

20 Rabi' Awwal 1428H
8 April 2007G

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ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF NET ASSETS
31 December 2006
(In thousands of United States Dollars)

	Notes	2006	2005
ASSETS			
Cash and cash equivalents	3	15,432	40,176
Commodity placements with banks	4	61,564	-
Investments:			
Islamic Ijarah Sukuk	5	11,500	12,000
IDB - Unit Investment Fund	6, 14	10,937	10,937
Mudaraba funds	14	2,284	2,284
Ijarah Muntahia Bittamleek, net	7	203	26,259
Receivables:			
Murabaha financing, net	8	15,944	20,532
Installment sales financing, net		-	257
Istisna'a assets, net		4,070	4,560
Accrued income and other assets		905	5,212
Total Portfolio's assets		122,839	122,217
Net assets financed by variable capital	10	11	11
Total assets		122,850	122,228
LIABILITIES			
Payable to Islamic Development Bank -Ordinary Capital Resources	9, 14	7,915	12,847
Dividends payable	11	89	2,469
Accruals and other liabilities		2,477	367
Total portfolio's liabilities		10,481	15,683
PORTFOLIO'S NET ASSETS		112,369	106,545
REPRESENTED BY			
FIXED CAPITAL FUNDS			
Paid-up capital	12	100,000	100,000
Reserve	11	6,877	6,534
Retained earnings		5,481	-
Total fixed capital funds		112,358	106,534
VARIABLE CAPITAL FUNDS			
Paid-up capital	12	-	-
Retained earnings		11	11
Total variable capital funds	10	11	11
		112,369	106,545
Number of shares outstanding, fixed capital funds		100,000	100,000
Net assets per share (USD), fixed capital funds		1,124	1,065

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 20 Rabi Awwal 1428H (8 April 2007).

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF OPERATIONS
For the year ended 31 December 2006
(In thousands of United States Dollars)

	Notes	2006	2005
INCOME			
Commodity placements with banks		1,159	-
Income from cash and cash equivalents		1,234	503
		2,393	503
Income from investments, sales and financing:			
Investments:			
Islamic Ijarah Sukuk		721	558
IDB - Unit Investment Fund		659	489
Mudaraba funds		-	83
Ijarah Muntahia Bittamleek		4,301	8,757
Sales:			
Murabaha financing		1,148	1,596
Installment sales financing		6	32
Istisna'a assets		279	310
Mudaraba fees		90	72
Other income		-	172
Total income from investments, sales and financing		7,204	12,069
EXPENSES			
Depreciation expense - Ijarah Muntahia Bittamleek	7	(2,652)	(7,010)
Provision for impairment of assets		-	(323)
Other expenses		(93)	(75)
		(2,745)	(7,408)
Net income from investments, sales and financing		4,459	4,661
Net income before Mudarib's share		6,852	5,164
Less: Mudarib's share		(1,028)	(775)
INCREASE IN NET ASSETS AFTER MUDARIB'S SHARE		5,824	4,389

The attached notes from 1 through 20 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 2006
(In thousands of United States Dollars)

	2006	2005
OPERATING ACTIVITIES		
Increase in net assets before Mudarib's share	6,852	5,164
Adjustments for:		
Depreciation	2,652	7,010
Provision for impairment of assets	-	323
	9,504	12,497
Changes in operating assets and liabilities:		
Murabaha financing	4,588	10,489
Installment sales financing	257	317
Istisna'a assets	490	(118)
Accrued income and other assets	4,307	(363)
Payable to Islamic Development Bank - Ordinary Capital Resources	(4,932)	(3,140)
Accruals and other liabilities	2,110	(168)
Cash from operations	16,324	19,514
Mudarib's fee paid	(1,028)	(645)
Net cash provided by operating activities	15,296	18,869
INVESTING ACTIVITIES		
Commodity placements with banks	(15,505)	-
Investment in Islamic Ijarah Sukuk	500	3,625
Ijarah Muntahia Bittamleek	7,697	(4,644)
Mudaraba funds	-	(82)
Net cash used in investing activities	(7,308)	(1,101)
FINANCING ACTIVITIES		
Dividends paid	(2,380)	(3,850)
Net cash used in financing activities	(2,380)	(3,850)
Net increase in cash and cash equivalents	5,608	13,918
Cash and cash equivalents at the beginning of year	40,176	26,258
Cash and cash equivalents at the end of year (Note 15)	45,784	40,176
Supplemental Schedule on Non-Cash Items		
Dividends declared	-	4,132
Transfer of Ijarah assets to a related party in partial settlement for commodity placements	15,707	-

The attached notes from 1 through 20 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 2006
(In thousands of United States Dollars)

	Paid-up capital		Reserve		Retained earnings		Total		
	Fixed	Variable	Fixed	Variable	Fixed	Variable	Fixed	Variable	Grand Total
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
Increase in net assets for the year	-	-	-	-	5,824	-	5,824	-	5,824
Appropriations:									
Transfer to reserve	-	-	343	-	(343)	-	-	-	-
Balance at 31 December 2006	100,000	-	6,877	-	5,481	11	112,358	11	112,369

The attached notes from 1 through 20 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 2006
(In thousands of United States Dollars)

	2006	Percentage of portfolio	2005	Percentage of portfolio
INVESTMENTS				
Islamic Ijarah Sukuk	11,500	26%	12,000	15%
IDB - Unit Investment Fund	10,937	24%	10,937	14%
Mudaraba funds	2,284	5%	2,284	3%
Ijarah Muntahia Bittamleek, net	203	1%	26,259	34%
RECEIVABLES				
Murabaha financing, net	15,944	35%	20,532	27%
Installment sales financing, net	-	-%	257	1%
Istisna'a assets, net	4,070	9%	4,560	6%
TOTAL INVESTMENTS, RECEIVABLES AND FINANCING	44,938	100%	76,829	100%

The attached notes from 1 through 20 form an integral part of these financial statements

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ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
STATEMENT OF FINANCIAL HIGHLIGHTS
31 December 2006

	2006	2005
Data per share (In United States Dollars)		
Net assets value (fixed capital funds) at the beginning of year	1,065	1,063
Net income from investments, sales and financing before Mudarib's share	69	51
Less: Mubarib's share	(10)	(8)
Net income from investment, sales and financing after Mudarib's share	59	43
Distribution to shareholders:		
From net profits on investments, sales and financing	-	(41)
Total distributions	-	(41)
Net assets value (fixed capital funds) at the end of year	1,124	1,065
Financial ratios/supplementary data (thousands of United States Dollars)		
Total net assets at the end of the year – fixed capital funds	112,358	106,534
Average net assets*	109,457	108,126
Ratio of expenses to average net assets	3%	7%
Turnover rate of portfolio investments, receivables and financing	16%	16%
Annual rate of return	5%	4%

*The average net assets is calculated on a simple average basis using year-end net asset balances.

The attached notes from 1 through 20 form an integral part of these financial statements

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ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
31 December 2006

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 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 (ITFC) to focus primarily on trade finance for the IDB Group. The Executive Committee of the Portfolio in its meeting number 34 held on November 25, 2005 approved the sale of the net assets of the Portfolio based on the adjusted net book value method as of the date of the sale. Members of the Portfolio who agreed to join the new corporation based on the adjusted net book value as of the date of the sale will have their equity transferred to the new corporation. The assets of the Portfolio is currently under liquidation and certain assets will be purchased by the IDB Group whereas the trade related assets will be taken over by ITFC.

Subsequently, the Articles of ITFC were approved by the IDB Board of Governors in their 31st meeting held in Kuwait on May 31, 2006 (corresponding to Jumad Awwal 4, 1427H), where several member countries signed the memorandum of agreement. The Articles of the ITFC came into effect on 29 Dhul Qadah 1427H (20 December 2006).

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:

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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 ITFC, 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, which requires valuing assets at their net realizable amounts at the date of liquidation, and liabilities at the actual monetary amounts required to settle them. Since the management believes that the adjusted net book value as of December 31, 2006 approximate the actual net book value as of that date, the financial statements were prepared under the historical cost convention.

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. Commodity placements with banks

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.

3. 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.

4. 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.

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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.

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(In thousands of United States Dollars)

Adjustments to the provision are recorded as a charge or addition to income.

Impairment of other financial assets:
An assessment is made at each statement of net assets date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired.

The amount of the impairment losses for financial assets carried at amortised cost is calculated as the difference between the asset's carrying amount and its fair value.

For financial assets carried at amortised cost, the carrying amount of the asset is adjusted either directly or through the use of an allowance account and the amount of the adjustment is included in the statement of operations.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December comprise the following:

	2006	2005
Liquid funds with Islamic banks	15,432	40,176

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. COMMODITY PLACEMENTS WITH BANKS

Commodity placements with banks at the end of December comprise the following:

	2006	2005
Placements with Islamic banks	55,418	
Placements with conventional banks	6,146	-
Commodity placements with banks	61,564	-

Placements with Islamic and conventional banks are utilized in the purchase and sale of commodities which is being managed by the treasury department of IDB on behalf of the Portfolio.

5. ISLAMIC IJARAH SUKUK

This represents investments held to maturity. The fair value of Islamic Ijara Sukuk approximates their carrying value at 31 December 2006 and 2005.

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(In thousands of United States Dollars)

6. 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 2006, the Portfolio owned 3.3% of the issued units of the Fund (3.3% at 31 December 2005). The fair value of the Fund at 31 December 2006 and 2005 approximates its cost.

7. IJARAH MUNTAHIA BITTAMLEEK, net

Ijarah Muntahia Bittamleek at 31 December comprises the following:

	2006	2005
Cost:		
Assets not in use:		
At the beginning of the year	8,457	3,813
Additions during the year	-	4,644
Deletions of assets due to early repayment during the year	(3,870)	-
Transferred to a related party during the year	(4,587)	-
At the end of the year	-	8,457
Assets in use:		
At the beginning of the year	41,067	41,067
Deletions of assets due to early repayment during the year	(4,846)	-
Transferred to a related party during the year	(30,221)	-
At the end of the year	6,000	41,067
Accumulated depreciation:		
At the beginning of the year	(22,942)	(15,932)
Charged during the year	(2,652)	(7,010)
Deletions of assets due to early repayment during the year	1,945	-
Transferred to a related party during the year	18,175	-
At the end of the year	(5,474)	(22,942)
Less: Provision for impairment	(323)	(323)
Balance at the end of the year	203	26,259

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(In thousands of United States Dollars)

Certain of the assets as of December 31, 2005 represented the Portfolio's share in the lease pool. Included in assets in use as of December 31, 2005 was an amount of US$ 5 million that represented the cost of fully depreciated assets, which were to be ultimately transferred to the beneficiaries under the terms of the lease agreements.

On July 1, 2006, the Portfolio sold certain assets in use and not in use to a related party for an amount of US$ 16,633 which represented their net book value as of that date. The Portfolio received certain commodity placements in partial settlement for the transfer of these assets.

Future installments receivable related to Ijarah Muntahia Bittamleek at 31 December are estimated as follows:

	2006	2005
Ijarah operations in Egypt	-	1,921
Ijarah operations in Saudi Arabia	-	4,644
Ijarah operations in Brunei	-	3,237
Ijarah operations in Algeria	-	3,871
Ijarah operations in Sudan	-	1,026
Ijarah operations in Lebanon	-	2,657
Ijarah operations in Iran	-	3,794
Ijarah operations in United Arab Emirates	-	5,000
Ijarah operations in Turkey	625	750
Ijarah operations in Kazakhstan	-	3,900
Ijarah operations in Uzbekistan	-	688
Total	625	31,488

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.

8. MURABAHA RECEIVABLES, NET

Murabaha receivables at 31 December comprise the following:

	2006	2005
Gross amounts receivable	16,834	21,418
Less: Unearned income	(580)	(576)
Provision for impairment	(310)	(310)
Murabaha receivables, net	15,944	20,532

(In thousands of United States Dollars)

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 is to be charged to the customer.

9. PAYABLE TO ISLAMIC DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

Payable to the Bank at 31 December comprises the following:

	2006	2005
Mudarib's share of profit (see note 11)	1,028	775
Short-term advances and inter-fund account	6,887	12,072
Total	7,915	12,847

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 2006.

10. NET ASSETS FINANCED BY VARIABLE CAPITAL

Net assets financed by variable capital at 31 December comprise the following:

	2006	2005
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.

11. 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 %

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(In thousands of United States Dollars)

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.

12. CAPITAL

Capital at 31 December comprises the following:

	2006	2005
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.

13. 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.

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(In thousands of United States Dollars)

14. 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:

	2006	2005
Investment:		
IDB - Unit Investment Fund	10,937	10,937
Al Baraka Group - Mudaraba funds	2,284	2,284
Ijarah Muntahia Bittamleek, net	16,633	-
Payable to the Bank (see Note 9):		
Current account	6,887	12,072
As Mudarib's share of profit	1,028	775

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December comprise the following:

	2006	2005
Cash at banks	15,432	40,176
Commodity placements with banks (note 2d)	30,352	-
Total	45,784	40,176

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(In thousands of United States Dollars)

16. 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:

2006

	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	15,432	-	-	-	-	15,432
Commodity placements with banks	7,430	54,134	-	-	-	61,564
Investments	2,487	5,000	6,500	-	10,937	24,924
Receivables	2	3,571	16,441	-	-	20,014
Accrued income and other Assets	-	905	-	-	-	905
Total Portfolio's assets	25,351	63,610	22,941	-	10,937	122,839
Liabilities						
Payable in cash:						
Payable to the Bank	-	7,915	-	-	-	7,915
Dividends payable	-	89	-	-	-	89
Accruals and other liabilities	-	2,477	-	-	-	2,477
Total Portfolio's liabilities	-	10,481	-	-	-	10,481

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

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(In thousands of United States Dollars)

17. CONCENTRATION OF ASSETS

An analysis of the Portfolio's assets by industry at 31 December is as follows:

2006

	Public Utilities	Transport	Industry and mining	Social services	Other	Total
Cash and cash equivalents	-	-	-	-	15,432	15,432
Commodity Placements with banks	-	-	-	-	61,564	61,564
Investments	-	-	-	-	24,924	24,924
Receivables	7,594	-	8,350	-	4,070	20,014
Accrued income and other assets	-	-	-	-	905	905
Total assets	7,594	-	8,350	-	106,895	122,839

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

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(In thousands of United States Dollars)

17. CONCENTRATION OF ASSETS (CONTINUED)

The geographical locations of the Portfolio's assets at 31 December are as follows:

	2006				
	Cash and cash equivalents	Commodity Placements with banks	Investments	Receivables	Total
Saudi Arabia	-	-	10,937	7,594	18,531
Bahrain	15,432	55,418	-	-	70,850
Egypt	-	-	-	-	-
Bangladesh	-	-	-	903	903
Turkey	-	-	2,487	2,677	5,164
Lebanon	-	-	-	-	-
Iran	-	-	-	-	-
Malaysia	-	-	5,000	-	5,000
Kazakhistan	-	-	-	-	-
Algeria	-	-	-	-	-
Sudan	-	-	-	1,059	1,059
Brunei	-	-	-	-	-
Qatar	-	-	4,500	4,070	8,570
United Arab Emirates	-	6,146	-	-	6,146
Pakistan	-	-	2,000	(24)	1,976
Uzbakistan	-	-	-	-	-
Indonisia	-	-	-	-	-
Tunisia	-	-	-	2,159	2,159
Mauritania	-	-	-	1,027	1,027
Morocco	-	-	-	549	549
	15,432	61,564	24,924	20,014	121,934
Accrued income and other assets					905
Total assets					122,839

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(In thousands of United States Dollars)

17. CONCENTRATION OF ASSETS (CONTINUED)

	2005				
	Cash and cash equivalents	Commodity Placements with banks	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
Indonisia	-	-	-	3,787	3,787
	40,176	-	51,480	25,349	117,005
Accrued income and other assets					5,212
Total assets					122,217

18. ZAKAT AND TAX

Any liability for zakat and income tax is the responsibility of the individual participants.

19. COMMITMENTS

At 31 December 2006, undisbursed commitments for investing in operations and other investments amount to US$ 24.8 million (US$ 63.9 million at 31 December 2005).

20. COMPARATIVE FIGURES

Certain figures for 2005 have been reclassified to conform with the presentation in the current year.

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Appendix II
Comparative Statement Showing OCR Actual Expenditure for 1426H and 1427H and Approved Budget for 1428H (2007-2008)

(ID thousand)

S. No.	Description	Actual Expenditure		Approved Budget
		1426H (2005-2006)	1427H (2006-2007)	1428H (2007-2008)
1	Annual Meeting and BED Expenses	1,870	2,083	2,965
	i. Annual Meeting Expenses	954	1,121	1,446
	ii. Board of Executive Directors Expenses	916	962	1,519
2	Personnel Cost	37,475	39,170	41,256
	i. Salaries & Benefits	36,063	37,165	38,329
	ii. Other Personnel Cost	592	786	1,215
	iii. New Staff Cost	542	-	-
	iv. Young Professional Programme	278	1,219	1,711
3	Business Travel	2,196	3,387	3,238
4	General Administrative Expenses	4,916	4,971*	6,918
5	Total Administrative Expenses (2+3+4)	44,587	47,528	51,412
6	Contingencies	-	-	36
7	Capital Expenditure	500	756	1,136
8	Regional Offices	1,549	1,669	1,821
	i. Regional Office - Morocco	647	784	803
	ii. Regional Office - Malaysia	495	466	541
	iii. Regional Office - Kazakhstan	407	419	477
9	Expenditure specifically approved	838	764	2,329
	Grand Total	**49,344**	**52,800**	**59,699**

* Excludes ISP Expenses of ID 1,925 million relating to prior years but charged to 1427H.

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Appendix III - Part 1
Islamic Development Bank - Ordinary Capital Resources
Statement of Subscriptions to Capital Stock and Voting Power
As on 29/12/1427H (19/01/2007)

S.No.	Member Country	Subscribed Capital(1)							Voting Power(2)	
				Par Value of Shares (ID million)					Number of Votes	Percent of Total
		No. of Shares	Percent of Total	Total	Callable	Paid-in	Overdue	Not Yet Due		
1	Afghanistan	993	0.08%	9.93	4.930	2.601	0.821	1.578	1,253	0.13%
2	Albania	924	0.07%	9.24	6.740	2.500	*	0.000	1,210	0.13%
3	Algeria	45,922	3.47%	459.22	334.960	81.442	4.287	38.531	31,512	3.26%
4	Azerbaijan	977	0.07%	9.77	4.850	3.225	0.170	1.525	1,308	0.14%
5	Bahrain	2,588	0.20%	25.88	18.880	7.000	*	0.000	2,489	0.26%
6	Bangladesh	18,216	1.38%	182.16	132.870	32.287	1.700	15.303	12,800	1.32%
7	Benin	1,819	0.14%	18.19	13.270	3.351	0.044	1.525	1,741	0.18%
8	Brunei	2,463	0.19%	24.63	12.220	8.560	*	3.850	2,578	0.27%
9	Burkina Faso	2,463	0.19%	24.63	12.220	8.132	0.428	3.850	2,535	0.26%
10	Cameroon	4,585	0.35%	45.85	33.440	8.133	0.428	3.849	3,596	0.37%
11	Chad	977	0.07%	9.77	4.850	2.872	0.523	1.525	1,272	0.13%
12	Comoros	250	0.02%	2.50	*	0.560	1.940	0.000	750	0.08%
13	Cote d' Ivoire	465	0.04%	4.65	2.150	2.509	*	-0.009	858	0.09%
14	Djibouti	496	0.04%	4.96	2.460	1.625	0.875	0.000	996	0.10%
15	Egypt	68,684	5.20%	686.84	340.840	228.075	*	117.925	57,392	5.93%
16	Gabon	5,458	0.41%	54.58	39.810	9.680	0.510	4.580	4,186	0.43%
17	Gambia	924	0.07%	9.24	6.740	2.500	*	0.000	1,210	0.13%
18	Guinea	4,585	0.35%	45.85	33.440	8.136	0.424	3.850	3,597	0.37%
19	Guinea-Bissau	496	0.04%	4.96	2.460	2.212	0.288	0.000	996	0.10%
20	Indonesia	40,649	3.08%	406.49	282.230	85.659	0.070	38.531	29,298	3.03%
21	Iran	129,334	9.78%	1,293.34	943.370	229.237	12.077	108.656	87,830	9.08%
22	Iraq	2,591	0.20%	25.91	12.860	13.051	*	-0.001	3,091	0.32%
23	Jordan	7,350	0.56%	73.50	53.610	13.722	*	6.168	5,532	0.57%
24	Kazakhstan	1,928	0.15%	19.28	13.990	3.110	*	2.180	1,764	0.18%
25	Kuwait	98,588	7.46%	985.88	489.240	325.532	17.111	153.997	81,977	8.47%
26	Kyrghyz	496	0.04%	4.96	2.460	1.174	0.288	1.038	996	0.10%
27	Lebanon	977	0.07%	9.77	4.850	3.396	*	1.524	1,325	0.14%
28	Libya	147,824	11.18%	1,478.24	1,078.240	340.711	5.928	53.361	108,185	11.18%
29	Malaysia	29,401	2.22%	294.01	214.450	54.892	*	24.668	20,630	2.13%
30	Maldives	496	0.04%	4.96	2.460	2.501	*	-0.001	996	0.10%
31	Mali	1,819	0.14%	18.19	13.270	3.226	0.169	1.525	1,729	0.18%
32	Mauritania	977	0.07%	9.77	4.850	3.230	0.165	1.525	1,308	0.14%
33	Morocco	9,169	0.69%	91.69	66.880	17.115	*	7.695	6,778	0.70%
34	Mozambique	923	0.07%	9.23	6.730	2.526	*	-0.026	1,212	0.13%
35	Niger	2,463	0.19%	24.63	12.220	7.273	1.288	3.849	2,449	0.25%
36	Nigeria	465	0.04%	4.65	2.150	0.478	0.522	1.500	857	0.09%
37	Oman	5,092	0.39%	50.92	37.140	9.034	0.475	4.271	3,938	0.41%
38	Pakistan	45,921	3.47%	459.21	334.950	81.450	4.279	38.531	31,513	3.26%
39	Palestine	1,955	0.15%	19.55	9.700	5.106	1.689	3.055	1,981	0.20%
40	Qatar	9,773	0.74%	97.73	48.500	32.269	1.696	15.265	8,577	0.89%
41	Saudi Arabia	368,513	27.88%	3,685.13	2,687.960	687.966	*	309.204	252,810	26.13%
42	Senegal	4,589	0.35%	45.89	33.470	8.171	0.393	3.856	3,602	0.37%
43	Sierra Leone	496	0.04%	4.96	2.460	1.812	0.048	0.640	996	0.10%
44	Somalia	496	0.04%	4.96	2.460	2.501	*	-0.001	996	0.10%
45	Sudan	7,277	0.55%	72.77	53.080	12.903	0.682	6.105	5,414	0.56%
46	Suriname	496	0.04%	4.96	2.460	2.501	*	-0.001	996	0.10%
47	Syria	1,849	0.14%	18.49	13.490	3.247	0.178	1.575	1,746	0.18%
48	Tajikistan	496	0.04%	4.96	2.460	1.948	0.110	0.442	996	0.10%
49	Togo	496	0.04%	4.96	2.460	1.393	0.104	1.003	996	0.10%
50	Tunisia	1,955	0.15%	19.55	9.700	6.788	*	3.062	2,149	0.22%
51	Turkey	116,586	8.82%	1,165.86	850.390	206.641	10.883	97.946	79,222	8.19%
52	Turkmenistan	496	0.04%	4.96	2.460	2.484	0.016	-0.000	996	0.10%
53	United Arab Emirates	104,596	7.91%	1,045.96	762.930	195.297	*	87.733	72,117	7.45%
54	Uganda	2,463	0.19%	24.63	12.220	8.133	0.428	3.849	2,535	0.26%
55	Uzbekistan	250	0.02%	2.50	*	1.001	*	1.499	750	0.08%
56	Yemen	9,238	0.70%	92.38	67.570	17.082	0.036	7.692	6,827	0.71%
Net Shortfall/ (Overpayment)		*	*	*	*	*	(0.291)	0.291	*	*
Sub-Total		**1,321,768**	**100.00%**	**13,217.68**	**9,146.85**	**2,809.960**	**70.782**	**1,190.088**	**967,391**	**100.00%**
Uncommitted		**178,232**	*	**1,782.32**	**1,753.64**	*	*	*	*	*
Grand Total		**1,500,000**	**100.00%**	**15,000.00**	**10,900.49**	**2,809.960**	**70.782**	**1,190.088**	**967,391**	**100.00%**

[1]The Subscribed Capital consists of total capital subscriptions under the Initial, 1st Additional, 2nd General Capital Increase (GCI), 3rd GCI and 4th GCI of the Bank (See Table on Part 2 for more details). The Callable Capital comprises 100% of the 3rd GC and 100% of 4th GCI.
[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 III - Part 2
Islamic Development Bank - Ordinary Capital Resources
Statement of Subscriptions to Capital Stock
As on 29/12/1427H (19/01/2007)

(ID million)

Sl. No.	Country	Initial Capital	1st Additional	2nd General Increase	3rd General Increase	4th General Increase	Total	Percent of Total
1	Afghanistan	2.50	*	2.50	4.93	.	9.93	0.08%
2	Albania	2.50	*	*	2.46	4.28	9.24	0.07%
3	Algeria	25.00	38.10	61.16	122.41	212.55	459.22	3.47%
4	Azerbaijan	2.50	*	2.42	4.85	0.00	9.77	0.07%
5	Bahrain	5.00	2.00	*	6.90	11.98	25.88	0.20%
6	Bangladesh	10.00	15.00	24.29	48.56	84.31	182.16	1.38%
7	Benin	2.50	*	2.42	4.85	8.42	18.19	0.14%
8	Brunei	6.30	*	6.11	12.22	.	24.63	0.19%
9	Burkina Faso	2.50	3.80	6.11	12.22	.	24.63	0.19%
10	Cameroon	2.50	3.80	6.11	12.22	21.22	45.85	0.35%
11	Chad	2.50	*	2.42	4.85	.	9.77	0.07%
12	Comoros	2.50	*	*	*	.	2.50	0.02%
13	Cote D>Ivoire	2.50	*	*	*	2.15	4.65	0.04%
14	Djibouti	2.50	*	*	2.46	.	4.96	0.04%
15	Egypt	25.00	148.00	173.00	340.84	.	686.84	5.20%
16	Gabon	3.00	4.50	7.27	14.55	25.26	54.58	0.41%
17	Gambia	2.50	*	*	2.46	4.28	9.24	0.07%
18	Guinea	2.50	3.80	6.11	12.22	21.22	45.85	0.35%
19	Guinea-Bissau	2.50	*	*	2.46	.	4.96	0.04%
20	Indonesia	25.00	38.10	61.16	122.41	159.82	406.49	3.08%
21	Iran	2.50	175.00	172.47	344.75	598.62	1,293.34	9.78%
22	Iraq	10.00	3.05	*	12.86	.	25.91	0.20%
23	Jordan	4.00	6.10	9.79	19.59	34.02	73.50	0.56%
24	Kazakhstan	2.50	0.37	2.42	5.07	8.92	19.28	0.15%
25	Kuwait	100.00	152.20	244.44	489.24	.	985.88	7.46%
26	Kyrghyz	2.50	*	*	2.46	.	4.96	0.04%
27	Lebanon	2.50	*	2.42	4.85	.	9.77	0.07%
28	Libya	125.00	190.30	84.70	394.04	684.20	1,478.24	11.18%
29	Malaysia	16.00	24.40	39.16	78.37	136.08	294.01	2.22%
30	Maldives	2.50	*	*	2.46	.	4.96	0.04%
31	Mali	2.50	*	2.42	4.85	8.42	18.19	0.14%
32	Mauritania	2.50	*	2.42	4.85	.	9.77	0.07%
33	Morocco	5.00	7.60	12.21	24.44	42.44	91.69	0.69%
34	Mozambique	2.50	*	*	2.46	4.27	9.23	0.07%
35	Niger	2.50	3.80	6.11	12.22	.	24.63	0.19%
36	Nigeria	2.50	*	*	*	2.15	4.65	0.04%
37	Oman	5.00	2.00	6.78	13.57	23.57	50.92	0.39%
38	Pakistan	25.00	38.10	61.16	122.41	212.54	459.21	3.47%
39	Palestine	2.50	2.50	4.85	9.70	.	19.55	0.15%
40	Qatar	25.00	*	24.23	48.50	.	97.73	0.74%
41	Saudi Arabia	200.00	306.37	490.80	982.30	1,705.66	3,685.13	27.88%
42	Senegal	2.50	3.80	6.12	12.23	21.24	45.89	0.35%
43	Sierra Leone	2.50	*	*	2.46	.	4.96	0.04%
44	Somalia	2.50	*	*	2.46	.	4.96	0.04%
45	Sudan	10.00	*	9.69	19.40	33.68	72.77	0.55%
46	Suriname	2.50	*	*	2.46	.	4.96	0.04%
47	Syria	2.50	*	2.50	4.93	8.56	18.49	0.14%
48	Tajikistan	2.50	*	*	2.46	.	4.96	0.04%
49	Togo	2.50	*	*	2.46	.	4.96	0.04%
50	Tunisia	2.50	2.50	4.85	9.70	.	19.55	0.15%
51	Turkey	10.00	150.00	155.47	310.77	539.62	1,165.86	8.82%
52	Turkmenistan	2.50	*	*	2.46	.	4.96	0.04%
53	U.A.E.	110.00	3.80	6.11	278.81	484.12	882.84	6.68%
54	Uganda	2.50	33.72	139.31	12.22	.	187.75	1.42%
55	Uzbekistan	2.50	*	*	*	.	2.50	0.02%
56	Yemen	5.00	7.60	12.21	24.81	42.76	92.38	0.70%
	Grand-Total	**836.80**	**1,370.31**	**1,863.72**	**4,000.49**	**5,146.36**	**13,217.68**	**100.00%**

Appendix IV
Governors and Alternate Governors

	Country	Governors	Alternate Governors
1.	Islamic Republic of Afghanistan	H.E. Prof. Dr. Anwar Ul-Haq Ahady Minister of Finance	H.E. Mr. Wahidullah Shahrani Deputy Minister of Finance
2.	Republic of Albania	H.E. Prof. Dr. Genc Ruli Minister of Economy, Trade and Energy	H.E. Mr. Fatos Ibrahimi Deputy Governor, Bank of Albania
3.	Democratic and Popular Republic of Algeria	H.E. Mr. Mourad Medelci Minister of Finance	H.E. Mr. Mohamed Abdou Bouderbalah General Director of Customs
4.	Azerbaijan Republic	H.E. Mr. Heydar Babayev Minister of Economic Development	H.E. Mr. Samir Sharifov Minister of Finance
5.	Kingdom of Bahrain	H.E. Sheikh Ahmad Bin Mohamad Al Khalifa Minister of Finance	H.E.Mr. Mahmoud Hashem Al Kohege Assistant Undersecretary for Economic Affairs, Ministry of Finance
6.	People's Republic of Bangladesh	H.E. Dr. A.B. Mirza Md. Azizul Islam Advisor for Finance, Planning, Commerce, Post and Telecommunication, Ministry of Finance	H.E. Mr. Md Aminul Islam Bhuiyan Secretary, Economic Relations Division, Ministry of Finance
7.	Republic of Benin	H.E. Mr. Pascal Irénée Koupaki Minister of Development, Economy and Finance	H.E. Mr. Adam Dende Affo Director General, Caisse Autonome d'Amortissement
8.	Brunei Darussalam	His Majesty Sultan Haji Hassanal Bolkiah Minister of Finance	H.E Pehin Dato Abd Rahman Ibrahim Minister of Finance II, Ministry of Finance
9.	Burkina Faso	H.E. Mr. Seydou Bouda Minister of Economy and Development	H.E. Mr. Léné Sebgo Director General of Cooperation, Ministry of Finance and Budget
10	Republic of Cameroon	H.E. Mr. Abah Abah Polycarpe Minister of Economy and Finance	H.E. Mr. Mohamadou Labarang Ambassador of the Republic of Cameroon, Saudi Arabia
11.	Republic of Chad	H.E.Mr. Ousmane Matar Breme Minister of Economy and planning	H.E. Mr. Abbas Mahamat Tolli Minister of Finance and Computer Sciences
12.	Union of Comoros	H.E. Mr. Mohamed Ali Soilihi Minister of Finance and Budget	H.E. Mr. Ahamadi Abdoulbastoi Governor, Central Bank of Comoros
13.	Republic of Côte d'Ivoire	H.E. Mr. Paul Antoine Bohoun Bouabre State Minister, Minister of Planning and Development	H.E. Mr. Albert Toikeuse Mabri Minister of Cooperation and African Integration
14.	Republic of Djibouti	H.E. Mr. Ali Farah Assoweh Minister of Economy, Finance and Planning in-charge of Privatizations	H.E. Mr. Djama Mahmoud Haid Governor, National Bank of Djibouti
15.	Arab Republic of Egypt	H.E. Dr. Osman Ahmed Osman Minister of Economic Development	H.E. Dr. Mahmud Safwat Muhyiddin Minister of Investment
16.	Republic of Gabon	H.E. Mr. Paul Toungui State Minister, Minister of Economy, Finance, Budget and Privatization	H.E. Mr. Casimir Oyem Mba State Minister, Minister of Planning and Development Programming
17.	Republic of the Gambia	H.E. Mr. Mousa G. Bala Gaye Secretary of State for Finance and Economic Affairs Department of State for Finance & Economic Affairs	H.E. Mr. Abdou. B. Touray Permanent Secretary, Department of State for Finance and Economic Affairs
18.	Republic of Guinea	H.E. Mr. Alkaly Mohamed Daffe Governor, Central Bank of Guinea	H.E. Mme Baldé Hadja Fatoumata Diop National Director, Public Investments Programming
19	Republic of Guinea-Bissau	H.E. Mr. Victor Mandinga Minister of Finance	H.E. Mr. Purna Bia State Secretary in-charge of Planning and Regional Integration, Ministry of Economy

As of 4 April 2007

20.	Republic of Indonesia	H.E Mrs. Sri Mulyani Indrawati Minister of Finance	H.E. Mr. Burhanuddin Abdullah Governor, Bank of Indonesia
21.	Islamic Republic of Iran	H.E. Dr. Davood Danesh Jaffari Minister of Economic Affairs and Finance	H.E.Dr. Mohammad Khazaee Vice Minister and President, Organization for Investment, Economic and Technical Assistance of Iran (OIETAI), Ministry of Economic Affairs and Finance
22.	Republic of Iraq	H.E. Dr. Senan AL Shabebi Governor, Central Bank of Iraq	H.E. Mr Salman Nasser Hussein Al Mukawtar Advisor to the Minister of Finance, Ministry of Finance
23.	Hashemite Kingdom of Jordan	H.E. Mrs. Suhair Al Ali Minister of Planning and International Cooperation	H.E. Dr. Omaya Toqan Governor, Central Bank of Jordan
24.	Republic of Kazakhstan	H.E. Mr. Batalov Askar Bulatovich Vice-Minister of Industry and Trade, Ministry of Industry and Trade	H.E. Mr. Daulet Ergozhin Deputy Minister of Finance, Ministry of Finance
25.	State of Kuwait	H.E. Mr. Bader Mishari Al Humaidhi Minister of Finance	H.E. Mr. Khalifa Mousaid Hamada Undersecretary, Ministry of Finance
26.	Kyrgyz Republic	H.E. Mr. Murtazaliev Shamil Murtazalievich Advisor to the President of Kyrgyz Republic	H.E Mr. Murat Ismailov Head, Real Sector Management Government Machinery of Kyrgyz Republic
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	H.E. Mr. Hisham Ibrahim Al Shaar Advisor, Lebanese Council of Ministers Government Palace
28.	Great Socialist People's Libyan Arab Jamahiriyah	H.E. Mr. Mohamed Ali El Huwej The Secretary of the Peoples' General Committee for Finance	
29.	Malaysia	H.E. Dato Seri Abdullah bin Hj. Ahmad Badawi Prime Minister and Minister of Finance	H.E. Dato Dr. Wan Abdul Aziz Wan Abdullah Secretary General to the Treasury, Ministry of Finance
30.	Republic of Maldives	H.E. Mr. Fathullah Jameel Minister of Finance and Treasury	H.E. Mr. Riluwan Shareef Deputy Minister, Ministry of Finance and Treasury
31.	Republic of Mali	H.E. Mr. Abou Bakar Traore Minister of Economy and Finance	H.E. Mr. Marimantia Diarra Minister in-Charge of Planning
32.	Islamic Republic of Mauritania	H.E. Mr. Abdellah Ould Souleimane Ould Cheikh Sidiya Minister of Finance	H.E. Mr. Yahya Ould Abdul Daiem, Director of Economic and Financial Cooperation, Ministry of Finance
33.	Kingdom of Morocco	H.E. Dr. Fathullah Oualalou Minister of Finance and Privatization	H.E. Mr. Abdeltif Loudyi Secretary General, Ministry of Finance and Privatization
34.	Republic of Mozambique	H.E. Mr. Manuel Chang Minister of Finance	H.E. Mr. Ernesto Gouveia Gove Governor, Central Bank of Mozambique
35.	Republic of Niger	H.E. Mr. Ali Mahaman Lamine Zeine Minister of Economy and Finance	H.E. the Alternate Governor, IDB Ministry of Economy and Finance
36.	Federal Republic of Nigeria	H. E. Mrs. Nenadi E. Usman Minister of Finance	
37	Sultanate of Oman	H.E.Mr. Darwish Bin Ismail Bin Ali Albloushi General Secretary, Ministry of Finance	H.E. Mr. Mohamed Jawad Bin Hassan bin Soleiman General Director of Treasury and Accounts, Ministry of Finance
38.	Islamic Republic of Pakistan	H.E. Ms. Hina Rabbani Khar Minister of State for Economic Affairs, Ministry of Economic Affairs & Statistics, (Economic Affairs Division)	H.E. Mr. M. Akram Malik Secretary, Economic Affairs Division (EAD), Ministry of Economic Affairs & Statistics, (Economic Affairs Division)

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	H.E. the Alternate Governor C/o H.E. Dr. Mohammad Ibrahim Eshteyeh Minister of Public Works and Housing Islamic Bank Unit, Palestinian Economic Board for Development and Reconstruction
40	State of Qatar	H.E. Mr. Yussouf Hussein Kamal Minister of Finance	H.E. the Alternate Governor Ministry of Finance
41.	Kingdom of Saudi Arabia	H.E. Dr. Ibrahim Bin Abdel Aziz Al Assaf Minister of Finance	H.E. Mr. Hamad Saud Al Sayyari Governor, Saudi Arabian Monetary Agency
42.	Republic of Senegal	H.E. Mr. Abdoulaye Diop State Minister, Minister of Economy and Finance	H.E. Mr. Massar Wague Director of Economic and Financial Cooperation, Ministry of Economy and Finance
43.	Republic of Sierra Leone	H.E. Mr. John O. Benjamin Minister of Finance	H.E. the Financial Secretary Ministry of Finance
44.	Republic of Somalia	H.E. Dr. Salim Aliow Ibrow Deputy Prime Minister for Financial and Economic Affairs, Ministry of Finance	H.E. Mr. Bashir Issa Ali Acting Governor, Central Bank of Somalia
45.	Republic of Sudan	H.E. Mr. Al Zubair Ahmed Al Hassan Minister of Finance and National Economy	H.E. Dr. Saber Mohammad Hassan Governor, Bank of Sudan
46.	Republic of Suriname	H.E. Mr. André Telting President, Centrale Bank Van Suriname	
47.	Syrian Arab Republic	H.E. Dr. Mohamed Al Hussein Minister of Finance	H.E. Dr. Tayssir Suleman Raddawi Head, State Planning Commission, Council of Ministers State Planning Authority
48	Republic of Tajikistan	H.E. Mr. Hakim Soliev Chairman of Tax Committee under the Government of the Republic of Tajikistan	H.E. Mr. Muratali Alimardonov Chairman, National Bank of Tajikistan
49.	Republic of Togo	H.E. Mr. Yandja Yentchabre Minister of Lands Development and Decentralization	H.E. Mr. Hatedhééma Nonon Saa Director General of Development, Ministry of Economy and Development
50	Republic of Tunisia	H.E. Mr. Mohamed Ennouri El Jouini Minister of Development and International Cooperation	H.E. Mr. Moncef Bouallagui General Director of Regional Financial Cooperation, Ministry of International Cooperation and External Investment
51.	Republic of Turkey	H.E. Mr. İbrahim Halil Çanakci Undersecretary of Treasury, Prime Ministry	H.E. Mr. Burhanettin Aktaş Deputy Undersecretary of Treasury, Prime Ministry
52.	Republic of Turkmenistan	H.E. Mr. Guvanchmurad Geoklenov Chairman of the Board of State Bank for Foreign Economic Affairs	H.E. Mr. Serdar Bayriev First Deputy Minister of Economy and Finance
53.	Republic of Uganda	H.E. Dr. Ezra Suruma Minister of Finance, Planning and Economic Development	H.E. Mr. Chris M. Kassami Permanent Secretary / Secretary to the Treasury, Ministry of Finance, Planning and Economic Development
54.	United Arab Emirates	H.H. Shaikh Hamdan bin Rashid Al Maktoom Deputy Ruler, Dubai Emirate and Minister of Finance & Industry	H.E. Dr. Mohamed Bin Khalfan Bin Khirbash Minister of State for Finance & Industry
55	Republic of Uzbekistan	H.E. Mr. Eljor Ganiev Minister of Foreign Economic Relations, Investments and Trade, Ministry of Foreign Affairs	H.E. Mr. Ravshan Gulyamov Chairman of Asaka Bank
56.	Republic of Yemen	H.E.Mr. AbdulKareem Ismael Al Arhabi Minister of Planning and International Cooperation	H.E. Eng. Abdullah Hassan AL Shater Undersecretary, Projects Programming Sector, Ministry of Planning and International Cooperation

As of 4 April 2007

Appendix V
Board of Executive Directors

	Executive Directors[1]	Countries Represented[2]	Votes[3]	Total
1.	Hon. Ibrahim Mohamed Al-Mofleh (Saudi Arabia)	Saudi Arabia	252,810	252,810
2.	Hon. Agus Muhammad (Indonesia)	Brunei Darussalam	2578	
		Indonesia	29,297	
		Malaysia	20,630	
		Suriname	996	53,501
3.	Hon. Arslan Meredovich Yazyyev (Turkmenistan)	Albania	1,209	
		Azerbaijan	1,308	
		Kazakhstan	1,765	
		Kyrgyz Republic	996	
		Tajikistan	996	
		Turkmenistan	996	
		Uzbekistan	750	8,020
4.	Hon. Dr. Tahmaseb Mazaheri (Iran)	Iran	89,032	89,032
5.	Hon. Jamal Nasser Rashid Lootah (U.A.E.)	U.A.E.	72,117	72,117
6.	Hon. Zeinhom Zahran (Egypt)	Egypt	87,430	87,430
7.	Hon. Dr. Selim Cafer Karatas (Turkey)	Turkey	79,222	79,222
8.	Hon. Somone Mibrathu (Djibouti)	Bahrain	2,489	
		Djibouti	996	
		Iraq	3,091	
		Jordan	5,532	
		Lebanon	1,325	
		Maldives	1,209	
		Oman	3,986	18,628
9.	Hon. Aissa Abdellaoui (Algeria)	Algeria	31,512	
		Benin	1,741	
		Mozambique	1,212	
		Palestine	1,981	
		Syria	1,746	
		Yemen	6,827	45,018
10.	Hon. Faisal Abdul Aziz Al-Zamil (Kuwait)	Kuwait	81,977	81,977
11.	Hon. Ismail Zabihullah (Bangladesh)	Afghanistan	1,253	
		Bangladesh	12,800	
		Pakistan	31,938	45,990
12.	Hon. Mohammad Azzaroog Rajab (Libya)	Libya	108,185	108,185
13.	Hon. Yakoubou Mahaman Sani (Niger)	Burkina Faso	2,535	
		Cameroon	3,596	
		Chad	1,272	
		Gabon	4,186	
		Gambia	1,209	
		Mali	1,746	
		Mauritania	1,308	
		Niger	2,449	
		Senegal	3,602	
		Togo	996	22,900
14.	Hon. Issufo Sanha (Guinea-Bissau)	Comoros	750	
		Guinea	3,597	
		Guinea Bissau	996	
		Morocco	6,778	
		Nigeria	857	
		Sierra Leone	996	
		Somalia	996	
		Sudan	5,414	
		Tunisia	2,149	
		Uganda	2,535	25,068

[1] In Arabic alphabetical order. [2] Cote d'Ivoire and Qatar are not yet represented on the Board of Executive Directors. [3] As on 14.03.1428H (02.04.2007).
[4] Differences in totals may arise due to rounding of figures.

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Appendix VI
Management and Senior Officials

MANAGEMENT		
	Ahmad Mohamed Ali	President, IDB Group
	Syed Jaafar Aznan	Vice President (Trade and Policy) Acting Vice President (Corporate Resources and Services)
	Amadou Boubacar Cisse	Vice President (Operations)
ADVISERS		
	Jamal Mohammad Salah	Adviser to the Bank
	Marwan Seifeddine	Adviser to the President
	Cheikh I. Fall	Adviser to the President
	El Mansour Ben Fata	Adviser, Office of the President
	Faiz Mohammed	Adviser (Economics) to the VP (T&P)
	El Mighdad Hamid El Rasheed	Adviser (Finance) to the VP (CRS)
	Fareed Zaki Al-Sayed	Adviser (Human Resources) to the VP (CRS)
	Sulaiman Ahmed Salem	Senior Adviser (Operations) to the VP (O)
	Bashir Omar Fadlallah	Adviser, (Policy) to the VP (O)
	Mohammed Awwad	Adviser to the VP (O)
DEPARTMENTS		
	Legal Department	Hamza Kunna, Director
		Essam Eldine I. El-Kalyoubi, Deputy Director
		Muddasir Husain Siddigui, Senior Lawyer
	Bank Secretariat Department	Abderrahim Omrana, Bank Secretary & Director
		Ghassan Y. Al-Baba, Deputy Bank Secretary & Deputy Director
		Alsir Sid Ahmed, Adviser, Communications
	Trade Finance and Promotion Department	Hani Salim Sunbul, Director
		Nik Najib Husain, Deputy Director
	Economic Policy and Statistics Department	Lamine Doghri, Acting Director
	Assets Management Department	Nabil A. Naseef, Adviser in-Charge
		Mohamed H. Djarraya, Deputy Director
	Treasury Department	Mohamed Tariq, Director
		Mubarak El-Tayeb El-Amin, Deputy Director
		Zainol Bin Mohamud, Expert
	Finance Department	Muhammad Abdus Sattar, Adviser in-Charge
		Aboubakr Kairy Barry, Deputy Director
	Human Resources Management Department	Abdul Aziz Mustafa, Director
		Waleed Hefni, Deputy Director
	Information Technology Department	Nabeil Al Madani, Director
		Mohamed Hadi Khairallah, Deputy Director
	Administrative Services Department	Essam Shatta, Director
		Adel Abdullah Abu Al Khair, Deputy Director

	Country Operations Department - 1	Waleed Abdul Wahab, Acting Director
	Country Operations Department - 2	Abderrahman El Glaoui, Director
		Saidou Barry, Deputy Director
	Country Operations Department - 3	Tareq El-Reedy, Director
		Rami Mahmoud Saeed, Deputy Director
	Operations Planning and Services Department	Mohamed Ennifar, Director
OFFICES		
	Operations Evaluation and Audit Office	Bader Eddine Nouioua, Adviser
	Internal Audit Office	Abdul Razzaq Lababidi, Head
	Operations Evaluations Office	Djalloul Abdelkader Al-Saci, Head
	IDB Group Strategic Planning Office	Mohamed Ghazali Mohammed Noor, Director
		Siddig Abdelmageed Salih, Deputy Director
		Mohamad Rafee Yusoff, Strategic Planning Advisor
	Cooperation Office	Abdul Aziz M. Al-Kelaibi, Director
	Risk Management Office	Hassine Jeddah, Head
	Special Assistance and Scholarship Office	Mohamed Hassan Salim, Head
	Scholarship Programme Office	Adel Sindi, Acting Head
	Office of the President	Abdullah Abed Faleh, Director
	Islamic Banks Office	Nabil A. Naseef , Acting Director
	Organization & Management Development Office	Salah El-Din El-Iskandrani, Director
	Technical Cooperation Office	Walid Fagih, Director
	Science and Technology Office	Mohammad Toure, Acting Director
	Office of Saudi Arabian Project for the Utilization of Hajj Meat	Abdullah S. Al Subali, Supervisor
		Ahmad Jamil Areef, Assistant to the Supervisor
	World Waqf Foundation	Adil Al Sharif, Executive Director
	Al-Aqsa Fund	El Mansour Ben Fata, Coordinator
	Al-Quds Fund	Mohammad Hassan Salem, Coordinator
	Library	Tijani Ben Dhia, Chief Librarian
	Security and Safety Office	Mohammed Ali Nusair, Office in-charge
IDB REGIONAL OFFICES		
	Rabat Office - Morocco	Sidi Mohamed Ould Taleb, Director
	Kuala Lumpur Office - Malaysia	Ahmed Hariri, Director
	Almaty Office - Kazakhstan	Nik Zeinal Abidin, Director
ENTITIES/AFFILIATES		
	Islamic Research and Training Institute (IRTI)	Bashir Ali Khallat, Acting Director
	Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	Abdel Rahman Al-Tayib Ali Taha, General Manager
	Islamic Corporation for the Development of the Private Sector (ICD)	Ali Abdul Aziz Solaiman, CEO & General Manager
	International Centre for Biosaline Agriculture, (ICBA) Dubai, UAE	Shawki Barghouti, Director General

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STATISTICAL TABLES

Table 1
Selected Basic Indicators

Sl. No.	Country	Total Population (million)	Annual Population Growth (%)	Life Expectancy at Birth (Years)	Real GDP Growth (%)	GDP (current, $ billion)	GDP per Capita (current, $)	PPP GDP (current, $ billion)	Exchange Rate (National Currency Per $)
		2005	2005	2004	2005	2005	2005	2005	2006
1	Afghanistan	24.3	3.0	42	14.0	7.3	300	..	..
2	Albania	3.1	0.5	72	5.5	8.4	2,673	16.6	94.14
3	Algeria	33.1	2.1	71	5.3	102.0	3,086	233.6	71.16
4	Azerbaijan	8.4	0.8	66	24.3	12.6	1,493	47.0	0.87
5	Bahrain	0.7	1.9	74	6.9	13.5	18,403	..	0.38
6	Bangladesh	152.0	1.8	63	6.2	60.8	400	283.2	69.07
7	Benin	7.4	2.8	53	2.9	4.4	592	9.4	498.07
8	Brunei	0.4	3.3	77	0.4	9.5	25,754	..	1.53
9	Burkina Faso	13.1	2.4	48	7.1	5.6	430	16.2	498.07
10	Cameroon	17.8	2.8	51	2.6	17.0	952	36.1	498.07
11	Chad	9.0	2.5	47	12.2	5.9	654	17.6	498.07
12	Comoros	0.6	2.0	65	4.2	0.4	615	1.2	373.55
13	Cote d' Ivoire	18.2	1.8	44	1.9	16.4	900	28.4	498.07
14	Djibouti	0.7	1.7	56	3.2	0.7	973	1.6	177.72
15	Egypt	70.7	2.0	68	4.9	89.5	1,265	329.8	5.70
16	Gabon	1.4	2.5	57	2.9	8.7	6,397	9.0	498.07
17	Gambia	1.5	2.6	57	5.0	0.5	306	3.0	28.05
18	Guinea	9.3	3.1	54	3.3	3.3	355	21.4	..
19	Guinea-Bissau	1.6	2.9	47	3.2	0.3	190	1.2	498.07
20	Indonesia	219.2	1.3	67	5.6	281.3	1,283	847.4	9,020.00
21	Iran	69.5	1.7	70	5.4	192.3	2,767	540.2	9,223.00
22	Iraq	..	..	56	..	..	..	..	..
23	Jordan	5.5	2.5	71	7.2	12.7	2,317	27.7	0.71
24	Kazakhstan	15.1	0.1	62	9.4	56.1	3,717	129.0	127.00
25	Kuwait	2.9	4.0	77	8.5	74.6	26,020	..	0.29
26	Kyrgyz Republic	5.2	1.0	63	-0.6	2.4	473	10.0	38.12
27	Lebanon	3.7	1.3	70	1.0	22.1	6,034	21.7	1,507.50
28	Libya	5.8	2.0	73	3.5	38.7	6,696	..	1.28
29	Malaysia	26.0	1.9	72	5.2	130.8	5,042	274.8	3.53
30	Maldives	0.3	3.0	67	-5.5	0.8	2,350	..	12.80
31	Mali	12.5	2.3	46	6.1	5.4	432	14.1	498.07
32	Mauritania	2.8	2.4	58	5.4	1.9	663	6.8	..
33	Morocco	30.1	1.0	71	1.7	51.6	1,713	133.4	8.46
34	Mozambique	19.6	2.4	45	7.7	6.5	331	27.0	25.97
35	Niger	12.6	3.1	42	7.0	3.4	274	11.2	498.07
36	Nigeria	146.2	2.5	46	6.9	99.1	678	155.6	..
37	Oman	2.4	2.0	74	6.7	30.7	12,664	..	0.38
38	Pakistan	152.5	1.9	63	8.0	111.0	728	374.3	60.92
39	Palestine*	..	..	..	..	..	..	..	..
40	Qatar	0.8	5.3	76	6.5	34.3	43,110	..	3.64
41	Saudi Arabia	23.1	1.9	71	6.6	309.9	13,410	361.9	3.75
42	Senegal	11.7	2.4	56	5.5	8.6	738	21.1	498.07
43	Sierra Leone	5.5	2.6	39	7.2	1.2	223	4.5	2,973.94
44	Somalia	..	..	44	..	..	..	..	..
45	Sudan	33.6	2.7	58	7.9	27.5	820	77.9	201.33
46	Suriname	0.5	1.4	68	5.1	1.3	2,637	..	2.75
47	Syria	18.6	2.7	72	2.9	27.3	1,464	73.2	11.23
48	Tajikistan	6.3	0.6	63	6.7	2.3	364	8.5	3.43
49	Togo	5.6	3.1	54	0.8	2.1	377	9.7	498.07
50	Tunisia	10.1	1.3	72	4.2	28.7	2,829	83.2	1.30
51	Turkey	71.6	1.5	71	7.4	362.5	5,062	612.3	1.41
52	Turkmenistan	5.0	1.6	61	9.6	17.1	3,406	..	..
53	Uganda	28.8	3.5	50	6.0	8.7	303	43.9	1,741.44
54	United Arab Emirates	4.7	7.4	78	8.5	129.6	27,700	..	3.67
55	Uzbekistan	26.2	1.3	66	7.0	11.7	444	53.9	..
56	Yemen	25.9	4.0	59	3.8	15.2	586	21.6	..
Total/Average		**1,383.4**	**2.0**	**61**	**6.2**	**2,476.5**	**1,790**	**5,000**	**--**

*Refers to Gaza and West Bank .. Data not available

Sources: 1. IMF, World Economic Outlook Database online, September 2006 edition, accessed in March 2007.
2. World Bank, World Development Indicators online, accessed in March 2007.
3. WHO, World Health Statistics online, accessed in March 2007.

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Table 2
Inflation and Money Supply

Sl. No.	Country	Inflation (based on Consumer Price Index %)			Narrow Money (M1) (Annual Percentage Change, %)			Broad Money (M2) (Annual Percentage Change, %)		
		2003	2004	2005	2003	2004	2005	2003	2004	2005
1	Afghanistan	5.1	24.1	13.2	..	..	..	..	..	..
2	Albania	2.3	2.9	2.4	-5.2	19.4	31.7	7.6	13.1	14.2
3	Algeria	2.6	3.6	1.6	14.6	33.2	11.1	16.0	11.3	10.3
4	Azerbaijan	2.2	6.7	9.7	27.0	30.6	14.9	30.8	46.1	21.8
5	Bahrain	1.7	2.3	2.6	26.9	4.8	23.4	6.4	4.1	22.0
6	Bangladesh	5.4	6.1	7	7.6	17.8	18.3	13.1	16.3	17.2
7	Benin	1.5	0.9	5.4	10.9	-17.2	33.3	10.8	-9.3	26.3
8	Brunei	0.3	0.9	1.1	3.0	9.0	1.3	4.0	16.0	-4.5
9	Burkina Faso	2	-0.4	6.4	85.4	-16.3	-7.0	60.6	-8.3	-4.8
10	Cameroon	0.6	0.3	2	-5.2	7.6	0.4	1.3	6.4	4.9
11	Chad	-1.8	-5.4	7.9	-3.1	2.5	32.2	-3.1	3.5	31.3
12	Comoros	3.7	4.5	3.6	-2.1	-5.7	8.6	-1.2	-5.0	3.2
13	Cote d' Ivoire	3.3	1.5	3.9	-34.6	13.6	7.5	-26.3	9.6	7.7
14	Djibouti	2	3.1	3.1	20.7	10.7	0.6	17.8	13.9	11.3
15	Egypt	3.2	10.3	11.4	23.4	16.0	15.6	21.3	14.4	11.3
16	Gabon	2.1	0.4	0	-0.5	12.3	36.4	-1.2	11.4	27.5
17	Gambia	17	14.2	3.2	63.5	8.2	6.9	43.4	18.3	13.1
18	Guinea	12.9	17.5	31.4	31.1	28.0	21.9	33.2	36.5	33.4
19	Guinea-Bissau	-3.5	0.8	3.4	-64.8	43.6	20.3	-64.7	42.8	21.3
20	Indonesia	6.8	6.1	10.5	17.3	13.9	10.7	8.1	8.2	16.4
21	Iran	15.6	15.2	12.1	18.9	14.9	22.8	24.5	23.0	22.8
22	Iraq	..	..	..	..	..	..	..	..	..
23	Jordan	1.6	3.4	3.5	24.5	10.9	28.2	16.6	10.5	21.4
24	Kazakhstan	6.4	6.9	7.6	25.4	57.7	24.8	29.5	69.3	24.8
25	Kuwait	1	1.3	3.9	26.4	21.5	17.4	7.8	12.1	12.3
26	Kyrgyz Republic	3.1	4.1	4.3	38.3	22.9	16.4	33.4	32.1	10.0
27	Lebanon	1.3	-1.3	0.3	10.9	6.4	-2.6	13.0	10.1	4.5
28	Libya	-2.1	-2.2	2.5	3.8	17.0	31.8	6.5	13.8	29.0
29	Malaysia	1.1	1.4	3	15.2	8.5	7.6	9.6	19.3	11.0
30	Maldives	-2.8	6.3	3.3	11.5	19.7	22.5	14.5	32.7	11.7
31	Mali	-1.3	-3.1	6.4	26.4	-7.2	12.8	26.4	-2.6	9.8
32	Mauritania	5.3	10.4	12.1	11.4	..	..	10.5	..	..
33	Morocco	1.2	1.5	1	9.8	9.9	14.3	8.7	7.8	14.0
34	Mozambique	12.6	6.4	10.1	23.8	16.2	29.5	18.3	5.8	27.3
35	Niger	-1.8	0.4	7.8	56.4	21.7	5.7	42.5	19.7	7.0
36	Nigeria	14	15.0	17.9	29.5	8.6	15.9	24.1	14.0	16.2
37	Oman	0.2	0.8	3.2	4.7	12.8	24.3	2.5	4.0	21.3
38	Pakistan	3.1	4.6	9.3	24.1	21.6	36.7	17.5	20.5	16.5
39	Palestine*	..	..	..	..	..	..	..	..	..
40	Qatar	2.3	6.8	8.8	79.3	29.4	53.2	15.8	20.5	43.3
41	Saudi Arabia	0.6	0.4	0.7	10.2	18.2	7.8	8.5	17.3	13.2
42	Senegal	0	0.5	1.7	47.6	6.7	8.4	31.5	12.2	8.2
43	Sierra Leone	7.5	14.2	12.1	18.4	17.6	23.1	21.9	20.1	31.3
44	Somalia	..	..	..	..	..	..	..	..	..
45	Sudan	7.7	8.4	8.5	30.2	31.8	34.5	30.3	30.8	43.5
46	Suriname	23	9.1	9.9	4.2	23.2	11.5	19.9	31.0	10.9
47	Syria	5.8	4.4	7.2	27.0	1.3	..	7.8	15.3	..
48	Tajikistan	16.4	7.1	7.1	28.3	8.5	..	40.9	9.8	..
49	Togo	-0.9	0.4	6.8	4.3	24.7	-3.2	10.9	18.1	2.2
50	Tunisia	2.7	3.6	2	5.4	10.6	13.8	6.4	11.3	11.0
51	Turkey	25.2	8.6	8.2	43.1	26.4	52.2	14.6	22.1	25.2
52	Turkmenistan	5.6	5.9	10.7	..	..	..	..	..	..
53	Uganda	5.7	5.0	8	12.3	8.6	19.6	17.9	11.1	16.5
54	United Arab Emirates	3.1	5.0	8	23.8	38.7	29.2	15.5	23.8	30.5
55	Uzbekistan	14.8	8.8	21	..	..	..	..	..	..
56	Yemen	10.8	12.5	11.8	13.4	12.4	13.3	19.7	14.6	14.4
Total/Average		**7.6**	**6.5**	**8.1**	**20.4**	**18.4**	**21.1**	**14.7**	**17.2**	**18.0**

*Refers to Gaza and West Bank .. Data not available

Sources: 1. IMF, World Economic Outlook Database online, September 2006 edition, accessed in March 2007
2. World Bank, World Development Indicators online, accessed in March 2007

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Table 3
Balance of Payments Indicators

Sl. No.	Country	Current Account Balance ($ billion)			Overall Balance ($ million)			Gross Reserves in months of imports		
		2003	2004	2005	2003	2004	2005	2003	2004	2005
1	Afghanistan	0.1	0.1	-0.1	..	..	..	..	..	..
2	Albania	-0.3	-0.3	-0.6	98	286	148	5.8	6.6	6.4
3	Algeria	8.8	11.1	21.7	..	..	..	26.0	27.2	33.7
4	Azerbaijan	-2.0	-2.6	0.2	124	317	161	3.1	3.3	3.4
5	Bahrain	0.2	0.4	1.6	44	158	294	3.5	3.2	..
6	Bangladesh	0.1	-0.2	-0.3	889	503	-505	2.8	2.9	2.4
7	Benin	-0.3	-0.3	-0.3	-100	-310	..	10.6	8.7	8.2
8	Brunei	3.0	3.5	5.1	..	..	..	4.6	4.7	..
9	Burkina Faso	-0.4	-0.5	-0.6	..	..	..	8.7	6.8	4.3
10	Cameroon	-0.3	-0.5	-0.3	470	..	..	3.5	4.1	4.6
11	Chad	-1.3	-0.2	0.1	..	..	..	2.9	3.3	3.2
12	Comoros	-0.01	-0.02	-0.02	..	..	..	14.5	15.5	13.8
13	Cote d' Ivoire	0.3	0.2	-0.01	-1,615	-508	-863	4.2	4.6	3.4
14	Djibouti	0.03	-0.01	-0.03	..	..	..	4.8	3.8	3.2
15	Egypt	1.9	3.4	2.9	-407	-584	5,226	13.7	11.7	14.9
16	Gabon	0.6	0.8	1.4	-101	68	..	2.0	4.0	5.7
17	Gambia	-0.02	-0.05	-0.1	-5	-1	-36	3.7	4.3	5.0
18	Guinea	-0.1	-0.2	-0.2	-229	-59	..	..	..	..
19	Guinea-Bissau	-0.01	0.01	-0.02	29	11	..	4.9	8.1	8.0
20	Indonesia	8.1	1.6	0.9	3,647	-2,198	-5,610	8.6	6.8	5.8
21	Iran	0.8	1.4	14.0	..	..	..	..	..	..
22	Iraq	..	..	..	..	..	..	..	..	..
23	Jordan	1.2	0.0	-2.3	1,348	179	79	9.0	6.8	6.0
24	Kazakhstan	-0.3	0.5	-0.5	1,534	3,999	-1,944	4.8	6.7	4.2
25	Kuwait	9.4	17.3	32.3	-1,824	629	621	7.5	6.5	6.1
26	Kyrgyz Republic	-0.1	-0.1	-0.2	47	145	68	5.3	6.2	6.2
27	Lebanon	-3.0	-4.0	-2.6	-5,036	782	-455	18.1	15.0	15.3
28	Libya	5.0	7.3	15.6	3,016	5,732	15,411	44.1	45.6	65.8
29	Malaysia	13.2	14.9	19.9	10,181	21,875	3,644	5.7	7.2	7.3
30	Maldives	-0.03	-0.1	-0.3	26	44	-23	3.4	3.5	3.0
31	Mali	-0.3	-0.4	-0.4	177	-184	..	8.9	7.3	6.8
32	Mauritania	-0.2	-0.5	-0.9	..	..	..	10.5	..	..
33	Morocco	1.6	1.0	0.9	154	733	445	10.4	10.3	9.7
34	Mozambique	-0.7	-0.5	-0.7	35	141	-197	6.0	6.2	5.2
35	Niger	-0.2	-0.2	-0.2	-44	-39	..	4.4	3.6	3.3
36	Nigeria	-1.6	3.2	12.3	-1,260	8,491	10,397	6.8	13.9	22.3
37	Oman	0.9	0.4	4.4	656	510	2,788	5.6	4.8	5.8
38	Pakistan	4.1	1.8	-1.5	2,908	-1,351	475	8.5	5.4	4.8
39	Palestine*	..	..	..	100	27	..	..	..	..
40	Qatar	5.8	7.6	7.1	..	..	..	6.5	5.8	6.8
41	Saudi Arabia	28.1	52.0	90.8	1,608	4,498	-464	6.7	6.5	5.7
42	Senegal	-0.4	-0.5	-0.7	-273	199	..	5.1	5.4	4.3
43	Sierra Leone	-0.1	-0.1	-0.1	-100	-100	-130	2.7	4.7	5.9
44	Somalia	..	..	..	..	..	..	..	..	..
45	Sudan	-1.4	-1.4	-2.9	327	782	615	2.9	3.8	4.8
46	Suriname	-0.1	-0.1	-0.2	7	76	20	1.8	1.9	1.6
47	Syria	1.1	-0.003	-0.6	695	213	-443	..	..	..
48	Tajikistan	-0.02	-0.1	-0.1	28	4	6	1.2	1.4	1.5
49	Togo	-0.2	-0.3	-0.3	-9	141	..	3.0	4.5	2.2
50	Tunisia	-0.7	-0.6	-0.4	383	977	936	3.0	3.6	4.0
51	Turkey	-8.0	-15.6	-23.1	4,087	4,260	23,176	4.9	4.0	5.2
52	Turkmenistan	0.3	0.1	0.9	..	..	..	..	..	..
53	Uganda	-0.4	-0.1	-0.1	-3	123	82	9.5	9.5	8.9
54	United Arab Emirates	7.1	10.6	19.1	..	..	..	3.2	3.2	3.3
55	Uzbekistan	0.8	1.0	1.5	..	..	..	..	..	..
56	Yemen	-0.01	0.3	0.7	330	373	434	15.6	16.4	17.0
Total/Average		**80.3**	**111.4**	**212.8**	**21,943**	**50,941**	**--**	**6.4**	**6.4**	**6.9**

*Refers to Gaza and West Bank

.. Data not available

Sources: 1. IMF, World Economic Outlook Database online, September 2006 edition, accessed in March 2007

2. World Bank, World Development Indicators online, accessed in March 2007.

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Table 4
International Trade Indicators

Sl. No.	Country	Merchandise Exports (f.o.b)			Merchandise Imports (c.i.f)			Trade Balance	Terms of Trade	
		Value ($ million)	Annual Growth (%)	Ten-Year Growth (%)	Value ($ million)	Annual Growth (%)	Ten-Year Growth (%)	($ million)	(2000=100)	
		2005	2005	1996-2005	2005	2005	1996-2005	2005	1994	2004
1	Afghanistan	560	33.3	12.1	3,200	18.5	29.8	-2,640	..	..
2	Albania	654	8.5	16.7	2,650	15.2	15.2	-1,996	..	..
3	Algeria	44390	41.8	14.1	20,040	10.3	9.2	24,350	57	126
4	Azerbaijan	4346	20.2	26.1	4,202	19.5	14.1	144	..	..
5	Bahrain	9777	30.0	9.3	7,878	21.5	7.5	1,899	..	..
6	Bangladesh	9190	10.7	7.9	13,868	15.3	7.2	-4,678	114	88
7	Benin	620	12.1	3.0	960	19.6	2.9	-340	81	93
8	Brunei	5720	24.2	10.4	1,300	0.2	-6.1	4,420	..	..
9	Burkina Faso	440	-0.7	6.4	1,230	7.4	7.5	-790	122	97
10	Cameroon	2500	0.9	4.3	2,450	1.8	8.2	50	85	112
11	Chad	3230	43.2	29.5	850	13.3	15.5	2,380	78	101
12	Comoros	20	-20.0	20.5	75	-12.8	4.3	-55	51	58
13	Cote d' Ivoire	7180	4.0	5.6	4,690	12.5	4.1	2,490	123	121
14	Djibouti	42	10.5	4.3	330	26.4	6.0	-288	..	..
15	Egypt	10344	34.7	11.8	16,552	29.0	-0.5	-6,208	120	107
16	Gabon	4650	32.9	3.9	1,400	9.4	2.7	3,250	119	125
17	Gambia	9	-10.0	-9.1	237	3.5	-3.0	-228	100	115
18	Guinea	910	25.3	1.5	845	22.5	2.8	65	100	106
19	Guinea-Bissau	80	-9.1	11.7	120	25.0	2.5	-40	125	94
20	Indonesia	86285	19.6	5.1	68,736	25.0	3.6	17,549	85	104
21	Iran	58400	31.5	13.1	41,561	18.0	12.8	16,839	..	..
22	Iraq	22552	26.6	29.4	22,580	6.0	31.6	-28	..	..
23	Jordan	4284	10.3	10.9	10,455	27.8	10.1	-6,171	113	87
24	Kazakhstan	27849	38.6	18.3	17,352	35.8	16.8	10,497	..	..
25	Kuwait	44016	53.7	12.2	17,422	32.0	7.3	26,594	..	..
26	Kyrgyz Republic	672	-6.5	2.8	1,108	17.7	2.1	-436	..	..
27	Lebanon	1880	7.6	11.6	9,340	-0.6	2.4	-7,460	..	..
28	Libya	30400	45.8	12.8	7,200	13.8	0.7	23,200	..	..
29	Malaysia	140948	11.4	6.6	114,606	8.9	4.8	26,342	110	99
30	Maldives	160	-11.6	9.2	743	15.7	8.7	-583	..	..
31	Mali	1150	12.0	10.9	1,500	12.8	8.3	-350	101	..
32	Mauritania	410	11.4	-2.1	740	32.6	4.3	-330	97	95
33	Morocco	10463	5.4	4.6	20,124	12.9	8.2	-9,661	80	98
34	Mozambique	1790	19.0	30.5	2,420	22.8	14.5	-630	162	94
35	Niger	410	7.6	2.8	920	16.5	8.3	-510	119	131
36	Nigeria	43500	39.7	11.6	15,200	7.3	7.1	28,300	56	122
37	Oman	17119	28.3	10.6	9,000	1.5	7.3	8,119	..	136
38	Pakistan	15942	19.2	6.2	25,335	41.1	7.2	-9,393	108	85
39	Palestine*	..	..	..	..	..	..	..	..	..
40	Qatar	26498	41.8	20.4	8,039	33.9	10.7	18,459	..	..
41	Saudi Arabia	178755	42.2	13.0	56,092	26.0	6.8	122,663	..	135
42	Senegal	1600	9.1	5.8	3,330	16.9	10.4	-1,730	133	96
43	Sierra Leone	150	7.9	31.5	350	22.4	14.2	-200	..	78
44	Somalia	..	..	..	..	..	..	..	..	..
45	Sudan	5150	36.3	28.9	6,100	49.7	14.9	-950	..	121
46	Suriname	907	8.9	6.7	920	24.3	4.6	-13	..	..
47	Syria	6001	11.5	7.1	7,754	10.0	5.8	-1,753	..	113
48	Tajikistan	909	-0.7	2.7	1,330	-3.3	7.4	-421	..	..
49	Togo	755	18.9	6.0	1,050	22.1	4.6	-295	95	30
50	Tunisia	10494	8.4	7.5	13,177	3.4	6.2	-2,683	93	99
51	Turkey	73275	16.0	13.1	116,352	19.3	10.3	-43,077	110	102
52	Turkmenistan	4935	27.5	20.6	3,588	8.1	14.3	1,347	..	..
53	Uganda	870	23.4	3.4	1,810	22.5	2.0	-940	131	88
54	United Arab Emirates	112537	36.0	12.5	76,984	25.0	10.0	35,553	..	..
55	Uzbekistan	4706	10.0	0.1	3,640	7.3	-3.3	1,066	..	..
56	Yemen	4883	19.7	9.0	4,328	8.6	9.8	555	..	117
	Total/Average	**1,045,317**	**28.2231**	**10.4**	**774,063**	**18.2**	**7.4**	**271,254**	**--**	**--**

*Refers to Gaza and West Bank
.. Data not available
Source: World Bank, World Development Indicators online, accessed in February 2007.

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Table 5
External Debt Indicators

Sl. No.	Country	Total Debt			Total Debt Service			Interest Payments	Concessional Debt
		Value ($ billion)	% of Exports	% of GNI	Value ($ billion)	% of Exports	% of GNI	% of Exports	% of Total Debt
		2005	2005	2005	2005	2005	2005	2005	2005
1	Afghanistan	..	..	..	..	..	..	..	..
2	Albania	1.5	57.3	21.6	0.1	2.5	1.0	1.0	64.6
3	Algeria	16.4	..	17.3	6.0	..	6.1	..	15.9
4	Azerbaijan	1.5	20.8	17.2	0.2	2.6	2.2	0.4	60.2
5	Bahrain	..	..	..	..	..	..	..	..
6	Bangladesh	17.9	128.1	30	0.8	5.3	1.3	1.6	91.0
7	Benin	1.8	..	43.5	0.1	..	1.6	..	91.9
8	Brunei	..	..	..	..	..	..	..	..
9	Burkina Faso	1.9	..	39.6	0.0	..	0.9	..	93.1
10	Cameroon	6.1	..	43.6	0.8	..	4.9	..	59.6
11	Chad	1.5	..	36.8	0.1	..	1.4	..	85.5
12	Comoros	0.3	..	75.1	0.004	..	1.0	..	86.7
13	Cote d' Ivoire	9.9	126.6	68.7	0.5	5.5	3.0	1.1	43.0
14	Djibouti	0.4	..	54.7	0.02	..	2.3	..	89.2
15	Egypt	28.1	91.8	38.3	2.5	6.8	2.8	2.3	59.1
16	Gabon	3.6	..	53.7	0.1	..	1.5	..	17.7
17	Gambia	0.6	279.4	150.7	0.03	12.0	6.5	4.4	91.8
18	Guinea	2.9	..	122.9	0.2	..	6.1	..	81.5
19	Guinea-Bissau	0.7	..	239.6	0.03	..	11.3	..	94.4
20	Indonesia	106.0	..	49.7	18.0	..	6.5	..	26.0
21	Iran	10.6	..	7.5	2.3	..	1.3	..	7.0
22	Iraq	..	..	..	..	..	..	..	..
23	Jordan	6.9	80.8	58.8	0.6	6.5	4.7	2.1	49.2
24	Kazakhstan	35.3	138.6	85.2	13.2	42.1	25.9	5.5	2.1
25	Kuwait	..			..		..	..	..
26	Kyrgyz Republic	1.8	159.8	86.1	0.1	10.0	5.4	1.8	80.7
27	Lebanon	18.9	112.1	104.4	3.5	17.7	16.5	7.1	4.9
28	Libya	..	..	..	..	..	..	..	..
29	Malaysia	38.8	30.6	41.1	9.4	5.6	7.6	1.3	8.7
30	Maldives	0.3	75.1	49.8	0.03	6.9	4.6	2.0	56.9
31	Mali	2.8	..	58.5	0.1	..	1.7	..	94.8
32	Mauritania	2.0	..	119.1	0.1	..	3.5	..	82.9
33	Morocco	16.2	70.0	32.8	2.7	11.3	5.3	2.5	28.5
34	Mozambique	4.4	233.7	82.3	0.1	4.2	1.5	1.4	67.6
35	Niger	1.8	..	58.1	0.04	..	1.1	..	88.4
36	Nigeria	20.3	39.4	25.6	8.9	15.8	10.2	8.9	48.6
37	Oman	1.8	17.4	..	1.5	7.5	..	1.0	21.3
38	Pakistan	31.0	140.4	31.1	2.4	10.2	2.3	3.1	70.3
39	Palestine*	..	..	..	..	..	..	..	..
40	Qatar	..	..	..	..	..	..	..	..
41	Saudi Arabia	..	..	..	..	..	..	..	..
42	Senegal	3.6	..	46.9	0.2	..	2.4	..	88.0
43	Sierra Leone	1.4	620.9	144.9	0.02	9.2	2.1	4.7	75.6
44	Somalia	1.9	..	..	0.0001	..	..	..	55.4
45	Sudan	11.7	307.8	72.1	0.4	6.5	1.5	1.1	29.6
46	Suriname	..	..	..	..	..	..	..	..
47	Syria	5.6	59.6	25.4	0.2	1.9	0.8	0.6	70.2
48	Tajikistan	0.8	59.1	46	0.1	4.5	3.5	0.7	73.3
49	Togo	1.5	..	78.8	0.02	..	0.8	..	65.5
50	Tunisia	14.7	111.2	65.5	2.1	13.0	7.6	5.4	19.3
51	Turkey	118.2	159.4	47.3	41.9	39.1	11.6	8.5	2.3
52	Turkmenistan	..	..	..	..	..	..	..	..
53	Uganda	4.3	238.8	52.2	0.2	9.2	2.0	1.9	89.4
54	United Arab Emirates	..	..	..	..	..	..	..	..
55	Uzbekistan	4.2	..	30.3	0.8	..	5.7	..	37.6
56	Yemen	4.7	65.3	40	0.2	2.6	1.6	0.8	87.0
Total/Average		**566.6**	**--**	**40.2**	**120.6**	**--**	**6.7**	**--**	**29.7**

*Refers to Gaza and West Bank.

.. Data not available

Source: World Bank, Global Development Finance Database online, accesed in February 2007.

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STATISTICAL TABLES

Table 6
Resource Flows

Sl. No.	Country	Total Receipt (or Net Resource Flows) ($ million)				Total ODA Commitments ($ million)			
		2000	2003	2004	2005	2000	2003	2004	2005
1	Afghanistan	157	1,606	2,224	2,816	121	2,198	2,943	3,114
2	Albania	231	380	525	458	325	399	420	301
3	Algeria	-159	2,604	213	-102	260	410	418	511
4	Azerbaijan	672	1,513	1,821	1,559	173	268	201	396
5	Bahrain	1,480	251	875	0	117	14	69	..
6	Bangladesh	1,230	1,271	1,531	1,730	1,167	2,004	2,060	1,620
7	Benin	226	288	381	379	318	458	448	438
8	Brunei	..	..	..	..	..	..	..	..
9	Burkina Faso	342	524	649	691	371	660	641	847
10	Cameroon	221	635	613	246	366	1,057	974	452
11	Chad	-226	298	327	383	322	352	314	428
12	Comoros	-2	25	24	43	19	24	29	57
13	Cote d' Ivoire	716	256	-19	212	386	458	355	236
14	Djibouti	91	99	74	101	72	96	69	100
15	Egypt	3,223	2,246	4,185	4,437	1,779	1,180	1,654	987
16	Gabon	76	159	399	-51	79	127	124	65
17	Gambia	44	68	69	65	39	32	60	84
18	Guinea	329	229	231	146	200	244	281	164
19	Guinea-Bissau	84	93	76	77	88	121	66	55
20	Indonesia	2,361	3,898	-115	8,010	1,986	3,976	2,133	3,866
21	Iran	20	4,221	4,291	5,665	153	121	170	59
22	Iraq	107	2,194	4,754	14,965	83	5,281	9,574	19,107
23	Jordan	574	1,281	470	751	574	1,368	643	636
24	Kazakhstan	750	848	1,367	1,334	303	306	125	141
25	Kuwait	18	18	17	28	..	..	..	..
26	Kyrgyz Republic	8	-3	-3	64	276	186	194	193
27	Lebanon	65	1,352	281	407	162	205	162	248
28	Libya	199	225	264	-783	..	..	..	14
29	Malaysia	-352	1,035	1,628	623	1,190	83	76	798
30	Maldives	37	142	339	85	35	19	13	66
31	Mali	45	36	-7	116	459	619	723	673
32	Mauritania	358	532	604	703	240	307	353	149
33	Morocco	393	1,349	470	1,681	693	761	1,123	868
34	Mozambique	688	364	860	646	1,118	1,012	1,065	1,294
35	Niger	851	1,066	1,162	1,166	304	529	504	599
36	Nigeria	-1,959	2,343	1,284	1,638	311	397	895	5,989
37	Oman	296	432	2,347	8,762	151	39	8	10
38	Pakistan	-488	-490	-1,195	791	1,188	6,569	1,541	1,917
39	Palestine*	563	1,049	1,418	1,687	681	754	616	952
40	Qatar	637	972	1,136	1,102	..	..	..	..
41	Saudi Arabia	-1,027	-44	-650	2,504	18	12	14	13
42	Senegal	474	526	999	667	561	589	1,183	869
43	Sierra Leone	185	296	361	342	311	440	272	311
44	Somalia	100	177	194	236	80	243	164	175
45	Sudan	316	606	1,014	1,855	285	406	1,143	2,132
46	Suriname	23	-5	21	19	22	76	88	51
47	Syria	210	183	248	150	123	90	146	111
48	Tajikistan	116	133	253	264	152	202	256	189
49	Togo	60	69	113	94	53	90	58	65
50	Tunisia	660	563	872	601	578	475	549	486
51	Turkey	8,722	2,815	3,553	11,134	688	1,428	588	1,668
52	Turkmenistan	286	-44	-91	-44	20	15	12	24
53	Uganda	792	991	1,185	1,211	848	1,009	1,388	1,264
54	United Arab Emirates	..	..	..	..	..	..	..	..
55	Uzbekistan	447	176	118	100	95	188	298	206
56	Yemen	287	389	194	312	429	435	330	254
Total/Average		**25,560**	**42,240**	**43,955**	**82,074**	**20,371**	**38,333**	**37,532**	**55,253**

* Total Receipt is the sum of net ODA, net other official flows, and net private flows ODA refers to Official Development Assistance
*Refers to Gaza and West Bank .. Data not available
Source: OECD, Development Assistance Committee (DAC) Statistics Online, accessed in February 2007

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