ISLAMIC DEVELOPMENT BANK

Annual Report

1428H | 2007-2008




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 IDB formally commenced operations on 15 Shawwal 1395H (20 October 1975).

Purpose

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

Functions

The main function of IDB is to provide various forms of development assistance for poverty alleviation through human development, forgoing economic cooperation by promoting trade and investment among member countries, and enhancing the role of Islamic finance in the social and economic development of member countries. It also establishes special funds for specific purposes including a fund for assistance to Muslim communities in non-member countries, in addition to setting up trust funds.

In addition, IDB mobilizes financial resources using Shari'ah-compliant modes and provides technical assistance to member countries, including provision of training facilities for personnel engaged in development activities in member countries.

Membership

The present membership of the IDB stands at 56 countries spreading into different continents and regions. The basic condition for its membership is that the prospective country should be a member of the Organization of the Islamic Conference (OIC), pays the first installment of its minimum subscription to the Capital Stock of IDB and accepts any terms and conditions that may be decided upon by the 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 doubled from ID15 billion to ID30 billion. The Issued Capital was also increased from ID8.1 billion to ID15 billion; of which ID13.87 billion has been subscribed with ID3.07 billion paid-up as of the end-1428H.

Head Office and Regional Offices

Headquartered in Jeddah, the Kingdom of Saudi Arabia, the IDB has four regional offices in Rabat, Morocco; Kuala Lumpur, Malaysia; Almaty, Kazakhstan; and 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.

IDB Headquarters in Jeddah, the Kingdom of Saudi Arabia

In the Name of Allah,
the Beneficent, the Merciful

15 Rabi Thani 1429H
21 April 2008

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

Dear Mr. Chairman,

Assalamu-O-Alaikum Waramatullah Wabarakatuh

In accordance with Articles 32(i), 32(iii) and 41(1) of the Articles of 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 1428H (2007-2008).

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

IDB BOARD OF EXECUTIVE DIRECTORS

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

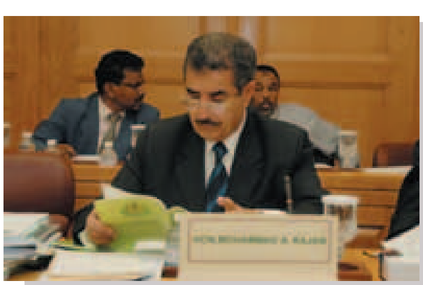
Hon. Ibrahim Mohamed Al-Mofleh,
representing the Kingdom of Saudi Arabia

Hon. Dr. Syed Hamid Pour Mohammadi,
representing the Islamic Republic of Iran

Hon. Jamal Nasser Rashid Lootah,
representing the United Arab Emirates

Hon. Aissa Abdellaoui,
representing, Algeria, Benin,
Mozambique Syria, Palestine, Yemen

Hon. Somone Mibrathu,
representing Bahrain, Iraq, Lebanon,
Oman, Djibouti, Jordan, Maldives



Hon. Mohammad Azzaroog Rajab,
representing Great Socialist People's
Libyan Arab Jamahiriyah

Hon. Yakoubou Mahaman Sani,
representing Burkina Faso, Cameroon,
Gambia, Mauritania, Senegal, Chad, Gabon,
Mali, Niger, Togo

IDB BOARD OF EXECUTIVE DIRECTORS

Hon. Agus Muhammad,
representing Brunei Darussalam,
Indonesia, Malaysia, Suriname

Hon. Rahimberdi J. Jepbarov,
representing Albania, Azerbaijan,
Kazakhstan, Kyrgyz Republic, Tajikistan,
Turkmenistan, Uzbekistan

Hon. Zeinhom Zahran,
representing the Arab Republic of Egypt

Hon. Dr. Selim Cafer Karatas,
representing the Republic of Turkey

Hon. Faisal Abdul Aziz Al-Zamil,
representing the State of Kuwait

Hon. Md. Shaheedul Haque (Late),
representing Afghanistan, Bangladesh, Pakistan

Hon. Issufo Sanha,
representing Comoros, Guinea-Bissau, Sudan,
Sierra-Leone, Uganda, Guinea, Morocco,
Somalia, Tunisia, Nigeria, Cote d'Ivoire

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CHAPTER 5

STRENGTHENING ISLAMIC FINANCE

APPENDICES

Table 0.1
Summary Record of the IDB Group Activities for the Period 1396H-1428H
(01 January 1976 - 09 January 2008)

(values in million)[1]

ITEM[2]	1396H –1425H		1426H		1427H		1428H		1396H-1428H	
	No.	ID/$	No.	ID/$	No.	ID/$	No.	ID/$	No.	ID/$
PROJECT FINANCING[3]										
Loan	605	2,614.0	48	227.2	40	280.8	39	239.2	732	3,361.2
		3,422.1		*335.0*		*407.0*		*356.1*		*4,520.2*
Of which LDMCs Loans	121	182.2	14	26.6	6	12.3	1	6.7	142	227.8
		248.5		*39.0*		*17.6*		*10.0*		*315.1*
Equity	141	651.1	26	205.1	22	235.2	24	207.7	213	1,299.1
		884.2		*296.5*		*342.0*		*325.8*		*1,848.5*
Of which Infrastructure Fund	8	233.2	4	140.2	7	170.9	1	2.1	20	546.4
		332.7		*202.4*		*246.8*		*3.3*		*785.1*
Leasing	251	2,962.6	26	428.2	31	459.0	22	623.9	330	4,473.6
		4,057.7		*616.0*		*679.2*		*959.6*		*6,312.5*
Instalment Sale	193	1,695.5	15	115.7	15	121.1	8	222.5	231	2,154.8
		2,272.9		*170.0*		*177.1*		*341.7*		*2,961.7*
Combined Lines of Financing	27	241.5	1	2.7	1	10.1	3	97.5	32	351.8
		316.8		*4.0*		*15.0*		*150.0*		*485.8*
Profit Sharing/Musharaka	9	100.1	0	0.0	0	0.0	2	48.1	11	148.2
		134.7		*0.0*		0.0		*76.0*		*210.7*
Istisna'a	88	1,431.9	10	235.9	16	383.7	12	288.1	126	2,339.5
		1,936.8		*349.6*		*561.1*		*437.8*		*3,285.3*
Others[4]	43	350.2	14	192.4	0	0.0	0	0.0	57	542.5
		497.8		*277.7*		*0.0*		*0.0*		*775.6*
Total Project Financing	**1,357**	**10,046.9**	**140**	**1,407.1**	**125**	**1,489.9**	**110**	**1,726.8**	**1,732**	**14,670.8**
		13,523.0		***2,048.7***		***2,181.4***		***2,647.1***		***20,400.2***
Technical Assistance (TA)	477	141.9	49	10.0	64	11.1	73	10.9	663	174.0
		184.4		*14.8*		*16.4*		*16.6*		*232.2*
TOTAL PROJECT FINANCING + TA	**1,834**	**10,188.9**	**189**	**1,417.1**	**189**	**1,501.1**	**183**	**1,737.8**	**2,395**	**14,844.8**
		13,707.4		***2,063.5***		***2,197.8***		***2,663.6***		***20,632.4***
TRADE FINANCING[5]										
Import Trade Financing Operations (ITFO)	1,246	13,681.0	37	729.4	70	1,402.9	67	1,697.3	1,420	17,510.7
		17,783.6		*1,062.6*		*2,063.6*		*2,602.5*		*23,512.3*
Other funds/entities[6]	464	3,292.0	52	439.3	60	581.1	15	121.0	591	4,433.4
		4,601.9		*636.7*		*858.1*		*190.2*		*6,286.8*
TOTAL TRADE FINANCING OPERATIONS	**1,710**	**16,973.1**	**89**	**1,168.7**	**130**	**1,984.1**	**82**	**1,818.3**	**2,011**	**21,944.1**
		22,385.5		***1,699.3***		***2,921.7***		***2,792.6***		***29,799.1***
Special Assistance Operations	1,032	462.1	44	9.3	47	12.6	62	17.0	1,185	501.1
		583.0		*13.7*		*18.4*		*25.7*		*640.8*
NET APPROVED OPERATIONS	**4,576**	**27,624.1**	**322**	**2,595.1**	**366**	**3,497.8**	**327**	**3,573.1**	**5,591**	**37,290.1**
		36,675.8		***3,776.5***		***5,138.0***		***5,482.0***		***51,072.3***
GROSS APPROVED OPERATIONS	**5,391**	**32,971.3**	**336**	**2,778.6**	**372**	**3,534.5**	**331**	**3,594.3**	**6,430**	**42,878.6**
		43,853.8		***4,045.2***		***5,191.7***		***5,514.7***		***58,605.4***
DISBURSEMENTS		20,304.6		1,804.0		1,673.2		2,307.5		26,089.2
		26,897.9		*2,537.4*		*2,407.8*		*3,569.9*		*35,412.8*
REPAYMENTS		15,204.6		1,856.3		1,816.5		1,883.8		20,761.2
		20,078.0		*2,624.1*		*2,648.0*		*2,906.6*		*28,256.7*
NUMBER OF STAFF AT END OF YEAR			973		942		990			
Memorandum Items										
OCR-IDB (in ID million, unless otherwise stated)										
Total Assets				5,890.7		6,107.4		6,722.0		
Gross Income				272.5		317.3		369.2		
Net Income				145.2		123.5		163.5		
Reserves: Capital				26.3		26.3		22.7		
General				1,308.1		1,443.2		1,590.0		
Subscribed Capital				7,989.4		13,217.7		13,870.0		
Administrative Budget: Approved				54.1		55.0		61.7		
Actual				49.3		52.8		55.5		
Number of Member Countries			56		56		56			
ICIEC's Operations (in ID/$ million)										
Insurance Commitments[7]		1,108.2		559.6		938.9		972.1		3,580.0
		1,559.8		*808.0*		*1,399.0*		*1,536.0*		*5,303.0*
Business insured[8]		563.5		428.0		573.2		929.7		2,495.0
		805.2		*618.0*		*854.0*		*1,469.0*		*3,746.0*

(1) $ amounts are in italic
(2) All figures on operations are net of cancellation, unless otherwise specifie
(3) Figues include ICD, IBP, UIF, APIF & Treasury Operations.
(4) Refers to investment in Sukuk (1423H-1426H) and in Financial Institutions (mainly IBP,1408H-1422H).
(5) Mainly through Murabaha mode of financing
(6) includes EFS, ICD, APIF, UIF, IBP & Treasury Operations
(7) Amount of Insurance commitments (contigent liability assured) approved/issued during the year
(8) Amount of shipments/investments declared to ICIEC by policy holders for the period under consideration.

Note: In this Annual Report, $ refers to the US dollar.

Table 0.2
Cummulative IDB Group Operations* by Major
Modes of Financing for the Period 1396H - 1428H (01 January 1976 - 09 January 2008)

(values 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	3	31.0	46.5	1	0.1	0.2	0	0.0	0.0	20	11.6	15.6	24	42.7	62.3
Albania	15	83.3	118.9	4	0.6	0.8	0	0.0	0.0	3	1.0	1.4	22	84.9	121.1
Algeria	41	450.7	597.7	8	3.0	4.0	188	1490.0	1887.7	7	4.5	5.6	244	1948.2	2495.1
Azerbaijan	23	171.8	243.2	10	1.8	2.6	0	0.0	0.0	4	1.5	2.0	37	175.2	247.7
Bahrain	61	600.5	839.5	7	1.1	1.5	15	183.8	256.5	0	0.0	0.0	83	785.3	1097.5
Bangladesh	61	359.3	494.1	6	1.3	1.9	179	3757.5	5258.7	12	28.8	35.7	258	4146.9	5790.2
Benin	30	131.2	179.5	13	4.1	4.8	4	16.5	20.0	1	1.3	1.4	48	153.1	205.7
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	45	211.6	288.8	18	8.8	10.8	3	33.7	47.3	9	8.3	8.8	75	262.3	355.7
Cameroon	23	133.8	178.7	9	2.7	3.4	0	0.0	0.0	3	1.3	1.7	35	137.8	183.8
Chad	31	131.6	183.2	17	3.6	4.7	1	2.1	3.2	10	9.9	10.8	59	147.2	201.9
Comoros	4	8.8	11.1	7	1.9	2.5	3	5.9	7.5	2	0.7	0.9	16	17.3	21.9
Cote d'Ivoire	9	117.8	172.6	0	0.0	0.0	2	31.6	48.9	5	1.0	1.2	16	150.4	222.7
Djibouti	26	127.3	191.4	11	2.1	2.8	1	7.6	12.0	9	1.5	2.0	47	138.5	208.1
Egypt	40	540.7	757.3	10	1.9	2.6	109	1211.5	1691.4	4	1.1	1.5	163	1755.2	2452.8
Gabon	17	225.0	318.0	4	4.2	6.0	0	0.0	0.0	0	0.0	0.0	21	229.1	324.0
Gambia	27	80.8	111.5	14	2.8	3.6	9	18.4	24.0	4	1.7	1.8	54	103.6	141.0
Guinea	48	223.5	297.3	19	7.3	9.4	6	37.9	48.8	6	6.1	7.8	79	274.9	363.4
Guinea Bissau	1	1.4	1.5	6	1.4	1.8	2	11.6	15.0	3	1.1	1.3	12	15.5	19.6
Indonesia	70	627.1	879.9	8	1.0	1.4	28	506.2	688.5	4	2.9	4.4	110	1137.2	1574.3
Iran	62	1007.1	1427.9	9	3.3	5.0	144	1316.8	1862.7	7	10.0	13.3	222	2337.2	3308.8
Iraq	7	53.4	67.9	6	0.7	1.1	35	264.9	301.3	9	3.9	5.3	57	323.0	375.5
Jordan	60	578.2	795.2	15	4.0	5.3	65	642.4	766.3	1	0.2	0.3	141	1224.8	1567.1
Kazakhstan	17	173.5	255.3	7	1.2	1.6	6	37.4	56.0	4	0.7	0.9	34	212.7	313.9
Kuwait	13	134.0	185.5	5	1.1	1.6	43	619.4	907.5	4	6.5	7.5	65	761.0	1102.1
Kyrgyz Rep.	12	55.3	79.0	7	1.2	1.6	0	0.0	0.0	4	1.2	1.7	23	57.6	82.3
Lebanon	45	509.8	698.6	6	3.7	5.4	11	157.9	221.5	20	6.8	9.5	82	678.1	935.0
Libya	17	270.6	370.0	2	2.2	2.9	10	230.0	299.8	2	2.9	3.8	31	505.7	676.4
Malaysia	39	624.2	868.2	6	0.7	1.0	40	192.0	266.7	5	6.8	9.1	90	823.6	1144.9
Maldives	19	65.1	91.6	10	1.4	1.9	2	13.5	20.0	3	0.6	0.8	34	80.6	114.2
Mali	43	222.3	304.1	19	7.5	9.6	13	133.9	199.9	12	14.9	16.5	87	378.6	530.1
Mauritania	41	174.7	236.2	28	16.1	22.0	7	52.0	71.0	7	9.7	11.1	83	252.5	340.4
Morocco	53	820.0	1164.1	17	3.0	4.1	111	1372.1	1845.3	4	1.2	1.5	185	2196.3	3014.9
Mozambique	15	72.0	100.7	3	0.5	0.6	1	9.8	15.0	5	1.8	2.2	24	84.1	118.6
Niger	34	122.4	161.8	26	8.6	11.1	19	106.1	133.4	18	10.2	12.2	97	247.3	318.5
Nigeria	1	20.7	30.0	0	0.0	0.0	3	41.6	62.0	30	5.9	7.9	34	68.2	99.9
Oman	36	447.2	591.8	6	1.8	2.4	1	1.4	2.0	2	0.4	0.5	45	450.8	596.7
Pakistan	66	752.0	1057.7	6	0.9	1.3	239	3761.6	5081.0	9	8.2	11.3	320	4522.8	6151.3
Palestine	24	61.1	84.7	9	4.0	5.7	0	0.0	0.0	42	41.1	53.3	75	106.2	143.8
Qatar	19	196.8	281.8	1	0.1	0.1	0	0.0	0.0	0	0.0	0.0	20	196.9	281.9
Saudi Arabia	54	688.2	998.5	19	2.1	3.0	144	1525.4	2201.8	2	0.1	0.1	219	2215.9	3203.3
Senegal	51	290.7	394.2	22	7.8	9.6	24	176.9	247.6	7	12.9	14.2	104	488.2	665.7
Sierra Leone	19	59.3	81.3	17	4.5	5.6	1	3.2	5.0	4	2.8	3.6	41	69.8	95.5
Somalia	6	20.0	24.9	7	1.8	2.3	4	36.1	46.2	38	8.5	11.6	55	66.4	85.0
Sudan	70	427.5	604.6	16	2.3	3.1	24	179.1	241.3	19	19.4	23.4	129	628.3	872.4
Suriname	5	22.2	31.8	1	0.1	0.2	1	7.4	10.0	2	0.1	0.2	9	29.8	42.2
Syria	30	407.6	563.9	4	0.5	0.8	18	94.6	108.4	1	0.2	0.3	53	502.9	673.4
Tajikistan	18	88.3	123.8	10	1.8	2.5	0	0.0	0.0	5	0.5	0.7	33	90.7	127.0
Togo	13	96.7	140.9	3	0.9	1.2	1	4.2	6.0	2	1.4	1.7	19	103.1	149.8
Tunisia	48	346.8	451.2	8	1.5	2.1	158	785.9	1065.9	4	3.3	4.2	218	1137.5	1523.4
Turkey	83	646.8	862.5	5	3.3	4.3	274	2205.4	2899.0	5	17.0	20.4	367	2872.5	3786.3
Turkmenistan	6	41.6	56.9	2	0.4	0.5	0	0.0	0.0	1	0.2	0.3	9	42.2	57.8
U.A.E	28	188.1	263.9	7	0.7	0.9	15	229.0	315.7	0	0.0	0.0	50	417.8	580.5
Uganda	8	28.5	39.2	8	2.2	2.6	5	11.3	13.9	8	3.1	4.1	29	45.1	59.8
Uzbekistan	15	99.6	146.8	4	0.6	0.8	0	0.0	0.0	7	1.4	1.9	26	101.6	149.5
Yemen	40	223.1	306.7	18	5.6	7.0	39	348.3	414.6	7	7.0	8.4	104	583.9	736.9
Regional	18	178.7	264.9	150	26.0	36.4	0	0.0	0.0	59	36.6	50.1	227	241.3	351.4
Special	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-MCs	14	99.6	147.7	1	0.1	0.1	2	55.2	83.0	720	169.6	223.2	737	324.4	453.9
NET APPROVAL	**1,732**	**14,670.8**	**20,400.2**	**663**	**174.0**	**232.2**	**2,011**	**21,944.1**	**29,799.1**	**1,185**	**501.1**	**640.8**	**5,591**	**37,290.1**	**51,072.3**
GROSS APPROVAL	**2,001**	**17,039.9**	**23,532.3**	**711**	**185.9**	**247.5**	**2,490**	**25,146.7**	**34,178.2**	**1,228**	**506.0**	**647.5**	**6,430**	**42,878.6**	**58,605.4**

* Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.

1428H 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 IDB for each Hijra (H) year to the Board of Governors. The Report covers the period from 1 Muharram 1428H (20 January 2007) to 30 Dhul Hijjah 1428H (09 January 2008).

ROBUST ECONOMIC PERFORMANCE BUT KEY CHALLENGES REMAIN AHEAD

The global economy grew by 4.9 percent in 2007, which is marginally down from the previous year's 5 percent growth. The modest drop in growth performance underscores the resilience of the world economy despite the continuing turmoil in the global financial markets caused primarily by the US subprime mortgage meltdown. So far, its fallout appears to have been limited to financial markets in the advanced economies. Many of the developing economies have been spared from the first order impact of the US subprime mortgage crisis primarily due to relatively low exposure of their financial and banking sector. However, since early 2008, the steep fall in the worldwide equity markets has created uncertainties and risks of further slowdown in global economic growth. So far, though, the global economy has absorbed the shock stemming from the rising prices of energy and non-oil commodities.

Over the past six years, economic growth in 56 IDB member countries (as a group) has been sustained above 6 percent. This has been possible largely because of improved terms of trade, strong domestic demand, favourable business environment and financial conditions, and growth in world trade. More impressively, the 28 Least Developed Member countries (LDMCs)[1] even posted a higher growth of 8 percent in 2007. Region-wise, the CIS member countries led in growth performance at about 13 percent growth both in 2006 and 2007. Accelerating investment rates to a higher level than the average for developing countries is a critical benchmark for IDB member countries to achieve economic prosperity under IDB 1440H Vision.

Expanding intra-trade and intra-investment among the member countries is crucial for strengthening economic cooperation and regional integration. During 2002-2006, total exports of member countries more than doubled, reaching $1.2 trillion in 2006. The volume of intra-export among member countries increased from $63 billion in 2002 to $166 billion in 2006, reflecting an annual average growth of 27.4 percent during the period. The share of intra-exports among member countries went up from 12.5 percent of their total exports in 2002 to 13.6 percent of their total exports in 2006. IDB member countries share in global Foreign Direct Investment flows increased from 9.8 percent in 2006 to 10.7 percent or $125 billion in 2007. In contrast, the share of LDMCs in global FDI, which was already very low, slipped from 1.3 percent in 2003 to 0.4 percent or $4.7 billion in 2007.

In view of the looming uncertainties in the global economy, the most important challenge facing the member countries, especially with sharp spike in energy and food prices, is the urgent need to mitigate inflationary pressures by calibrated balancing between fiscal and monetary stance, on the one hand, and protecting the most vulnerable groups in the society, on the other hand. In order to lay the foundations for sustainable and shared growth, public investment in the social sector should aim to broaden the prospect of the underprivileged in the society so that they can have better economic opportunities and access to basic education and health services. In this regard, member countries need to carefully design and monitor effective implementation of their public investment programmes, which will help them achieve both the Millennium Development Goals and IDB 1440H Vision targets.

STRENGTHENING DEVELOPMENT ASSISTANCE

The Bank's development assistance focuses on supporting poverty reduction programmes in the member countries so that they can achieve sustainable and shared economic growth. Its strategic plan identifies, inter alia, human development, infrastructure, agriculture and food security as priority sectors.

[1]The list of LDMCs is given in Section II, Chapter Three.

Expansion in IDB Group Financing

IDB Group financing totaled ID3,573.1 million ($5,482 million) in 1428H for 327 operations in both member and non-member countries. In cumulative terms, it reached ID37,290 million ($51,072.3 million) by the end of 1428H. The share of project financing and technical assistance operations, and trade financing stood at 40 percent and 58.8 percent, respectively, while special assistance operations received 1.2 percent.

Table 1 shows that IDB Group provided financing for 183 development projects amounting to ID1,737.8 million ($2,663.6 million) in 1428H, an increase of 16 percent over the previous year. Of this, 147 operations were financed from the Ordinary Capital Resources (OCR) in 1428H totaling ID1,372.3 million ($2,086.6 million), which denotes a growth of 21 percent over 1427H. Project financing by Funds/Entities totaled ID365.5 million ($577 million) in 1428H.

Table 1
Net Financing of IDB Group by Major Categories

(values in million)

	1426H			1427H			1428H			1396H - 1428H		
	No.	ID	$	No.	ID	$	No.	ID	$	No.	ID	$
I. Project Financing from OCR *of which*:	128	892.2	1,305.8	144	1,133.4	1,657.6	147	1,372.3	2,086.6	2,014	11,470.4	15,792.3
Technical Assistance	49	10.0	14.8	64	11.1	16.4	73	10.9	16.6	663	174.0	232.2
II. Project Financing by Funds/ Entities (UIF, IBP, APIF, ICD, & Treasury)	61	524.9	757.7	45	367.7	540.2	36	365.5	577.0	381	3,374.4	4,840.1
III. Total IDB Group Project Financing (I+II)	189	1,417.1	2,063.5	189	1,501.1	2,197.8	183	1,737.8	2,663.6	2,395	14,844.8	20,632.4
IV. Trade Financing Operations	89	1,168.7	1,699.3	130	1,984.1	2,921.7	82	1,818.3	2,792.6	2,011	21,944.1	29,799.1
V. Special Assistance	44	9.3	13.7	47	12.6	18.4	62	17.0	25.7	1,185	501.1	640.8
Total IDB Group Financing	**322**	**2,595.1**	**3,776.5**	**366**	**3,497.8**	**5,138.0**	**327**	**3,573.1**	**5,482.0**	**5,591**	**37,290.0**	**51,072.3**

Note: Slight increases in previous years' number of operations are due to ICD's reclassification of their projects.

A total of 82 trade financing operations were conducted by IDB Group amounting to ID1,818.3 million ($2,792.6 million) in 1428H, representing a decline of about 8 percent over 1427H. In 1428H, a total of 62 Special Assistance Operations were conducted for an amount of ID17 million ($25.7 million).

Disbursements and Repayments

Between 1396H and 1428H, cumulative disbursements of IDB Group reached $35,412.7 million while cumulative repayments stood at $28,256.6 million (Table 2). Disbursements by the Group increased from $2,407.7 million in 1427H to $3,570 million in 1428H, which denotes a 48 percent increase. In particular, disbursements from the OCR increased by over $1.2 billion from $2,072.7 million in 1427H to $3,231.4 million in 1428H.This is due mainly to sharp increase in disbursements on account of trade financing operations. Net resource transfer (i.e., disbursements minus repayments) by the Group to member countries rose by nearly three-folds from $240.3 million in 1427H to $663.4 million in 1428H.

OPERATIONS FINANCING

During 1428H, IDB raised short-term funds by using reverse murabaha. The Bank's longer-term funding needs were met mainly through internally-generated funds. Additional resources amounting to ID3 billion between 1429H and 1433H are estimated to fund the projected growth in development assistance to member countries. Of which about ID395 million ($650 million) is required to fund operations during 1429H. This also includes the $400 million repayment of the principal amount under IDB debut Sukuk issued in 1424H.

A noteworthy feature of resource mobilization activities during 1428H is the launching of local currency financing operation, aimed at supporting implementation of infrastructure projects in selected member countries. This will commence with Ringgit (RM)-denominated operations to finance infrastructure projects in Malaysia.

Over the next two years, the Bank expects to disburse about RM360 million. For this purpose, IDB plans to

Table 2
IDB Group Disbursements and Repayments

($ million)

	Disbursements				Repayments			
	1426H	1427H	1428H	1396H-428H	1426H	1427H	1428H	1396H-428H
OCR	2,034.4	2,072.7	3,231.4	30,608.2	2,147.7	2,108.6	2,377.8	23,667.2
Of which:								
ITFO	1,325.0	1,187.4	1,986.9	8,297.4	1,639.6	1,507.2	1,869.8	6,216.3
Export Finance Scheme	264.9	107.5	..	1,221.7	219.5	300.1	..	1,193.6
Islamic Banks' Portfolio	34.2	18.6	..	941.7	49.5	39.1	..	832.9
Unit Investment Fund	121.0	103.9	238.0	1,680.6	140.4	138.2	461.9	2,348.2
Islamic Corporation for the Development of the Private Sector	61.9	73.7	51.3	313.7	51.4	52.5	47.1	165.5
Awqaf Properties Investment Fund	12.3	22.2	40.1	118.8	15.6	9.5	19.8	49.3
Special Assistance Grants	8.7	9.1	9.1	528.1				
Total	**2,537.4**	**2,407.8**	**3,569.9**	**35,412.8**	**2,624.1**	**2,648.0**	**2,906.6**	**28,256.7**

issue RM-denominated Sukuk MTN Programme for RM1 billion, under which the first issue of RM500 million ($150 million) will be made available to fund disbursements during 1429H. IDB will join the other multilateral development banks (MDBs) like the ADB, IBRD and KfW in the Malaysian longer term securities market. They have together raised over RM3.3 billion.

Resource mobilization in local currency during 1429H and beyond will allow the Bank to continue providing development assistance to those member countries, who do not need external resources because of their strong foreign exchange reserves, and where capital account convertibility allows non-resident institutions/MDBs to raise funds in local currencies.

Increase in OCR's Share Capital - 4th General Capital Increase and Call-in of the Remaining 70 percent of the Callable Capital of the 2nd General Capital Increase

During the 31st annual meeting held in Kuwait on 4 Jumad Awwal 1427H (31 May 2006), the Board of Governors approved the following as part of the implementation of the decision of the Third Extraordinary Summit of OIC in Makkah:

i. The Bank's Authorized Capital was doubled, from ID15 billion to ID30 billion.

ii. The Subscribed Capital was raised by ID6.9 billion, from ID8.1 billion to ID15 billion - so that 50 percent of the increase can be called in cash after five years and 50 percent shall be callable shares as collateral to meet IDB's obligations arising out of raising funds from the market or guarantees given for its ordinary operations.

iii. An amount of ID1.3 billion, representing the remaining 70 percent callable capital of the 2nd General Capital Increase (GCI), was called-in for payment over a period of five years in 10 half-yearly installments, starting six months from the date of the Resolution (May, 2006).

As of end-1428H (9 January 2008), the status of the capital increase and call-in of the 70 percent of the 2nd GCI is given below:

i. Thirty-five member countries have confirmed their participation in the 4th GCI for a total amount of ID5.80 billion. This represents about 84 percent of the increase in the Subscribed Capital of ID6.9 billion.

ii. It is to be noted that 37 member countries had subscribed in the 2nd GCI. By end-1428H, three of the 10 installments were due for payment for a total amount of ID391.38 million (ID130.46 million for each installment). Of this, ID314.94 million was already paid by member countries, representing about 80.5 percent of the total amount due for payment. The remaining amount of ID76.44 million remains as overdue.

Overdues on Share Capital Subscription

As of end-1428H, the aggregate amount of overdues on Share Capital subscription stands at ID83.95 million, of which ID4.30 million, or 5.12 percent, represents the initial capital subscription. The remaining amount, (i.e. ID79.65 million), represents the 2nd GCI, of which ID 3.21 million is the overdue amount on the 30 percent of the 2nd GCI and ID76.44 million on 70 percent of the 2nd GCI.

Members' Funds

With increased capitalization, IDB is better placed to mobilize resources from the international capital markets in order to fund the member countries growing financing needs. The total members' equity rose from ID4,812.7 million in 1427H to ID5,313.4 million in 1428H, which denotes a growth of 10.4 percent compared to 4.2 percent in 1427H.

In 1428H, total members' funds rose due mainly to increase in Paid-up Capital by 9.1 percent to ID3,065.2 million and growth in profit for the year by 32.4 percent, totaling ID163.5 million. By end-1428H, the other components of total members' fund stood as follows: Capital reserve – ID22.7 million; General reserve – ID1,523.9 million; and Fair value reserve – ID538.1 million.

Management of Liquid Funds

IDB policy aims at maintaining an adequate liquidity level to ensure uninterrupted availability of liquid funds in order to meet undisbursed 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 the funds is made in the currencies of the Special Drawing Right 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 part of its liquidity. In 1428H, the placements in Shariah-compliant instruments yielded a net return of ID56.5 million ($89.3 million), which is equivalent to an annual return of 5.7 percent.

RISK MANAGEMENT

The Bank has put in place a comprehensive risk management framework to address all types of credit, market, and operational risks. Given the nature of the Bank's activities, country risk and liquidity risk are given special attention. As regards to country risk, a comprehensive framework for country risk assessment with appropriate concentration limits are applied. As far as liquidity risk is concerned, a framework for determining the maximum and minimum liquidity requirements has been developed together with assigning exposure limits for counterparts as well as concentration limits at country and regional levels. In recognition of the growing importance of the private sector, new guidelines on corporate finance and guarantee have been adopted during 1428H.

A noticeable achievement during 1428H was the upgrading of IDB ratings assigned by FitchRatings from "AA+" to the highest ratings "AAA" for the long term, "F1" for the short term and a "stable" outlook. Furthermore, Standard & Poor's confirmed for the sixth consecutive year its highest ratings for IDB; "AAA" for long-term and "A-1+" for short-term with "stable" outlook. IDB has also maintained for the second year the highest ratings of "Aaa" for long-term and "P-1" for short-term assigned by Moody's. With the ratings upgrade assigned by FitchRatings, IDB has become an "AAA" rated institution by the three leading international rating agencies. These ratings reflect, inter alia, the financial soundness of IDB and its very low risk profile.

Earlier, the Basel Committee on Banking Supervision designated IDB as a zero-risk weight Multilateral Development Bank (MDB) under its New Capital Accord published in June 2004. Also, the Commission of the European Communities under the Directive of the European Parliament and Council issued in 2007 designated IDB as an MDB eligible to benefit from a zero-risk weight, as laid down in the provisions of the European Union.

FINANCIAL RESULTS

As a reflection of the sustained growth achieved in the previous year, net income from OCR increased from ID123.5 million in 1427H to ID163.5 million ($258.33 million) in 1428. This shows an increase of ID40.0 million, or 32.4 percent and 14.4 percent growth recorded in 1428H and 1427H, respectively (Table 3).

Growth in Gross Income

The gross income from OCR for 1428H amounted to ID369.2 million ($583.3 million), reflecting an increase of ID51.9 million ($110.5 million) or 16.4 percent from 1427H. The strong performance in 1428H is due mainly to the prudent investment strategy adopted by the Bank.

The main sources of growth in gross income are income from operations by 11.6 million, and the 'investment in equity capital' - from gross ID19.6 million in 1427H to ID35.4 million in 1428H (80 percent increase) and also income from off-balance sheet activities such as Mudarib fees and others which increased from ID2.0 million in 1427H to ID23.8 million in 1428H. In addition, the increased level of liquid funds placed in 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 further contributed to the growth in income.

Table 3
Income Statement of IDB, 1424H – 1428H

(ID million)

	1424H	1425H	1426H	1427H	1428H
Gross Income	**222.2**	**207.9**	**272.4**	**317.2**	**369.2**
Commodity Placements with Banks	12.7	16.0	26.9	53.8	56.5
ITFO	19.9	18.6	30.3	24.5	30.4
Leasing	112.2	101.8	137.2	133.9	143.2
Instalment Sale & Istisna'a	37.5	36.6	37.7	58.9	55.3
Loan Service Fees	16.9	14.7	17.8	18.6	24.6
Investments in Equity Capital	11.7	17.3	17.1	19.6	35.4
Others (incl. Mudarib Fees)	11.3	2.9	5.4	7.9	23.8
Expenses and Provisions	**134.6**	**132.5**	**165.2**	**193.4**	**212.1**
Total Administrative Cost	47.2	49.2	50.9	55.8	62.2
Staff Cost	37.5	38.2	39.9	41.9	46.7
Administrative Expenses	9.6	11.0	10.9	13.8	15.5
Depreciation – Leasing	74.1	65.8	83.9	84.7	91.9
Depreciation - Property & Equipment	2.1	2.0	2.3	2.8	2.8
Financing Cost	5.5	10.0	28.2	49.4	55.4
Operations Risk Provision/(recovery of impaired assets)[1]	5.8	5.5	-	0.8	(0.2)
Exchange (Loss) / Gain	**(29.0)**	**(6.0)**	**1.0**	**(0.4)**	**6.4**
Net Income	**58.6**	**69.4**	**108.2**	**123.5**	**163.5**

[1]1426H income excludes the write-back of ID37 million impairment provision to Income.

Well Contained Growth in Expenses

During 1428H, the total administrative cost of IDB increased by ID6.4 million ($15.2 million) or 11.4 percent over the previous year. The increase is consistent with the planned rise in the annual administrative budget of OCR and includes certain IT development expenditures 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 ID91.9 million ($145.2 million) was a built-up from the 1427H charge of ID84.7 million. The increase in financing cost from ID49.4 million in 1427H to ID55.4 million in 1428H is attributable to additional funding mobilized under short-term reverse Murabaha.

WAQF FUND

The resources of the Waqf Fund in 1428H increased to ID939.9 million compared with ID913.5 million in 1427H, a growth of 2.9 percent. This marginal increase is due to the improvement in the returns from the investment of Waqf funds. The Fund's resources are comprised of the Principal Amount of ID756.8 million ($1,195.7 million), the balance of the Special Assistance Account of ID50.5 million ($79.8 million), and the Special Account for the LDMCs of ID132.7 million ($209.7 million).

During 1428H, efforts were made to redeploy Waqf funds from low-yielding assets to Shariah-compliant investments such as sukuk, murabaha, mudarabah and equity investments in member countries. As a result, net income during 1428H amounting to ID56.2 increased by 33.8 percent compared with the previous year.

The Waqf Fund's total expenses for the year 1428H amounted to ID4.7 million, registering an increase of ID0.14 million over the previous year, due mainly to an increase in the financing cost of reverse Murabaha.

ACTIVITIES OF THE BOARD OF EXECUTIVE DIRECTORS (BED)

The Annual Meeting in Dakar, Senegal held on 12–13 Jamad Awwal 1428H (29–30 May 2007) was unique as it was inaugurated by four heads of state from the member countries: the Presidents of Senegal, Burkina Faso and Guinea-Bissau, and the Prime Minister of Guinea. The meeting had taken the following major decisions:

- the operationalisation of the International Islamic Trade Finance Corporation (ITFC) with an Authorized Capital of $3 billion and Paid-up Capital of $750 million.
- the launching of the Islamic Solidarity Fund for Development (ISFD) with a principal target amount of $10 billon in the form of a Waqf and to start operations at the beginning of the year 1429H.

Meeting of the Board of Executive Directors in IDB Headquarters, Jeddah

- a plan to extend ID50 million ($75.8 million) to the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) from the Waqf Fund to secure short-term needs of the Corporation.

On its part, the BED held seven meetings during 1428H in addition to the activities of its standing and special committees (Table 4). It decided to align the implementation of IDB 1440H Vision with the Five-Year Strategic Plan and the OIC 10-Year Programme of Action. In this regard, implementation of Quick Win programmes was given priority. Table 4 also presents meeting-wise activities of the Board in 1428H and it shows that the BED considered 370 items covering project financing, trade, Waqf operations and policy issues. Of the issues discussed, 179 items were approved by BED; another 105 items were tabled as information items. Some of the key decisions of the BED during the year were:

- relinquishing IDB's right to keep 51 percent of the ITFC shares in order to give opportunities to member countries so that they can increase their shares.
- the transfer of IDB Unit Investment Fund to the Islamic Corporation for the Development of the Private Sector (ICD), a member of the IDB Group.

Table 4
Activities of the Board of Executive Directors during 1428H

Date of B.E.D. Meetings	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
07-08 Safar 1428H (25-26 March 2007)	243	-[1]	5[2]	9	15	9	1	3	17[3]	59	24
20-21 Rabi Awwal 1428H (08-09 April 2007)	244	-	15	5	8	11	-	3	16	58	28
10 Jumad Awwal 1428H (27 May, 2007)	245	-	13	5	4	7	1	3	14	47	25
23-24 Jumad Thani 1428H (08-09 July 2007)	246	1	9	5	3	14	-	3	20	55	24
27-28 Sha'baan 1428H (09-10 September 2007)	247	-	14	7	11	11	1	3	13	60	35
23 Shawwal 1428H (04 November 2007)	248	-	12	4	3	8	-	3	10	40	18
27 Dhul Hijjah 1428H (06 January 2008)	249	-	2	5	9	17	-	3	15	51	25
Total		**1**	**70**	**40**	**53**	**77**	**3**	**21**	**105**	**370**	**179**

[1]Only one Trade Financing Operation has been shown in this column as this was considered by the Board. All other Trade Financing Operations were approved by the President, IDB under the authority delegated by the Board of Executive Directors and are covered under the column titled 'Items Approved by the President', and thereafter submitted to the Board for information.
[2]Projects + TAs.
[3]This column also includes TA Projects approved by the President, IDB.
Note: Out of 370 items considered by the Board, Resolutions were adopted on 179 items while 105 items were approved by the President, as indicated in the 1st and 3rd footnotes. The remaining 86 items which were considered by the Board on which no Resolution was required, pertain to Reports of B.E.D. Committees, Standing Items such as Adoption of Agenda, Approval of Minutes, Brief Oral Report of the President, WWF and other items for information.

- a 15 percent growth projection for operations from the OCR for the five-year period from 1429H to 1433H.

The **Finance and Administrative Committee** of the BED held five meetings, considered 42 items, conducted quarterly review of financial reports, and actions to settle the overdues on account of Share Capital subscription. It also held two joint meetings with the Operations Committee of the Board to discuss operational plans, general administration and budget.

The **Operations Committee** held 15 meetings during 1428H and examined operations and projects to be financed from OCR, Waqf Fund, and trade finance operations including BADEA resources.

On its part, the **Audit Committee** held eight meetings and covered 94 items that reviewed IDB's internal control environment, management of liquid assets, and risk management functions.

Other activities under the BED review included responding to the situation in Darfur, Sudan, with $11 million as urgent humanitarian aid as well as holding a special meeting in Djibouti in Shawal 1428H (November 2007) that, *inter alia*, also involved meeting between a group of businessmen from the Gulf region and private sector in Djibouti to explore trade and investment opportunities in Djibouti.

ACHIEVING INSTITUTIONAL EFFECTIVENESS

To enhance the impacts of its activities on the member countries socio-economic development, the Bank continues to examine its institutional framework with a view to raising its operational effectiveness. During 1428H, the Bank continued with efforts to improve its institutional effectiveness. These included operational take-off of the ITFC; the launching of the Islamic Solidarity Fund for Development (ISFD) and the establishment of the fourth regional office in Dakar, Senegal. Also within the year, IDB initiated a comprehensive study of institutional reform with the aim of achieving greater effectiveness in addressing the challenges of socio-economic development of member countries.

The IDB Reform

The first of the nine key strategic thrusts of the IDB 1440H Vision deals with the Bank's reform so that it can be better equipped to meet the challenges facing its member countries. Accordingly, a consultancy service agreement was concluded with an external consultant to provide expert advice on reforming the Bank. Under the agreement, IDB staff, in conjunction with the consultants, were actively involved in the reform process. To achieve optimum results, the Reform Programme Steering Committee, an IDB counterpart team with eight sub-teams, was formed and has since been working with the consultants. Started towards the end of 1428H, the programme's first phase lasted for five months and included assessment stage, concept design, and recommendations.

The Reform's main objective is to help IDB to streamline its business processes through realignment of its organizational structures, corporate governance, mission and functions of different entities. This is aimed at eliminating redundancies in functions, empowerment and responsibilities, transparency and disclosure, and accountability. At the same time, the roles of the BED, management, and stakeholders will be enhanced to increase efficiency. Through this exercise, IDB will redesign its business processes in order to be closer to its customers, improve project cycle time, and increase overall impact. Success of such major initiative depends largely on the way the change is managed. Hence, change management, both internally and externally, constitutes a major cornerstone of the Reform programme.

Business Enhancement and Systems Transformation (BEST) Programme

This Programme was initiated by the Bank in 1427H with the aim of creating a conducive business environment by increasing staff productivity and institutional efficiency. The Programme's key aim in conception and implementation is to create a state-of-the-art Enterprise Resource Planning (ERP) application. The estimated time for implementation is five years, but it is planned to cover IDB core businesses in three years and would be conducted in four phases.

The first phase was completed during 1428H. Evaluations were carried out in the areas of solutions, technical development and programme management. Through the BEST programme, some departments such as Central Accounting, Cost Control and Operations Evaluation started using the applications. The Programme is already beginning to reflect some improvements in business processes, especially in operations management, financing, accounting, budgeting and local disbursements, in terms of lesser transaction time, more accurate data and reduction in cycle time.

ORGANIZATIONAL DEVELOPMENTS

During 1428H, IDB continued with efforts to strengthen internal mechanisms to enhance its effectiveness and achieve greater developmental impact in consonance with the 1440H Vision. The Bank conducted some institutional reviews to ensure alignment of structures and functions to the strategic thrusts of the 1440H Vision. The reviews included "*Enhancing Governance System*" involving the Treasury Department and "*Improving Control Environment and More Effective Organizational Structure*" involving the Islamic Financial Services Industry Department.

The Bank's standing committees were streamlined based on new guidelines to fit the overall strategic goal, which revolves around the dissemination and sharing of knowledge, promotion of sound work ethics, coordination and cooperation among various departments, achieving effective consensus and enhancing accountability. It has also modernized the documentation of its business processes by developing a "Policies and Procedures Manuals Portal", which will be available to staff, beneficiaries and partners. As a safeguard, the Bank has conceived a coherent Business Continuity Plan so as to ensure continuity of its operations and functions in the event of unforeseen situations.

IDB signed a Corporate Governance Approach Statement in order to adopt guidelines, policies and procedures aimed at improving supervision of investment operations. To enhance its working environment, the Bank improved the delegation of authority by empowering the staff, based on a decentralized decision-making process with commensurate accountability at all levels. A Corporate Identity manual that aims at protecting and projecting the corporate image of the Bank has been developed to reflect common symbols for all Bank documents, such as logos, legal names, colours, mottos, fonts and business cards.

In order to further strengthen an environment of ethical behaviour to reflect the core values of the staff of an Islamic institution, the Bank during 1428H has established an Integrity Unit within the Internal Audit Office with the mandate to implement procedures which will help to minimize fraud and corruption, as well as to respond swiftly and effectively when such instances arise. In this regard, IDB is also committed to harmonizing its approach for addressing fraudulent misconduct by Bank staff with other international and regional institutions.

Quality Management

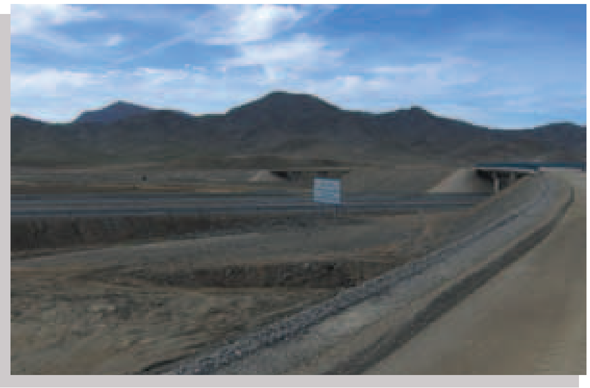
During 1428H, the Bank introduced quality management principles in the way it manages its business as enshrined in its 1440H Vision. The ultimate goal is to make IDB a customer and quality-focused organisation. This will be done by attaining and sustaining intended development results through effective project implementation, enhancement of beneficiaries' capacity to sustain successes and the encouragement of global partnership on quality management.

The Bank made the first move by initiating an ISO 9001 certification project for its library. Similar initiatives for other departments are being planned. In addition, the Bank is in the process of introducing a "corporate strategy for quality management implementation" to further enhance the system of quality management.

All these initiatives were taken in consideration of simplified procedures, optimizing span of control, eliminating duplication of functions, streamlining responsibilities and setting accountability standards.

Staff Development

There have been continuing efforts to ensure qualitative development of the growing Bank staff in terms of ensuring that their international character extends beyond the multicultural diversity of the 56 member countries. At the end of 1428H, IDB had 777 employees from various countries of the world, consisting of 67 directors, 323 professionals, 77 special and 310 general category staff. To ensure enhancement of staff capacity, 32 young professionals were recruited during 1428H. In addition, 689 staff participated in various training programmes during the year.



IDB approved $106.3 million for the construction of Marrakech-Agadir Highway (233.5 km), which is an important link within the highway network located south of the capital Rabat. This will connect two significant tourist cities of Morocco, i.e. Marrakech and Agadir and will also provide a connection to the commercial hub of Casablanca.

ECONOMIC PERFORMANCE AND MAJOR DEVELOPMENTAL ISSUES 1

Global Economy

- Global economy achieved a sustained economic growth of 4.9 percent in 2007.
- Cloudy outlook for global economy due to continued credit crisis arising from the US subprime mortgage market.

IDB Member Countries

- Economic growth of 6.1 percent in 2007: sustained growth of above 6 percent over the past six years.
- Build-up of inflationary pressures, mainly led by energy and food commodities.
- Need to deploy internal resource surpluses to support expansion of private sector activities.
- Most pressing policy challenge: Balancing between prudent fiscal/ monetary stance and protecting the vulnerable groups.
- Number of member countries categorized as Medium Human Development rose from 28 in 2001 to 30 in 2005.
- Number of LDMCs categorized as Low Human Development declined from 18 in 2001 to 12 in 2005.

Major Developmental Issues

- Net resource flows to member countries declined from $89.2 billion in 2005 to $83.2 billion in 2006.
- Overall unemployment rate in member countries rose from 7.3 percent in 1996 to 9.5 percent in 2007.
- IDB supports member countries to mitigate the effects of climate change by adopting clean energy systems.

Over the past six years, economic growth in IDB member countries as a group has been robust, largely because of improved terms of trade, strong domestic demand, favourable business environment and financial conditions. This Chapter presents an overview of the world economy and economic and social performance of member countries. It also reviews key developmental challenges that could impact the economic prospects of member countries.

I. MACROECONOMIC PERFORMANCE

IDB member countries as a group (hereafter member countries) represent an important economic block of the global as well as the developing world. Its share in world GDP increased from 4.9 percent in 2003 to 6.3 percent in 2007, while its share in developing countries' GDP remained between 23 to 24 percent during the same period.

1. Sustained Global and Regional Economic Performance[1]

The global economy achieved a sustained economic growth of 4.9 percent in 2007, which is marginally down from 5 percent the year before. The unprecedented GDP growth in China and India (11.4 percent and 8.9 percent respectively) contributed to the regional as well as global economic growth. In 2007, the advanced economies grew by 2.6 percent while growth in developing economies remained at the sustained level of 7.8 percent. They were able to sustain their growth due to strong domestic demand, improved terms of trade caused by rising prices of commodities, and continued supportive financial conditions. Economic growth in the world's largest economy (U.S.), however, slowed down from 2.9 percent in 2006 to 2.2 percent in 2007 largely because of the turmoil in its housing market. The continuing crisis further spilled into manufacturing, employment, and consumer spending. In Japan, the second largest economy, growth decelerated from 2.4 percent in 2006 to 1.9 percent in 2007, driven largely by a decline in investment and weaker consumption.

[1] The data on global and regional macroeconomic performance indicators (except GDP growth rates) are taken from the IMF, World Economic Outlook, October 2007, while the revised global and regional GDP growth rates are taken from IMF, World Economic Outlook Update, January 2008.

Growth in the Euro region slowed down marginally from 2.8 percent in 2006 to 2.6 percent in 2007 as countries in Western Europe were impacted directly from the turmoil in the U.S. sub-prime mortgage sector.

At the regional level, developing countries in Asia recorded an impressive 9.6 percent growth in 2007. In Africa, they too enjoyed strong growth during the last three consecutive years. The region grew at the rate of 6 percent in 2007, largely because of the upcoming investment in new production facilities in oil-exporting countries, but other countries in the region also kept up the momentum of high growth. At the same time, the Middle East region continued to enjoy a robust growth - from 5.8 percent in 2006 to 6 percent in 2007 - due to rising energy prices and strong domestic demand, driven mainly by rising government spending, foreign capital inflows, and the rapidly growing domestic private credit. Growth in the CIS economies remained strong at 8.2 percent in 2007, due largely to high international prices of oil, gas and metals, and strong domestic demand.

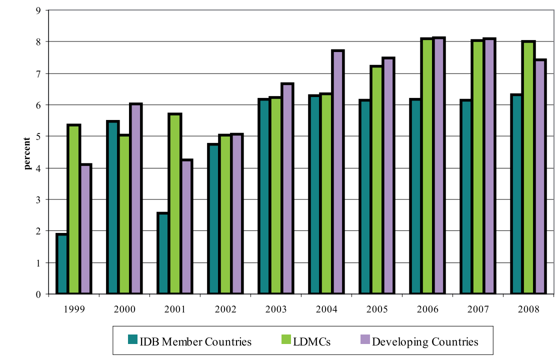
In 2007, the global financial markets experienced major setbacks stemming primarily from the problems in the US housing market. So far, the contagion has been limited to financial markets in the advanced economies, while most of the developing economies have remained somewhat insulated from the turbulence in the credit markets. Furthermore, beginning in 2008, the steep fall in the world-wide equity markets has created economic uncertainties, increasing the risks of further slowdown in global growth. Although the global economy has so far absorbed the rising prices of energy and non-oil commodities, the resurgence of inflationary pressures is unlikely to recede in the near-term. The prospects for monetary tightening in the US to address inflationary pressures and depreciating US dollar has to be counterbalanced against the squeeze in the credit markets.

2. Robust Macroeconomic Performance of Member Countries

Over the past six years, economic growth in member countries as a group has been sustained above 6 percent. This has been possible by improved terms of trade, strong domestic demand, favourable business environment and financial conditions, and the impressive growth in world trade. The growth in 28 Least Developed Member Countries (LDMCs)[2] at 8 percent in 2007 has been even more promising and remained higher compared to overall growth in member countries (Chart 1.1).

[2]The list of LDMCs is given in Section II, Chapter Three.

Chart 1.1
Real GDP Growth



The economic performance of member countries is mainly dependent upon country-specific factors, as well as regional and global developments. Due to divergent economic structures, individual member countries' performance varied significantly. Data on economic indicators of member countries as a group, LDMCs and developing countries are given in Table 1.1 while data on individual member countries are shown in Annex Tables 1 to 6.

Among the various regions[3] of IDB member countries, CIS[4] economies led in growth throughout the period under consideration, where the GDP grew by 12.8 percent in 2006 and 12.7 percent in 2007. The growth in South East Asia[5] increased marginally from 6 percent in 2006 to 6.2 percent in 2007; and in Middle East[6] it increased from 5.3 percent to 5.5 percent. The economic growth, however, slowed down in Europe and South America[7] from 6.1 percent to 5 percent, Sub-Saharan Africa[8] from 5.9 percent to 5.5 percent, and in North Africa[9] from 5.9 percent to 5.8 percent during the same period. However, growth performance varied significantly across member countries. The best performing member countries, which achieved above

[3]Regional classification is applicable to this Section only.

[4]CIS region includes Azerbaijan, Kazakhstan, Kyrgyz, Tajikistan, Turkmenistan, and Uzbekistan with a combined weight of 5.3 percent as measured by GDP at current prices in 2007.

[5]South East Asia region includes Afghanistan, Bangladesh, Indonesia, Malaysia, Maldives, and Pakistan with a combined weight of 23.7 percent as measured by GDP at current prices in 2007.

[6] Middle East region includes Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, UAE, and Yemen with a combined weight of 34.6 percent as measured by GDP at current prices in 2007.

[7]Europe and South America region includes Albania, Suriname, and Turkey with a combined weight of 14.6 percent as measured by GDP at current prices in 2007.

[8] Sub-Saharan Africa region includes Benin, Burkina Faso, Cameroon, Chad, Comoros, Côte d'Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, and Uganda with a combined weight of 8.8 percent as measured by GDP at current prices in 2007.

[9]North Africa region includes Algeria, Egypt, Libya, Morocco, and Tunisia with a combined weight of 12.6 percent as measured by GDP at current prices in 2007.

Table 1.1 Macroeconomic Performance Indicators of Member Countries

	2003	2004	2005	2006	Estimated 2007	Projected 2008
Real GDP Growth (Annual percent change)						
IDB Member Countries	6.2	6.3	6.1	6.2	6.1	6.3
LDMCs	6.2	6.3	7.2	8.1	8.0	8.0
Developing Countries	6.7	7.7	7.5	8.1	8.1	7.4
Inflation (Annual percent change)						
IDB Member Countries	7.8	6.4	7.7	8.1	7.8	6.8
LDMCs	5.7	6.4	8.2	7.8	8.1	7.3
Developing Countries	5.9	5.6	5.3	5.3	6.4	5.8
Broad Money (Annual percent change)						
IDB Member Countries	12.8	15.2	16.8	21.0	20.6	13.5
LDMCs	19.7	17.0	14.3	21.3	23.7	15.5
Developing Countries	16.4	15.9	15.3	20.9	23.1	13.9
Gross National Savings (percent of GDP)						
IDB Member Countries	27.0	27.6	29.3	29.9	30.1	30.7
LDMCs	18.7	20.2	21.1	21.3	23.4	24.9
Developing Countries	27.9	29.7	31.4	32.6	33.2	33.8
Gross Capital Formation (percent of GDP)						
IDB Member Countries	20.5	21.4	21.7	22.3	24.1	24.9
LDMCs	22.6	23.4	23.1	22.5	23.2	23.9
Developing Countries	26.0	27.3	28.3	29.3	30.5	31.7
Gross Private Capital Formation (percent of GDP)						
IDB Member Countries	17.3	17.9	17.7	17.3	18.3	18.8
LDMCs	17.7	17.8	17.7	17.2	17.1	17.5
Developing Countries	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Direct Investment in Reporting Countries (percent of World)						
IDB Member Countries	5.9	7.7	8.7	9.8	10.7	9.7
LDMCs	1.3	1.4	0.9	0.7	0.4	0.8
Developing Countries	30.9	38.2	36.6	33.9	37.4	36.3
Fiscal Balance (percent of GDP)						
IDB Member Countries	-2.4	-0.6	1.5	2.1	0.5	1.2
LDMCs	-2.6	-2.3	-2.4	-0.3	-2.7	-0.7
Developing Countries	-2.7	-1.6	-0.9	-0.3	-0.7	-0.7
Current Account Balance (percent of GDP)						
IDB Member Countries	4.5	5.3	8.9	9.6	7.5	7.6
LDMCs	-5.3	-4.8	-4.0	-2.9	-0.9	1.5
Developing Countries	2.0	2.4	4.1	4.8	4.0	3.8
Trade Balance (percent of GDP)						
IDB Member Countries	8.9	9.5	12.7	13.8	11.6	11.4
LDMCs	-5.4	-4.3	-3.3	-1.2	-0.4	1.5
Developing Countries	3.3	3.7	5.2	5.9	5.0	4.5
External Debt ($ billion)						
IDB Member Countries	791.1	854.3	858.9	954.9	1,030.6	1,108.4
LDMCs	92.5	95.8	94.4	90.7	94.8	102.2
Developing Countries	2,687.8	2,931.5	3,013.3	3,342.4	3,762.7	4,118.0
Debt Service/Total Exports (percent)						
IDB Member Countries	13.8	11.3	10.4	10.9	8.6	7.3
LDMCs	9.2	9.1	7.1	17.2	8.1	4.4
Developing Countries	18.7	14.9	15.0	14.5	11.4	10.6
Financial Sector Depth (M2 as percent of GDP)						
IDB Member Countries	56.7	55.7	54.7	56.7	59.5	60.5
LDMCs	26.7	26.9	26.8	28.1	29.4	29.5
Developing Countries	74.0	72.4	70.2	72.5	75.2	76.0

Source: Data supplied by the International Monetary Fund; October, 2007.

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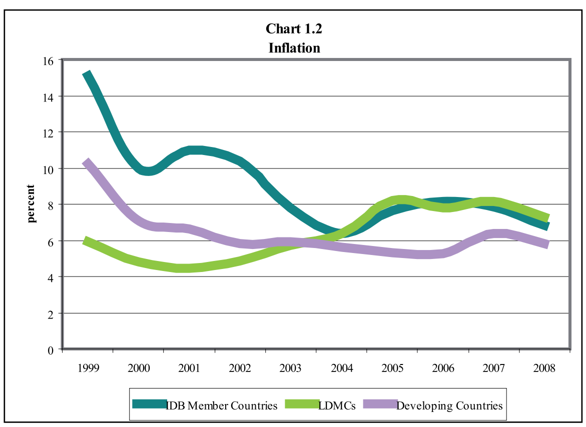
10 percent growth rate in 2007, were: Azerbaijan (29.3 percent), Qatar (14.2 percent), Afghanistan (13 percent), Sudan (11.2 percent), and Turkmenistan (10 percent).

With regard to per capita income, all the regions experienced a continuous rise during the period under consideration. However, disparities in per capita income levels remained significantly higher among regions as well as within individual member countries. The highest level of per capita income in 2007 was in the Middle East ($7,377); of which the six GCC members recorded the highest per capita income ($21,780). The second highest region was Europe and South America ($6,397), followed by North Africa ($2,758), CIS ($2,670), South East Asia ($1,342), and Sub-Saharan Africa ($781).

Build-up of Moderate Inflationary Pressures and Expansionary Monetary Policies

Strong domestic demand, excess liquidity in credit markets, and improved terms of trade continued to exert inflationary pressure on many member countries. As a group, inflation in member countries was 7.8 percent in 2007, which was lower than the 8.1 percent experienced in 2006 but higher than the average inflation rate of 6.4 percent in 2007 in developing countries. Inflationary pressures appear to be building up in LDMCs, where it rose from 7.8 percent in 2006 to 8.1 percent in 2007 (Chart 1.2).



Among the various regions of member countries, relatively higher inflationary pressures emerged in the Middle East, CIS, and North Africa. Inflation in the Middle East increased rather sharply from 8.7 percent in 2006 to 10.7 percent in 2007, whereas it rose from 9.5 percent to 10.5 percent in the CIS, and 3.5 percent to 7.4 percent in North Africa. To some extent, the build-up of inflationary pressures in some member countries is being fuelled by the rapid expansion of monetary aggregates. In order to maintain the growth momentum as well as to preserve gains in poverty reduction, it is important to exercise monetary restraint. In contrast, inflation declined in South East Asia from 9.4 percent to 6.2 percent, Europe and South America from 9.4 percent to 8 percent, and Sub-Saharan Africa from 7.6 percent to 6 percent during the same period.

In 2007, the high growth in broad money (M2) gives a clear indication of the expansionary monetary policies adopted by the member countries. The growth in broad money in member countries (as a group) was 20.6 percent in 2007, slightly lower than last year's 21 percent. In contrast, the monetary expansion in LDMCs was even faster as broad money grew from 21.3 percent in 2006 to 23.7 percent in 2007. Therefore, tightening of monetary policy in coordination with prudent fiscal stance is required to arrest and reverse the build-up of inflationary pressures in member countries.

Rising Internal Resource Surpluses and Expanding Private Sector Activities

National savings are critical to increasing investment and achieving long-term sustainable economic growth. As a percentage of GDP, national savings of member countries (as a group) increased marginally from 29.9 percent in 2006 to 30.1 percent in 2007. Similarly, the investment rate rose from 22.3 percent to 24.1 percent of GDP during the same period, leaving the resource surplus at 6 percentage points. The significant resource surplus of non-LDMCs suggests a considerable potential to further enhance intra-investment flows among member countries. In LDMCs, national savings also increased from 21.3 percent in 2006 to 23.4 percent in 2007, and the investment rate increased from 22.5 percent to 23.2 percent during the same period, transforming the resource deficit countries into resource surplus for the first time in history. However, accelerating investment rates higher than that of the developing countries is critical for member countries to benchmark their future economic growth and the targets set out for economic prosperity under IDB 1440H Vision.

Gross private fixed capital formation in member countries during 2003-2006 averaged 17.6 percent of GDP. Investment by the private sector rose by 18.3 percent of GDP in 2007. In contrast, the stagnating trend in gross private fixed capital formation in LDMCs continued in 2007 at about 17 percent. It appears that the lagged effect of private sector investment has significantly contributed to recent economic growth performance of LDMCs. However, sustaining and accelerating future economic growth by LDMCs will critically depend on raising investment in

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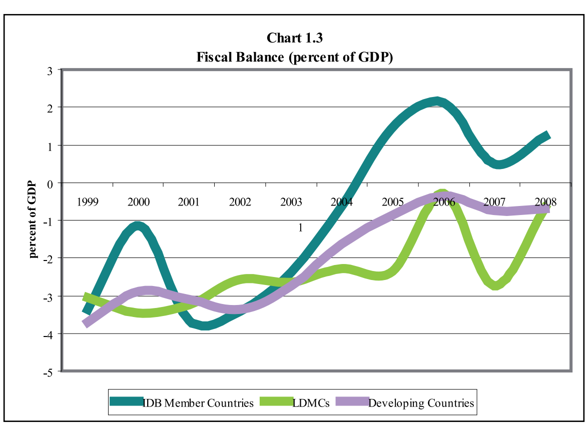
the private sector, which can be done through further liberalization of the investment regime conducive for doing business.

Over the last five years, foreign direct investment (FDI) in member countries has registered continuous increase, with Asia and the Middle East regions attracting a large share of the inflows. Member countries' share in global FDI increased from 9.8 percent in 2006 to 10.7 percent in 2007. In contrast, the share of LDMCs, which had already been very low, steadily declined from 1.3 percent in 2003 to 0.4 percent in 2007. In 2007, out of 176 countries, only two IDB member countries (Saudi Arabia and Malaysia) were among the top 25 countries in Doing Business ranking[10], while 36 member countries were below the 100-rank, including the bottom 20 member countries from the Sub-Saharan Africa region. This explains why the member countries should start adopting investment-related reforms that remove the major obstacles to doing business.

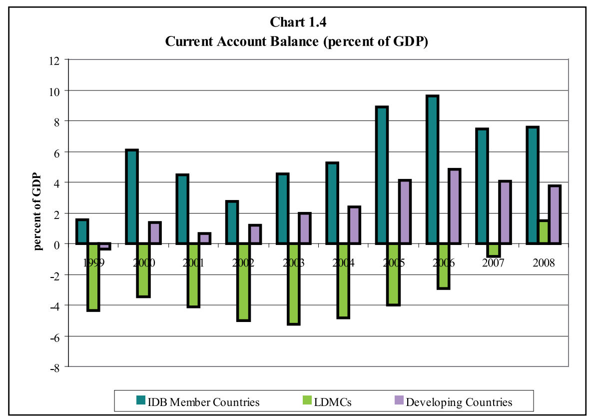
Expansionary Fiscal Policies

Member countries (as a group) maintained budget surplus for the last three years. However, their overall fiscal surplus dropped from 2.1 percent in 2006 to 0.5 percent of GDP in 2007 (Chart 1.3). This is a reflection of the combined effect of higher public spending programmes and to subsidization of energy and food commodities. For the same reasons, fiscal balance of LDMCs, which had improved in 2006, substantially deteriorated in 2007 as their fiscal deficit increased from 0.3 percent in 2006 to 2.7 percent of GDP in 2007. The higher spending was financed partly by higher external borrowing, which was reflected in the rising level of external debt by LDMCs in 2007. Against this backdrop, LDMCs need to pursue macroeconomic stability by adopting prudent fiscal and debt management policies.



Squeezing External Account Surpluses

Since 1999, member countries (as a group) have posted current account surplus, due mainly to the hike in oil revenues and favourable terms of trade in member countries. The surplus amounted to 9.6 percent of GDP in 2006, which dropped to 7.5 percent in 2007 (Chart 1.4). The rising trend in trade surplus (in goods and services) was also reversed as it fell from 13.8 percent in 2006 to 11.6 percent of GDP in 2007. This was caused largely by higher domestic demand for imports of goods, which rose (in value terms) from 16 percent in 2006 to 18 percent in 2007. This was accompanied by slower growth in exports of goods (in value terms), which slowed down from 19.5 percent to 11 percent during the same period. Developing countries also experienced similar declining trend in their current account position.



With regard to LDMCs (as a group), their current account deficit has narrowed overtime. In particular, it was reduced by 2 percentage points when it stood at 0.9 percent of GDP in 2007. Concurrently, the trade deficit of LDMCs also dropped from 1.2 percent in 2006 to 0.4 percent of GDP in 2007, due mainly to relatively higher exports growth at 21 percent compared to imports growth of 17 percent. The improvement in current account balance was attributed partly to higher export prices of non-oil commodities and a sharp decline in debt servicing - from 17.2 percent of total exports in 2006 to 8.1 percent in 2007.

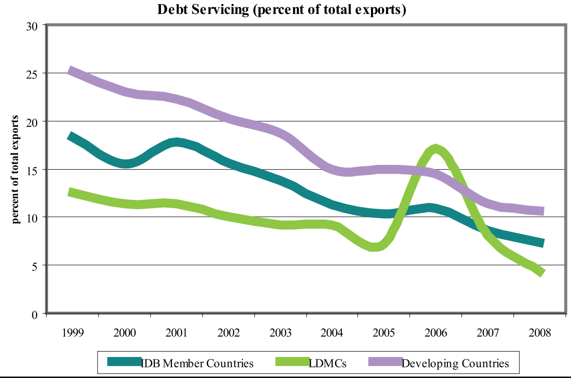
Upsurge in External Debt but Contraction in Debt Servicing

External debt of member countries (as a group) continued its upward trend. At the end of 2007, total external debt stood at about $1,031 billion, higher by about $76 billion (or an increase of 7.9 percent) over the last year. Debt servicing as a percentage of total export earnings of the member countries declined from 10.9

[10]Doing Business Report, International Finance Corporation and World Bank (2008).

percent in 2006 to 8.6 percent in 2007 (Chart 1.5). With regard to LDMCs, the declining trend in external debt in 2006 (lower by $3.7 billion over 2005) was reversed in 2007 and the stock of foreign debt increased from $90.7 billion in 2006 to $94.8 billion in 2007. In contrast, debt service payments as percent of total exports of LDMCs declined by 9.1 percentage points (from 17.2 percent to 8.1 percent) in 2007. As already noted, LDMCs need to pursue prudent debt management policy in order to consolidate macroeconomic stability.

Chart 1.5
Debt Servicing (percent of total exports)



Improving Financial Sector Depth

Over the past two decades, many member countries have pursued financial sector reforms in order to enhance savings and investment, improve resource allocation and economic efficiency. The degree of financial intermediation or financial depth is measured by the ratio of broad money (M2) to GDP - a higher ratio indicates greater financial sector depth. As a group, financial intermediation in member countries stood at 32.3 percent in 1980 and then increased to 46.7 percent in 1990, 54.3 percent in 2000, and 59.5 percent in 2007. In other words, it took member countries 27 years to almost double the measure of financial depth, which is still lower by about 16 percentage points as compared to the degree of financial intermediation in developing countries in 2007. With regard to the LDMCs, financial depth stood at 21.3 percent in 1980 and then increased to 25.8 percent in 1990, fell to 23.3 percent in 2000, and then rebounded to reach 29.4 percent in 2007, which is half of the degree of financial intermediation in member countries as a group. These developments suggest that the member countries need to quicken the pace of financial liberalization through supportive fiscal and banking sector policies.

3. Short-Term Prospects and Challenges

Beginning in January 2008, the outlook for global and regional economic performance has become cloudy. According to the IMF projections, the global economic expansion is expected to decelerate from 4.9 percent in 2007 to 4.1 percent in 2008, mainly because of weakening performance in advanced economies, primarily in the U.S., where growth is projected to slowdown from 2.2 percent to 1.5 percent in 2008. In the Eurozone, growth is also projected to decline from 2.6 percent in 2007 to 1.6 percent in 2008, due mainly to the spillover effect of the continued turbulence in global financial market. Developing countries in Asia are expected to grow by 8.6 percent in 2008. Higher growth momentum in the Middle East is expected to continue and is projected to be 5.9 percent in 2008, mainly driven by the rising investments. Growth momentum is expected to slowdown in the CIS from 8.2 percent in 2007 to 7 percent in 2008, largely because of tightening credit conditions and weakening external environment. Growth in the African region is projected to rise from 6 percent in 2007 to 7 percent in 2008.

3.1 Favourable Macroeconomic Prospects of Member Countries

Despite the expected global economic slowdown, IDB member countries are projected to maintain non-inflationary growth at 6.3 percent in 2008, as the inflationary pressures are expected to subside from 7.8 percent in 2007 to 6.8 percent in 2008. LDMCs' output is projected to grow at the sustained rate of 8 percent in 2008, which will contribute to their progress towards achieving the MDGs by 2015. Inflation in LDMCs is expected to moderate from 8.1 percent in 2007 to 7.3 percent in 2008, partly resulting from tightening monetary policies (Table 1.1).

Among various regions, the growth in Sub-Saharan Africa is expected to accelerate from 5.5 percent in 2007 to 7.1 percent in 2008, North Africa from 5.8 percent to 6.3 percent, and Europe and South America from 5 percent to 5.3 during the same period. In CIS, output growth is projected to decelerate from 12.7 percent in 2007 to 11.2 percent in 2008, while South East Asia and Middle East are expected to sustain growth of 6.1 percent and 5.5 percent, respectively.

Investment activities in both member countries as a group and in LDMCs are expected to continue their upward trend in 2008. As a group, they are likely to enjoy a budget surplus of 1.2 percent of GDP while the LDMCs are expected to reduce their deficit from 2.7 percent in 2007 to 0.7 percent in 2008. With regard to external balance, member countries (as a group) are projected to post current account surplus at 7.6 percent and trade surplus at 11.4 percent of GDP in 2008. Notably, LDMCs, for the first time in their history, are expected to post surpluses in both current and trade balances. This is due mainly to the expected rise in surpluses in CIS member countries from 8 percent in 2007 to 11.1 percent of GDP in 2008, coupled with the narrowing of current and trade deficits by Sub-Saharan African members from 2 percent to 0.2 percent of GDP in 2008.

The stock of external debt of member countries (as a group) is projected to increase by $77.8 billion to $1,108.4 billion in 2008, while that of the LDMCs is expected to rise by $7.4 billion to $102.2 billion in 2008. The decline in debt servicing is projected to be faster in case of LDMCs from 8.1 percent of total exports in 2007 to 4.4 percent in 2008 (Table 1.1).

3.2 Key Challenges Ahead

The continued turbulence in international financial markets caused by the sub-prime mortgage crisis in the U.S. is expected to contribute to economic slowdown in the advanced economies. However, most of IDB member countries are unlikely to suffer from any spillover effects in their domestic financial markets because of their relatively limited integration with the global capital markets. To maintain non-inflationary growth momentum during 2008, member countries face key challenges at the global and regional levels. The most important challenge, in the face of sharp spikes in energy and food commodities, is to mitigate inflationary pressures by calibrated balancing between fiscal and monetary stance, on the one hand, and protecting the most vulnerable groups in the society, on the other.

Furthermore, in recent years, relatively higher inflows of foreign direct investment to member countries enormously strengthened their long-term growth prospects. In addition, remittances have also resulted in rapid credit expansion. At the same time, this has also caused a sharp rise in domestic asset prices, overheating of the economy, and further fuelling of the inflationary pressures.

Finally, rising inequality in many member countries shows that the distribution of gains from robust economic growth has yet to be institutionalized. In order to maintain social stability, it is critical to ensure that economic policies are tailored to produce equitable growth through sustained development in developing countries, including IDB member countries.

II. SOCIAL PERFORMANCE OF MEMBER COUNTRIES

Economic and social developments are interdependent and mutually reinforcing determinants of improving people's livelihood and maintaining social stability. The goals and objectives of social development require continuous efforts to reduce and eliminate major sources of social distress and instability. Undoubtedly, both social and economic development cannot be secured in a sustainable way without the participation of all stakeholders in the society. Latest available data on social development indicators for member countries are shown in Table 1.2.

2.1 State of Human Development

The Human Development Index (HDI)[11] developed by the UNDP is an important tool for monitoring long-term trends in human development. The HDI classifies 177 countries into three categories - high human development countries with index value of 0.8 or above; medium human development countries with HDI between 0.5–0.799; and low human development countries with HDI of less than 0.5.[12] Out of 56 IDB member countries, 10 are categorized as high, 30 are classified as medium and 12 are placed in low human development, while four member countries are not ranked because of the non-availability of necessary data (Table 1.2). Member countries with relatively low HDI rankings suggest that past efforts and investments in the social sector have been both inadequate and ineffective. Top-5 member countries with high human development in the Middle East, CIS, South East Asia, and Sub-Saharan Africa are shown in Chart 1.6.

In contrast, Human Poverty Index (HPI)[13] reflects the extent of human deprivation among the population - the proportion of people in the community who are left in the lurch. The HPI is also an indication of the standard of living in a country - the higher the value of HPI, the lower the standard of living in a country. In Table 1.2, the distribution of HPI across member countries reveals enormous disparities. The HPI ranges from a low level of 6.9 percent in Jordan (i.e., the highest living standard) to a high level of 56.9 percent in Chad (i.e., the lowest living standard). There are six member countries (Qatar, U.A.E., Malaysia, Turkey, Jordan, and Lebanon) that have an HPI of less than 10 percent. The HPI exceeded 33 percent in 21 member countries,

[11]Human Development Index (HDI) is a composite index that measures the average achievements in a country in three basic dimensions of human development: a long and healthy life; access to knowledge; and a decent standard of living. These basic dimensions are measured by life expectancy at birth, adult literacy and combined gross enrolment in primary, secondary and tertiary level education, and gross domestic product (GDP) per capita in Purchasing Power Parity US dollars (PPP US$), respectively.

[12]United Nations Development Programme (UNDP), Human Development Report, 2007/2008.

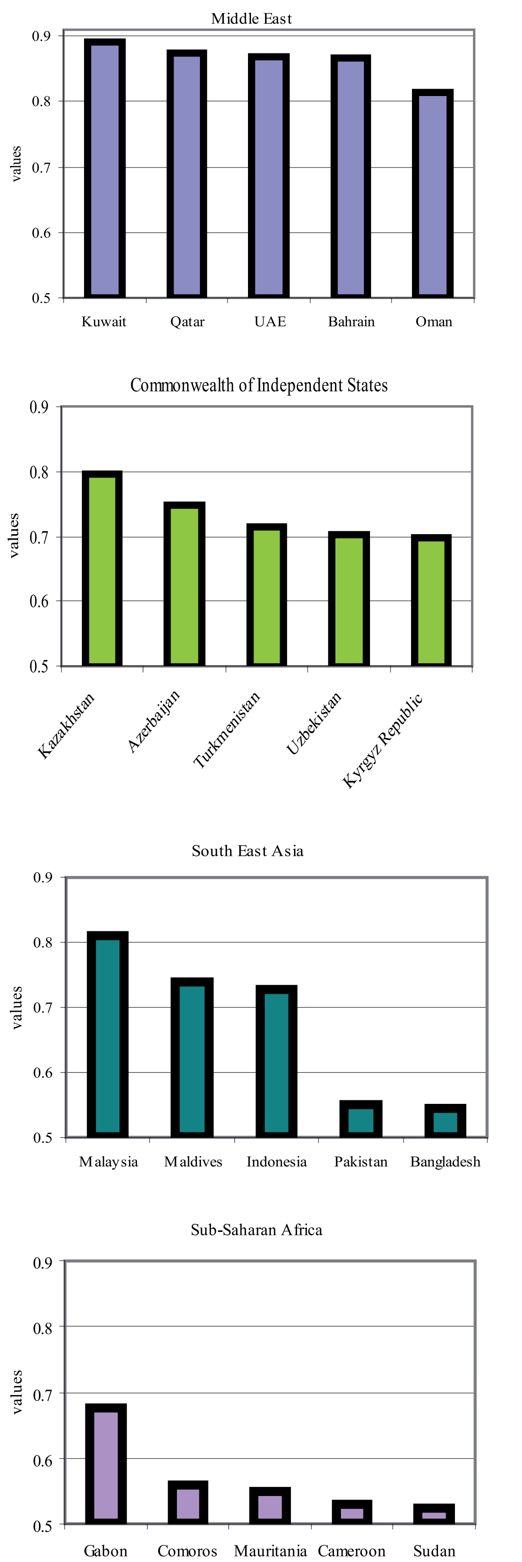
[13]A composite HPI measures deprivations in three basic dimensions captured in the human development index (HDI) such as a long and healthy life, knowledge and a decent standard of living.

Table1.2 Social Development Indicators of IDB Member Countries

	Country	Human Development Index (2005) (rank)	Human Development Index (2005) (value)	Human Poverty Index 2005) (%)	Public Expenditure on Health (2004) (% of GDP)	Public Expenditure on Education (2002-2005) (% of GDP)
High Human Development						
1	Brunei	30	0.894	…	2.6	…
2	Kuwait	33	0.891	…	2.2	5.1
3	Qatar	35	0.875	7.8	1.8	1.6
4	UAE	39	0.868	8.4	2.0	1.3
5	Bahrain	41	0.866	…	2.7	…
6	Libya	56	0.818	…	2.8	2.7
7	Oman	58	0.814	…	2.4	3.6
8	Saudi Arabia	61	0.812	…	2.5	6.8
9	Malaysia	63	0.811	8.3	2.2	6.2
10	Albania	68	0.801	…	3.0	2.9
Medium Human Development						
11	Kazakhstan	73	0.794	…	2.3	2.3
12	Turkey	84	0.775	9.2	5.6	3.7
13	Suriname	85	0.774	10.2	3.6	…
14	Jordan	86	0.773	6.9	4.7	4.9
15	Lebanon	88	0.772	8.5	3.2	2.6
16	Tunisia	91	0.766	17.9	2.8	7.3
17	Iran	94	0.759	12.9	3.2	4.7
18	Azerbaijan	98	0.746	…	0.9	2.5
19	Maldives	100	0.741	17.0	6.3	7.1
20	Algeria	104	0.733	21.5	2.6	…
21	Indonesia	107	0.728	18.2	1.0	0.9
22	Syria	108	0.724	13.6	2.2	…
23	Turkmenistan	109	0.713	…	3.3	…
24	Egypt	112	0.708	20.0	2.2	…
25	Uzbekistan	113	0.702	…	2.4	…
26	Kyrgyz Republic	116	0.696	…	2.3	4.4
27	Gabon	119	0.677	20.4	3.1	3.9
28	Tajikistan	122	0.673	…	1.0	3.5
29	Morocco	126	0.646	33.4	1.7	6.7
30	Comoros	134	0.561	31.3	1.6	3.9
31	Pakistan	136	0.551	36.2	0.4	2.3
32	Mauritania	137	0.550	39.2	2.0	2.3
33	Bangladesh	140	0.547	40.5	0.9	2.5
34	Cameroon	144	0.532	31.8	1.5	1.8
35	Sudan	147	0.526	34.4	1.5	…
36	Djibouti	149	0.516	28.5	4.4	7.9
37	Togo	152	0.512	38.1	1.1	2.6
38	Yemen	153	0.508	38.0	1.9	9.6
39	Uganda	154	0.505	34.7	2.5	5.2
40	Gambia	155	0.502	40.9	1.8	2.0
Low Human Development						
41	Senegal	156	0.499	42.9	2.4	5.4
42	Nigeria	158	0.470	37.3	1.4	…
43	Guinea	160	0.456	52.3	0.7	2.0
44	Benin	163	0.437	47.6	2.5	3.5
45	Cote d'Ivoire	166	0.432	40.3	0.9	4.6
46	Chad	170	0.388	56.9	1.5	2.1
47	Mozambique	172	0.384	50.6	2.7	3.7
48	Mali	173	0.380	56.4	3.2	4.3
49	Niger	174	0.374	54.7	2.2	2.3
50	Guinea-Bissau	175	0.374	44.8	1.3	5.2
51	Burkina Faso	176	0.370	55.8	3.3	4.7
52	Sierra-Leone	177	0.336	51.7	1.9	3.8
Un-ranked Member Countries						
53	Afghanistan	…	…	…	…	…
54	Iraq	…	…	…	…	…
55	Palestine	…	…	…	…	…
56	Somalia	…	…	…	…	…

Sources: UNDP, Human Development Report, 2007/2008

Chart 1.6
Top-5 Member Countries with High Human Development



implying that human poverty affected at least one third of the population in these member countries, while six member countries have an HPI of more than 50 percent, suggesting that half of the population in these countries lived in abject poverty.

In order to address the human development challenges, member countries need to urgently improve the effectiveness of public spending in such key areas as basic education, vocational training, improved and affordable access to basic health services, nutrition, clean water and sanitation, particularly in the landlocked and conflict - affected countries. Member countries also need to develop a comprehensive and workable system to monitor their progress in poverty alleviation targets as well as to gauge the effectiveness of the human development programmes. This requires strengthening the capacity of national statistical agencies in member countries to produce reliable, timely, consistent and accurate socio-economic data in accordance with international best practice and statistical frameworks. To support the urgent needs of the member countries in this area, particularly among the LDMCs, IDB has launched Statistical Capacity Building (IDB-STATCAP) Initiative in 1428H. Details are provided in Box 1.1.

2.2 Mitigating Human Deprivation

In order to lay the foundations for sustainable and shared growth, public investment in the social sector should aim to improve *opportunities* for economic advancement and *affordability* of access to basic education and health services by the most vulnerable groups in the society. In this regard, member countries need to carefully design and monitor effective implementation of public investment programmes. This will help to achieve the MDGs and IDB 1440H Vision targets. In Table 1.2, information on public expenditure for the education and health sectors is presented. During 2002-2005, member countries' public expenditure in the education sector varied considerably. As a percentage of GDP, Yemen accounted for the highest average annual expenditure (9.6 percent), followed by Djibouti (7.9 percent), Tunisia (7.3 percent), Maldives (7.1 percent), Saudi Arabia (6.8 percent), Morocco (6.7 percent), and Malaysia (6.2 percent).

With regard to public expenditure in the health sector, WHO recommends a benchmark of 5 percent of GDP as an appropriate level for supporting the achievement of health-related targets under the MDGs. Among the member countries, only two - Maldives at 6.3 percent and Turkey at 5.6 percent - had expenditure that was above the WHO threshold. Although the overall health-

Box 1.1
IDB Statistical Capacity Building
(IDB-STATCAP) Initiative

On 11th Rabi Thani 1428H (29th April 2007), IDB organized an Expert Group Meeting (EGM) on *Statistical Capacity Building* at its headquarters in Jeddah. It was attended by representatives from selected member countries' national statistical offices, OIC-statistical institutions, regional statistical institutions, and IDB Group staff.

The EGM discussed challenges facing development in various statistical agencies in member countries, identified cross-cutting statistical capacity building initiatives to strengthen coordination and avoid duplication of efforts, and explored the development of a common framework for data collection activities and harmonisation of methods for computing aggregate statistics. Following the EGM recommendations, IDB launched a Statistical Capacity Building (IDB-STATCAP) Initiative in Ramadan 1428H (September 2007) with the following elements:

- A technical assistance facility to support the following four components of statistical capacity building: (i) physical infrastructure and equipment, (ii) statistical infrastructure, (iii) statistical operations, and (iv) institutional framework for national statistics.
- Financial support for statisticians from least developed member countries to leverage on the experiences and best practices of other member countries with advance statistical systems through training, workshops, conferences, and staff exchange programmes.
- Scholarships for statisticians working in national statistical offices to obtain Masters degree in the field of statistics.
- A Forum called Statistical Working Group, established in collaboration with relevant OIC institutions, to coordinate and develop a common framework for collecting data from member countries and streamlining techniques for calculating aggregate statistics.

The IDB-STATCAP Initiative offers support for strengthening statistical capacity of member countries and helping them to break the vicious cycle of under-performance and under-funding of national statistical agencies. The guidelines and procedures for applying for grants under IDB-STATCAP are available on IDB website at http://www.isdb.org

related indicators (i.e., outcomes) of member countries have been improving over the years, LDMCs, in particular, need to strengthen the effectiveness of public expenditure in the health sector.

III. MAJOR DEVELOPMENTAL ISSUES

As discussed earlier, member countries are faced with a number of on-going major developmental and political challenges such as the unprecedented rise in the prices of energy and food commodities, continued depreciation of the US dollar, turbulence in global financial markets, and geopolitical tensions in the Middle East. These challenges have far reaching implications for the socio-economic development in IDB member countries. In addition, there are also some longer-term broad-based challenges, which are likely to affect their socio-economic prospects. These include the perennial issue of enhancing capital flows and concretizing aid commitment; addressing challenges of unemployment; and promoting investment in clean energy.

3.1 Enhancing Capital Flows and Concretizing Aid Commitment

Most of IDB member countries depend on sustained flow of external resources, especially for their public investment programmes in the infrastructure and social sectors. Any disruption in that flow could potentially undermine macroeconomic stability and affect growth prospects. Overtime, structural shifts have been observed in net external flows to resource deficit member countries.

Net resource flows (sum of net ODA, net other official flows, and net private flows) to member countries (as a group) declined from $89.2 billion in 2005 to $83.2 billion in 2006, down by 6.7 percent. In terms of the total resource flows to developing countries, member countries' share stood at 28.9 percent in 2006. The amount of net resource flows varies significantly across various regions of IDB member countries. In 2006, Middle East received the highest amount - $25.1 billion (30.1 percent), followed by South East Asia - $19.9 billion (23.9 percent), Europe and South America - $18 billion (21.6 percent), Sub-Saharan Africa - $8.3 billion (9.9 percent), CIS - $8 billion (9.6 percent), and North Africa - $3.9 billion (4.7 percent). Among individual

IDB President, in the midst of participants, after chairing the inaugural session of the Expert Group Meeting on Statistical Capacity Building held on 12 Rabi Thani 1428H (24 April 2007) at IDB Headquarters in Jeddah.

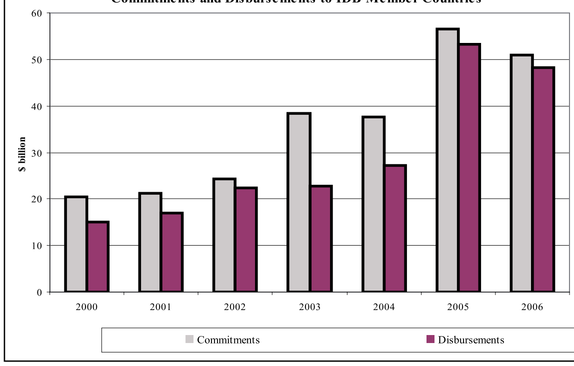
member countries, 18 countries received more than $1 billion in 2006. The highest recipients were Turkey ($17.5 billion), Saudi Arabia ($10.4 billion), Malaysia ($7.5 billion), Iraq ($7 billion), Kazakhstan ($5.9 billion), and Egypt ($5.4 billion). The member countries which experienced major drop in net resource flows between 2005 and 2006, were Iraq, Iran, Indonesia, Nigeria, and Morocco.

Although the donors' overall ODA commitments to developing countries increased from $114.9 billion in 2005 to $122.1 billion in 2006, those commitments to IDB members countries (as a group) declined from $56.5 billion to $50.9 billion, down by 9.8 percent during the same period. In 2006, the highest commitment was made to Nigeria ($11.7 billion), followed by Iraq ($7.8 billion), Indonesia and Afghanistan ($3 billion each), and Cameroon ($2.1 billion).

In line with the commitments, total ODA disbursements to member countries (as a group) also declined from $53.3 billion in 2005 to $48.3 billion in 2006, a drop of 9.4 percent. The fall was not entirely unexpected as ODA disbursements in 2005 were exceptionally high due to large Paris Club relief operations in Iraq ($22.1 billion) and Nigeria ($6.4 billion). In 2006, net debt relief grants still represented substantial amounts both for Iraq ($8.7 billion) and Nigeria ($11.4 billion). With regard to ODA disbursements to various regions of member countries, Sub-Saharan Africa received the maximum share (49.1 percent), followed by Middle East (24.6 percent), South East Asia (16.7 percent), North Africa (5.4 percent), CIS (2.3 percent), and Europe and South America (2 percent). Among individual member countries, the highest disbursements were made to Nigeria ($11.4 billion) in 2006, followed by Iraq ($8.7 billion), Afghanistan ($3 billion), and Pakistan and Sudan ($2.1 billion each).

With regard to concretizing aid commitments, member countries (as a group) were unable to receive the fully pledged ODA amounts (Chart 1.7). In 2006, they received $2.6 billion less than the pledged amounts. Among individual member countries, 24 countries could not receive the fully pledged ODA amounts during the same period. Both donors and recipient countries are responsible for the gap in the concretization of aid commitments. According to a 1970 UN resolution, 22 Development Assistance Committee (DAC) members committed 0.7 percent of their gross national income (GNI) in ODA to developing countries. So far, only five DAC members (Norway, Sweden, Luxemburg, the Netherlands and Denmark) currently meet or exceed this target, while

Chart 1.7
Commitments and Disbursements to IDB Member Countries



the 11 EU members have promised to meet their commitments by 2015. The remaining six members (including the U.S.) have yet to set a timetable for fulfilling their commitments.

More recently, the G8 leaders did commit in their Summit at Gleneagles, Scotland (July 2005) to increase aid for all developing countries by around $50 billion per year by 2010, of which $25 billion annually were committed for African countries. Without the concretization of aid commitments by the donors, the MDGs are unlikely to be achieved by 2015, particularly by the Sub-Saharan African countries. On the recipient side, developing countries must aggressively reform their economic and social policies, strengthen implementation capacity, improve absorptive capacity, and plug leakages to make more effective use of the available ODA inflows.

3.2 Addressing Challenges of Unemployment

Unemployment is one of the major socio-economic challenges facing IDB member countries. High levels of poverty and other related human development issues are the direct consequence of high unemployment rate in many member countries. Sustained growth in recent years in the member countries apparently had limited impact on reducing the growing numbers of unemployed. The overall unemployment rate in IDB member countries (as a group) increased from 7.3 percent in 1996 to 9.5 percent in 2007 and in LDMCs from 9 percent to 11.7 percent during the same period. In order to meet the challenge of rising unemployment, member countries need to develop strategies and programmes, which would create new jobs. Furthermore, in order to improve the understanding of labour market dynamics and design effective employment strategies, they need to invest in vocational training and skills upgradation. At the same time, they should also improve the collection and dissemination of up-to-date, and reliable labour market information.

Young women and men (15-24 year age group) are the greatest assets in any country. They bring energy, talent and creativity to economies and lay the foundations for future economic development. Currently, most of the member countries are experiencing demographic dividend. This is because the population growth is declining due to falling fertility and mortality rates, coupled with rising private and public expenditure on health. Consequently, changes in age structure and the proportion of working-age population are increasing overtime. The importance of demographic dividend is most visible among the fast growing East Asian countries, where it contributed to as much as one-third of the economic growth. In member countries, the total youth population (both boys and girls) was 237 million in 1996, which in 10 years rose to 300.3 million, showing a compound growth of 2.4 percent per annum. During the same period, the youth employment increased from 102.7 million to 124.6 million, a growth of 2 percent per annum. Further, the employment-to-youth population ratio was significantly low at 43.3 percent in 1996 and 41.5 percent in 2006, compared to the world ratio of 50.9 percent and 47.3 percent respectively. This indicates that a large share (over 56 percent) of the youth population was not directly involved in market-related activities, either because they were unemployed or (more likely) out of the labour force altogether. The scenario highlights the point that unless appropriate and timely policies are formulated by member countries, the demographic transition, instead of dividend, might in fact become a burden, putting an unbearable strain on the national budget and domestic resources. In particular, there is an urgent need to develop strategies aimed at giving young people a chance to make the most of their potential through decent employment.

Creating equal employment opportunities for both male and female also remain a major challenge in many member countries. During 2006, the average female youth employment-to-female youth population was 29.4 percent compared to that of male youth population of 53.2 percent. This indicates that a large share (over 70 percent) of the female youth population was not involved directly in market-related activities, either because they were unemployed or out of the labour force altogether. Therefore, it is extremely important that women's participation in the labour market, in conformity with society's religious norms, continues to grow in such a way that they find themselves productive and able to contribute to the overall economic wellbeing.

Another related issue is to improve the productivity of existing employed labour force. According to the ILO (2006)[14], output per worker in East Asia, where productivity levels showed the fastest increase, was one-fifth of the level found in the industrialized countries in 2006. The situation was even worse in other regions. The same comparison showed that productivity levels in South East Asia & the Pacific was seven times less, in South Asia eight times, in the Middle East and Latin America and the Caribbean three times, in Central and South Eastern Europe (non-EU) and CIS three and half times, and in North Africa four times. The widest gap was observed in Sub-Saharan Africa where the productivity level per employed person was one-twelfth than that of a worker in the industrialized countries. With regard to IDB member countries, annual average growth rates in labour productivity (value-added per person employed during 1980-2005) were negative in 20 countries. In this regard, they need to urgently strategize ways for improving labour productivity and quality of human capital, which will also enhance their international competitiveness.

3.3 Promoting Investment in Clean Energy for Sustainable Economic Development

Energy is widely viewed as a strategic component of economic and human development. It affects all aspects of development - social, economic, and environmental - including livelihoods, access to water, agriculture productivity, health, and education. The main sources of energy generation - hydrocarbons (coal, oil, diesel and natural gas) - have resulted in severe environmental degradation and have been the single most emitter of Greenhouse Gases (GHGs), leading to the phenomenon of global warming. In the process, developing countries have incurred enormous costs in terms of tackling the consequences of air pollution, soil depletion, rising sea levels and floods.

In fostering sustainable development - the dominant development paradigm of the 21st century - clean energy plays a critical role. Given that development is mainly concerned about the sustainability of environment, clean energy systems that do not depend on non-renewable resources and do not cause environmental destruction have come to be seen as the most preferred sources of energy generation.

In terms of the contribution of energy to socio-economic development, there is a strong link between per capita energy use and the Human Development Index (HDI), particularly for the least developed countries. In practice, the level of human development is linked to: (i) absolute amount of energy used per capita, and; (ii)

[14]ILO (2006), Key Indicators of Labour Market Database, 5th Edition.

share of various types of energy generation, especially electricity. According to various estimates, achieving any of the MDGs requires a major improvement in the quality and quantity of energy services in developing countries. For example, the goal of eradicating extreme poverty by halving the proportion of people living on less than $1 a day by 2015 implies a major increase in electrification rates through the use of reliable energy services in very poor countries.

However, in many of the impoverished countries, a large fraction of the population is unable to access energy services, and those who do have access often pay dearly for much lower quality, meaning that the services are somewhat erratic and unreliable. It is estimated that with current investment rates in the energy sector, roughly 1.4 billion people will not have access to electricity by 2030. Per capita energy use remains much lower in developing countries. The largest concentrations of poor, who also lack access to reliable energy services, are currently in Sub-Saharan Africa (where the per capita consumption is the lowest) and South Asia. According to the available statistics, almost all of the energy demand in developing countries is met through hydrocarbon resources and biomass. If left unchecked, the carbon dioxide (CO2) emissions in developing countries will overtake those of the advanced OECD countries by the year 2020.

While a quarter of the world population lacks access to energy, its rapidly rising demand in the Asian emerging economies has already resulted in a record rise in international energy prices. Two-thirds of the increase in world demand is expected to come from developing countries, especially in Asia. Rise in energy prices will also lead to shifts in production patterns from energy-intensive to non-energy intensive industries. As an upshot, relative comparative advantages and competitiveness will have profound impact on international trade and financial sector developments, especially in energy-deficit developing countries. In this regard, multilateral development banks (MDBs) have an important role to play in identifying and financing investment opportunities in affordable and clean energy systems.

Under the "Investment Framework for Clean Energy and Development" developed by the World Bank after the G8 Gleneagles Summit on Climate Change, Clean Energy and Sustainable Development in July 2005, the MDBs have focused on the need for national level energy sector reforms, diversification of sources of energy, develop ways to foster clean and efficient energy technologies, address the impact of energy on climate change, and develop new financing instruments and options.

In terms of clean energy options, a number of technologies are currently available (or will soon be) to reduce greenhouse emissions, including ultra-efficient coal-fired power plants (e.g. integrated gasification combined cycle, or IGCC with carbon capture and storage), natural gas, advanced renewable energy technologies, nuclear, biological sequestration, (e.g. afforestation), reducing the rate of deforestation, waste management (e.g. capture of methane emissions), incineration of process by-product gases as well as

IDB approved financing of $125 million to upgrade the existing Rabigh Refinery in Saudi Arabia. The project entails the development of an integrated and petrochemicals complex at the site of Rabigh Refinery, which after refining and processing of feedstock (crude oil, ethane and butane), will produce refined petrochemical products for exports globally.

highly efficient end-use technologies (e.g. buildings and vehicles).

The International Energy Agency (IEA) estimates that a total capital investment of $8.1 trillion, equivalent to an average of $300 billion per year (in 2005 dollars) will be needed up to 2030 for the developing and transition economies to meet their energy needs. Of which electricity will comprise 73 percent, oil 12 percent, natural gas 12 percent, and coal 3 percent. However, readily identifiable financing sources only reach about $80 billion per annum, or about 50 percent of the funding needs of the electricity sector in developing countries. According to recent estimates, financing requirements for providing 100 percent electricity access to energy-deficient regions during 2005-2030 would be in the range of $280 billion for Sub-Saharan Africa, $78 billion for Middle East and North Africa, and $113 billion for South Asia.

In view of the above, the need for promoting investment in clean energy has become a major challenge for developing countries, in general, and IDB member countries, in particular. Financing for the energy supply sector comes from three sources: internal cash generation, private financing, and public funding. The huge investment gap, especially in the electricity sector, has to be funded by attracting private sector investment in developing countries and transition economies. End-use efficiency improvements in the transportation, industry, commercial and residential sectors can also have a significant impact on the clean energy investment requirements.

IDB is cognizant of the issue and, on its part, has participated in the mapping exercise of the investment framework and is working towards mainstreaming clean energy into its operations. For instance, IDB has financed two major hydroelectricity generation projects in Pakistan and Niger River and has strongly supported (regional) hydropower development in Sub-Saharan Africa. At the United Nations Climate Change Conference held in Bali, Indonesia, in December 2007, IDB announced to support member countries to mitigate the effects of climate change by adopting clean energy systems. IDB will also partner with the private sector to invest in the provision of clean energy services in member countries. In addition, involvement of MDBs in financing of nuclear-based energy generation, albeit under international safeguards, could also be considered as a viable option for generating efficient and clean energy.

IDB approved $10 million to finance the rehabilitation and upgrading of primary irrigation canals and intake network located in the intensively irrigated plain of Pashtun Zarqun District of Herat Province in the Western Region of Afganistan. On completion, the project will increase the households income of farmers in the Western basin of Afghanistan.

Annex 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 $)
		2006	2006	2005	2006	2006	2006	2006	2007
1	Afghanistan	25.1	3.0	42	7.5	8.3	309	36.0	..
2	Albania	3.1	0.2	71	5.0	9.1	2,903	18.0	..
3	Algeria	33.3	1.5	71	3.6	113.9	3,400	259.5	69.29
4	Azerbaijan	8.5	1.0	66	31.0	19.8	2,336	54.9	..
5	Bahrain	0.7	1.8	75	7.6	15.4	20,497	18.0	0.38
6	Bangladesh	144.3	1.8	63	6.4	64.9	415	332.5	68.87
7	Benin	8.7	3.0	53	3.8	4.7	624	10.7	479.27
8	Brunei	0.4	1.9	78	5.1	11.6	30,625	9.7	1.51
9	Burkina Faso	13.6	2.7	49	5.9	6.0	449	18.9	479.27
10	Cameroon	16.7	2.2	51	3.8	18.3	999	40.1	479.27
11	Chad	10.0	2.4	47	0.5	6.4	688	16.2	479.27
12	Comoros	0.61	2.2	65	1.2	0.4	642	1.3	359.45
13	Cote d'Ivoire	18.5	1.7	45	0.9	17.6	951	31.0	479.27
14	Djibouti	0.81	1.6	55	4.8	0.8	1,030	1.9	..
15	Egypt	75.4	1.8	68	6.8	107.4	1,489	353.1	..
16	Gabon	1.4	1.6	56	1.2	9.6	6,836	10.3	479.27
17	Gambia	1.6	2.3	55	6.5	0.3	223	3.5	24.88
18	Guinea	9.2	2.2	54	2.2	3.1	329	23.0	..
19	Guinea-Bissau	1.63	2.9	47	2.7	0.3	189	1.2	479.27
20	Indonesia	223.0	1.1	68	5.5	364.2	1,640	967.3	9,143.36
21	Iran	69.2	1.3	71	4.9	222.4	3,188	595.4	9,281.15
22	Iraq	..	..	..	..	..	..	..	..
23	Jordan	5.6	3.2	71	6.3	14.1	2,519	31.4	..
24	Kazakhstan	15.3	1.1	64	10.7	81.0	5,363	144.5	122.55
25	Kuwait	2.6	2.5	78	5.0	95.9	30,984	64.7	0.28
26	Kyrgyz Rep.	5.2	1.1	65	2.7	2.8	542	11.0	37.32
27	Lebanon	4.1	1.1	71	0.0	22.7	6,137	21.4	1,507.50
28	Libya	6.0	1.9	73	5.6	50.4	8,449	76.7	..
29	Malaysia	25.8	1.6	72	5.9	148.9	5,643	315.6	..
30	Maldives	0.3	2.3	68	19.1	0.9	2,629	3.0	12.80
31	Mali	13.9	2.9	46	5.3	6.2	487	16.7	479.27
32	Mauritania	3.2	2.7	58	11.4	2.7	938	7.2	..
33	Morocco	30.5	1.2	71	8.0	65.4	2,149	175.5	8.19
34	Mozambique	20.1	1.8	46	8.5	7.7	386	29.9	25.80
35	Niger	14.4	3.2	42	5.2	3.6	278	12.5	479.27
36	Nigeria	144.7	2.4	48	5.6	116.5	777	183.9	..
37	Oman	2.6	2.2	74	5.9	36.0	13,845	48.1	0.38
38	Pakistan	159.0	2.1	62	6.9	127.0	817	426.5	60.74
39	Palestine*	4	3.1	..	..	..	..	..	..
40	Qatar	0.8	1.8	78	10.3	52.7	62,914	30.7	3.64
41	Saudi Arabia	23.7	2.4	71	4.3	349.1	14,733	391.1	3.75
42	Senegal	11.9	2.3	56	2.1	9.2	770	23.7	479.27
43	Sierra-Leone	5.6	2.1	39	7.4	1.4	254	5.0	2,985.19
44	Somalia	8	3.1	45	..	..	..	..	..
45	Sudan	37.0	2.1	60	11.8	37.4	1,034	100.7	2.02
46	Suriname	0.5	0.5	69	5.8	2.1	4,081	3.4	..
47	Syria	19.5	2.4	73	4.4	34.9	1,844	81.9	11.23
48	Tajikistan	6.7	1.5	65	7.0	2.8	441	9.5	3.44
49	Togo	6.3	2.5	54	2.0	2.2	351	9.5	479.27
50	Tunisia	10.1	1.0	73	5.4	30.8	3,032	91.3	1.28
51	Turkey	72.9	1.2	72	6.1	401.8	5,534	670.9	1.30
52	Turkmenistan	4.9	1.3	61	9.0	21.8	4,280	43.6	..
53	Uganda	29.9	3.6	50	5.4	9.4	316	49.0	..
54	U.A.E	4.6	2.3	78	9.4	163.3	38,613	144.2	3.67
55	Uzbekistan	26.5	1.4	66	7.3	17.0	643	61.0	..
56	Yemen	21.6	3.1	61	4.0	20.0	927	21.3	..
All Member Countries		**1,413.9**	**1.8**	**62**	**6.2**	**2,942.7**	**2,082**	**6,108.1**	**..**

*Refers to Gaza and West Bank. .. Data not available

Sources: 1. World Bank, World Development Indicators online database, accessed on 8 February 2008.
2. WHO, World Health Statistics online database, accessed on 8 February 2008.
3. IMF, World Economic Outlook online database, accessed on 8 February 2008.
4. IMF, International Financial Statistics online database, accessed on 8 February 2008.

Annex 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)		
		2004	2005	2006	2004	2005	2006	2004	2005	2006
1	Afghanistan	13.2	12.30	5.1	..	..	..	..	..	..
2	Albania	2.9	2.4	2.4	13.6	15.2	17.1	13.5	14.1	16.0
3	Algeria	3.6	1.6	2.5	30.9	9.8	34.1	10.0	8.8	20.6
4	Azerbaijan	6.7	9.7	8.4	30.6	14.9	145.2	47.7	23.2	86.9
5	Bahrain	2.3	2.6	2.9	4.8	23.4	21.0	4.1	22.0	14.9
6	Bangladesh	6.1	7.00	6.5	17.8	18.1	32.1	14.3	16.0	20.2
7	Benin	0.9	5.4	3.8	-17.2	33.3	11.9	-9.3	26.3	14.5
8	Brunei	0.9	1.1	0.2	9.0	1.3	10.9	16.0	-4.5	2.2
9	Burkina Faso	-0.4	6.4	2.4	-16.3	-7.0	4.2	-8.3	-4.8	11.0
10	Cameroon	0.3	2.0	5.1	7.6	0.4	12.4	6.4	4.9	10.3
11	Chad	-5.4	7.9	7.9	2.5	32.2	54.2	3.5	31.3	52.3
12	Comoros	4.50	3.00	3.40	-5.7	8.6	-2.9	-5.0	3.2	-1.7
13	Cote d'Ivoire	1.5	3.90	2.5	13.6	7.5	11.0	9.6	7.7	10.3
14	Djibouti	3.10	3.10	3.5	10.7	0.6	20.0	13.9	11.3	11.2
15	Egypt	8.1	8.8	4.2	15.0	20.4	20.0	15.1	11.5	15.0
16	Gabon	0.4	0.0	4.0	12.3	36.4	17.0	11.4	27.5	16.4
17	Gambia	14.2	3.2	1.4	8.2	6.9	26.0	18.3	13.1	26.2
18	Guinea	17.5	31.4	34.7	28.0	21.9	..	36.5	33.4	..
19	Guinea-Bissau	0.80	3.40	2.00	43.6	20.3	3.1	42.8	21.3	4.4
20	Indonesia	6.1	10.5	13.1	15.1	10.2	28.1	8.9	16.4	14.9
21	Iran	15.2	12.1	13.6	14.9	22.8	25.9	23.0	22.8	29.1
22	Iraq	..	..	..	..	..	..	..	..	..
23	Jordan	3.40	3.5	6.3	10.9	28.2	12.4	10.5	21.4	12.8
24	Kazakhstan	6.9	7.6	8.6	64.4	18.0	60.3	68.2	26.3	78.1
25	Kuwait	1.3	4.1	2.8	21.5	17.4	-4.8	12.1	12.3	21.7
26	Kyrgyz Rep.	4.1	4.3	5.6	22.9	16.4	51.9	32.1	10.0	51.5
27	Lebanon	1.7	-0.7	5.6	6.4	-2.6	12.5	10.1	4.5	7.8
28	Libya	-2.2	2.0	3.4	17.0	31.8	15.5	13.8	29.0	14.1
29	Malaysia	1.4	3.0	3.6	11.2	8.7	12.2	11.7	6.3	11.5
30	Maldives	6.3	3.3	3.7	19.7	22.5	22.2	32.8	11.7	20.6
31	Mali	-3.1	6.4	1.9	-7.2	12.8	8.1	-2.6	9.8	6.0
32	Mauritania	10.4	12.1	6.20	..	..	..	..	..	..
33	Morocco	1.5	1.0	3.3	9.9	14.3	16.2	7.8	14.0	17.0
34	Mozambique	12.6	6.4	13.2	16.4	23.8	22.1	7.6	25.3	22.6
35	Niger	0.4	7.8	0.1	21.7	5.7	17.3	19.7	7.0	14.8
36	Nigeria	15.0	17.8	8.3	8.6	15.9	25.5	14.0	16.2	..
37	Oman	0.7	1.9	3.2	12.8	24.3	8.3	4.0	21.3	24.6
38	Pakistan	4.6	9.3	7.9	21.6	36.7	17.1	20.5	16.5	14.6
39	Palestine*	..	..	..	..	..	..	4.3	3.9	5.6
40	Qatar	6.8	8.8	11.8	29.4	53.2	24.7	20.5	43.3	37.9
41	Saudi Arabia	0.4	0.7	2.2	18.2	7.8	10.0	17.3	13.2	20.4
42	Senegal	0.5	1.7	2.1	6.7	8.4	14.1	12.2	8.2	12.5
43	Sierra-Leone	14.2	12.1	9.5	17.6	23.1	15.4	20.1	31.3	21.4
44	Somalia	..	..	..	..	..	..	..	..	..
45	Sudan	8.4	8.5	7.2	31.8	34.5	-87.1	30.8	43.5	29.7
46	Suriname	9.1	9.9	11.3	23.6	9.7	22.7	31.5	10.7	23.7
47	Syria	4.4	7.2	10.0	-4.2	14.3	-4.0	10.8	11.3	7.3
48	Tajikistan	7.2	7.3	10.0	8.5	0.0	30.4	9.8	25.9	59.7
49	Togo	0.4	6.8	2.2	24.7	-3.2	33.0	18.1	2.2	22.6
50	Tunisia	3.6	2.0	4.5	10.6	13.7	13.1	11.3	11.0	11.6
51	Turkey	8.6	8.2	9.6	24.7	48.0	58.6	20.8	25.1	32.6
52	Turkmenistan	5.9	10.7	8.2	..	..	..	..	..	..
53	Uganda	5.0	8.0	6.6	8.6	19.6	18.8	11.1	16.5	17.6
54	U.A.E	5.0	6.2	9.3	38.7	29.2	14.9	23.8	30.5	23.2
55	Uzbekistan	6.6	10.0	14.2	..	..	..	..	..	..
56	Yemen	12.5	11.7	18.2	12.4	13.3	26.2	14.6	14.4	26.1
All Member Countries		**6.4**	**7.7**	**8.1**	**18.5**	**20.8**	**25.5**	**16.7**	**17.6**	**22.3**

* Refers to Gaza and West Bank. .. Data not available

Sources: 1. IMF, World Economic Outlook Online Database, accessed on 13 February, 2008.
2. IMF, International Financial Statistics Online Database, accessed on 13 February, 2008.

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Annex Table 3
Balance of Payments Indicators

Sl. No.	Country	Current Account Balance ($ billion)			Overall Balance ($ million)			Gross Reserves in months of imports		
		2004	2005	2006	2004	2005	2006	2004	2005	2006
1	Afghanistan	0.2	0.04	-0.1	..	..	..	..	..	..
2	Albania	-0.3	-0.5	-0.5	286	148	269	6.6	5.9	7.0
3	Algeria	11.1	21.2	29.2	..	..	..	26.9	32.7	44.5
4	Azerbaijan	-2.6	0.2	3.1	317	161	1,343	3.3	3.1	5.9
5	Bahrain	0.4	1.6	2.0	158	294	822	3.2	..	..
6	Bangladesh	-0.2	0.01	0.8	503	-416	865	2.9	2.2	2.8
7	Benin	-0.3	-0.3	-0.3	-310	-57	..	8.6	8.4	11.1
8	Brunei	3.8	5.3	6.4	..	..	..	4.2	3.6	3.6
9	Burkina Faso	-0.5	-0.6	-0.6	..	..	..	6.3	3.9	4.6
10	Cameroon	-0.6	-0.6	-0.1	-222	..	..	3.8	3.8	6.5
11	Chad	-0.5	-0.3	-0.4	..	..	..	2.7	2.3	6.3
12	Comoros	-0.01	-0.01	-0.02	..	..	..	13.8	10.1	10.4
13	Cote d'Ivoire	0.2	0.04	0.5	150	-302	168	4.2	3.0	4.1
14	Djibouti	-0.01	0.01	-0.1	-100	-107	-75	4.2	3.8	5.0
15	Egypt	3.4	2.9	0.9	-584	5,226	2,937	10.5	12.2	14.3
16	Gabon	0.8	1.8	1.9	68	..	..	4.1	5.6	8.9
17	Gambia	0.0	-0.1	-0.1	-1	-36	0	4.3	4.9	5.9
18	Guinea	-0.2	-0.1	-0.2	-59	..	..	1.8	1.3	..
19	Guinea-Bissau	0.01	-0.02	-0.04	11	..	..	8.7	8.4	8.9
20	Indonesia	1.6	0.3	10.0	-2,198	-2,111	11,370	6.5	5.2	6.3
21	Iran	1.4	16.6	19.4	..	..	..	..	..	..
22	Iraq	..	..	..	..	..	..	4.2	6.1	9.7
23	Jordan	0.00	-2.3	-2.0	180	261	1,442	6.8	5.7	7.0
24	Kazakhstan	0.3	-1.1	-1.8	3,999	-1,944	11,075	6.7	3.6	9.2
25	Kuwait	18.2	32.7	41.3	629	619	3,584	6.6	6.3	9.2
26	Kyrgyz Rep.	0.1	0.1	-0.2	145	68	177	6.2	4.9	5.4
27	Lebanon	-3.3	-2.9	-1.4	-780	458	146	14.6	14.8	16.6
28	Libya	7.4	17.3	24.3	6,111	13,840	19,447	46.3	62.6	87.3
29	Malaysia	14.9	20.0	25.6	22,050	3,620	6,864	7.2	6.8	7.5
30	Maldives	-0.1	-0.3	-0.4	44	-23	45	3.5	2.7	3.0
31	Mali	-0.4	-0.4	-0.3	-184	16	..	7.1	6.4	7.3
32	Mauritania	-0.5	-0.9	-0.04	..	..	..	..	..	..
33	Morocco	1.0	1.4	2.2	733	445	717	10.2	8.8	10.5
34	Mozambique	-0.5	-0.7	-0.6	141	-197	-1,643	6.3	4.7	4.7
35	Niger	-0.2	-0.3	-0.3	-39	33	..	4.0	3.7	5.6
36	Nigeria	3.8	9.1	14.3	8,491	10,397	..	12.8	16.7	22.1
37	Oman	0.3	2.7	3.0	847	2,746	2,200	4.9	5.4	5.6
38	Pakistan	1.8	-1.5	-5.0	-1,351	475	1,551	5.4	4.4	4.6
39	Palestine*	..	..	..	27	-26	..	..	..	..
40	Qatar	7.1	14.2	16.4	..	..	..	5.1	4.2	4.1
41	Saudi Arabia	52.0	90.1	95.5	4,498	-465	894	6.3	5.1	5.1
42	Senegal	-0.5	-0.7	-0.9	199	..	..	5.5	4.3	4.6
43	Sierra-Leone	-1.4	-3.0	-5.5	-100	-130	59	4.8	5.6	5.7
44	Somalia	0	0	0	..	..	..	..	..	..
45	Sudan	..	..	..	769	598	-591	3.0	3.2	2.7
46	Suriname	-0.1	-0.2	0.1	76	20	94	1.9	1.7	2.9
47	Syria	-0.8	-1.2	-2.1	251	14	-732	..	..	..
48	Tajikistan	-0.1	-0.1	-0.1	4	6	-10	1.5	1.3	1.3
49	Togo	-0.1	-0.1	-0.1	141	-113	..	4.6	2.1	3.7
50	Tunisia	-0.6	-0.3	-0.7	977	936	2,082	3.6	3.8	5.5
51	Turkey	-15.6	-22.6	-31.9	4,260	23,176	10,621	4.0	4.8	5.3
52	Turkmenistan	0.1	0.9	3.4	..	..	..	..	..	..
53	Uganda	-0.1	-0.2	-0.4	123	82	333	8.3	6.9	8.4
54	U.A.E	10.3	24.3	35.9	..	..	..	2.9	2.9	3.5
55	Uzbekistan	1.2	1.9	3.2	..	..	..	..	..	..
56	Yemen	0.2	0.6	0.6	373	434	1,112	15.4	13.7	15.4
All Member Countries		**112.1**	**224.0**	**283.5**	**50,633.8**	**..**	**..**	**6.9**	**7.0**	**8.6**

*Refers to Gaza and West Bank

.. Data not available

Sources: 1. IMF, World Economic Outlook online database, accessed on 8 February 2008.
2. IMF, International Financial Statistics online database, accessed on 8 February 2008.
3. World Bank, World Development Indicators online database, accessed on 8 February 2008.

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Annex Table 4
International Trade Indicators

SI. No.	Country	Merchandise Exports (f.o.b.)			Merchandise Imports (c.i.f)			Trade Balance ($ million)	Terms of Trade (2000=100)	
		Value ($ million)	Annual Growth Rate (%)	Ten-Year Growth (%)	Value ($ million)	Annual Growth Rate (%)	Ten-Year Growth (%)			
		2006	2006	1997-2006	2006	2006	1997-2006	2006	1995	2005
1	Afghanistan	400	17.6	8.1	2,850	13.1	21.2	-2,450	..	..
2	Albania	791	20.2	18.6	3,049	16.5	17.9	-2,258	..	94
3	Algeria	52,822	14.8	18.0	21,005	3.2	11.4	31,817	58	171
4	Azerbaijan	5,897	35.7	27.4	5,050	19.9	23.5	847	..	141
5	Bahrain	12,006	19.8	12.8	8,933	12.4	10.4	3,073	..	121
6	Bangladesh	12,050	29.6	9.3	16,100	15.9	8.7	-4,050	112	82
7	Benin	570	0.2	4.7	990	10.7	4.3	-420	107	79
8	Brunei	7,800	24.8	14.2	1,760	18.0	-0.7	6,040	..	164
9	Burkina Faso	430	23.9	6.7	1,450	13.3	10.6	-1,020	131	81
10	Cameroon	3,770	33.3	8.1	3,170	9.7	10.3	600	90	126
11	Chad	3,750	23.7	40.9	1,200	7.4	18.6	2,550	93	..
12	Comoros	11	-20.3	11.2	108	13.7	8.7	-97	86	51
13	Cote d'Ivoire	8,715	16.4	8.1	5,300	-0.9	7.4	3,415	122	131
14	Djibouti	40	1.3	4.2	290	4.6	5.5	-250	..	105
15	Egypt	13,702	28.6	16.1	20,595	3.9	2.2	-6,893	116	124
16	Gabon	5,600	15.2	9.1	1,500	9.5	3.9	4,100	125	156
17	Gambia	10	25.0	7.6-	245	3.4	-0.2	-235	100	87
18	Guinea	900	1.1	2.8	900	9.8	4.7	0	90	132
19	Guinea-Bissau	75	-24.2	9.6	110	-7.6	5.6	-35	103	86
20	Indonesia	103,964	20.6	6.9	78,393	4.6	7.2	25,571	90	60
21	Iran	75,200	33.7	18.3	51,100	33.6	16.2	24,100	..	141
22	Iraq	29,597	22.8	17.4	24,136	3.0	21.6	5,461	..	158
23	Jordan	5,144	19.6	13.4	11,475	9.2	13.5	-6,331	116	88
24	Kazakhstan	37,986	36.4	23.5	23,224	33.8	21.9	14,761	..	150
25	Kuwait	54,496	21.5	18.0	16,314	-6.7	9.5	38,182	..	171
26	Kyrgyz Rep.	780	16.0	4.3	1,694	52.9	8.2	-914	..	104
27	Lebanon	2,814	20.4	20.6	9,647	0.1	4.3	-6,833	..	98
28	Libya	38,300	27.2	18.4	8,150	16.4	4.2	30,150	65	..
29	Malaysia	160,556	13.9	8.4	130,989	14.3	7.4	29,567	109	102
30	Maldives	222	37.0	10.5	940	26.2	10.9	-718	..	107
31	Mali	1,350	18.9	11.1	1,600	-1.4	10.0	-250	110	107
32	Mauritania	1,270	125.2	8.6	700	-6.7	8.2	570	102	140
33	Morocco	12,559	12.2	6.5	23,302	12.1	10.6	-10,743	90	100
34	Mozambique	2,420	38.7	33.5	2,970	23.3	16.1	-550	151	111
35	Niger	540	8.0	7.4	800	-0.6	9.6	-260	121	128
36	Nigeria	52,000	23.0	16.6	23,000	29.9	9.7	29,000	56	146
37	Oman	22,340	19.5	13.8	10,730	21.7	8.4	11,610	..	156
38	Pakistan	16,917	5.4	8.6	29,825	17.6	12.2	-12,909	119	75
39	Palestine*	..	..	..	..	..	..	..	..	..
40	Qatar	31,278	21.4	21.5	15,861	57.6	18.0	15,417	..	159
41	Saudi Arabia	208,867	15.6	17.8	64,995	9.4	9.6	143,872	..	182
42	Senegal	1,510	-1.7	6.7	3,505	9.6	12.0	-1,995	156	98
43	Sierra-Leone	220	38.8	50.1	390	13.1	20.5	-170	..	89
44	Somalia	..	..	..	..	..	..	..	..	..
45	Sudan	5,320	10.3	30.1	7,400	9.5	20.0	-2,080	..	169
46	Suriname	1,200	26.3	10.6	900	0.6	5.8	300	..	141
47	Syria	8,750	0.5	12.6	9,670	1.6	11.8	-920	..	130
48	Tajikistan	1,401	54.2	6.4	1,680	26.3	9.8	-279	..	85
49	Togo	630	7.5	6.1	1,200	20.0	7.7	-570	99	21
50	Tunisia	11,513	9.7	9.0	14,865	12.8	7.3	-3,352	96	97
51	Turkey	85,142	15.9	15.4	137,032	17.3	13.7	-51,890	104	101
52	Turkmenistan	5,280	7.0	25.1	3,111	-13.3	14.6	2,170	..	167
53	Uganda	991	14.8	7.1	2,600	26.6	5.8	-1,609	197	101
54	U.A.E	139,353	20.7	16.5	94,670	17.1	13.6	44,683	..	143
55	Uzbekistan	5,365	13.0	3.9	3,915	6.8	0.2	1,450	..	117
56	Yemen	8,100	27.0	15.6	5,840	20.1	13.0	2,260	..	139
All Member Countries		**1,262,714**	**19.3**	**13.8**	**911,229**	**14.2**	**10.5**	**351,486**	**..**	**112**

*Refers to Gaza and West Bank. .. Data not available.
Source: World Bank, World Development Indicators online, accessed on 8 February 2008.

Annex Table 5
External Debt Indicators

Sl. No.	Country	Total Debt			Total Debt Service			Interest Payments % of Exports	Concessional Debt % of Total Debt
		Value ($ billion)	% of Exports	% of GNI	Value ($ billion)	% of Exports	% of GNI		
		2006	2006	2006	2006	2006	2006	2004-2006	2006
1	Afghanistan	..	..	..	..	..	..	..	..
2	Albania	2.3	115.5	25.1	0.1	6.5	1.4	1.3	57.5
3	Algeria	5.6	..	5.2	13.4	..	12.4	..	28.5
4	Azerbaijan	1.9	13.0	10.9	0.2	1.7	1.4	0.4	61.0
5	Bahrain	..	..	..	..	..	..	..	..
6	Bangladesh	20.5	186.50	31.4	0.7	6.2	1.0	1.6	88.2
7	Benin	0.8	..	17.5	0.1	..	1.8	2.2	87.8
8	Brunei	..	..	..	..	..	..	..	..
9	Burkina Faso	1.1	..	18.3	0.1	..	0.8	..	87.8
10	Cameroon	3.2	67.4	17.6	0.5	11.0	2.9	..	57.2
11	Chad	1.8	46.0	34.2	0.1	1.8	1.3	..	86.4
12	Comoros	0.28	596.21	70.32	0.0	7.6	0.9	..	89.0
13	Cote d'Ivoire	13.8	131.15	86.6	0.1	1.2	0.8	0.6	43.7
14	Djibouti	0.46	..	55.3	0.0	..	2.7	..	88.1
15	Egypt	29.3	87.3	27.2	2.2	6.5	2.0	1.9	70.3
16	Gabon	4.4	69.7	57.9	0.1	1.4	1.1	1.1	18.3
17	Gambia	0.7	..	145.2	0.0	..	6.6	4.4	93.8
18	Guinea	3.3	305.7	100.2	0.2	15.4	5.0	5.1	82.3
19	Guinea-Bissau	0.71	553.46	241.20	0.0	26.3	11.5	9.0	95.3
20	Indonesia	131.0	119.1	37.6	20.4	18.6	5.9	3.6	27.1
21	Iran	20.1	..	9.1	2.6	..	1.2	..	4.8
22	Iraq	..	..	..	..	..	..	..	..
23	Jordan	8.00	111.3	54.4	0.7	9.6	4.7	2.1	49.8
24	Kazakhstan	74.1	189.7	109.2	14.5	37.2	21.4	5.5	1.3
25	Kuwait	..	..	..	..	..	..	..	..
26	Kyrgyz Rep.	2.4	225.1	90.1	0.1	9.1	3.7	1.8	77.2
27	Lebanon	24.0	..	108.9	4.4	..	20.1	7.2	4.7
28	Libya	..	..	..	..	..	..	..	..
29	Malaysia	52.5	30.1	36.4	7.6	4.4	5.3	1.3	8.4
30	Maldives	0.5	..	52.3	0.0	..	3.9	2.0	49.5
31	Mali	1.4	81.2	23.4	0.1	4.5	1.3	1.5	96.2
32	Mauritania	1.6	112.1	58.85	0.1	6.7	3.5	..	70.5
33	Morocco	18.5	85.5	32.5	3.4	15.7	6.0	2.5	28.4
34	Mozambique	3.3	114.9	47.1	0.1	1.9	0.8	1.3	68.1
35	Niger	0.8	..	22.1	0.2	..	5.0	2.2	84.2
36	Nigeria	7.7	..	7.4	6.8	..	6.6	8.9	25.9
37	Oman	4.8	..	..	0.3	..	..	1.0	14.4
38	Pakistan	35.9	179.8	28.5	2.3	11.4	1.8	3.0	70.5
39	Palestine*	..	..	..	..	..	..	..	..
40	Qatar	..	..	..	..	..	..	..	..
41	Saudi Arabia	..	..	..	..	..	..	..	..
42	Senegal	2.0	81.7	22.4	0.2	8.3	2.3	2.6	80.4
43	Sierra-Leone	1.4	383.8	101.0	0.0	9.1	2.4	4.7	83.8
44	Somalia	3	..	..	0.0	..	..	..	54.9
45	Sudan	19.2	316.5	56.0	0.3	4.8	0.9	1.1	30.2
46	Suriname	..	..	..	..	..	..	..	..
47	Syria	6.5	..	19.2	0.2	..	0.6	0.6	68.9
48	Tajikistan	1.2	88.5	42.5	0.1	10.5	5.0	1.9	82.5
49	Togo	1.8	..	82.8	0.0	..	0.7	0.4	65.6
50	Tunisia	18.5	112.2	64.5	2.5	15.3	8.8	5.4	21.0
51	Turkey	207.9	184.7	51.7	40.5	36.0	10.1	7.9	2.0
52	Turkmenistan	0.9	11.6	8.9	0.3	3.4	2.6	..	54.8
53	Uganda	1.3	98.4	13.8	0.1	8.9	1.3	1.2	69.3
54	U.A.E	..	..	..	..	..	..	..	..
55	Uzbekistan	3.9	59.0	22.7	0.9	14.0	5.4	..	39.6
56	Yemen	5.6	..	31.6		..	1.3	0.8	88.8
All Member Countries		**749.6**	**--**	**35.2**	**126.8**	**--**	**6.0**	**--**	**24.0**

*Refers to Gaza and West Bank. .. Data not available.

Sources: 1. World Bank, Global Development Finance online database, accessed on 8 February 2008.
2. World Bank, World Development Indicators database online, accessed on 8 February 2008.

Annex Table 6
Resource Flows

SI. No.	Country	Total Receipt[1] ($ million)				Total ODA Commitments ($ million)			
		2000	2004	2005	2006	2000	2004	2005	2006
1	Afghanistan	157	2,207	2,795	3,045	121	2,943	3,125	3,014
2	Albania	231	524	482	502	325	420	280	408
3	Algeria	-400	-1,363	-1,366	-3,837	260	418	511	397
4	Azerbaijan	672	1,821	1,534	1,617	173	201	395	189
5	Bahrain	1,480	829	..	..	117	69	..	..
6	Bangladesh	1,230	1,531	1,710	1,325	1,167	2,060	1,582	1,831
7	Benin	227	382	377	370	318	455	442	740
8	Brunei	..	..	..	..	..	..	..	..
9	Burkina Faso	342	659	710	971	371	651	861	478
10	Cameroon	221	613	237	812	366	974	452	2,099
11	Chad	-226	335	385	298	322	315	424	273
12	Comoros	-2	25	43	31	19	29	57	29
13	Cote d'Ivoire	715	-19	210	552	386	365	233	392
14	Djibouti	91	74	98	185	72	69	100	108
15	Egypt	3,223	4,185	4,703	5,357	1,779	1,654	963	1,827
16	Gabon	76	399	-76	172	79	124	65	138
17	Gambia	45	60	68	72	39	70	84	60
18	Guinea	329	223	163	175	200	290	164	200
19	Guinea-Bissau	84	76	77	77	88	66	55	60
20	Indonesia	2,361	-87	7,971	3,876	1,986	2,133	3,863	3,032
21	Iran	21	4,291	5,746	2,062	153	170	59	119
22	Iraq	106	4,756	20,588	6,961	83	9,574	20,364	7,809
23	Jordan	574	470	836	516	574	643	638	551
24	Kazakhstan	750	1,367	1,975	5,928	303	125	142	182
25	Kuwait	..	..	..	..	..	..	..	..
26	Kyrgyz Rep.	223	258	332	275	276	194	192	293
27	Lebanon	49	283	387	562	162	162	248	1,008
28	Libya	..	..	521	798	..	..	14	38
29	Malaysia	-307	1,926	736	7,508	1,190	76	796	126
30	Maldives	11	76	128	143	35	13	66	47
31	Mali	385	534	745	833	459	723	681	723
32	Mauritania	211	217	203	173	240	353	148	270
33	Morocco	601	996	2,184	1,577	693	1,123	866	1,376
34	Mozambique	1,146	1,388	1,269	1,623	1,118	1,076	1,284	1,406
35	Niger	183	457	385	-532	304	505	605	394
36	Nigeria	-1,994	1,321	7,594	-3,093	311	895	5,982	11,710
37	Oman	167	1,823	2,352	2,156	151	8	9	6
38	Pakistan	159	174	2,580	3,999	1,188	1,541	1,942	1,814
39	Palestine*	507	1,110	1,136	1,430	681	616	955	987
40	Qatar	..	..	..	..	..	..	..	..
41	Saudi Arabia	-979	-739	1,969	10,447	18	14	12	22
42	Senegal	474	981	684	841	561	1,199	887	793
43	Sierra-Leone	185	355	343	455	311	278	319	214
44	Somalia	100	195	237	400	80	164	175	419
45	Sudan	315	1,014	1,856	2,128	285	1,143	2,102	1,784
46	Suriname	23	21	19	37	22	88	51	57
47	Syria	210	247	110	66	123	146	111	195
48	Tajikistan	117	254	273	253	152	256	188	212
49	Togo	60	108	92	155	53	62	78	56
50	Tunisia	660	872	515	38	578	549	486	502
51	Turkey	8,722	3,549	11,720	17,465	688	588	1,668	1,017
52	Turkmenistan	286	-91	-44	97	20	12	25	32
53	Uganda	792	1,181	1,241	1,569	848	1,388	1,256	1,064
54	U.A.E	..	..	..	..	..	..	..	..
55	Uzbekistan	448	119	36	-167	95	298	204	193
56	Yemen	287	194	324	876	429	330	252	229
All Member Countries		**25,348**	**42,178**	**89,194**	**83,178**	**20,371**	**37,616**	**56,464**	**50,923**

1. Total Receipt or "Net Resource Flows" 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 on 8 February 2008.

FOSTERING ECONOMIC DEVELOPMENT 2

IDB Group Operations

- Net Approvals of IDB Group: ID3.6 billion ($5.5 billion)
  - Number of Approvals: 327
  - Disbursements: ID2.3 billion ($3.6 billion)
  - Project Financing from Ordinary Capital Resources: ID1,372 million ($2,087 million)
  - Project Financing by Affiliates and Funds: ID365 million ($577 million)
- Co-financing by IDB: ID667 million ($1,014 million), or 49 percent of total project financing approvals
- Technical Assistance: ID11 million ($16.6 million)
- Trade Financing: ID1,818 million ($2,793 million)
- Special Assistance Operations: ID17 million ($25.6 million)
- 147 Operations from Ordinary Capital Resources
- 36 Projects by Affiliates and Funds
- 73 Technical Assistance Operations
- 82 Trade Financing Operations
- 62 Special Assistance Operations
- Share of IDB financing in co-financed projects: 15 percent
- LDMCs' share in total Loan Financing: 88 percent.

This Chapter provides an overview of IDB Group development assistance activities during 1428H, including financing by IDB entities, affiliates and funds (i.e., ICIEC, ICD, UIF, IDB Infrastructure Fund and APIF). The Group operations reported in this Chapter mainly deal with project financing, technical assistance and grants as well as programmes and operations financed through the Waqf Fund[1] (Special Assistance Programme, including emergency and relief operations). The Chapter is basically divided into four major themes focused on: (i) long-term public sector financing; (ii) private sector development; (iii) partnerships; and (iv) managing for development effectiveness.

Strategic Operations Plan on Track

IDB Group increased its overall financing from ID 3,497.8 million ($5,138 million) in 1427H to ID3,573.1 million ($5,482 million) in 1428H. This covered 327 operations in 51 member and 18 non-member countries. Project financing by the Group grew 16 percent over 1427H, reaching ID1,737.8 million ($2,664 million), while in terms of the OCR, it rose by 21 percent from ID1,133.4 million ($1,658 million) in 1427H to ID1,372.3 million ($2,087 million) in 1428H.

The year 1428H was the third year of implementation of IDB's five-year strategic plan (1426H-1430H). In implementing the plan, the Bank has continued to focus on strengthening portfolio quality improvement in line with the new procurement guidelines aimed at improving efficiency, transparency and equitability of its procurement process. The Bank has also focused on project implementation through additional resources, supervision and follow-up activities. A new regional office in Dakar, Senegal, has been opened to serve the Sub-Saharan African member countries. IDB has continued to tap into external technical expertise, especially in project preparatory activities, in order to improve quality-at-entry. The Bank has also expanded its focus on domestic capacity-building in member countries, especially executing agencies responsible for project implementation.

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

During the past years, IDB Group experienced a rapid expansion and diversification of its operational activities. In 1428H, the Group continued to support enhancing organisational and operational efficiency, while expanding its activities. During 1428H, there was orderly wound-down of the Islamic Banks Portfolio (IBP) by transferring resources and activities to the newly established International Islamic Trade Finance Corporation (ITFC) with effect from 1429H. Members of the (former) IBP had their equity adjusted based on the net book value and transferred to the new portfolio to be managed by the ITFC.

I. REVIEW OF DEVELOPMENT ASSISTANCE BY ECONOMIC SECTORS AND REGIONS

In recent years, IDB member countries, including LDMCs, have achieved sustained economic growth (see Table 1.1, Chapter One). Despite strong economic performance, however, formidable challenges persist in sustaining an average of 6-plus percent growth. This is required to ensure greater opportunities for the underprivileged so that they can improve their social and economic conditions. Addressing these challenges require sound economic policies at the national level and well-targeted assistance by the donors. IDB and its development partners, especially the MDBs, have been working closely to improve the design, delivery and effectiveness of their assistance programmes.

IDB development assistance revolves around supporting the efforts of member countries to fight poverty and achieve sustainable economic growth. The Bank's five-year strategic plan identifies human development, infrastructure and agricultural development, and food security as priority sectors of interventions in member countries.

1. Sectoral Distribution[2]

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

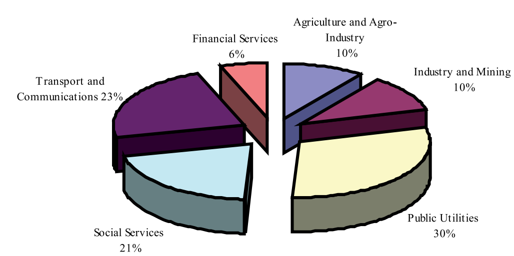
In 1428H, the breakdown of OCR net approvals shows that public utilities accounted for 34 percent of IDB financing with ID463.2 million ($705 million), while the transport and communications sector received 30 percent with ID407.1 million ($624 million). About 16 percent of the financing targeted the social sector, which received a total allocation of ID226.9 million ($340 million). Industry attracted ID89.6 million ($135 million), or 6 percent, and agriculture received ID30.2 million ($46 million), or 2 percent. The remaining amount was allocated to the financial services sector and other operations.

Table 2.1
Sectoral Distribution of Projects and Technical Assistance Financed from OCR

(values in million)

	1426H			1427H			1428H			1396H-1428H		
Sector	**No.**	**ID**	**$**	**No.**	**ID**	**$**	**No.**	**ID**	**$**	**No.**	**ID**	**$**
Agriculture & Agro-Industry	15	63.7	93.9	19	87.2	126.5	6	30.2	46.0	329	1,176.6	1,579.3
Industry & Mining	2	90.7	129.6	6	145.4	216.1	7	89.6	134.7	152	1,231.0	1,657.8
Public Utilities	21	381.7	555.2	26	328.7	480.3	24	463.2	705.2	334	3,432.8	4,784.1
Social Services	40	184.9	272.5	50	253.1	366.0	51	226.9	339.7	567	2,385.8	3,259.3
Transport & Communications	11	143.5	213.9	21	309.5	455.1	21	407.1	623.6	332	2,565.6	3,572.8
Financial Services	39	27.7	40.7	22	9.4	13.6	38	155.3	237.5	300	678.6	939.0
Total	**128**	**892.2**	**1,305.8**	**144**	**1,133.4**	**1,657.6**	**147**	**1,372.3**	**2,086.6**	**2,014**	**11,470.4**	**15,792.3**

Chart 2.1
Sectoral Distribution of Projects and Technical Assistance from OCR (1396H-1428H)



[2]Percentages reported from this Section onwards are calculated on the basis of US dollar values.

Doubling Assistance to the Power Sector

Out of the ID463.2 million ($705 million) committed to the public utilities sector, ID421 million ($641 million) targeted the power sector, which represents double the amount allocated to this sector in 1427H (ID220 million/$321 million). This is attributed to the accelerating demand for electricity in member countries. IDB financing targeted thermal power generation and transmission and, to a lesser degree, distribution projects in 11 member countries. In addition, the Bank committed ID16 million ($25 million) equity participation in the Dubai-based Global Energy Fund, a newly established private equity fund jointly sponsored by the Millennium Finance Corporation, Dubai Islamic Bank and Dubai World. A total amount of ID277 million ($423 million) was allocated to power generation projects, including Egypt's 1300 mw power plant project at Abu Qier, costing €951 million (see Box 2.1), which received $159 million, and Morocco's Mohammedia gas turbine power plant, which received $188 million. Together, they represent, the largest ever financing in a single operation by IDB.

Expanding and Diversifying Transport Portfolio

During 1428H, the Bank enhanced financing for the transport sector totalling ID407.1 million ($623 million). This represents a 38 percent increase compared to 1427H. Furthermore, the sector witnessed greater diversification with a number of new operations financed in both air and sea transport sub-sectors, in contrast with 1427H, which focused primarily on land transport (mainly road construction).

The Bank allocated $258 for 11 road construction projects in 10 member countries. Of them, five sub-Saharan African member countries received a total of $100 million to expand their land transport infrastructure, including $61 million for the construction of Singrobo-Yamassouko highway in Cote d'Ivoire. IDB also participated in Malaysia's $440 million South Klang Valley Expressway through a $75 million *Istisna'a* local currency financing.

The air transport sub-sector received a total of $210 million for two major airport expansion projects, namely, Jordan's Queen Alia Airport and Saudi Arabia's Hajj Terminal. Furthermore, IDB provided $4.8 million of financing towards the preparation of Libreville's airport terminal expansion project in Gabon. IDB also allocated $112 million for seaport projects in Maldives, Mauritania and Djibouti, where the Bank is co-financing the construction of the Doraleh Container Seaport Terminal, a BOT project sponsored by Dubai's DP World, the leading seaport operator (see Box 2.2).

Box 2.1
IDB Supports Expansion of
Power Sector in Member Countries

Abu Qier Power Plant in Egypt. The past few years have witnessed rapid economic growth in Egypt, averaging 6-7 percent annually, which led to a rapid increase in demand for electricity. Egypt aims to generate up to 25,000 mw by 2012, compared to 17,300 mw in 2006.

The Abu Qier steam power plant, which is expected to generate an additional 1,300 mw, is an important element of Egypt's 2007-2012 power generation programme. Located in Abu Qier Gulf, about 40 km east of Alexandria, the plant consists of two 650 mw steam turbine generator units and ancillary facilities. The project is estimated to cost €951 million. IDB has approved a lease financing of €119 million (ID105 million/$159 million) towards the procurement and installation of one steam turbine generator, along with condensers, transformers and heat exchangers. Other donor agencies include the Arab Fund for Economic and Social Development and the Kuwait Fund for Arab Economic Development, which are contributing $200 million each, while the African Development Bank is providing $317 million. The remaining balance is being covered by a consortium of local banks and the government.

This is IDB's fifth operation in Egypt's power sector. All previous four operations, which totalled $84 million, have already been completed. This includes the last project, Cairo's North Power Plant, which IDB approved in 2001.

Morocco's Mohammedia Gas Turbine Power Plant Project Attracts Biggest IDB Financing Ever. In 2000, the Bank agreed to support Morocco's universal rural electrification programme. This was to be achieved through the provision of access services to rural communities coupled with a commensurate increase in power generation and transmission capacity. Having nationwide responsibility for the provision of power services, Morocco's national electricity company, *Office National de l'Electricité (ONE)*, became IDB's main partner and recipient of financing, managing no less than nine IDB-financed operations worth $426 million over the 2000-2007 period.

IDB allocated $153 million for six rural electrification operations, which provided access to power for over 180,000 rural households (1.2 million inhabitants in 3,600 villages), and $273 million for three projects targeting the Mohammedia power generation complex. While the first two operations focused mainly on the rehabilitation, modernisation and environmental soundness (e.g., emission control and safety issues), the third operation, approved in 1428H, targeted the provision of an additional 300 mw through the installation and commissioning of three new 100 mw dual-gas turbines and ancillary facilities. IDB is providing €137 million (ID122 million/$188 million) for this project.

In addition to being energy-efficient and environmentally-sensitive, these new gas turbines have the added advantage of being adaptable for integrated gasification combined cycle (IGCC) systems planned for 2013. This new generation energy-efficient systems will help Morocco reduce its reliance on imported energy, which currently costs the country $4-4.5 billion a year.

Box 2.2
IDB Supports Transport
Infrastructure Sector in Member Countries

Singrobo-Yamassoukro Highway. Cote d'Ivoire's port-city of Abidjan is one of West Africa's main trans-shipment hubs. A recent survey has shown that 55 percent of the traffic of transport trucks originating from the port of Abidjan was bound for neighbouring Burkina-Faso and Mali. The Singrobo-Yamassoukro road, which makes up part of the 650 km-long Abidjan-Ouangolo axis, is an important North-South link and the sole corridor to landlocked Mali and Burkina Faso. However, the existing Singrobo-Yamoussoukro road is currently unable to accommodate increasing traffic loads and has deteriorated to a point where some sections are inaccessible during the rainy season. The situation prompted the Government of Cote d'Ivoire to construct a new highway between Singrobo and Yamoussoukro as one of its main priorities.

In 1428H, IDB approved €43.7 million ($61 million) towards the construction of an asphalt-surfaced dual carriageway linking Kouadiokro to Yamoussoukro, the country's capital. The new construction will include bridges, drainage structures and culverts, along with pedestrian crossings and retaining walls, and other safety features. Including this new financing, IDB's total contribution towards the Singrobo-Yamoussoukro highway will reach around $124 million. Other financiers supporting the project include the Saudi Fund for Development, OPEC Fund for International Development and BADEA.

Expansion of King Abdulaziz International Airport Hajj Terminal. Jeddah's King Abdulaziz International Airport (KAIA) is the Kingdom's main international gateway and a hub for Saudia, the national airline. In 2006, KAIA handled more than 15 million passengers and accounted for 40 percent of all domestic and 57 percent of all international passengers in the Kingdom. It also processed more than 80 percent of Hajj passenger traffic and 50 percent of Umrah traffic. Originally commissioned in 1981, the rapidly growing Hajj and Umrah passenger traffic witnessed over the past decade has prompted the authorities to upgrade and expand the existing Hajj terminal facilities.

With International Finance Corporation (IFC) acting as an advisor, the Government of Saudi Arabia opted for public-private partnership arrangement to upgrade and expand the Hajj Terminal at KAIA. The project will be implemented under a 20-year build-transfer-operate (BTO) scheme and is expected to cost $312 million. The project's main sponsors, led by the Saudi Bin-Laden Group (SBG), and included Airport de Paris (AdP), are providing 20 percent of the total cost in the form of equity, while the remaining 80 percent of debt financing is being provided by a consortium of financiers. IDB is extending a lease financing facility worth $105 million, while Bank Al-Jazirah and Credit Suisse are providing $75 million and $25 million, respectively, to the project's Islamic finance facility. Upon completion, the terminal will have a capacity of 2.8 million annual Hajj and 4.4 million Umrah passengers.

The Euromoney Project Finance Magazine has awarded the project the "Middle East Islamic Infrastructure Deal of 2007". The award was given to the IDB at the 9th Annual Euromoney Project Finance Deals of the Year Dinner, held on 13th March 2008 in Dubai.

Queen Alia International Airport Project. IDB is participating in the financing of Jordan's Queen Alia International Airport Project (QAIA) in Amman. The project aims to upgrade the airport's existing facilities and expand its capacity by building a state-of-the-art new terminal capable of handling an additional 9 million passengers per annum. Financed on a BTO basis, the project is expected to cost $681 million. IDB is extending a lease financing facility of $100 million. Other financiers include the IFC, which is providing a total amount of $280 million through a combination of direct loan ($120 million) and syndication ($160 million). The project is expected to strengthen Jordan's position as a regional business and tourist destination.

Islamic Finance News, a leading publisher in the industry, awarded the "Jordan, Deal of the Year Award" to the Bank for its participation in the project. Transaction originality, complexity, size, distribution, and underwriting speed/efficiency were among the most important considerations in giving this award to the Bank at a ceremony held on 26th February 2008 in Dubai, U.A.E.

Doraleh Container Seaport Terminal. The new terminal will capitalise on Djibouti's strategic location at the mouth of the Red Sea and is expected to turn the country into a trans-shipment hub for Common Market for Eastern and Southern Africa (COMESA) and the USA through AGOA (African Growth Opportunity Act).

IDB is teaming up with DP World, the project sponsor, and a consortium of commercial banks, including Dubai Islamic Bank (DIB), the UK's Standard Chartered Bank and Germany's West LB, to finance the project. Financed under a BTO concession, the first phase of the project is expected to cost $396 million, of which $263 million and $133 million will be financed through debt and equity, respectively. As a mandated lead arranger, IDB is extending a lease financing facility of $65 million to cover the debt financing portion of this project, which is being entirely provided through Islamic finance.

The Djibouti Port project has been awarded by the Euromoney Project Finance Magazine as the "African Transport/ Ports Deal of 2007". This award was given at the 9th Annual Euromoney Project Finance Deals of the Year Dinner, held on 13th March 2008 in Dubai.

Box 2.3
IDB Supports Rural Development in Bangladesh

Greater Rangpur Agriculture and Rural Development Project. Agriculture is an important sector for Bangladesh and accounts for around 22 percent of its GDP, with an additional 33 percent contributed by the rural non-farm economy, which is mainly linked to agriculture. Improving agricultural productivity is one of the priorities of the government given its role as a provider of food and employment, and a supplier of raw materials to other sectors of the economy

As a poverty alleviation programme, IDB is supporting to improve the socio-economic conditions of small and landless farmers by investing in agricultural infrastructure, irrigation networks and extension services. To this end, the Bank is providing $8.7 million of Loan financing in five northern districts (Rangpur, Kurigram, Lalmonirhat, Nilphamari and Gaibandha), where as many as 100,000 farming families, including 50,000 marginal and landless families are expected to benefit from the rural development programme, which is estimated to cost $11.1 million.

Agriculture Sector Financing Subdued by Lack of Effective Demand

IDB financing in the agriculture sector continues to be hampered by the lack of effective demand despite promising signs of recovery in 1427H, when the sector registered a 5 percent increase over 1426H. In 1428H, the Bank approved ID30.2 million ($46 million) in the agriculture sector. The amount accounted for less than 3 percent of total approvals, compared to 8 percent in 1427H and 14 percent in 1424H. However, cumulatively, agriculture has attracted around 10 percent of total OCR commitments and currently represents a similar portion of the portfolio of on-going projects.

In 1428H, most of the agriculture-related financing were approved for projects in Djibouti, Mauritania and Burkina Faso, and rural development in Bangladesh (Box 2.3) and Cameroon. This was in addition to a fisheries-related operation, namely, a regional survey of fish stock in the GCC countries. The low allocation to the agriculture sector confirms the worrisome investment trend witnessed in the past few years in developing countries. However, the recent global rise in agricultural commodity prices is likely to further stimulate investments in the sector.

Supporting the Industrial Sector

The year 1427H was exceptional in terms of IDB involvement in the industrial sector (manufacturing, extractive and petrochemical industries), which received no less than ID145 million ($216 million), or 13 percent of the Bank financing, compared to 6 percent in 1426H. In 1428H, the Bank approved a total amount of ID89.6 million ($135 million) for the industrial sector. The amount targeted mainly a steel production plant in Khouzestan, Iran and a phosphate production facility in Togo. IDB has also increased its equity participation by a further $3 million in Gulf Pharmaceutical Industries, based in the U.A.E.

Fast-Expanding Infrastructure Portfolio

Investment in infrastructure development, particularly in rural areas, reduces poverty through higher growth in agricultural production and rural non-farm employment opportunities. IDB's assistance for infrastructure development has risen by more than 56 percent over the last two years - from ID616 million ($899 million) in 1426H to ID960 million ($1,463 million) in 1428H. This assistance mainly targeted: (i) power generation, transmission and distribution; (ii) sea, air and land transport, including the construction and expansion of road networks, particularly, in Central Asia and Sub-Saharan Africa; and (iii) water supply and sanitation.

Supporting Disaster Recovery

During 1428H, IDB continued to be involved in disaster recovery assistance. The Bank allocated a total amount of ID92 million ($140 million) in 1428H for two reconstruction programmes in Pakistan and Maldives. In Pakistan, IDB is providing $127 million to support the reconstruction of rural housing units for victims of the 2005 earthquake in Batagram and Kohistan Districts, while in Maldives around $13 million is being allocated for the rehabilitaion of housing units destroyed by the Indian Ocean Tsunami. These two operations are part of IDB's two emergency assistance packages for the earthquake affectees in Pakistan and Tsunami victims in Indonesia and Maldives, which totalled $502 million and $500 million respectively.

2. Distribution by Regions

In 1428H, IDB financing targeted 45 member countries and a number of regional and international organisations. These included 21 member countries in the African region, 20 in Asia, and three from Europe and Latin America (i.e., Albania, Turkey and Suriname). Table 2.2 presents the regional distribution of IDB approvals in 1428H. Concessional financing approved for member countries in Africa totalled $209 million, while approvals for Asia reached $148 million, with a further $16 million going to other countries and regional operations. The share of Asian and African member countries of the total amount approved for project financing and technical assistance stood at

50 percent and 44 percent, respectively. The overall share of CIS member countries reached $207 million or 10 percent of the total amount approved for project financing and technical assistance.

Table 2.2
Distribution of OCR Financing by Regions, 1428H

	No. of Operations	ID million	$ million	Share (%)
Concessional Financing				
African Countries	43	139.5	208.7	10.0
Asian Countries	32	99.8	147.8	7.1
Other Countries	3	7.0	10.5	0.5
Regional	34	3.8	5.6	0.3
Sub-total	**112**	**250.1**	**372.6**	**17.9**
Ordinary Financing				
African Countries	12	463.6	710.3	34.0
Asian Countries	18	592.7	902.0	43.2
Other Countries	2	23.1	34.7	1.7
Regional	3	42.8	67.0	3.2
Sub-total	**35**	**1,122.2**	**1,714.0**	**82.1**
Grand Total	**147**	**1,372.3**	**2,086.6**	**100.0**

The shares are calculated on the basis of $ million.

In cumulative terms, the Bank's total commitments to member countries in Africa and Asia reached $6,744 million (43 percent) and $8,255 million (52 percent), respectively, while the remaining 5 percent targeted member countries in Europe and Latin America, and international and regional organisations.

II. PROMOTING PRIVATE SECTOR DEVELOPMENT

The 1980s witnessed the beginning of a widespread deregulation and economic liberalisation process in many developing countries. This process brought into sharp focus the growing importance of the private sector as the 'engine of growth'. As a result of these market-oriented reforms, private sector investment increased fairly rapidly, albeit unevenly, in many IDB member countries. In recent years, private sector investment in member countries has averaged close to 18 percent of GDP. Furthermore, rapid private sector-led economic growth in some developing countries, particularly in the Asian region, has led to large-scale poverty reduction within a generation. Therefore, supporting the growth of the private sector is critical for sustaining higher economic growth and is also important for reducing poverty in member countries.

Private sector development covers a multitude of inter-related issues. They include pursuing macroeconomic stability, improving business environment through effective regulation and corporate governance, public-private-partnerships, especially in the provision of infrastructure services, and well-targeted privatisation of state-owned enterprises. In this context, the Bank has taken a wide range of initiatives. For instance, IDB established the Islamic Corporation for the Development of Private Sector (ICD) in 1420H (1999). Prior to that, in 1415H (1994), it set up the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) aimed at facilitating the flow of foreign direct investment in member countries by providing Shariah-compliant insurance and risk mitigation facilities. As affiliates of IDB Group, both IDB Unit Investment Fund (UIF) and IDB Infrastructure Fund were established to promote capital markets and foreign direct investment in member countries, while the Awqaf Properties Investment Fund (APIF) was established to tap into the vast and largely overlooked *awqaf* sector.

1. IDB Non-Sovereign Financing Programme Expands

The year 1428H witnessed further expansion of non-sovereign financing transactions, which totalled $593 million. It also includes three Lines of financing of $50 million, each of which went to Kazakhstan's top three privately-owned commercial banks (Halyk Bank, Bank Turnalem, and Kazkommerts Bank). IDB's non-sovereign financing, including these Lines, have reached 28 percent of total approvals in 1428H, compared to 20 percent in 1427H. They covered eight projects in as many countries, including, Jordan's Queen Alia International Airport project, Saudi Arabia's Hajj Terminal project, Malaysia's South Klang Valley Expressway, U.A.E.'s Millennium Finance Corporation, and Egypt's Saudi-German Hospital (see Box 2.2).

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

During 1428H, ICD approved financing of 24 new private sector operations totalling $178.4 million, which represents an increase of 34 percent over 1427H. It mainly supported private investment in the financial services, real estate and industrial sectors. Since it began operations in 1421H, ICD cumulatively approved 121 projects (net of cancellations) totalling $680 million.

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

ICIEC supports enhanced flows of FDI to member countries by providing export credit and political risk insurance. Overall, ICIEC continued to post growth in its operational activities. Compared to 1427H, total new insurance commitments in 1428H increased by 10 percent, reaching $1,538 million, while the actual business insured increased by 74 percent to $1,400 million. As a reflection of its robust commitment to private sector development in member countries, aggregate insurance commitments for the 1417H-1428H period totalled $5.3 billion, while total business insured over the same period stood at $3.7 billion at the end of 1428H.

4. IDB Unit Investment Fund (UIF)

Established in 1412H (1989), the Fund mobilizes resources through the securitisation of its lease and instalment sale assets, and complements the Bank's projects and trade financing operations. In 1428H, UIF financed six operations totalling $164 million. In cumulative terms and up to the end of 1428H, UIF committed $2,014 million in 208 operations.

In order to consolidate private sector activities under a single entity within IDB Group, the resources and activities of the UIF were transferred to the ICD with effect from 1429H. Under the new arrangements, ICD would now act as a sub-Mudarib for the Fund while IDB would remain the Mudarib, as well as extend the facility of full redemption guarantee to the Fund.

5. IDB Infrastructure Fund

As a private investment vehicle dedicated to infrastructure development in member countries, IDB Infrastructure Fund showcases a prime example of public-private partnership for development. As of end-1428H, the Fund has invested a total amount of $584 million across nine countries. The Fund is fully committed and the commitment period expired on 11 December 2006. The Fund's investment has primarily targeted the power, petrochemical, telecom, transport and mining sectors, which together attracted around 95 percent of the Fund's commitments, while the remaining 5 percent accounted for the oil and gas sector. The Fund has fully exited from three investments. Total amount returned to investors in terms of capital returned, capital gains and dividend was $656 million. As of end-February 2008, the remaining investments are valued at $662 million.

6. Awqaf Properties Investment Fund (APIF)

Awqaf organisations are not-for-profit entities established to oversee, promote, manage, or carry out activities, facilities, projects or properties that are founded as *awqaf* (endowments). Entities for these purposes include trusts, corporations, unincorporated associations or government agencies. In most member countries, *awqaf*[3] operate under a legal framework. IDB has been instrumental in reviving *awqaf* as modern institutions.

Established in 1421H (2001), as a trust fund managed by IDB, APIF invests in awqaf real estate properties that are socially beneficial and economically feasible. In addition to its own capital of $59 million, APIF has access to a $50 million IDB line of financing and a technical assistance pool of $250,000 to be utilised for supporting its expansion activities. In addition to using Shariah-compliant modes of financing, APIF, in 1426H, introduced a new BOT product for participation in real estate investment opportunities of charitable awqaf organisations.

During 1428H, the Fund approved five operations totalling $179.9 million. Cumulatively, APIF approved 28 operations amounting to $529 million, some 82 percent of which was based on lease financing, 17 percent on profit-sharing and 1 percent on equity financing.

III. LEVERAGING DEVELOPMENT PARTNERSHIPS

Forging strategic partnerships and alliances with other development partners is important for scaling up development assistance to member countries. Historically, the Bank has maintained a close working relationship with the Coordination Group, Islamic banks and national development financing institutions (NDFIs). This relationship has now been extended to a broader spectrum of multilateral and bilateral development donor institutions, including United Nations agencies and civil organisations.

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

Cooperation with development partners covers a wide spectrum of activities, such as co-financing in projects involving sharing of knowledge and market intelligence. Other forms of cooperation include staff exchange, joint field visits, advocacy and outreach activities (e.g., hosting of workshops and symposia). Participation

[3]Awqaf (singular, waqf) is an Arabic word meaning assets that are donated, bequeathed, or purchased for the purpose of being held in perpetual trust for general or a specific charitable cause that is socially beneficial. Perpetuity of awqaf has led over the years to a considerable accumulation of societal wealth in such a way that awqaf have become an important economic sector dedicated to the improvement of the socio-economic welfare in member and non-member countries with significant Muslim populations. Awqaf-supported programmes usually include poverty alleviation, disaster relief, healthcare services, education, environment, culture and heritage.

Box 2.4
Working with Partners: IDB, OFID and ADB Jointly Support Regional Power Pool Development in Central Asia

IDB, OFID and ADB co-financed a regional power transmission interconnection between Afghanistan and Tajikistan. The project will enable Tajikistan to sell excess power (up to 300 mw), especially in spring and summer, to Afghanistan via a 157 km-long 229 kV transmission line running from the Sherkan Bandar river border crossing between Afghanistan and Tajikistan to Pul-e-Khumri. Its total cost is estimated at around $107 million. IDB is providing around $26.5 million ($16.5 million to Afghanistan and $10 million to Tajikistan), while OFID and ADB are allocating $8.6 million and $57.9 million respectively. The project will enable Afghanistan to rapidly expand access to power, where only 6-9 percent of the population has currently access to electricity. The project is also part of the much broader vision underpinned by the CAREC (Central Asia Regional Economic Cooperation) programme to achieve greater regional integration through, inter alia, cooperation in the energy sector and the creation of a regional power pool in Central Asia.

in donor consultation meetings and roundtables also provide an opportunity to further strengthen dialogue and partnership among donors, governments, civil society and other stakeholders. IDB is currently participating in the ongoing harmonisation of policies, procedures and practices among the MDBs and the OECD member countries. This is intended to improve aid effectiveness through reduced transactional costs, better coordination and delivery of donor assistance to developing countries.

At the operational level, co-financing provides an important collaboration mechanism and helps to strengthen institutional cooperation. During 1428H, 31 operations in 20 countries were co-financed with other institutions. The total cost of these projects was $6,925 million, of which IDB contributed $1,014 million (or 15 percent), while the contribution of other financiers reached $2,818 million (or 41 percent) of the total cost. In volume terms, co-financed operations represent 49 percent of the total amount approved for project financing and technical assistance operations in 1428H.

2. Co-financing with the Coordination Group

As a member of the Coordination Group, the Bank maintains very strong ties with this forum and its members. With over 30 years of existence, the Coordination Group remains a successful model of cooperation for development assistance, and a precursor of the current *harmonisation* drive at the MDB level, which basically aims at replicating this model on a global scale. Based on a collegial approach with a strong focus on "complementarity", the Coordination Group[4] enables its members to better coordinate their efforts aimed at increasing the impact of their collective assistance to member countries. This is usually achieved through coordinated country-level activities and the *harmonisation* of procedures such as the procurement guidelines.

Out of the 31 operations, 11 (35 percent) were co-financed with members of the Coordination Group, who collectively financed around $786 million, or 36 percent of the total cost of these projects, while IDB contributed $298 million or 13 percent. Furthermore, IDB hosted on 23rd April 2008 a meeting of the Heads of Institutions of the Coordination Group which paved the way for stronger cooperation, particularly in the areas of (i) aid effectiveness; (ii) support to Africa; (iii) private sector development; (iv) trade; (v) support to Palestine; and (vi) cooperation with the World Bank Group.

IV. MANAGING FOR DEVELOPMENT EFFECTIVENESS

Responsive public management of development resources requires a focus on result-oriented delivery of economic services to the people. Development effectiveness means that, at sectoral level, outputs such as construction of new primary schools or rural healthcare centres are also translated into measurable impact in terms of increase in primary school enrolment or reduction in infant mortality. In order to achieve higher level of development effectiveness, coherent sector policies along with strong institutional capacity are needed.

Under the Paris Declaration on Harmonization, an annual report on the Common Performance Assessment System (COMPAS) was launched in 2005. It reports on the individual and collective progress made by the major MDBs for achieving development results. IDB joined as an observer in 2006 and participated in the preparation of the 2007 COMPAS report which brings to six the number of MDBs involved in the COMPAS exercise. The 2007 COMPAS report also covers the

[4] 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 (OFID), and the Saudi Fund for Development.

private sector activities of all the participating MDBs. Broadly, the 2007 COMPAS report highlights progress in managing-for-development-results capacity of member countries; strengthening their focus on results in the design and implementation of programmes; and harmonizing MDBs policies and procedures. By joining the COMPAS, IDB is committed to adopting and to mainstreaming best practices from other MDBs for implementing results-focussed approach.

In partnership with other MDBs, the Bank's core strategy is to design projects that match the capacity of executing agencies in member countries both in terms of implementation and their ability to sustain activities into the future. In this regard, the Bank focuses on two inter-related aspects. First, its post-evaluation of completed projects provides a key tool for learning lessons from past experience so that it can improve the design of future development assistance. Second, the Bank reviews its portfolio of on-going projects so as to ensure the timely implementation of approved operations and adherence to its implementation guidelines. Developments during 1428H in these two areas are presented below.

1. Operations Evaluation

IDB conducts both special (on-going projects) and post (completed projects) evaluations in such areas as country assistance evaluation (CAE), sector and thematic studies, and impact evaluation. From 1411H up to the end of 1428H, a total of 365 evaluations were conducted by IDB. These included 315 completed operations, nine on-going operations, 20 special assistance operations, 6 CAEs, and 15 sector and thematic studies.

In 1428H, the Bank conducted 37 evaluations, including 27 post-evaluation of completed operations; one post-evaluation of a special assistance operation; one Country Assistance Evaluation study for Sudan (see Box 2.5); five education sector studies in Yemen, Guinea, Mali, Pakistan and Bangladesh; and three thematic studies focused on Awqaf operations in the UAE. The sector-wise distribution of post-evaluated operations was as follows: agriculture (9 percent), education (22 percent), health (13 percent), public utilities (22 percent), transport (28 percent), industry and other (6 percent).

To enhance the effectiveness of evaluation activities, IDB is partnering with other MDBs and donor agencies. In 1428H, for example, IDB and the AfDB in partnership with OECD-DAC produced the first Arabic glossary of terms used specifically in evaluation and results-based management. In addition to information-sharing, these partnerships are expected to further strengthen IDB's capacity in macro and meta evaluations, such as country assistance, sector/thematic and impact evaluation.

During 1428H, IDB participated in an international accountability assessment exercise conducted by the London-based One World Trust (OWT) rating agency using a framework that measures accountability under four dimensions, namely transparency, participation, evaluation, and complaint and response mechanisms. Evaluation was recognized to be the strongest accountability dimension for IDB.

2. Assessment of the Portfolio

In 1428H, the Bank continued to focus on project supervision and follow-up activities, including improvement of the overall quality of the portfolio by identifying projects that were eligible for cancellation and expediting the implementation of remaining approved operations. The overall size of the active portfolio (in terms of number of operations) stood at 789 operations by the end of 1428H, corresponding to a total approved amount of ID6,224 million. Of them, 510 operations (representing 62 percent of the total amount) are currently in the disbursing category, while the remaining 279 operations (38 percent) are yet to enter the disbursement stage.

In line with the current portfolio quality improvement programme, there is now a stronger focus on quality-at-entry and the timely implementation of projects. This has resulted in the completion of 278 operations valued at ID1,103 million (representing around 18 percent of the active portfolio at the end of 1428H). They were completed between the beginning of 1426H and the end of 1428H, while 48 operations valued at ID455 million were cancelled over the same period.

V. PROJECT PROFILES BY COUNTRY 1428H

In Annex Table 2.1, brief information on projects and Technical Assistance operations approved during 1428H from the Ordinary Capital Resources (OCR) is presented.[5] The information relates to total project costs, financing modes, approval date, amount financed by IDB both in ID and US dollar, and description of the project.

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

Box 2.5
Country Assistance Evaluation for Sudan

Background

Sudan is the largest country in Africa with an estimated area of 2.5 million square km, a population of about 35.3 million and a per capita income of $737. It is endowed with natural resources, including water, oil and gold. During recent years, economic growth in Sudan has averaged above 6 percent. While agriculture remains the dominant sector in terms of GDP share, the oil sector dominates export earnings. Despite strong economic performance, Sudan ranks low on UNDP's Human Development Index. Other challenges relate to sustaining peace and enhancing security; and stimulating social and infrastructure development.

IDB Assistance: 1977-2006

Sudan is one of the founding member countries of IDB. It ranks among the top recipients of IDB's development assistance. The Bank's portfolio in Sudan amounted to ID419.1 million (or $562.3 million) as of end- 2006. The portfolio is as follows: (i) ordinary operations: $321.83 million (57 percent); (ii) foreign trade: $216.23 million (39 percent); and (iii) Special Assistance operations: $24.21 million (4 percent). Public utilities —electricity and water—are the largest sectors that benefited from IDB's development assistance (33 percent of its portfolio); followed closely by agriculture (27 percent); transport and communications (18 percent); social services (16 percent); Islamic banks, NDFIs and others (5 percent).

The IDB assistance was broadly aligned with Sudan's development priorities. In particular, IDB supported operations in less developed areas, such as Darfur and Southern Kordofan regions, and in priority sectors (such as public utilities, social, agriculture, and transport), and during a period when all foreign aid to the country was stopped. Overall, the Bank's development assistance to Sudan helped in achieving the following major outcomes:

- Support to partially overcome the power shortage and contributed significantly to the stabilisation of the National Grid System. As a result, electricity connection rate reached 35 percent of the population and some agricultural, industrial and rural areas could be supplied with power for the first time, contributing to better living conditions.
- Contributed to better access to safe drinking water both in urban and rural areas. A major water treatment plant in Khartoum with a capacity of 100,000 m3 /day became operational by the end of 2007. Besides, many wells and boreholes were successfully implemented in South Kordofan and Darfur regions, enhancing access to safe water. IDB financing has also helped rehabilitate the irrigation infrastructures and equipment in a number of states.
- Improved transport infrastructure and sizable contribution in regional development. For example, the IDB-financed *Atbara River Road/Rail Bridge*, which is now covering 70 percent of the traffic between Khartoum and Port Sudan, has led to a substantial decrease in transportation cost and time, paving the way for the economic revival of the city of Atbara.
- Sustaining progress towards achieving human development related to MDGs. IDB assistance has helped increase school enrolment—including that of girls. However, average class size is large, completion rates are low, and overall illiteracy is still high. In addition, IDB financed a number of health centres, which improved access to and utilisation of health facilities, especially among the poor and in rural areas. However, both infant and maternal mortality remains high despite improvements in recent years. The quality of delivery of health services needs to be further improved.

Lessons Learnt

Based on IDB's operations in Sudan, the Country Assistance Evaluation Study offers the following major lessons:

- Despite the recent increase in oil-related export earnings, Sudan needs urgent donor support, including concessional resources to facilitate implementation of social and infrastructure projects.
- There is need to intensify policy dialogue with the authorities as well as with other donors, particularly Arab and other development agencies, in order to effectively coordinate and prioritize assistance in various sectors in light of their impact on growth, job creation and poverty alleviation.
- There is need to focus assistance on institutional capacity-building, both at the federal and state levels, including strengthening of the national statistical system.
- In order to avoid implementation delays, there is need for building strong supervision and strengthened field presence for achieving greater economic impact.

Annex Table 2.1
List of Approved Projects During 1428H

No.	Country	Project Name	Mode	Approval Date	Total Cost (in million) $	IDB Financing (in million) ID	IDB Financing (in million) $	Description
1	Afghanistan	Regional Power Transmission Interconnection Project	Loan	27/5/2007	57.23	11.00	16.50	Provide much needed Electricity to Kunduz & Baghlan Provinces. Additionally, the Project will interconnect Tajikistan with Afghanistan, thereby assuming a regional cooperation dimension.
2	Afghanistan	C.B. for the Afghanistan Customs Department	T.A.	2/10/2007	0.19	0.11	0.17	Reform the Afghanistan Customs Dept. (ACD), with the view to increase revenue collection by the Central Government.
3	Albania	Durres-Morine Road	Loan /Istisna'a	27/5/2007	47.19	26.66	40.00	Improve Transportation Network in Albania for efficient flow of traffic, and lower vehicle operating costs & traffic accidents.
4	Albania	C.B. of the Ministry of Economy and Energy (METE)	T.A.	5/7/2007	0.33	0.19	0.28	Enhance the capacity of a key Ministry (Economy, Trade and Energy - METE) in Strategic Planning and Budgeting, and Aid Coordination and Supervision of donor-financed projects through an integrated Automation System.
5	Azerbaijan	C.B. of the State Committee for Securities	T.A.	18/9/2007	0.31	0.17	0.26	Strengthen the Securities Market in Azerbaijan.
6	Bahrain	F.S. for Establishing an Export Promotion Centre	T.A.	13/11/2007	0.14	0.066	0.105	The main objective of the F.S. is investing the idea of establishing an Export Centre, and explore its impacts on assessing exporting Bahraini products and services.
7	Bahrain	Bahrain Islamic Bank (BIB) Capital Increase	Equity	8/9/2007	225	19.16	29.35	Participation in the paid-up capital increase.
8	Bangladesh	Government Primary Schools (Phase II), Supplementary Financing	Loan	9/4/2007	10.66	1.55	2.26	Construct 80 additional primary school buildings out of project savings from an earlier approved project.
9	Bangladesh	Greater Rangpur and Rural Development Project	Loan	27/5/2007	11.10	5.67	8.68	Improve the Socio-economic well-being of small-scale and marginal farmers through improved Agricultural Infrastructure, Irrigation Networks and Extension Services.

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No.	Country	Project Name	Mode	Approval Date	Total Cost (in million) $	IDB Financing (in million) ID	IDB Financing (in million) $	Description
10	Bangladesh	F.S. of the Eastern Refinery Expansion Project	T.A.	7/8/2007	0.24	0.15	0.22	To prepare a technical feasibility study for the expansion of Eastern Refinery to make the country self-sufficient in the production of refined petroleum products.
11	Benin	Coastal Erosion Protection	Istisna'a	27/5/2007	65.00	13.88	20.20	An Environmental Conservation Project that will halt Coastal and Beach Erosion in Cotonou & the Adjacent Suburb of Seme Kpodji. This is an area that has high potential for tourism, small businesses and similar socio-economic activities.
12	Burkina Faso	C.B. for organising Workshop for the Polyvalent University Centre.	T.A.	25/2/2007	0.12	0.08	0.12	(a) Provide equipment to the administrative and pedagogical structures; (b) Assist the organization of workshop to define curriculum and fields of specialization for the newly created Management and Administration Department.
13	Burkina Faso	Yegueresso-Diebougou Road Project	Loan	9/4/2007	60.00	7.00	10.48	Pave existing Earth Road Sections between Syegueresso and Diebougou (119 Km long) and Ouessa-Hamele (6 Km) for better transportation.
14	Burkina Faso	Samendeni Dam Project	Istisna'a	8/9/2007	130.00	14.86	22.74	Help alleviate poverty by regulating the waterway and increase power generation and agricultural production.
15	Cameroon	Chari/Logone Integrated Rural Development	Loan	7/7/2007	20.00	7.00	10.50	Contribute to Poverty Reduction, Improve Food Security & Living Conditions of the Beneficiary Groups. The project involves the rehabilitation of 570 HA of irrigated land and construction of Sluiced Dam that will facilitate the development of about 40,000 HA of Rain-Fed Cropping.
16	Chad	Expansion of the Universities of Mongo and Moundou	Loan / T.A.	4/11/2007	12.24	7.20	10.80	Improve access and quality of higher education in Chad, and thus mitigate the general shortage of qualified manpower.
17	Comoros	Health Sector in Comoros Phase-I	T.A.	4/11/2007	0.52	0.30	0.47	Turn-around the run-down health infrastructure with the ultimate aim of improving Health Service Delivery and Accessibility by the poor.
18	Cote d'Ivoire	Abidjan Water Supply Reinforcement Project	Istisna'a	8/9/2007	24.53	10.01	15.11	Improve the delivery of clean and safe water supply in the city through increased water production and expanded water supply distribution network.

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No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
					(in million)			
					$	ID	$	
19	Cote d'Ivoire	Construction of Singrobo-Yamoussoukro Highway	Istisna'a	4/11/2007	62.37	38.71	61.16	Further improvement of the existing highway between Abidjan (the economic capital of the country) and Yamoussoukro (The Political & Admin. Capital).
20	Djibouti	Education Project-II Djibouti (Additional)	Loan	9/4/2007	5.28	1.37	2.00	Supplementary financing to meet the funding shortfalls in the IDB-financed components.
21	Djibouti	C.B. for the Bio-Technology Laboratory	T.A.	27/5/2007	0.49	0.30	0.44	Enhance the Biotechnology research capacity of the country and hence reduce dependence on foreign expertise. Eventually the Bio Lab will produce sufficient quantities of Date Palm Plant Material.
22	Djibouti	Basic Education Support	Loan	7/7/2007	9.16	4.32	6.31	Increase access to intermediate basic education and reduce schooling disparities in favour of the disadvantaged Urban Social Groups. Two schools in Balbala will be constructed and equipped, in addition to training of teachers.
23	Djibouti	Surface Water Mobilization in Tadjoura and Ali-Sabieh Region	T.A.	4/11/2007	0.30	0.20	0.29	Improve rural living conditions by harvesting surface run-off and improving ground water refills. The main beneficiaries are rural communities and Agro-Pastoralists in Marsaki area (Tadjoura Region) & Great Bara area (Ali-Sabieh Region).
24	Djibouti	Doraleh Container Sea Port Terminal	Leasing	10/12/2007	396.00	41.10	65.00	The new terminal will create additional space to cope with growing demand and accommodate larger marine Vessels requiring greater depth of water. The existing container terminal has been operating at near full capacity for a long time.
25	Egypt	Saudi German Hospital Project, Cairo	Leasing	9/4/2007	78.80	9.93	15.00	A Good example of IDB-Private Sector Partnership in Health Service Delivery. The project will establish an "Affordable", State-of-The-Art, Multi-Speciality 300-Bed Hospital in Cairo.
26	Egypt	Bibliotheca Alexandria Library (BA)	T.A.	2/4/2007	0.45	0.15	0.23	The T.A. aims at the development and education of children and young people with special emphasis on children with special needs.

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No.	Country	Project Name	Mode	Approval Date	Total Cost (in million) $	IDB Financing (in million) ID	IDB Financing (in million) $	Description
27	Egypt	Abu Qier Power Project	Leasing	27/5/2007	1271.50	104.86	158.58	To install New Steam Generation Plant with a capacity of 1300 MW comprising two Steam Turbine Generation Units, two Boilers and Ancillary Equipment / Provisions.
28	Gabon	Support to the Preparation of Infrastructure Projects	Loan	9/4/2007	12.55	6.60	9.94	To assist in feasibility studies and advisory services for the preparation and implementation of the Libreville New International Airport and the Mayumba Deep Water Sea Port Projects.
29	Gambia	Westfield-Sukuta Road	Loan	8/9/2007	8.57	5.15	7.71	Reconstruct / Upgrade Existing Westfield-Sukuta Road (7.5 Km) to reduce traffic congestion and enhance pedestrian and traffic safety. The project scope also includes support to Project Admin. and Monitoring Agency.
30	Guinea Bissau	C.B. for Ministry of Finance and Ministry of Economy and Development.	T.A.	27/5/2007	0.46	0.28	0.41	Main Objective is to Strengthen (i) Public Finance Management Capacities of the Ministry of Finance; and (ii) Macroeconomic Policy Formulation as well as the Planning and Programming Capacities of the Ministry of Economic Development (MED).
31	Indonesia	Up gradation and Development of the State Islamic University of Sultan Gunung	Istisna'a / I.Sale	8/9/2007	27.50	14.54	22.00	To prepare the State's Islamic University of Sunan Gunung Djati, Bandung to deliver high quality Modern and Islamic Education to enable graduates to take their place in the demanding Job Market of the rapidly growing economy of Indonesia.
32	Indonesia	Familiarization visit on Sukuk	T.A.	30/8/2007	0.09	0.04	0.07	To cover the costs of travel and accommodation of the 12 members of the mission.
33	Iran	Tehran Power Transmission Project	Leasing	9/4/2007	184.86	46.44	70.19	Provision of a Substation, a 400 KV Switch Yarda Double Circuits Overhead Transmission Line, Underground Transmission Cable.
34	Iran	Bar Dam Project	Istisna'a	7/7/2007	52.80	21.23	32.28	To construct a Multi Purpose Dam on Bar River for providing water for domestic, industrial and irrigation purposes while ensuring protection from flood.

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No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
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35	Iran	F.S. and detailed Eng. design, Mashhad Urban Railway Network	T.A.	6/1/2008	5.97	2.16	3.39	The T.A. Loan is to undertake the preparation of a F.S. (Phase I).
36	Iran	Sepehr Bam Charity Organization (SBCO)	T.A.	5/1/2008	0.60	0.16	0.25	The grant aims at supporting priority physical therapy by providing equipment to the disabled and handicapped people of the city of Bam and its neighbouring villages in order to facilitate the restoration efforts.
37	Iran	Khouzestan Steel Expansion Project (Phase II)	Leasing	3/2/2007	362.80	47.41	70.00	To support Khouzestan Steel (KSC) to meet the growing demand in the local and international market by increasing its annual production capacity from 2.4 million tonnes to 3.2 million tonnes.
38	Iraq	Tech. & Vocational Education and Training Project	Loan / T.A.	27/5/2007	19.09	8.65	12.80	To upgrade the physical infrastructures of the vocational education and enhance its relevance to the labour market needs.
39	Jordan	Aqaba Coastal Highway (Supplementary)	Istisna'a	16/6/2007	35.54	4.28	6.33	To reduce the congestion from the local and international traffic to the Aqaba port by construction of a new highway consisting of two separate and parallel roads lanes for heavy goods vehicles heading to the Sea Port.
40	Jordan	The Electricity Transmission System	Loan / Leasing	8/9/2007	73.97	41.07	63.03	The project aims at meeting the increased demand for electricity through installing of new substation in Amman City, and South Madaba city, and installation of new transmission line between Al- Salt and Sweima substation.
41	Jordan	Queen Alia Airport, Rehabilitation, Expansion and Operation	Leasing	8/9/2007	681.00	65.13	100.00	Upgrading some of the existing facilities of the airport and developing a new terminal with initial capacity of 9 million passengers per annum to reach 12 million per annum. The project will be implemented under BTO Scheme.

No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
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42	Jordan	C.B. of the National Information Tech. Centre (NITC)	T.A.	3/1/2008	0.43	0.15	0.24	The grant is aiming at building the capacity of the National Information Technology Centre (NITC).
43	Kazakhstan	Halyk Bank	Line	7/7/2007	50.00	32.89	50.00	Support Halyk Bank to: (1) contribute to economic growth; and (2) provide access to longer term funds.
44	Kazakhstan	Bank Turanalem	Line	7/7/2007	50.00	32.89	50.00	Support Bank Turanalem to: (1) provide access to longer term funds; (2) contribute to economic growth.
45	Kazakhstan	Kazkommerts Bank	Line	4/11/2007	50.00	31.76	50.00	Support Kazkazkommerts Bank to: (i) provide access to longer term funds & (ii) contribute to economic growth through increased lending to SMES.
46	Kyrgyz	Reconstruction of Oshirkeshtam Road	Loan	25/2/2007	19.80	12.00	17.30	The project aims to reconstruct road (44 Km) between Km 80+000 and Km 124+000 which is severely damaged in order to fully accommodate the existing traffic as well as the forecasted traffic.
47	Kyrgyz	110 KV Aigul Tash to Samat Transmission Line and Substation	Loan	9/4/2007	13.72	8.00	11.99	Construction of a single circuit 110 KV 140 Kms long Overhead Transmission Line from Aigul-Tash to Samat.
48	Kyrgyz	Taraz-Talas-Suusamyr Road (Supplementary)	Loan	8/9/2007	3.60	2.37	3.60	Provide supplementary financing to cover the additional amount needed for completion of the project and to facilitate achievement of its objective and original scope .
49	Malaysia	South Klang Valley Expressway Project	Istisna'a	9/4/2007	440.00	49.63	75.00	Construction of a 43 Km, Three-Lane-Dual-Carriage Express Way on a Build-Operate Transfer (BOT) basis in the greater Kuala Lumpur area including nine (9) interchanges and six (6) Toll Plazas.
50	Malaysia	Upgrading of University of Science of Malaysia	I.sale	4/11/2007	78.95	29.35	43.44	Enhance, enrich and expand the existing and future teaching and research programmes and facilities at the USM, to enable it to become a world-class provider of education and research in its fields of speciality.

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No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
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51	Maldives	Construction of Harbours	Istisna'a	8/9/2007	43.40	10.00	15.00	Support construction of harbour facilities in the islands to facilitate Inter-Island Travel and to support fishing and other economic activities.
52	Maldives	Reconstruction of Housing Units for the Tsunami Victims	Loan	8/9/2007	17.03	8.40	12.60	Contribute to permanent resettlement in quality housing of the population of five Islands (located in four atolls; namely (i) Shaviyani, (ii) Noonu, (iii) Thaa and (iv) Laam) displaced by the 2004 Tsunami through re-construction and repair of housing units
53	Mali	Bandiagara Bankass-Koro-Burkina Faso Road	Loan	9/4/2007	42.06	7.00	10.58	Improve the transfer of goods and services between the concerned regions of Mali and the main ports located in Ghana, Togo and Benin, through construction of the 159 kilometers long road linking Bandiagara to the Burkina Faso via Bankass and Koro.
54	Mali	Power Generation Expansion	Loan / Leasing	7/7/2007	72.14	45.80	69.70	Alleviating the acute electricity shortage within the cities powered through the interconnected Power Plants serving Bamako and its Suburbs through the expansion of the Power Generation.
55	Mauritania	Snim-Mining Port Handling Equipment Upgrade Project	Leasing	13/2/2007	32.70	17.76	26.50	Modernize the Snim's Mining Infrastructure at the Mining Nouadhibou Harbour through modernization of equipment essential to increase productivity to 17 MT/Year in the short-term and to 20-25 MT/Year in the mid-term.
56	Mauritania	Atar-Tidjikja Road Project	Loan	9/4/2007	101.70	10.00	14.80	Support construction of 340 Kms Long Paved Road from Atar to Tidjikja.
57	Mauritania	Rehabilitation of Small and Medium Scale Irrigated Perimeters (Addl.)	Loan	9/4/2007	7.74	2.30	3.45	Provide additional financing for reconstruction of 47 small and medium scale irrigation perimeters totalling a net area of 1624HA in Brakna Governorate.

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No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
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58	Mauritania	Nouakchott Water Supply (Additional)	Loan	8/9/2007	220.00	4.17	6.25	Additional financing to cover cost overrun related water resources at Km 17 to be used for domestic & industrial purposes.
59	Mauritania	The Noukchott Power Plant Expansion (Additional I)	Loan	4/11/2007	4.16	2.38	3.74	Support expansion of the Capacity of the existing power generation station to reduce the electricity shortage in the capital city of Nouakchott & its Suburbs .
60	Mauritania	C.B. of the Awqaf National Institute of Mauritania (ANIM)	T.A.	2/1/2008	0.35	0.19	0.29	Assist the Awqaf National Institute of Mauritania (ANIM) efforts to revive its Institutional Framework and capacities to start effective utilization of Waqf and Waqf Services in Mauritania.
61	Morocco	Tangier - Mediterranean Harbour Railway (Supplementary)	Istisna'a	21/2/2007	16.20	10.82	16.20	Supplementary financing for project code MOR0098.
62	Morocco	F.S. for the Establishment of Public Vocational Institute	T.A.	29/3/2007	0.39	0.20	0.30	Study key issues in vocational training education through a comprehensive assessment of the current state of the ICT industry to identify constraints and opportunities for improving ICT sector
63	Morocco	Mohammedia Gas Turbine Power Plant	I. Sale	8/9/2007	237.28	122.00	188.00	Contribute to meeting the electricity needs of the country in an economically and environmentally sustainable manner to contribute to economic growth.

No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
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64	Mozambique	Secondary Education Expansion Project	Loan	27/5/2007	11.44	7.00	10.30	Upgrading of the physical and logistical infrastructure of the schools through improving the learning and teaching conditions and motivation of students and teachers alike to improve access to and quality of education in the provinces of Cabo Delgado, Nampula, Niassa, Sofala in Hambane.
65	Pakistan	Reconstruct. of Rural Housing for Victims of Earthquake	Istisna'a	7/7/2007	142.24	83.53	127.00	Contribute to restoration of livelihood of the Earthquake Victims through reconstruction of houses in the selected Batagram and Kohistan Districts of the North West Frontier Province (NWFP) of Pakistan.
66	Palestine	Gaza Elec. Interconnection with the Egyptian Power System	Loan	19/2/2007	32.50	6.77	10.00	Rehabilitation of the Gaza Station and interconnecting the Palestinian Power System to the Egyptians System, as a first step to interconnection to Arab countries.
67	Palestine	Textbooks for the Academic Year 2006- 2007	Loan	27/1/2007	6.76	2.36	3.45	The purpose of the project is to support the Ministry of Education and Higher Education by providing quality textbooks by the beginning of the Academic Year 2006-2007.
68	Saudi Arabia	Sustainable Human Dev. Project in Al-Madinah Al-Manawwarah (I)	T.A.	5/4/2007	0.17	0.10	0.15	The project aims to contribute in improving the standard of living of people in Al-Madinah Al-Manawwarah Governorate by designing and implementing a sustainable human development project based on a scientific approach of in-depth knowledge of community values, norms, culture, and potentials.
69	Saudi Arabia	The Upgrade, Expansion & Operation of Hajj Terminal	Leasing	10/10/2007	312.00	67.74	105.00	The project aims at increasing the capacity of the dedicated Hajj Terminal from 17.5 to 33 million passengers per annum. This is needed to accommodate the additional increase in passenger traffic from 8.7 million in 1990 to 14.3 million in 2004.
70	Senegal	Touba Water Supply (Phase 1) Project	Loan	27/5/2007	13.15	6.86	10.41	To improve on a rapid and sustainable basis delivery of water and sanitation services in the city of Touba for approx. 500,000 inhabitants.

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No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
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71	Senegal	IT Master Plan of the Ministry of Economy and Finance (MEF)	T.A.	21/4/2007	0.75	0.15	0.23	The objective of the project is to help improving the performance and efficiency of existing Information & Communication Network of the MEF through the acquisition, installation and proper operation of the required IT equipment.
72	Senegal	Support Malaria Prevention and Control	Loan	7/7/2007	9.34	5.20	7.91	To support the efforts of Government of Senegal in achieving health related Millennium Development Goals through the reduction of Malaria Morbidity & Mortality Rate.
73	Sierra Leone	Technical and Vocational Education and Training Project	Loan / T.A.	9/4/2007	9.26	5.60	8.34	The project aims at improving access to and developing quality of technical and vocational education training by developing curriculum, teacher training, teaching/learning material/ equipment.
74	Sierra Leone	Reinforcement & Ext. of Medium & Low Voltage Dist. Network	Loan / T.A.	27/5/2007	11.89	7.25	10.80	The objective of the project is to provide improved quality of electricity supply in a co-coordinated manner to provide relief against acute shortage of power distribution in Freetown area. The project consists of the supply, installation and commissioning of 55 Km of 11KV and 200 Km Low Voltage.
75	Sudan	Three Regional Hospitals Project	Loan	27/5/2007	19.81	9.19	13.68	The project aims at establishing a new Rural Hospital of 80 beds in white Nile State, a new Specialist Hospital of 350 beds in Kassala State and upgrade an existing hospital in North Kordofan State to improve health conditions.
76	Sudan	Support Central Zone Malaria Free Initiative	Loan	7/7/2007	13.38	4.72	7.07	To support the efforts of Government of Sudan in achieving health related Millennium Development Goals through the reduction of Malaria Morbidity & Mortality Rate.
77	Sudan	Central Zone Malaria Free Initiative	T.A.	7/7/2007	13.38	0.13	0.20	The project goal is to support the efforts of Government of Sudan in achieving health related Millennium Development Goals through the reduction of Malaria Morbidity & Mortality rate.

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No.	Country	Project Name	Mode	Approval Date	Total Cost (in million) $	IDB Financing (in million) ID	IDB Financing (in million) $	Description
78	Sudan	Immediate Relief for Darfur States	Loan	10/7/2007	11.00	6.70	10.00	Covering the cost of urgent Humanitarian Aid under Emergency Programme and cost of Water and Health Infrastructure, Consultancy Services, PMU and Audit Services.
79	Sudan	C.B. of HR for the Central Bank of Sudan	T.A.	16/5/2007	0.03	0.02	0.031	Carry out a capacity building project for all aspects of HR for the Central Bank of Sudan.
80	Suriname	F.S. of Wanica Water Supply System	T.A.	22/8/2007	0.23	0.14	0.20	The objective of the project is to achieve a sustainable improvement in the delivery of Urban Water Services in the District of Wanica.
81	Syria	Syrian Commission on Financial Markets and Securities	T.A.	9/1/2008	0.26	0.145	0.22	The grant will help in the establishment and launching of the Syrian Commission for Financial Markets & Securities.
82	Tajikistan	Regional Power Transmission Interconnection Project	Loan	25/2/2007	50.00	7.00	10.00	The project aims to construct power transmission line for selling access power (300 MW) to Afghanistan. The line will be from Sangtuda to Kunduz.
83	Tajikistan	Power Rehabilitation Project (Supplementary II)	Loan	9/4/2007	62.44	2.00	3.02	Additional financing to meet the short fall in price of equipment under component "Control and Protection Equipment" for already approved project.
84	Togo	Health Project II	Loan	25/2/2007	11.51	7.00	10.15	The project aims to construct and equip: (i) Socio-Medical Centres, one Polyclinic and ten Dispensaries (ii) extension of existing health facilities in one national hospital, ten district hospitals and one Socio-Medical Centre.
85	Togo	Phosphate Production Capacity Upgrade Project	I.sale	8/9/2007	82.28	40.00	61.35	Project aims to increase the contribution of the phosphate sector to economic growth and poverty alleviation. The above objective will be achieved by reinforcing and upgrading the production capacity of the Togolese Phosphate Company (SNPT) through the acquisition of major mining and transport engines and lot of spare parts.

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86	Turkey	Kuwait Turkish Participation Bank (Additional VII)	Equity	28/5/2007		3.053	4.659	Exercise of pre-emptive rights by IDB in the Equity Capital.
87	U A E	Gulf Pharmaceutical Industries (JULPHAR) (Additional IV)	Equity	17/4/2007	3.04	2	3.04	Exercise of pre-emptive rights
88	Uganda	F.S. on Mini Hydro-Power Project.	T.A.	2/4/2007	0.35	0.20	0.29	To conduct a feasibility study covering technical, economic and financial issues and environmental and socio-economic aspects.
89	Uganda	Small Bridges Project in Northern and Northeastern	Loan	7/7/2007	11.83	7.00	10.64	The Project aims at construction of 17 bridges and related networks in Northern and North Eastern Uganda and support to the Bridges Management Unit.
90	Uzbekistan	Construction and Equipping of Vocational Colleges	Loan	25/2/2007	12.75	7.24	10.50	The Project aims at construction of 5 Vocational Colleges in 5 Regions. Each College will have approx. 540 students; i.e. 2700 students will be accommodated per year.
91	Uzbekistan	C.B. of the Chamber of Commerce and Industry	T.A.	7/7/2007	0.60	0.10	0.15	The objective is to enable Chamber of Commerce and Industry of Uzbekistan to disseminate information and consulting services to the local entrepreneurs in all regions of the country.
92	Yemen	Social Fund for Development (Phase III)	Loan	9/4/2007	400.00	7.00	10.00	The project aims at expanding and improving infrastructure of basic education, constructing basic health units, improving water for irrigation, environment, constructing feeder roads, and capacity building of Ministries of Education and Health.

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No.	Country	Project Name	Mode	Approval Date	Total Cost	IDB Financing		Description
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93	Regional	Regional Bilingual Education Programmes Coordination Unit	T.A.	13/3/2007	0.30	0.20	0.30	This T.A. (Grant) is in continuation of already approved and completed operation No. Z270004 that aims at contributing to the development and strengthening of bilingual education in interested Sub-Saharan countries through the setting-up of a Bilingual Education Programmes Coordination Unit headed by a regional coordinator. It will cover honorarium and mission expenses of the regional coordinator for bilingual education programme and operating costs of the Coordinator's Office.
94	Regional	The Survey of Demersal Fish Stocks in the GCC Countries	T.A.	21/2/2007	1.75	0.20	0.30	To Biomass of major Demersal Fish Stock, effective monitoring mechanism of fish resources in the Gulf of Oman.
95	Regional	Global Energy Fund	Equity	9/9/2007	1000.00	16.00	25.00	The fund aims to participate in Development of Energy and Telecoms-related Infrastructure, and create value for its share holders by so doing. The Fund will be capitalized at US$1 billion. The investment period is 3 years Investment Regions are the Middle East and North Africa (MENA), and the Funds may invest exceptionally in Asia.
96	Regional	Telecom, Media and Technology (MTM) Fund	Equity	9/9/2007	1000.00	16.00	25.00	The fund aims to participate in development of Energy and Telecoms-related Infrastructure, and create value for its shareholders by so doing. The Fund will be capitalized at US$1 billion. The investment period is 3 years Investment Regions are the Middle East & North Africa (MENA), and the Fund may invest exceptionally in Asia.
97	Regional	A Study on the Strengthening of Private Sector Investment	T.A.	14/4/2007	0.30	0.20	0.30	The objective of the project is to assist the West & Central African Member Countries to overcome the obstacles faced by private sector in these countries.
98	Regional	FORAS Investment Co.	Equity	3/11/2007	100	10.794	17	The objective of the company would be to identify, provide seed funds and develop new/ start up companies with feasible ideas and specific target in industrial, manufacturing and trading company.

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99	Regional	IDB Contribution to the International Comparison Prog. (ICP) of WB	T.A.	25/2/2007	60	0.76	1.15	ICP Programme offers a powerful tool for comparative research on economic & social development and crucially underpins the Millennium Development Goals for Poverty Measurement.
100	Regional	Investment Promotion Technical Assistance Program (ITAP)	T.A.	21/3/2007	1.37	0.79	1.16	Investment Promotion Technical Assistance Programme.
101	Regional	Malaria Programme Planning and Management, Training Courses	T.A.	17/12/2007	0.68	0.433	0.677	To strengthen competencies & skills of Malaria Control Programme Managers in Planning and Management of Malaria Control, and to train/ update health personnel at national, regional and district levels,

ALLEVIATING POVERTY AND PROMOTING HUMAN DEVELOPMENT 3

Profiling Human Poverty

- An estimated 429 million people, or about 43 percent of the estimated 1 billion people living in absolute poverty in 2002, live in 31 member countries.
- Only five member countries experienced improvements in their illiteracy rates.
- Out of 25 LDMCs, nine countries are likely to halve the proportion of undernourished people.

IDB Efforts in Poverty Alleviation

- The Islamic Solidarity Fund for Development, with a target size of $10 billion, becomes operational from 1st Muharram 1429H.
- IDB approves $304 million or 88 percent of total concessional financing in 1428H while cumulative financing reached $10,787 million for the LDMCs.
- Under the Ouagadougou Declaration, cumulative approvals, during the five-year period from 1424H to 1428H, exceeded the $2 billion target by 19 percent to reach $2.4 billion.
- The OIC Summit, held in Dakar (Senegal) on 13 – 14 March 2008, supported the launching of the IDB Special Programme for the Development of Africa.

IDB Efforts in Promoting Human Development

- In 1428H, 32 operations amounting to $144 million were approved for the education sector.
- In 1428H, $56 million were approved for 16 operations in the health sector. An allocation for $50 million multi-year IDB Roll-back Malaria Programme was also approved.
- In 1428H, assistance for improving access to water supply and sanitation grew by 50 percent to reach $64 million.

Global Outreach

- In 1428H, 39 Special Assistance operations totaling $14.6 million were approved, while in cumulative terms, 758 operations totaling $230 million have been implemented in Muslim communities in non-member countries.

This Chapter begins with reflections on the scale and challenges of poverty alleviation in IDB member countries. It then outlines IDB activities that have been carried out during 1428H in the course of implementing the OIC Ten-Year Programme of Action, adopted in Dhul Qada 1426H (December 2005). The Chapter also covers preparatory work leading to the establishment of the Islamic Solidarity Fund for Development and development assistance to the LDMCs during 1428H (2007). Finally, it elaborates on the Bank's activities towards supporting the development of human capital and capacity building in member countries.

I. THE CHALLENGES OF POVERTY ALLEVIATION

Poverty is a multifaceted phenomenon that manifests in not only a lack of income but also a lack of *opportunities, capabilities, security,* and *empowerment*.[1] IDB recognizes that addressing poverty is a complex issue. Apart from measuring the extent of poverty, the MDGs set out a powerful agenda for global partnership to create a better world by the year 2015. The year 1427H saw the launch of IDB Group's landmark initiative, namely IDB 1440H Vision: '*A Vision for Human Dignity*', presenting a unique opportunity "*to be a leader in fostering socio-economic development*" and to *alleviate poverty and promote human development*. The second strategic thrust of the Vision is to alleviate poverty with a target of reducing by three-quarters the proportion of the population living on less than $1 per day by 1440H.

The global poverty level has declined from an estimated 1.2 billion people living on less than $1 a day in 1990 (28 percent of the world population excluding high income countries), to 980 million in 2004 (or 19 percent). The global target of reaching 14 percent by 2015[2] appears achievable due to significant progress in

[1]These dimensions are: *Opportunities* – lack of access to the labour market, employment opportunity, mobility problems and time burdens; *Capabilities* - lack of access to public services such as health and education; *Security* - vulnerability to economic risks and to civil and domestic violence; and *Empowerment* - being without voice and without power at the household, community, and national levels.

[2]Source: http://www.mdgmonitor.org/support.cfm

Asia. Despite visible improvements in the global fight against poverty, alleviating poverty and promoting human development continue to be major challenges facing many IDB member countries. The disparities within the global aggregates are stark, and the condition of some member countries is very serious as reflected by the following statistics:

- An estimated 429 million people, or nearly 43 percent of the estimated 1 billion people living in absolute poverty in 2002, live in 31 member countries; of them 28 member countries have more than 30 percent of their population living in abject poverty. This underscores the daunting challenge facing IDB Group in its poverty reduction efforts;
- In absolute terms, five member countries accounted for 250 million of the 429 million living in absolute poverty-- Bangladesh, Indonesia, Nigeria, Pakistan and Sudan. Nine member countries were estimated to have more than 50 percent of their population living in extreme poverty. In ascending order of severity, they are: Sierra Leone, Sudan, Niger, Mali, Gambia, Guinea-Bissau, Somalia, Afghanistan and Mozambique;
- While some Sub-Saharan member countries show a small improvement in 'percent of population' figures, the absolute numbers have risen sharply between 1990 and 2002.

1. Progress in Achieving MDGs

The decline in global poverty and progress towards achieving the MDGs are largely attributed to the rapid growth in Asia. This relatively positive picture masks disparities across various regions in the world. Progress of member countries towards achieving some of the key MDGs are discussed below.

Mixed picture on improvements in income based poverty: Region-wise, the situation is roughly as follows [3]:

- *Sub-Saharan Africa*: 46.4 percent of the population lives in absolute poverty, representing an increase of nearly 2 percentage points from the benchmark year of 1990 (44.6 percent).
- *South Asia*: 30 percent of the population lives in absolute poverty (down from 39.4 percent in 1990; representing a reduction by about a quarter).
- *East Asia*: 15 percent of the population lives in absolute poverty (down from 30 percent in 1990, which represents a 50 percent reduction).
- *CIS Countries*: 5.3 percent of the population lives in absolute poverty (up from 0.4 percent in 1990). The CIS' incidence of poverty remains the lowest among IDB member countries.
- The *Middle East and North Africa* (MENA): 2.7 percent of the population lives in absolute poverty (having increased marginally from 2.2 percent in 1990). However, taking the threshold of 2 dollars a day as a base, the proportion of population below this threshold is estimated at 23 percent, up from 21 percent in 1990.

Achieving the Goal of Universal Primary Education

Even though literacy levels improved in some member countries, illiteracy rate remains very high in many member countries. Only five member countries experienced some improvement when their illiteracy rate in 2004 fell below its 1995 level. The total size of adult illiterate population in 42 member countries for which data were available was 185.5 million, comprising 36 percent males and 64 percent females. Six member countries have very high male-female inequality in literacy rate in 2004.

In absolute terms, member countries of IDB Group achieved a total primary school enrolments of 174 million in 2004. This was 81.9 percent, which is slightly below the 86.5 percent of the world at 545 million net enrolment. However, while the world enrolment declined to 497 million in 2005 (8.8 percent), that of member countries increased to 179 million, a 2.7 percent increase.

The enrolment rates for boys and girls in primary schools in 14 member countries in 2004 were below the levels, which are required for the achievement of the MDGs by 2015. The picture is even worse in 46 member countries, where the actual growth rate in primary female enrolment was below the desired level for achieving 100 percent enrolment by 2015. With regard to secondary education, 10 countries were above the threshold for achieving the 100 percent enrolment rate by 2020, target year for IDB 1440 Vision, while eight countries were lagging behind.

Public expenditure on education by member countries in 2004 ranged between 2.4 percent and 8.2 percent of GDP. This is very low considering the critical role of education in human development in general, and poverty alleviation, in particular. Public expenditure on education needs to be significantly increased by the member countries in order to achieve the educational targets of both the MDGs and IDB 1440H Vision.

[3] Including both member and non-member countries.

Achieving the Goal of Health for the People

In 2002, out of 27 member countries for which data were available, only three had per capita total expenditure on health higher than $36 – the minimum level prescribed by WHO for the provision of basic health services. Most of the LDMCs need to increase their spending in this sector in order to improve the delivery of public health services. This, in turn, will help in achieving the health-related MDGs as well as IDB 1440H Vision targets. The health expenditure per capita of member countries as a group improved from $162 in 2003 to $178 in 2004, an increase of 4.9 percent. However, 18 out of 54 member countries for which data were available experienced a decline in health expenditure per capita between 2003 and 2004.

Out of the 25 LDMCs, for which data were available, nine countries are likely to halve, between 1990 and 2015, the proportion of undernourished people. The remaining LDMCs are less likely to attain the targets, unless significant scaling-up efforts are undertaken. Also, out of the 27 LDMCs for which data were available, only three countries are likely to be able to reduce, by two-thirds, between 1990 and 2015, the under-five mortality rate. Only two of these countries are likely to achieve IDB 1440H Vision target of reducing (by three-quarters) the under-five mortality rate by 1440H. Only eight LDMCs are likely to reduce (by three-quarters) between 1990 and 2015, the maternal mortality ratio. Only five of them are likely to achieve IDB 1440H Vision target of reducing (by 90 percent) the maternal mortality ratio by 1440H.

2. IDB Efforts in Poverty Alleviation

Under the 1440H Vision, IDB is committed to poverty alleviation and supporting human development programmes in member countries. The Third Extraordinary Session of the Islamic Summit held in Makkah Al-Mukarramah in Dhul Qadah, 1426H (December, 2005), called for the establishment of a Special Fund within IDB to help address the following major issues facing OIC member countries: (i) poverty alleviation; (ii) elimination of illiteracy; (iii) eradication of major communicable diseases such as malaria, tuberculosis and AIDS; (iv) creation of job opportunities and; (v) support for capacity building. A brief account of the various initiatives, which have been formulated during 1428H, is presented below.

Establishment of the Islamic Solidarity Fund for Development (ISFD)

During the 31st Annual Meeting held in Kuwait on 3-4 Jumad Awwal, 1427H (30-31 May, 2006), the Board of Governors (BOG) resolved to establish a special fund and entrusted the Board of Executive Directors with the task of formulating the guiding principles for its actualisation. At its 32nd Annual Meeting held in Dakar (Senegal) on 12-13 Jumad Awwal, 1428H (29-30 May, 2007), the BOG approved the Regulations of the special fund which was agreed to be called the "Islamic Solidarity Fund for Development (ISFD)" with a target of $10 billion. The Regulations provided that the $10 billion shall be used as *Waqf* and income resulting there from to be used for financing projects aimed at reducing poverty in OIC member countries. The ISFD formally started operation on 1st Muharram 1429H (10 January, 2008). The resources of the ISFD will be supplemented by additional resources from other sources, including co-financing. So far, 30 member countries have announced contributions amounting to about $1.6 billion. IDB itself will contribute to the ISFD, an amount of $1 billion over 10 years.

Policy Paper on Poverty Reduction

Taking into cognizance the challenges involved, the Bank prepared a comprehensive Policy Paper on Poverty Reduction, which was published in Rabi Awwal 1428H (April 2007). The Paper lays down the following principles for IDB operational activities: (i) poverty reduction programmes will be country-driven, results-oriented, community-based and actionable; (ii) the need for selectivity in the development of programmes taking account of sector analysis and government's priorities in the focus areas: and; (iii) establish benchmarks and indicators to measure impact and outcomes in project design. The Fund will support innovative activities and provision of basic public services that could impact positively on the lives of the ordinary people. Crucial attention will be given to projects that facilitate pro-poor economic growth with direct support to education and health sectors. It will also provide safety nets for vulnerable groups and take advantage of opportunities to replicate projects on a multi-year and multi-sector basis.

Thus, top priority will be given to employment and income-generation activities such as micro-enterprises, high-value non-traditional sectors, and mainstreaming women in the development process. Specifically, the main priority areas of the Fund include the following:

- education, with special emphasis on primary and girls' education.
- health sector projects, in particular combating

diseases such as malaria, tuberculosis and AIDS; increasing accessibility to health services, and; the development and production of vaccines and medicines.

- rural infrastructure projects such as roads, bridges, rural marketing centres, storage facilities for agricultural products, electricity, potable water, irrigation schemes, etc.
- agriculture and rural development, especially provision of agricultural inputs and farming equipment, and integrated rural development projects.
- emergency relief, post-conflict reconstruction, and capacity-building.

To leverage the Fund's resources, IDB will redouble its efforts to partnering with other bilateral and multilateral agencies, local development financing institutions, UN agencies, and civil society organizations. Forging *twinning* arrangements between countries and institutions and *cooperation with the private sector* are part of the implementation strategies envisaged under the Fund. While this will benefit the vulnerable groups in the society in member countries, particular emphasis will be given to the LDMCs.

3. The Adahi Project for the Utilization of Hajj Meat

Although not part of the Bank's mainstream activities, the availability of abundant meat as a result of slaughtering by pilgrims during the Hajj presents an opportunity to distribute the meat among the poor and the destitute of the member countries. IDB plays an important role in ensuring that the global distribution of the Hajj meat helps to reduce protein deficiencies, especially for victims in regions afflicted by natural disaster and conflict. An important ritual of Hajj is the slaughtering of the sacrificial animals. In order to assist the pilgrims in performing the ritual in a smooth, organized and orderly manner, the Government of Saudi Arabia, in 1403H (1983), entrusted the management of the scheme to IDB.

The Adahi project, helps the pilgrims by performing the slaughter of animals and related services on their behalf. IDB, in collaboration with some banks in Saudi Arabia, has developed online Internet service for pilgrims to buy their offerings in any part of the world through coupons for hady and odhia (nusuk) by using their credit cards or through cash transfers. The online Internet service also allows IDB to build up a central data base that helps the Government of Saudi Arabia in planning the cleanliness of the holy sites. In 1428H, a total Hajj meat of 732,855 animals was distributed to the needy in the Haram area in Makkah Al-Mukarrama and countries around the world.

II. DEVELOPMENT ASSISTANCE TO LEAST DEVELOPED MEMBER COUNTRIES

Of the 56 member countries, IDB classifies 28 as the least developed member countries (LDMCs)[4], 11 of which are classified by the UNDP as having Low Human Development. Many of the LDMCs also face multifaceted challenges in the implementation of reforms related to macroeconomic stability and prudent external borrowings. Also, 21 LDMCs are HIPC[5]-eligible, while 11 are utilizing the PRGF[6] of the IMF. In addition, 12 LDMCs are classified as *fragile states* by the Multilateral Development Banks (MDBs). Given the enormity of challenges facing the LDMCs, IDB has continued to support development assistance through various initiatives and operational activities. In addition, the Bank has sought partnership with other multilateral agencies as well as with the private sector for assisting LDMCs in their quest for sustainable and shared economic growth. The sections below present details of IDB activities and various initiatives, which aim to help LDMCs achieve the targets set by the MDGs and IDB 1440H Vision.

1. Concessional Financing to LDMCs

The main focus of IDB's concessional financing to LDMCs is to alleviate poverty and address its root causes. In addition to providing financing, the Bank extends Technical Assistance for capacity building in project formulation and supervision, as well as policy formulation and implementation. In 1428H, LDMCs received $303.6 million or about 88 percent of IDB's total concessional financing from the OCR. In cumulative terms, they received about 71 percent of IDB's concessional financing between 1396H and 1428H (Table 3.1). In addition, during 1428H, they received $10 million from the LDMCs Loan Account as well as $5 million, or 30 percent, of the overall amount allocated for technical assistance ($17 million). Despite

[4]The LDMCs include the following 28 IDB member countries: Afghanistan, Albania, Azerbaijan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, The State of Palestine, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, Yemen, Kyrgyzstan Republic, Tajikistan and Uzbekistan.

[5] HIPC means Highly Indebted Poor Countries. It is a terminology used by the IMF to describe countries that are poor and with huge debt service obligations in order to consider them for debt relief.

[6] The Poverty Reduction and Growth Facility (PRGF) is a lending mechanism of the IMF that seeks to give highly concessional facility to low-income countries.

the demand-driven decline in the allocation of technical assistance resources to LDMCs in 1428H, IDB remains committed to their capacity and institutional building.

Project and technical assistance financing approved for LDMCs totalled ID411.5 million ($619.8 million) in 1428H. Another important development worth mentioning here relates to the approval of 21 trade financing operations in LDMCs amounting to ID699.8 million ($1,074.3 million), which constitute a share of about 41 percent of total trade financing approvals in 1428H. In cumulative terms and up to end-1428H, the total development assistance extended to the LDMCs reached ID7,900 million ($10,787 million). To date, total disbursement of ID3,412 million ($4,685 million) accounts for 43 percent of aggregate financing approved for all types of operations for LDMCs (Table 3.1).

2. Implementation of the Ouagadougou Declaration

The *Declaration on IDB Group Cooperation with Africa*, commonly known as the *"Ouagadougou Declaration"* was adopted by the Board of Governors in 1423H (2002). Under the Declaration (see Box 3.1), the IDB Group approved development assistance amounting to $716.8 million in 1428H compared to $489.3 million in 1427H, which denotes a growth of 47 percent over the year (Table 3.2). This sharp increase was due mainly to project financing and technical assistance operations, which more than doubled from $298.8 million in 1427H to $624.6 million in 1428H. Following a decline of 5.5 percent in 1427H, concessionary financing increased by 5.4 percent to $183.7 million in 1428H.

As the implementation of the Ouagadougou Declaration has come to an end this year, IDB commitment exceeded the target of $2 billion over the period from 1424H to 1428H. The cumulative total approvals by the Group during the five-year period reached $2.4 billion, which exceeded the target by 19 percent. Of the cumulative approvals, concessional financing reached $890 million (37.3 percent), ordinary financing totalled $605.3 million (25.4 percent), while trade financing amounted to $580.2 million (24.3 percent).

The bulk of the approvals was for the transport and communication sector, which attracted over $705.4 million, or 36 per cent of total approvals. The Public Utilities sector follows, with 46 operations for a total commitment of almost $437.8 million, or 23 percent of the total. Social services (health and education) approvals amounted to $324.2 million, or 17 percent of the total, while agriculture attracted $282.9 million or 15 percent of total approvals.

Table 3.1
Net Approvals for LDMCs, 1428H and 1396H-1428H

Mode of Financing	1428H No.	1428H ID million	1428H $ million	1428H LDMCs Share (percent)	1396H-1428H No.	1396H-1428H ID million	1396H-1428H $ million	1396H-1428H LDMCs Share (percent)
Loan	34	204.2	303.6	87.7	430	2,198.7	2,980.1	70.9
LDMC's Loan	1	6.7	10.0	100.0	142	227.8	315.1	100.0
Equity	0	0.0	0.0	0.0	32	68.3	89.1	17.6
Instalment Sale	1	40.0	61.4	20.6	24	177.9	256.3	10.0
Istisna'a	4	58.7	87.9	20.1	15	140.3	199.2	6.2
Leasing	3	98.6	151.9	21.0	34	460.9	662.3	15.7
Line of Financing	0	0.0	0.0	0.0	6	31.9	45.1	9.3
Profit Sharing	0	0.0	0.0	0.0	1	3.5	4.4	5.3
Technical Assistance	21	3.3	5.0	30.2	333	102.6	133.3	57.4
Sub-total	**64**	**411.5**	**619.8**	**29.7**	**1,017**	**3,412.0**	**4,684.8**	**29.7**
Import Trade Financing Operations (ITFO)	21	699.8	1,074.3	41.3	274	4,278.0	5,845.1	24.9
Special Assistance Operations	13	2.6	4.0	35.6	271	209.9	256.8	61.5
Grand Total	**98**	**1,113.5**	**1,698.1**	**36.1**	**1,562**	**7,899.9**	**10,786.7**	**27.2**

Note: Special Assistance share corresponds to the share in the total that went to MCs as a group and not the combined MCs+Non-MCs.

Box 3.1
Programmes Implemented under the IDB Group Ouagadougou Declaration

The "Declaration on IDB Group Cooperation with Africa", otherwise known as Ouagadougou Declaration, was adopted in 1423H (2002) by the Board of Governors in response to the call for support to the New Partnership for Africa's Development (NEPAD) by African leaders. The Declaration committed the IDB Group to a $2 billion of development assistance to the LDMCs in Africa over the 5-year period, starting from 1424H (2003/04). Various programmes implemented under the Declaration targeted key priority areas including the social sector, transport, trade, micro-finance and capacity- building. Varied types of programmes implemented under the Declaration are highlighted below to illustrate the impact of IDB Group development assistance in one of the poorest regions of the world.

Bi-Lingual Education Programme

The pioneering role of the IDB in supporting bi-lingual education in Africa is a clear case in point. The Programme is aimed at boosting primary enrolment in Sub-Saharan Africa, which have a strong tradition of Islamic learning. The Programme aims to reduce illiteracy and poverty and to enable children to become fully integrated in the society while maintaining their Islamic identity. The Bank has committed $300 million for various country-specific operations covering Chad and Niger (bi-lingual Franco-Arabic education). Considering the interest this Programme has generated, the Bank plans to commence a second phase of bi-lingual education system covering Burkina Faso, Cameroon, Guinea, Mali and Senegal.

Support to Regional Integration

The Bank supported regional integration in Africa by providing assistance to major regional projects such as the Trans-Sahara and Trans-Sahel routes - the construction of the Sevare-Gao road, the Gao Bridge in Mali and the Agades-Zinder road in Niger. Upon completion, these projects are expected to facilitate movement of people and goods between countries, thereby boosting their economies.

Establishment of a Regional Office in Dakar

A positive outcome of the Ouagadougou Declaration is the decision to open the Bank's second regional office in Africa based in Dakar, Senegal. The first one is located in Rabat, Morocco. This will help the IDB to be closer to its African constituency and enhance the effectiveness of its operations in Sub-Saharan Africa. The Dakar Office will initially oversee the Bank's operations in 12 member countries in the West Africa covering Benin, Burkina Faso, Cote d'Ivoire, Guinea, Guinea-Bissau, Gambia, Mali, Niger, Nigeria Senegal, Sierra Leone, and Togo.

During the five years, the Bank laid emphasis on fast-tracking implementation and disbursement procedures. The disbursed amounts rose steadily from ID102.5 million ($153.2 million) in 1424H to peak at ID230 million ($343.5 million) in 1427H before tapering off to ID188.6 million ($298.1 million) in 1428H. Cumulatively, the overall disbursements amounted to ID920.5 million (or $1.4 billion) during the period, representing almost 70 percent of the overall commitment. The cumulative disbursements by various types of operations are as follows: Ordinary operations - $591.1 million, Trade financing - $311.1 million, Equity participation - $7.8 million, and Special assistance operations - $10.6 million.

3. IDB Special Programme for the Development of Africa (SPDA)

In recognition of the socio-economic challenges facing the Sub-Saharan African member countries, the Bank, as called upon by the Third Extraordinary Session of the OIC Summit, has initiated a Special Programme for the Development of Africa (SPDA). The framework for the SPDA was discussed at the Inter-Ministerial Meeting of African member countries, held in Dakar, Senegal, 22-23 January, 2008. The framework was subsequently endorsed at the 11th session of the Islamic Summit Conference, held in Dakar, Senegal, Rabi Awwal 5-6, 1429H (March 13-14, 2008).

The SPDA has identified the following five critical sectors for its operational activities:

- productivity growth in agriculture to achieve food security,
- education projects to generate skilled workforce,
- health projects focusing on the fight against major communicable diseases,
- water and sanitation projects to improve quality of life, and
- supporting power generation and distribution projects.

Under the SPDA, IDB Group aims to approve an amount of $600 million for the first year of the Programme to be increased by 15 percent each year, making a total amount of $4.05 billion over a five-year period. Any financing that IDB would mobilize from outside the Group would be in addition to the target amount. In this context, IDB as a catalyst will seek to attract financing from other donors that could include major Islamic banks, investment houses, and financial institutions, particularly those of the Coordination Group; the private sector in member countries outside Africa, whether for investment-type projects or for social activities; and charitable foundations.

Table 3.2
Ouagadougou Declaration:
Gross Approvals by IDB Group

($ million)

	1424H	1425H	1426H	1427H	1428H	1424-1428H
Ordinary Operations	**276.7**	**258.5**	**246.9**	**298.1**	**443.8**	**1,524.0**
Concessional Loans	192.5	155.1	184.5	174.3	183.7	890.0
Technical Assistance	6.4	8.8	7.6	1.9	3.9	28.7
Ordinary Financing	77.7	94.7	54.8	121.9	256.2	605.3
Other Project Financing (Entities and Funds)	**27.2**	**8.0**	**62.3**	**0.7**	**180.8**	**278.9**
Trade Operations	**57.5**	**116.3**	**123.7**	**190.5**	**92.2**	**580.2**
Grand Total	**361.3**	**382.8**	**432.9**	**489.3**	**716.8**	**2,383.1**

With the above focus, the SPDA aims to support investments in social and infrastructure sectors in Sub-Saharan Africa, which will underpin inclusive or shared growth. In particular, SPDA will aim to provide affordable access to services used by the poor through twinning with inter-regional networking.

4. Debt Relief to Member Countries

To reinforce its commitments to assist least developed countries achieve the MDGs, particularly in the Africa region, the international donor community endorsed the Multilateral Debt Relief Initiative (MDRI) in September 2005. The Initiative cancels the debt owed to the IDA, African Development Fund, and the IMF. The modalities for implementing the MDRI are being developed and, in the meantime, debt relief under the terms of the Enhanced HIPC Initiative is being provided to eligible countries[7].

Out of the 41 eligible HIPCs, 21 are IDB member countries. Of these, 10 - Benin, Burkina Faso, Cameroon, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone and Uganda - have reached completion point. Five - Afghanistan, Chad, The Gambia, Guinea and Guinea Bissau - are at decision point stage, while another six - Comoros, Cote d'Ivoire, Kyrgyz Republic, Somalia, Sudan, and Togo - are at the pre-decision stage. The cost of 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 the 14 eligible member countries shown in Table 3.3.

[7] 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.

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

III. SUSTAINING DEVELOPMENT OF HUMAN CAPITAL

Sustained development of human capital is crucial for the long-term economic growth of member countries. For over 20 years, the Bank has been involved in various projects and initiatives that are geared towards knowledge-based economic development in member countries. To further accelerate progress in human development, IDB Group has intensified its support for education and healthcare services. In providing human development-related assistance, IDB ensures quality-at-entry of projects in terms of their potential impact on education and health sector outcomes in member countries. In addition, the Bank also supports higher education among the Muslim communities in non-member countries.

1. Supporting Education

IDB support in the education sector targets the entire spectrum, including vocational training. In the past, assistance to the sector was 11 percent of its aggregate OCR approvals. However, since 1420H, net approvals to education have increased substantially. In 1428H, 32 operations for the sector amounted to ID97.2 million ($143.7 million), representing 42 percent of total approvals to the social services sector of ID227 million ($340 million). In cumulative terms, 341 operations for education projects have received ID1,272.8 million ($1,730 million), or 53.1 percent of total allocation

Table 3.3
Estimated NPV of Debt Relief by IDB to Member Countries

Country	NPV Date	IDB NPV[1] 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

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

to the social sector of ID2,385.8 million ($3,259.4 million).

The breakdown of IDB financing, with a focus on the expansion of education and academic facilities, shows that 17 percent ($24 million) was approved for financing of primary education, 7 percent ($10 million) on secondary education, 53 percent ($76 million) on tertiary education and 22 percent ($32 million) on vocational training (see Box 3.2). These operations, which targeted mainly 12 IDB member countries (half of which were LDMCs), included the construction of primary schools in Bangladesh, Djibouti and Yemen; vocational training centres in Iraq, Sierra Leone, and; expansion and upgrading of tertiary education facilities in Chad, Indonesia and Malaysia. IDB is also providing financing to the tune of $43 million towards the upgrading of the University of Science, Malaysia.

In addition, $300 million has been allocated over a five-year period for implementation of the Bilingual Education Programme, in partnership with UNESCO, aimed at increasing school enrolment in African LDMCs. Furthermore, under IDB 1440H Vision, a new initiative, known as the Quick-Win Programme on 'Excel in Science and Technology', was approved in March 2007. During 1429H, appraisal work is underway to support three pilot projects targeting the establishment of Models of Academic Excellence in selected Higher Education Institutions in three IDB regions.

2. Improving Access to Healthcare Services

The provision of quality health services in member countries is another priority area for IDB. In previous

Box 3.2
IDB Supports Vocational Education and Training in Sierra Leone and Uzbekistan

Sierra Leone is believed to be the first Sub-Saharan African country to provide Western education, when it established the Sierra Leone Grammar School in 1845, Annie Walsh Memorial School (for girls) in 1849 and Fourah Bay College, the first university, in 1927. Fast forward to 2002, Sierra Leone just emerged from a decade-long conflict, which had a devastating impact on the country's social and economic infrastructure. Unemployment is particularly high amongst the youth, who lack the necessary skills and training required by potential employers. To address this problem, IDB is providing $8.3 million, including a $0.3 million grant to build and rehabilitate 46 technical and vocational education and training (TVET) institutions across the country. The grant will be used for training and certifying 775 teachers and for the development of curricula. This project is expected to increase TVET enrolment capacity by around 15 percent from 23,000 in 2004-2005 to 26,300 students by the end of 2010.

In **Uzbekistan**, there is an urgent need to mitigate the shortage of skilled workforce by improving access to quality vocational education through the establishment of five new colleges with a total capacity of 2,700 students. IDB is providing a loan of $10.5 million towards the construction and equipment of five colleges, which are expected to cost around $12.7 million. Located in Karakalpakstan, Samarkand, Tashkent, Namangan and Surkhandarya, these colleges will offer three-year programmes in different lines of specialisation. Graduates will be awarded a Diploma of Vocational Education. Some 700,000 students are currently enrolled in vocational education programmes in Uzbekistan.

years, 6.5 percent of total project financing from OCR was approved for the health sector. By the end of 1428H, cumulative financing for the sector was ID759.2 million ($1,024 million) for 180 projects, representing 31.4 percent of total allocation to the entire social sector.

In 1428H, ID37.7 million ($56.3 million) was allocated for 16 operations in the health sector, of which $39 million targeted the construction of new healthcare facilities in Egypt, Sudan and Togo. Another $15 million has been allocated to support anti-malaria programmes in Senegal and Sudan, where IDB is supporting Sudan's Central Zone malaria-free initiative. These anti-malaria operations stem from IDB's $50 million Roll-Back Malaria Programme for Africa, which was designed in partnership with WHO and the IFRCRCS (International Federation of the Red Cross and Red Crescent Societies) (see Box 3.3). IDB has also maintained its focus on its blindness control programme in 1428H by targeting Benin and Cameroon, who joined the growing list of Sub-Saharan African member countries who have already benefited from this Programme (i.e., Burkina Faso, Chad, Djibouti, Mali and Niger).

3. Improving Access to Water Supply and Sanitation Services

Financing for water projects grew more than 50 percent in 1428H compared to 1427H and reached ID42 million ($64 million) in 1428H. This financing targeted five member countries for water supply-related projects and Technical Assistance - Cote d'Ivoire, Iran, Mauritania, Senegal (see Box 3.4) and Suriname. Despite this relatively sharp increase, the level of financing, which represents merely 3 percent of total approvals, remains well below IDB's 15 percent historic average of total approvals over the past decade or so. For example, in 1426H, IDB financing for water and sanitation projects reached ID164 million ($239 million), which represented around 18 percent of total approvals in that year. The current modest level of water project financing is due largely to a lack of effective demand for investment in infrastructure despite the growing needs, especially in Sub-Saharan Africa, where progress towards the water and sanitation targets of the MDGs remains slow. Another factor is the limited availability of IDB concessional resources that could be deployed to provide access to water supply and sanitation in rural areas.

4. Scholarship Programmes

Over the years, IDB has launched three Scholarship Programmes: (i) Scholarship Programme for Muslim Communities in non-member countries, established in 1404H (1984); (ii) the Merit Scholarship Programme for High Technology for member countries, established in 1411H (1991), and; (iii) the M.Sc. Programme for the Least Developed Member Countries, established in 1418H (1998). The Programmes aim at building science-based human capital in both member and non-member countries.

Box 3.3
IDB Roll-back Malaria Programme

Malaria is the single biggest cause of death among young children in Africa. According to the WHO estimates, there are at least 300 million acute cases of malaria each year globally, resulting in more than a million deaths. Around 90 percent of these deaths occur in Africa, mostly among young children. Malaria is Africa's leading cause of under-five mortality and constitutes 10 percent of the continent's overall disease burden. It accounts for 40 percent of public health expenditure, 30-50 percent of inpatient admissions, and up to 50 percent of outpatient visits in areas with high malaria transmission.

There are 28 IDB member countries, where the burden of malaria continues to remain high and where the disease is a major hurdle in achieving the MDGs. Twenty-one of these countries are in Sub-Saharan Africa. In view of the seriousness of this matter and in line with its 1440H Vision, the Bank prepared an Occasional Paper on Eradicating Malaria among African member countries of IIDB in 1428H. The Paper analyzed the problem in the member countries, especially in the LDMCs, the challenges which they are facing in addressing this problem, and suggested practical solutions towards the eradication of malaria in these countries.

To support member countries in their efforts to control the spread of malaria, IDB allocated $50 million to design and implement Roll-Back Malaria Programme in selected member countries. This initiative is part of the "Quick-Wins" Programmes of the IDB 1440H Vision. Furthermore, IDB has also partnered with the WHO and the International Federation of the Red Cross and Red Crescent Societies (IFRCRCS) for implementation of the Programme in targeted member countries.

The Programme is focusing on: (i) enhancing the efficiency of prevention; (ii) improving effective case management; (iii) institutional support and human resource capacity building; (iv) advocacy and social mobilisation; (v) operational research; (vi) monitoring and evaluation, and; (vii) Programme coordination and management. Four IDB member countries were targeted for implementation of the Programme in 1428H. They are: The Gambia ($3 million), Mali ($5 million), Senegal ($7.9 million) and Sudan ($7.2 million). The next batch of countries includes Burkina-Faso, Chad, Indonesia, Guinea-Bissau, Mauritania and Niger.

Box 3.4
IDB Supports Expanding Water Supply Services in Touba, Senegal

Located at around 200 km east of Dakar, Touba is one of Senegal's most important spiritual and cultural centres. Founded in 1887 by Shaikh Amadou Bamba, its population experienced phenomenal growth from 5,000 inhabitants in 1964 to an estimated 530,000 in 2007. The site of an important religious festival held every year in the month of Safar, Touba's population swells up to 2 million during the week-long festival, exerting formidable pressure on utility services, especially water supply. Furthermore, there is some concern about water quality, as high levels of salts and fluorine have been reported.

Touba's 380 km water distribution network is highly complex. This is due mainly due to the fact that the town mushroomed at such a fast pace that water supply services could not keep up. At the same time, network expansion has been patchy. Currently, the total daily water production averages 56,000 m3 supplied by 15 boreholes 200-300 m deep. Unaccounted-for water ranges between 35 and 44 percent of total production, which is on the high side.

IDB is providing $10.4 million to upgrade and expand the water production and distribution facilities, including the pipe network, storage system and water abstraction (pumping) equipment. In addition, the Government of Senegal is contributing $2.7 million to cover the cost of technical studies and some part of the network and storage development. Once implemented, the project is expected to significantly improve the delivery of water services to Touba's residents and contribute to Senegal's overall efforts to achieve the water and sanitation targets of the MDGs.

i. IDB Scholarship Programme for Muslim Communities (SPMC)

Under this Programme, meritorious students in non-member countries with limited financial means are granted scholarships to pursue university degrees in medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. For Muslim communities in the transition economies such as the CIS and East European countries, the Programme also includes disciplines such as banking, finance, public administration, management sciences, accountancy and marketing. The scholarships are awarded as grants to the Muslim communities and as *qard hasan* (interest-free loans) to students recommended by their communities. The refunded loans are deposited in trusts *(awqaf)* established in each country to help other needy students from the same communities. Although the Programme serves Muslim communities in non-member countries, it also assists member countries on exceptional basis (Annex Table 3.1). As of end-1428H, the cumulative approved Scholarships were:

Number of Muslim Communities in Non-Member Countries Supported:	48
Number of Member Countries Supported (on exceptional basis):	10
Number of Graduated Students:	5,237
Number of Students Currently on the Award:	2,640
Total Financing:	ID50 million ($67 million)

ii. Merit Scholarship Programme for High Technology (MSP)

Under the MSP, IDB provides outright grant to scholars so that they can undertake doctoral or post-doctoral research in designated universities. The Programme aims to develop scientific human capital and strengthen the capacity of research institutions in member countries. In Annex Table 3.2, details of the MSP awards are presented while the cumulative awards at the end of 1428H are as follows:

Number of Scholars Selected:	392
Scholars Graduated:	200
Scholars Currently Enrolled:	75
Member Countries Covered:	46
Number of Beneficiary Institutions:	254
Total Financing:	ID11 million ($15 million)

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

The MPST aims at developing intermediate level of science-based human capital in LDMCs. The Programme provides students with access to educational opportunities as a means for promoting technology acquisition. The Programme also serves as a platform for students from LDMCs to qualify for IDB Merit Scholarship Programme for High Technology. For this purpose, new features were introduced in this Programme to allow students from LDMCs to register for qualifying courses in doctoral research. Four graduates of this Programme were successful in obtaining IDB Merit scholarships. In Annex Table 3.2, details of the MPST awards are presented while the cummulative awards at the end of 1428H are as follows:

Number of Students Selected:	205
Number of Students Graduated:	92
Number of Students Currently Enrolled:	52
Total Financing:	ID 0.8 million ($1 million)

Altogether, the three Scholarship Programmes have benefited over 8,000 science graduates worldwide. At present, 12 member countries are hosting SPMC students. About 98 percent of the non-member SPMC graduates are in gainful employment. For MSP graduates, 46 member countries and 254 research academic institutions benefited from the Programme. Furthermore, over 80 percent of MSP graduates have returned to their home countries. For MPST, four science graduates from LDMCs were enrolled in doctoral research programmes. IDB will continue to support the development of science-based human capital in both member countries and Muslim communities in non-member countries.

5. Special Programmes for Science and Technology

To further mainstream Science & Technology in the socio-economic development of member countries, IDB has increased its assistance through additional programmes. Some of them are meant for institutional capacity building; procurement of advanced equipment for laboratories, hospitals and universities; establishment of S&T education; and applied research institutions.

i. The Young Researcher Support Programme

The Programme provides grants between $8,000 and $15,000 to enable young scientists' conduct research that is expected to generate fruitful results in consonance with IDB's drive for human capital development, capacity building and advancement in science and technology. Initially, IDB approved $350,000 for the Pilot Phase in 1422H. So far, 15 young researchers have benefited from the Programme. After the completion of the Pilot Phase, IDB's Advisory Panel on Science and Technology recommended that the future implementation of the Programme could be considered within IDB Scholarship Programme.

ii. Annual Inter-Islamic Networks Workshop Programme

An annual allocation of $200,000 was approved in 1419H for this Programme, which facilitates knowledge and technology exchange among R&D institutions in member countries. The 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. During 1428H, IDB maintained its support to these networks by sponsoring and financing the annual workshops of the aforementioned networks.

iii. IDB Prizes for Science & Technology

Aimed at encouraging individuals and institutions to undertake research in science and technology, 'IDB Prizes for Science & Technology' were launched in 1422H. The Prizes are expected to promote competition among S&T institutions, implement forward-looking policies, and avail advanced S&T applications in the overall development agenda of member countries. 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 member countries. The Prizes are awarded for achievements in three categories: (a) excellence in a given scientific specialty; (b) outstanding scientific and technological contributions to social and economic development; and (c) the best performing R&D centre in LDMC.

To date, five editions of IDB Prizes have been completed. In 1428H, in the Fifth Edition, three Prizes were awarded to: (i) the Zanjan University in Iran; (ii) the National Agriculture Research Institute in Morocco, and; (iii) the Food Technology Institute in Senegal. The Sixth Edition of Prizes for Science and Technology is under implementation and the awards will be presented during 33rd Annual Meeting of IDB.

iv. Centres of Excellence Cooperation Programme

IDB collaborates with COMSTECH to facilitate cooperation between various centres of excellence across member countries by encouraging them to undertake joint research projects. Peer-reviewed Science & Technology research institutions are invited to develop cooperative arrangements that fosters capacity building of partner research centres. So far, IDB has approved two 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.

IV. CAPACITY BUILDING ASSISTANCE

Typically, capacity building in the economic development context means more than just enhancing

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the knowledge and skills of individuals. The capacity building assistance provided by IDB also play a complementary role in the implementation of sector-level operations and regional programmes. The instruments of IDB's assistance are mainly in the form of technical cooperation, scholarships, and science and technology projects. The beneficiary may be a government or a public entity, a private company, or a regional organization.

The 18th IDB Annual Symposium on "Capacity Building for Promoting Trade and Investment in Africa" was held in Senegal 1428H (see Section IV in Chapter Four for more details). The Symposium provided an opportunity to review and consolidate IDB's capacity building operations. The on-going review by the Bank has led to the adoption of 'capacity development' as a comprehensive concept for improving the quality of the *organizations* by providing assistance at three levels -- individual, institutions, and enabling environment -- by increasing efficiency, transferring technology and expertise in order to strengthen the overall process of economic development. During 1429H, the review will lead to a structured IDB framework for capacity development, including partnering with other multilaterals and international organizations aimed at ensuring better results for member countries.

1. The Special Assistance Programme (SAP)

Established in 1400H, the Programme aims at assisting Muslim communities in non-member countries to enhance and strengthen their human capital. The SAP also supports emergency relief operations in communities afflicted by natural disasters and provide assistance to refugees in post-conflict areas across the world. In addition, the Programme provides assistance to member countries for training and research in the areas of economics, finance and banking.

During the year 1428H, 62 operations totalling ID17 million ($25.7 million) from the Waqf Fund (formerly known as Special Assistance Account) were carried out. Of these, 23 operations amounting to ID7.4 million ($11.1 million) were for member countries and 39 operations amounting to ID9.6 million ($14.6 million) were for Muslim communities and organizations in non-member countries (Annex Table 3.2). In cumulative terms, a total amount of ID501.1 million ($640.8 million) has been approved for 1,185 operations by the end of 1428H. Out of this amount, ID331.6 million ($417.6 million) targeted 465 operations in member countries, while ID169.6 million ($223.2 million) was approved for 720 operations in Muslim communities and organizations in non-member countries (Annex Table 3.3).

2. Supporting Dissemination of Skills

IDB participates in capacity building activities primarily through its Technical Cooperation Programme (TCP) among its member countries. The Programme involves three vehicles: (i) Expert Exchange / Recruitment of Experts; (ii) On-the-Job Training, and (iii) Seminars & Workshops. Experts are recruited for capacity building programmes in education, health, and agriculture, among others. There are three types of the 'On-the-Job Training' modules, which include; (a) Formal Training (b) Study Visits, and (c) Familiarization Visits. In the case where member country institutions require skills and experience of its technical and professional staff to be enhanced, any one of the three types of 'On-the-Job Training' would cater for such need. Apart from those mentioned, seminars, workshops and conferences are also supported through the TCP window.

Since the inception of the Programme in 1403H and up to end-1428H, a total of 1,510 operations amounting to $33.7 million has been approved. A breakdown of which is as follows: (i) 264 operations ($4.7 million) for Recruitment of Experts, (ii) 662 operations ($11.8 million) for On-the-Job Training activities, and (iii) 584 operations ($17.2 million) for Seminars & Workshops. During 1428H, 108 operations amounting to $2.8 million were approved (Table 3.4).

Table 3.4
Capacity Building Assistance during 1428H

Type of Activity	No. of Operations	Approval ($)
On-the-job training/ Study Visits	40	943,724
Recruitment of Experts	20	377,000
Seminars and Workshops	48	1,451,950
Total	**108**	**2,772,674**

3. International Centre for Biosaline Agriculture (ICBA)

The ICBA was established in 1420H (1999) and functions as a non-profit international centre. It undertakes applied research for agricultural development in member countries facing water shortages, aridity, and harsh climatic conditions with emphasis on the development of agriculture in arid and semi-arid areas affected by salinity. During 1428H, the Centre completed work on its expanded strategy for the period 2008-12. The new strategy focuses on the use of marginal water in addition to ICBA's traditional mandate of using saline water for agricultural production. This would include the use of low-quality water such as treated wastewater and oil-

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produced water, which will contain heavy metals and other pollutants.

Following are the major ICBA operational activities during 1428H:

- A collaborative project with Environment Agency-Abu Dhabi (EAD): The Water Master Plan for Abu Dhabi Emirate was signed in October 2007 and is expected to be implemented during 1429H (2008).
- A study to develop a national strategy to combat salinity within an integrated water strategy in the Sultanate of Oman will be undertaken during 1429H.
- ICBA, with the support from the Arab Water Council and the Environment Agency of Abu Dhabi, was selected to serve as the host institution of the Arab Water Academy based in Abu Dhabi. The Academy has received significant support from the World Bank, IDB, EAD and other donors.
- ICBA's four-year Soil Survey Project, a joint venture with Abu Dhabi, which identifies land types, was launched during 1428H. It is the largest in-country endeavour by the Center to date.
- The EU is supporting research on "Biosaline Agro-forestry (BIOSAFOR): Remediation of Saline Wastelands through Production of Renewable Energy, Biomaterials and Fodder". Partner countries include Bangladesh, India, Germany, the Netherlands, Pakistan, Spain and the UAE.
- Executives from Shell Oil invited ICBA to join its technical team for planning and implementation of two components of the Shell Nimr Project, a joint-venture between Shell and Petroleum Development of Oman. The Project, which has a expected life span of 20 years, involves the biological cleaning of contaminated water and utilization in biosaline agriculture.
- A three-year study of salt-tolerant plants and halophytes in Central Asia was conducted in collaboration with the International Water Management Institute (IWMI) and the International Center for Agricultural Research in the Dry Areas (ICARDA). It was funded by the Asian Development Bank and is being implemented in Uzbekistan, Kazakhstan and Turkmenistan with ICBA taking the lead.
- Supported by IDB, the Centre organized a workshop, where agricultural research directors from Burkina Faso, Gambia, Mali, Mauritania, Niger and Senegal met to formulate a project on "Small-Scale Irrigation: Development of a Regional Research Project in West Africa".

4. Supporting Civil Society

IDB provides funding for projects at the grassroots level by partnering with NGOs, who also design and implement planned projects. Since the NGOs are already established on-the-ground in their local communities, they are better placed to assess the needs of the communities, and therefore, can design and implement projects more efficiently. Funding is provided to support capacity building programmes in health, agricultural extension, women empowerment, information and communication technology, and NGO empowerment, among others. IDB has, until the end of 1428H, approved a total of 153 projects amounting to $5 million, spread across more than 30 member countries.

5. Women-in-Development Initiatives

Participation of women is important for achieving socio-economic development goals. Ever since its inception, the Bank has been financing operations geared to improving access of women to education and healthcare services. To further emphasize its commitment towards enhancing the role of women in development, IDB 1440H Vision for Human Dignity specifically calls for "Women Empowerment" as one of its key strategic thrusts. A comprehensive strategic framework and plan of action is currently being developed for implementation by the Bank in order to consolidate its women empowerment activities.

More recently, the Bank has started to implement measures to mainstream women-in-development in IDB operational activities, and as a first step, established an IDB Women Advisory Panel in 2004. Based on the Panel's recommendation, the Bank established *IDB Prize for Women Contribution in Development* in 1427H. This prize recognizes and rewards the role of women as well as their accomplishments in the development process. It consists of two separate awards: $50,000 for an individual or group of individuals, and $100,000 for an organization or group of organizations. The first Prize has been awarded to two individual laureates and three organizations during the 31st Annual Meeting in Kuwait in May 2006. The second Prize was awarded to two individual laureates and two organizations during the 32nd Annual Meeting of the Board of Governors of the Islamic Development Bank Group in Senegal in May 2007.

Annex Table 3.1
IDB Scholarship Programme for Muslim Communities in Non-Member Countries

No.	Country	Upto 1428H (December 2007)						1428H	
		Year Started	Quota	Active/ Current	Graduates	Non-completions	Total	Quota	Utilisation
1	Argentina	1997	20	3	0	0	3	2	---
2	Australia	2006	2	1	0	0	1	2	---
3	Bosnia-Herzegovina	1994	112	17	32	8	57	10	---
4	Brazil	2006	2	2	0	0	2	2	---
5	Bulgaria	1989	66	27	21	14	62	3	---
6	Burundi	2002	8	17	1	1	19	2	6
7	Cambodia	1992	36	36	15	2	53	2	7
8	Canada	1994	26	18	14	3	35	2	---
9	Central African Republic	1994	35	15	0	0	15	3	---
10	China	1992	224	120	44	2	166	80	---
11	Congo	1992	36	21	10	7	38	2	4
12	Congo (Zaire)	1987	107	35	13	13	61	7	---
13	Eritrea	1986	151	22	71	32	125	6	---
14	Ethiopia	1990	224	105	86	23	214	15	16
15	Fiji	1986	52	6	27	14	47	2	---
16	Ghana	1986	236	79	156	19	254	9	11
17	Greece	1995	23	1	1	0	2	2	---
18	Guyana	1994	27	8	7	7	22	2	2
19	India	1983	2,400	494	2,085	88	2,667	140	---
20	Kenya	1983	212	56	118	25	199	8	10
21	Kibris	1988	35	0	6	2	8	2	---
22	Lesotho	1995	22	0	1	4	5	2	---
23	Liberia	1987	130	50	25	28	103	5	---
24	Madagascar	1987	75	17	15	14	46	2	---
25	Malawi	1986	96	18	18	16	52	3	3
26	Mauritius	1986	60	11	36	3	50	2	2
27	Mongolia	1991	39	14	13	17	44	2	2
28	Myanmar	1985	199	48	71	59	178	8	9
29	Nepal	1987	100	33	78	10	121	4	5
30	New Zealand	1993	26	7	6	2	15	2	---
31	Papua New Guinea	2000	16	0	0	1	1	2	---
32	The Philippines	1986	487	162	335	109	606	22	26
33	Russian Federation	1993	119	25	15	18	58	8	---
34	Rwanda	1990	46	32	24	2	58	3	6
35	Singapore	1985	84	3	47	5	55	2	---
36	South Africa	1987	168	43	85	25	153	8	---
37	Sri Lanka	1983	222	49	211	5	265	6	10
38	Tanzania	1985	365	93	179	61	333	17	14
39	Thailand	1986	325	120	309	24	453	13	21
40	Trinidad-Tobago	1989	50	11	26	7	44	2	---
41	U.S. Virgin Isles	1995	24	2	0	0	2	2	---
42	Vanuatu	1999	18	2	2	1	5	2	---
43	Vietnam	1995	26	10	14	4	28	2	---
44	Croatia	2001	12	9	4	0	13	2	---
45	Kosovo	1995	22	15	3	3	21	2	---
46	Macedonia	1991	38	42	39	8	89	2	5
47	Zambia	2000	17	5	1	2	8	2	---
48	Zimbabwe	1993	31	8	12	1	21	2	2
Member Countries Included on Exceptional Basis:									
49	Afghanistan	1986	454	91	313	47	451	20	20
50	Albania	1994	34	16	9	2	27	---	---
51	Azerbaijan	1994	21	0	2	0	2	---	---
52	Cote d' Ivoire	1987	77	12	22	6	40	2	---
53	Kazakhstan	1992	72	2	12	38	52	2	---
54	Mozambique	1992	47	21	13	5	39	3	---
55	Nigeria	1987	885	455	388	59	902	---	---
56	Palestine	1984	177	35	132	6	173	4	2
57	Somalia	1996	110	85	26	10	121	10	1
58	Togo	1986	112	11	44	23	78	2	2
	Total		**8,840**	**2,640**	**5,237**	**885**	**8,762**	**475**	**186**

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 3.2
IDB Merit/M.Sc Scholarship Programmes

No.	Country	Selection until 1423H (2002-03)		1424H (2003-04)		1425H (2004-05)		1426H (2005-06)		1427H (2006-07)		1428H (2007-08)		Total Selected	
		Merit	M.Sc	Merit	M.Sc	Merit	M.Sc	Merit	M.Sc	Merit	M.Sc	Merit	M.Sc	Merit	M.Sc
1	Afghanistan	-	10	1	1	-	1	-	1	-	3	2	2	3	18
2	Albania	2	-	-	-	-	-	-	-	1	-	1	-	4	-
3	Algeria	10	-	1	-	-	-	2	-	1	-	-	-	14	-
4	Azerbaijan	1	-	-	-	-	-	-	-	-	-	-	-	1	-
5	Bahrain	4	-	-	-	-	-	-	-	-	-	1	-	5	-
6	Bangladesh	14	-	3	-	2	-	3	-	3	-	1	-	26	-
7	Benin	1	8	-	-	1	2	-	-	1	1	-	-	3	11
8	Brunei Darussalam	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Burkina Faso	1	1	-	1	-	1	-	1	-	1	-	1	1	6
10	Cameroon	3	-	-	-	-	-	-	-	-	-	-	-	3	-
11	Chad	2	5	-	2	-	2	-	1	-	1	-	1	2	12
12	Comoros	-	2	-	1	-	-	-	-	-	1	-	1	-	5
13	Cote d'Ivoire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Djibouti	-	4	-	-	-	-	-	-	-	1	-	1	-	6
15	Egypt	14	-	3	-	2	-	3	-	3	-	3	-	28	-
16	Gabon	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Gambia	3	5	-	-	-	-	-	2	-	1	-	2	3	10
18	Guinea	2	6	-	2	1	2	-	2	-	1	-	2	3	15
19	Guinea Bissau	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Indonesia	16	-	3	-	3	-	3	-	4	-	4	-	33	-
21	Iran	9	-	2	-	2	-	3	-	3	-	4	-	23	-
22	Iraq	2	-	1	-	-	-	-	-	1	-	1	-	5	-
23	Jordan	7	-	2	-	1	-	-	-	1	-	1	-	12	-
24	Kazakhan	2	-	-	-	-	-	-	-	-	-	-	-	2	-
25	Kuwait	3	-	1	-	-	-	-	-	-	-	-	-	4	-
26	Kyrgyz	4	-	-	-	-	-	-	-	-	-	-	-	4	-
27	Lebanon	4	-	-	-	-	-	-	-	-	-	1	-	5	-
28	Libya	3	-	-	-	-	-	-	-	-	-	-	-	3	-
29	Malaysia	6	-	3	-	2	-	3	-	3	-	4	-	21	-
30	Maldives	2	7	-	1	-	-	-	2	-	1	1	1	3	12
31	Mali	1	4	-	1	-	1	-	-	2	1	-	1	3	8
32	Mauritania	1	4	-	2	-	1	-	2	-	1	-	1	1	11
33	Morocco	7	-	1	-	-	-	-	-	-	-	-	-	8	-
34	Mozambique	1	-	-	-	-	-	-	-	-	-	-	-	1	-
35	Niger	2	6	-	2	1	-	-	2	-	2	-	1	3	13
36	Nigeria	-	-	-	-	-	-	-	-	2	-	1	-	3	-
37	Oman	5	-	2	-	-	-	-	-	1	-	-	-	8	-
38	Pakistan	14	-	1	-	2	-	2	-	3	-	4	-	26	-
39	Palestine	7	-	1	-	2	2	-	2	3	2	2	1	15	7
40	Qatar	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Saudi Arabia	4	-	1	-	1	-	-	-	-	-	-	-	6	-
42	Senegal	3	-	1	-	-	-	-	-	-	-	1	-	5	-
43	Sierra Leone	1	7	-	-	-	2	-	1	-	1	-	2	1	13
44	Somalia	1	9	-	1	1	2	-	2	-	1	-	2	2	17
45	Sudan	11	-	1	-	1	-	2	-	1	-	4	-	20	-
46	Suriname	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47	Syria	8	-	1	-	-	-	2	-	2	-	2	-	15	-
48	Tajikistan	-	-	2	-	1	-	-	-	-	-	-	-	3	-
49	Togo	1	-	-	2	-	-	-	-	-	2	-	-	1	4
50	Tunisia	7	-	-	-	-	-	1	-	3	-	4	-	15	-
51	Turkey	12	-	1	-	3	-	1	-	1	-	1	-	19	-
52	Turkmenistan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53	Uganda	4	11	-	2	1	1	-	1	1	1	1	1	7	17
54	U.A.E.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55	Uzbekistan	-	-	-	-	-	-	-	-	2	-	2	-	4	-
56	Yemen	7	11	-	2	-	3	1	1	-	1	1	1	9	19
	Non-Member Countries	-	-	-	-	-	-	-	-	-	-	6	1	6	1
	Total	**212**	**100**	**32**	**20**	**27**	**20**	**26**	**20**	**42**	**23**	**53**	**22**	**392**	**205**

Annex Table 3.3
Summary of IDB Special Assistance Programme
in Member Countries and Muslim Communities in Non-Member Countries
(1399H-1428H)

(values in million)

	Member Countries			Muslim Communities in Non-Member Countries			Total		
	No.	ID	$	No.	ID	$	No.	ID	$
1399H	1	0.7	0.9				1	0.7	0.9
1400H	5	6.9	9.1	1	0.8	1.0	6	7.7	10.1
1401H	3	2.0	2.2	5	3.3	4.0	8	5.3	6.2
1402H	6	5.5	6.3	1	0.6	0.7	7	6.1	7.0
1403H	3	3.1	3.7	3	3.1	3.4	6	6.1	7.0
1404H	24	55.2	57.4	9	5.4	5.8	33	60.6	63.2
1405H	10	19.2	22.6	21	9.6	10.7	31	28.8	33.3
1406H	4	0.7	0.8	16	9.2	10.5	20	9.8	11.2
1407H	9	5.7	7.1	7	3.2	3.9	16	8.9	11.0
1408H	41	24.9	32.4	24	5.6	6.9	65	30.6	39.3
1409H	11	24.1	28.2	23	6.3	8.0	34	30.3	36.3
1410H	33	40.4	50.0	21	3.6	4.7	54	44.0	54.7
1411H	34	23.8	30.1	25	4.3	5.6	59	28.1	35.7
1412H	26	7.6	10.2	38	22.3	29.9	64	29.9	40.1
1413H	16	11.6	15.8	18	2.6	3.6	34	14.1	19.4
1414H	27	12.1	17.0	38	5.2	7.1	65	17.3	24.1
1415H	9	1.1	1.5	27	4.1	5.9	36	5.2	7.4
1416H	8	3.9	5.6	37	4.8	7.0	45	8.6	12.6
1417H	10	9.1	12.9	27	3.7	5.3	37	12.8	18.1
1418H	11	4.4	5.9	36	5.5	7.4	47	9.9	13.3
1419H	24	3.3	4.6	36	5.8	7.9	60	9.1	12.5
1420H	14	8.8	12.0	51	15.4	19.6	65	24.1	31.6
1421H	14	8.0	10.9	25	4.4	5.8	39	12.4	16.7
1422H	17	5.2	6.6	31	5.7	7.2	48	11.0	13.8
1423H	12	5.7	7.7	27	4.3	5.7	39	10.0	13.4
1424H	17	12.7	17.8	30	4.1	5.8	47	16.8	23.6
1425H	26	7.2	10.6	40	6.5	9.7	66	13.7	20.3
1426H	10	4.1	6.0	34	5.2	7.7	44	9.3	13.7
1427H	17	7.3	10.6	30	5.3	7.8	47	12.6	18.4
1428H	23	7.4	11.1	39	9.6	14.6	62	17.0	25.7
Total	**465**	**331.6**	**417.6**	**720**	**169.6**	**223.2**	**1,185**	**501.1**	**640.8**

FORGING TRADE AND ECONOMIC COOPERATION 4

Trade Performance of Member Countries (MCs)

- Total exports of MCs grew by 22.6 percent to $1.2 trillion in 2006.
- Intra-exports among MCs rose by 23 percent to $166 billion in 2006 and stood at 13.6 percent of total exports.

Trade Financing Operations

- Up to end-1428H, total ITFO approvals were ID17,510.7 million ($23,512.3 million) with 1,420 operations.
- In 1428H, ITFO approvals rose sharply by 26.1 percent to ID1,697.3 million ($2,602.5 million).

Commencement of Activities by the ITFC

- From 1st Muharram 1429H, all trade financing activities of ITFO, BADEA, and IBP has been taken over by the ITFC.

International trade plays an important role in improving resource allocation, expanding market access, promoting economic growth and helping poverty reduction in developing countries. Since the early 1990s, the world economy has been undergoing structural transformation, which has generally a positive impact on global trade. The issue of enhancing intra-trade and intra-investment has been emphasized as a strategic thrust in IDB 1440H Vision by promoting regional economic cooperation and encouraging the establishment of a free trade area. Given the importance of trade in economic development, IDB launched various initiatives and expanded its trade financing operations in 1428H. Beginning early 1429H, the commencement of operations by the ITFC - a new entity dedicated to enhance intra-trade among member countries-- is a major step forward. This Chapter presents global trade and intra-trade performance of IDB member countries. It reviews IDB's recent initiatives to promote trade integration and assesses trade financing operations. It also focuses on IDB's cooperation with the OIC and related institutions for promoting trade.

I. GLOBAL TRADE AND INTRA-TRADE PERFORMANCE OF MEMBER COUNTRIES

1. Favourable Global and Regional Trade Performance

Encouraging global economic progress led to an impressive world trade expansion during the last five years. World exports grew by an average annual rate of 14.4 percent during 2002-2006, reaching close to $12 trillion in 2006. The developing countries' share in world exports also increased significantly from 37 percent to 44.4 percent during the same period. At the same time, the industrial countries' share declined from 62.9 percent to 55.6 percent, indicating a clear shift in the direction of trade and the emergence of some of the developing countries as major players in the global trade. The exports of developing countries almost doubled during 2002-2006, and grew by 19.3 percent per annum. Intra-exports among them went up from $1 trillion in 2002 to $2.5 trillion in 2006, representing 47.5

percent of their total exports. The industrial countries' overall exports experienced relatively slower growth of 11.2 percent during the last five years, while their intra-exports went up from $2.9 trillion to $4.5 trillion, representing 68.4 percent of their total exports in 2006 (Table 4.1).

During 2002-2006, total exports of IDB member countries more than doubled and reached $1.2 trillion in 2006. Their exports grew by 20.1 percent, higher than the growth observed in developing countries. Similarly, their share in world exports increased from 7.9 percent in 2002 to 10.2 percent in 2006. The member countries' exports to industrial countries increased from $263 billion in 2002 to $613 billion in 2006, indicating an annual average increase of 18.6 percent while their exports to developing countries rose faster (from $220 billion to $552 billion) by an average annual growth of 21.9 percent. Trade among developing countries grew at a greater pace than with industrial countries, which shows the increasing regionalization of trade patterns (South-South trade) and the growing cooperation among developing countries.

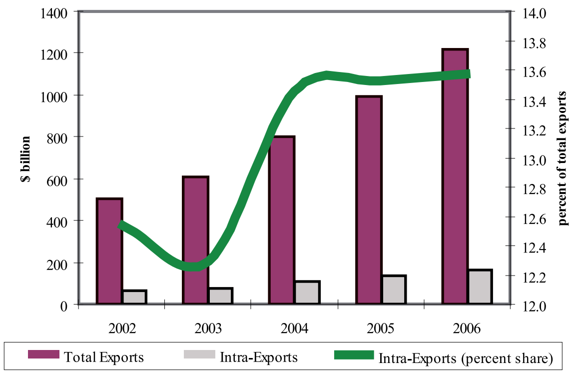
2. Intra-Trade Ratio Yet to Accelerate

Trade among IDB member countries is recognized as the engine of their economic growth. The latest estimates show that 5 percent increase in the overall trade volume of member countries would enhance their growth by 0.3 percentage points and the contribution of trade to growth performance would increase by 4.3 percent. Given the importance of trade for development, strengthening trade and investment cooperation at the OIC level has emerged as a strategic agenda. In particular, the OIC Summit, held in Makkah Al Mukarramah in Dhul Qadah 1426H (December 2005), adopted the OIC Ten-Year Programme of Action, which recommended to raise intra-OIC trade to 20 percent within 10 years and to take necessary steps to establish a free trade area.

Overtime, intra-trade performance of member countries improved, albeit with a slower pace. Intra-exports among member countries went up from 12.5 percent in 2002 to 13.6 percent in 2006, indicating that reaching the OIC intra-trade target of 20 percent by 2015 is still far away. However, total intra-trade among them in terms of exports volume increased from $63 billion in 2002 to $166 billion in 2006, witnessing an impressive annual average growth of 27.4 percent during the period under consideration (Chart 4.1).

Another key feature of intra-exports has been the persistent increase in their volume as average intra-exports went up from $1.1 billion in 2002 to $3 billion in 2006. Twenty-seven member countries' intra-exports were more than $1 billion during the same period. In 2006, total intra-exports of 13 member countries[1] amounted to $132.9 billion, representing a share of 80.2 percent of the total intra-exports among the member countries (Annex Table 4.1).

Chart 4.1
Total Exports and Intra-Exports Share of IDB Member Countries



With regard to intra-imports, the total volume increased from $61 billion in 2002 to $177.2 billion in 2006, indicating an impressive annual average growth of 26.5 percent. The intra-imports among member countries increased from 14.4 percent to 17.6 percent during the same period. In 2006, intra-imports of 30 member countries were more than $1 billion while 18 member countries possessed 80.9 percent share in aggregate intra-imports of 56 member countries.

In terms of achieving the OIC intra-trade target, latest estimates show that with the current trend, it would be approximately 2053 before that target is met. Current estimates also show that if intra-trade is increased proportionately to trade potentials, the OIC target may be reached by 2015.

In order to achieve OIC intra-trade target, there is a need to ensure full implementation of the Protocols on Preferential Tariff Scheme and Framework on OIC Trade Preferential Systems (OIC-TPS); encourage greater trade integration among member countries; disaggregate intra-trade targets at the regional level for effective monitoring through bilateral Free Trade Areas and implementation of Early Harvest Programme; develop appropriate and effective products for financing trade operations in LDMCs; increase OIC brand awareness and standards; create quality standards Boards and Accreditations; and provide support for the promotion of trade fairs in member countries.

[1]These countries include Saudi Arabia, U.A.E, Turkey, Malaysia, Indonesia, Iran, Syria, Kuwait, Pakistan, Egypt, Oman, Nigeria, and Libya.

Table 4.1
Inter-and Intra-Exports of Industrial, Developing and IDB Member Countries[1]

From ------------------> To	World					Industrial Countries					Developing Countries					IDB Member Countries				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
World																				
Exports ($ billion)	6,433	7,516	9,132	10,363	11,961	4,205	4,858	5,774	6,417	7,247	2,152	2,583	3,259	3,825	4,572	428	523	669	792	922
Annual Percent Change	4.8	16.8	21.5	13.5	15.4	3.2	15.5	18.8	11.1	12.9	8.0	20.0	26.2	17.4	19.5	10.8	22.2	28.0	18.4	16.4
Share of Partner Countries in World Exports	100.0	100.0	100.0	100.0	100.0	65.4	64.6	63.2	61.9	60.6	33.5	34.4	35.7	36.9	38.2	6.6	7.0	7.3	7.6	7.7
Industrial Countries																				
Exports ($ billion)	4,049	4,654	5,484	5,945	6,649	2,896	3,324	3,857	4,130	4,547	1,126	1,304	1,591	1,775	2,051	224	261	319	360	398
Annual Percent Change	3.2	14.9	17.8	8.4	11.8	2.6	14.8	16.0	7.1	10.1	4.7	15.8	22.0	11.6	15.5	8.2	16.6	22.5	12.9	10.4
Share of Partner Countries in World Exports of Industrial Countries	100.0	100.0	100.0	100.0	100.0	71.5	71.4	70.3	69.5	68.4	27.8	28.0	29.0	29.9	30.8	5.5	5.6	5.8	6.1	6.0
Share of Industrial Countries in World Exports	62.9	61.9	60.1	57.4	55.6															
Developing Countries																				
Exports ($ billion)	2,382	2,859	3,644	4,414	5,308	1,308	1,533	1,915	2,285	2,699	1,024	1,277	1,667	2,048	2,519	204	262	349	432	524
Annual Percent Change	7.6	20.1	27.4	21.1	20.2	4.6	17.2	24.9	19.4	18.1	11.9	24.7	30.5	22.9	23.0	13.8	28.5	33.4	23.5	21.3
Share of Partner Countries in World Exports of Developing Countries	100.0	100.0	100.0	100.0	100.0	54.9	53.6	52.5	51.8	50.8	43.0	44.7	45.7	46.4	47.5	8.6	9.2	9.6	9.8	9.9
Share of Developing Countries in World Exports	37.0	38.0	39.9	42.6	44.4															
IDB Member Countries																				
Exports ($ billion)	506	611	803	995	1,220	263	320	418	510	613	220	263	351	441	552	63	75	108	135	166
Annual Percent Change	1.8	20.8	31.5	23.9	22.6	-1.7	21.6	30.6	21.9	20.4	5.7	19.6	33.1	25.9	25.2	26.7	18.5	44.0	24.6	23.0
Share of Partner Countries in World Exports of IDB Member Countries	100.0	100.0	100.0	100.0	100.0	52.1	52.4	52.1	51.2	50.3	43.5	43.1	43.6	44.3	45.3	12.5	12.3	13.5	13.5	13.6
Share of IDB Member Countries in World Exports	7.9	8.1	8.8	9.6	10.2															

[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, accessed in January 2008.

II. RECENT INITIATIVES TO PROMOTE TRADE INTEGRATION

IDB is unique among the Multilateral Development Banks (MDBs) in having a trade financing entity, the International Islamic Trade Finance Corporation (ITFC) devoted exclusively to trade. It was established by the IDB Board of Governors in Jumad Awwal 1426H (June 2005) with an authorized capital of $3 billion. The ITFC held its inaugural General Assembly in Jeddah, in Safar 1428H (February 2007) after the conclusion of the ratification process by the respective signatory member countries and institutions. The General Assembly of the ITFC, in its 2nd meeting held in Dakar, Senegal in conjunction with the 32nd IDB Annual Meeting, approved an increase of the Subscribed Capital from $500 million to $750 million. A total of 11 countries and nine institutions were admitted as new members/ shareholders of the ITFC.

IDB has decided to make available $1billion to be managed by the ITFC as Mudarib. This amount will be utilized by the ITFC to finance trade operations in OIC member countries. It will also be taking over as Mudarib for the BADEA fund for financing trade operations in Africa, which was previously managed by IDB. The ITFC is targeting to finance trade operations to the tune of $2.7 billion in 1429H, using its capital resources and the amount made available to it by IDB. It will also try to meet the shortfall in funds by mobilizing additional resources from the financial institutions by way of syndication. With the commencement of activities by early 1429H, the ITFC will contribute greatly to IDB objective of promoting greater economic cooperation among member countries by fostering wider intra-trade. In addition, IDB continues to take new initiatives in order to promote trade in member countries (see Box 4.1).

III. ASSESSMENT OF TRADE FINANCING OPERATIONS

The ITFO continues to remain the most effective trade financing instrument for facilitation and expansion of intra-trade performance among member countries. Under this, preference is given to imports of raw-materials and intermediate goods from member countries. When selecting importers for financing under this scheme, the developmental content and impact of goods are the key guiding principles for IDB. The 1428H is the last year in which trade financing activities were undertaken by IDB. From 1st Muharram 1429H, all trade financing activities of ITFO, BADEA Scheme, and IBP have been taken over by the ITFC.

Box 4.1
Pre-Export Financing Scheme in Cote d'Ivoire

Under the new initiatives, the Scheme was implemented during 1428H in Cote d'Ivoire with an amount of $30 million. It will have a significant developmental impact on the cocoa farmers. The operation is structured in such away that a Collateral Management mechanism is put in place and the delivery of the raw cocoa is the basis for the security package implemented. The Scheme not only enables the farmers to fetch a better local farm-gate price but also enables them to benefit from windfall gains due to increase of coca price in the international market. The involvement of IDB in this operation has not only enhanced the local competition but also improved the international market access of local indigenous cooperatives and exporters.

In 1428H, ITFO approvals went up from ID1,402.9 million ($2,063.6 million) in 1427H to ID1,697.3 million ($2,602.5 million) in 1428H, higher by 26.1 percent (Table 4.2). ITFO disbursements out of approved amount also went up significantly from 57.5 percent in 1427H to 76.3 percent in 1428H (Table 4.3). A total of 67 operations in 22 member countries were undertaken in 1428H (Table 4.4). Since its inception, total ITFO approvals were ID17,510.7 million ($23,512.3 million) with 1,420 operations in member countries. The increased resource availability and efficient resource mobilization by IDB contributed significantly to an increase in ITFO operations.

In 1428H, trade operations in the Asia/CIS region accounted for 56 percent of total ITFO approvals. Trade approvals in the MENA region exceeded $1 billion mark in 1428H, representing 38 percent of all ITFO approvals. The trade approvals for Africa region was $137.9 million in 1428H. The reason for the increase in trade financing, especially in the Sub-Saharan African region, was due mainly to the introduction of new structured financing-based products, which helped overcome the problems faced by the clients in this region due to low credit rating of a number of countries.

A total of $1.3 billion or 50 percent of total trade financing was mobilized from the financial markets in the form of syndication or co-financing by IDB in 1428H, which represented an increase of 20 percent compared to the previous year. From 1423H to 1428H, IDB's mobilization of external resources increased by over 12 times, indicating the confidence of the financial markets placed on IDB.

Table 4.2
Distribution of Trade Financing Approvals from 1397H to 1428H

(values in million)

	ITFO[1]			EFS			IBP			UIF			TOTAL[2]		
Year	**No.**	**ID**	**$**	**No.**	**ID**	**$**	**No.**	**ID**	**$**	**No.**	**ID**	**$**	**No.**	**ID**	**$**
Up to 1420H	940	9,155.8	11,586.1	130	324.6	451.9	101	1065.7	1,490.8	32	134.7	189.5	1,203	10,680.9	13,718.3
1421H	55	712.2	927.0	16	112.9	148.5	9	149.7	190.0	8	74.9	95.0	88	1,049.7	1,360.5
1422H	52	894.3	1,127.5	15	108.6	136.9	8	66.1	83.0	5	35.5	44.5	80	1,104.5	1,391.9
1423H	63	783.6	1,036.0	2	19.5	26.0	14	190.0	260.3	10	70.8	97.0	89	1,063.9	1,419.3
1424H	66	888.8	1,265.0	10	87.4	121.8	14	114.5	171.3	14	67.9	101.5	104	1,158.7	1,659.5
1425H	70	1,246.2	1,842.1	17	165.2	246.5	15	204.8	308.0	14	110.4	166.0	116	1,726.6	2,562.6
1426H	37	729.4	1,062.6	10	109.3	160.3	17	230.6	333.0	17	85.4	123.3	81	1,154.7	1,679.1
1427H	70	1,402.9	2,063.6	17	255.9	378.1	8	135.8	202.8	10	60.0	89.6	105	1,854.6	2,734.1
1428H	67	1,697.3	2,602.5	..	..	..	..	..	..	1	9.5	15.0	68	1,706.8	2,617.5
Net Approvals	**1,420**	**17,510.7**	**23,512.3**	**217**	**1,183.4**	**1,669.9**	**186**	**2,157.4**	**3,039.1**	**111**	**649.0**	**921.3**	**1,934**	**21,500.4**	**29,142.6**

[1]Figures include operations under Two-Step Murabaha Financing (2SMF) and Syndication.
[2]Figures exclude trade activities of ICD, APIF and Treasury operations.

Table 4.3
Comparison of Trade Schemes by Approvals and Disbursements (1424H-1428H)

(values in million)

Schemes/ Funds		**1424H**		**1425H**		**1426H**		**1427H**		**1428H**	
		Approved	**Disbursed**	**Approved**	**Disbursed**	**Approved**	**Disbursed**	**Approved**	**Disbursed**	**Approved**	**Disbursed**
ITFO[1]	ID	888.8	719.2	1,246.2	1,149.9	729.4	917.8	1,402.9	795.2	1,697.3	1,257.1
	$	1,265.0	1,075.2	1,842.1	1,729.4	1,062.6	1,325.0	2,063.6	1,187.4	2,602.5	1,986.9
EFS	ID	87.4	40.4	165.2	125.6	109.3	183.5	255.9	72.0	..	..
	$	121.8	60.5	246.5	188.9	160.3	264.9	378.1	107.5	..	..
IBP	ID	114.5	25.0	204.8	59.4	230.6	23.7	135.8	12.5	..	..
	$	171.3	37.2	308.0	89.4	333.0	34.2	202.8	18.6	..	..
UIF	ID	67.9	83.0	110.4	66.0	85.4	83.8	60.0	69.6	9.5	
	$	101.5	124.1	166.0	99.3	123.3	121.0	89.6	103.9	15.0	
Total	**ID**	**1,158.7**	**867.7**	**1,726.6**	**1,400.9**	**1,154.7**	**1,208.8**	**1,854.6**	**949.2**	**1,706.8**	**1,257.1**
	$	**1,659.5**	**1,297.0**	**2,562.6**	**2,107.0**	**1,679.1**	**1,745.1**	**2,734.1**	**1,417.5**	**2,617.5**	**1,986.9**

[1] Figures include disbursements for 2SMF and Syndication.

Private sector trade financing represented 45 percent ($1.2 billion of the approved financing) in 1428H, compared to 38 percent last year. This increase was in line with the growing emergence of the private sector in many IDB member countries.

Intra-OIC trade financing represented 77 percent of the total operations, which showed a slight improvement over the previous year's 75 percent. The high percentage of OIC intra-trade financing was in line with the IDB's efforts to support the OIC intra-trade target.

IV. CAPACITY BUILDING FOR TRADE AND INVESTMENT

Since its inception, IDB has been extending assistance to member countries for their capacity building aimed at facilitating trade and investment in member countries. Following are the major activities by IDB to support capacity building for trade and investment during 1428H.

1. Trade Cooperation and Promotion Programme (TCPP)

The TCPP focuses on enhancing the level of intra-trade among OIC member countries through trade promotion and facilitation activities. A budget of $409,048 was allocated for TCPP activities in 1428H. During the year, the TCPP focused its attention on capacity-building activities, in particular on organising training programmes for the staff attached to Trade Promotion Organizations in member countries. The TCPP organized 16 training programmes and 9 seminars and

Table 4.4
Gross ITFO Approvals by Country (1426H-1428H)

(values in million)

Country	1426H			1427H			1428H		
	No.	ID	$	No.	ID	$	No.	ID	$
Bahrain	2	21.4	32.5	1	17.4	25.0	..	..	..
Bangladesh	3	136.6	200.0	11	443.3	650.0	14	645.9	990.0
Burkina Faso	..	..	..	1	25.0	36.0	..	..	..
Cote d'Ivoire	..	..	..	..	..	..	2	31.6	48.9
Djibouti	..	..	..	..	..	..	1	7.6	12.0
Egypt	3	67.7	100.0	3	92.8	140.0	2	6.6	10.0
Gambia	..	..	..	1	3.4	5.0	1	3.2	5.0
Indonesia	1	17.3	25.0	3	27.4	41.0	1	4.0	6.0
Iran	7	69.3	103.6	14	127.4	188.4	11	162.1	247.5
Jordan	1	4.6	7.0	5	43.9	65.0	4	30.6	46.5
Kuwait	4	78.9	110.0	3	91.4	135.0	2	55.7	85.0
Lebanon	1	68.2	100.0	2	7.9	12.0	1	4.6	7.0
Malaysia	..	..	..	..	..	..	1	6.6	10.0
Maldives	1	8.1	11.7	..	..	..	1	5.5	8.3
Mali	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	1	132.3	200.0
Mozambique	..	..	..	..	..	..	1	9.8	15.0
Niger	1	3.4	5.0	..	..	..	1	3.3	5.0
Nigeria	..	..	..	2	25.0	37.0	1	16.6	25.0
Pakistan	1	16.4	25.0	4	207.0	300.0	3	95.9	150.0
Qatar	1	1.7	2.6	..	..	..	..	..	..
Saudi Arabia	2	41.9	60.0	5	96.8	143.0	11	351.2	541.4
Senegal	2	13.7	20.0	3	32.9	49.0	1	21.3	34.0
Sierra Leone	..	..	..	..	...	..	1	3.2	5.0
Sudan	1	19.9	30.0	1	6.6	10.0	..	..	..
Togo	..	..	..	1	4.2	6.0	..	..	..
Tunisia	4	59.0	85.0	4	41.1	60.0	..	..	..
Turkey	3	30.4	44.5	8	37.7	55.1	5	32.8	50.9
UAE	1	21.1	30.0	1	17.2	25.0	1	67.0	100.0
Total	**42**	**783.9**	**1,143.9**	**75**	**1,435.0**	**2,110.6**	**67**	**1,697.3**	**2,602.5**

meetings during the year (see Box 4.2). From 1429H, activities of the TCPP have been transferred to the ITFC. The Programme's budget for 1429H has been increased to $1 million and will be financed jointly by IDB and the ITFC. A total of 28 new activities related to trade promotion and facilitation, and capacity building are planned in 1429H.

2. Technical Assistance Programme on WTO-Related Matters

The past 10 years of implementation of WTO Agreements has produced compelling evidence that developing countries, especially the LDMCs, need to take concrete actions aimed at eliminating the constraints resulting from insufficient infrastructural, institutional and human capacity. They also need to strengthen their trade-related negotiating capacity. It is in response to these challenges as well as the needs and demands of its member countries that IDB has continued to expand the scope and activities of its Technical Assistance Programme (TAP). The TAP is primarily aimed at strengthening human and institutional capacity of OIC member countries and in enabling them to effectively participate in the multilateral trading system. The TAP activities include holding of workshops/seminars, organizing trade policy courses, and undertaking subject-specific studies on the WTO Agreements (see Box 4.2).

IDB has also been organising consultative meetings for the OIC member countries as a forum for exchanging views on issues relating to the WTO prior to and after its regular WTO Ministerial Conferences. In addition, specific technical support is provided to countries acceding or willing to join the WTO. At the same time,

Box 4.2
Trade Cooperation and Promotion Programme Activities and WTO-Related Activities During 1428H

Trade Cooperation and Promotion Program Activities

- On-job Training Programme for Staff of Chambers of Commerce, Casablanca, Morocco, 18-22 June 2007.
- Training Courses on Export Strategies and International Marketing, Kuala Lumpur, Malaysia, and Cairo, Egypt, 12-16 December 2007.
- On-job Training for Staff of Export Promotion Centers in CIS Member Countries, Istanbul, Turkey, 10-14 December 2007.
- Participation in the 11th Islamic Trade Fair, Dakar, Senegal, 21-25 November 2007.
- Participation in the World Halal Forum, Kuala Lumpur, Malaysia, 16-18 May 2007.

WTO-Related Activities

- Consultative Meeting of the Permanent Missions of the OIC Member Countries accredited to the WTO, Geneva, Switzerland, 5 February 2007.
- Seminar on the WTO Accession Negotiations for CIS Countries, Bishkek, Kyrgyz Republic, 13-15 March 2007.
- Seminar on the WTO Accession Negotiations for Arab Countries, Damascus, Syria, 1-4 April 2007.
- Seminar on Intellectual Property and Transfer of Technology (IDB/WIPO) for Arab Countries, Riyadh, Saudi Arabia, 4-6 June 2007.
- Trade Policy Course in French, Libreville, Gabon, 4-22 June 2007.
- Intensive Course On Trade Negotiations Skills for Arab Countries, Sana'a, Yemen, 11-15 August 2007.
- Seminar on WTO Rules, Agreements on Anti-dumping & Subsidies, and DSU, Istanbul, Turkey, 4-6 September 2007.
- Seminar on Agriculture Negotiations, Jeddah , Saudi Arabia, 29-31 October 2007.
- Seminar on Trade Negotiations Skills for Syrian WTO Negotiating Team, Damascus, Syria, 25-28 November 2007.
- Consultative Meeting of the Permanent Missions of the OIC Member Countries accredited to the WTO, Geneva, Switzerland, 11 December 2007.

IDB has been striving to provide a forum to promote concerted positions on various subjects covered under the Doha Development Agenda. In this connection, several meetings were organized at Ministerial and Ambassadorial levels. IDB will continue to further enhance quality, effectiveness and reach of its capacity building technical assistance programme, and to facilitate the speedy accession of its member countries to the WTO.

3. IDB Support to Aid-for-Trade Initiative

Aid-for-Trade initiative comprises aid that finances trade-related technical assistance and infrastructure, and building productive capacity. Many developing countries face supply-side constraints that severely limit their ability to benefit from the multilateral trading system. In recognition of these challenges, in December 2005, the Sixth Ministerial Conference held in Hong Kong created a new WTO work programme on Aid-for-Trade. This programme emphasized strong commitment by donors for trade-related assistance aiming to help developing countries, particularly least developed countries, to build the supply-side capacity and trade-related infrastructure. It also guides developing countries to implement and benefit from WTO agreements and more broadly to expand their trade. Further, at the Heiligendamm G8 Summit held in June 2007, Summit leaders urged all donors to improve quality and quantity of the resources available by 2010 and encourage partner countries to include the Aid-for-Trade agenda in their poverty reduction and national development strategies.

During 1428H, IDB supported the Air-for-Trade initiative and participated in the first Annual Global Review and a meeting of the WTO Advisory Group on the subject. IDB invited the Advisory Group to help organize a brainstorming session with a view to update on the work done and to develop a strategy so that it can participate in this WTO initiative. IDB also invited the WTO delegation to participate at the ITFC Board of Executive Directors meeting held in March 2008.

4. Investment Promotion Technical Assistance Programme (ITAP)

The ITAP was established in 1426H with the objective of developing capacity of member countries to attract foreign direct investment and support their efforts to improve investment and business climate. It is a joint IDB Group initiative, with funding contributions from IDB, ICD and ICIEC. The activities of the ITAP are in line with IDB 1440H Vision, whose strategic aims include the promotion of intra-trade and intra-investment and job creation through the development of the private sector. The Programme assists member countries to identify and promote promising investment opportunities attractive to both local and foreign investors. The ITAP is also enhancing its collaboration with reputed international agencies in the field of investment promotion. The activities undertaken during 1428H include capacity building through technical assistance programmes for the development of Investment Promotion Authorities (IPAs) in member countries, aiming to make the IPAs one-stop-shop for investors, thereby facilitating and promoting greater FDI flows. The ITAP's technical assistance programme gives particular focus to LDMCs. During 1428H, the ITAP allocated a budget of $3.4 million to fund projects in Libya, Maldives, Oman, Sudan, Uganda and Yemen. Other ITAP's activities during 1428H were the following:

- Joint MIDA-ITAP training conference for officials of Investment Promotion Agencies on Internet and Websites for Investment Promotion, 6-15 June, 2007, Kuala Lumpur, Malaysia.
- Second training conference for officials of Investment Promotion Agencies on Bilateral Investment Treaties and Negotiating Investment Disputes, 23-31 October, 2007, Amman, Jordan.
- Investment climate review document for Comoros including preparation of 30 project technical profiles.
- Establishing a database on intra-investment flows among IDB member countries.

5. IDB Annual Symposium

The 18th IDB Annual Symposium on "Capacity Building for Promoting Trade and Investment in Africa" was held in conjunction with the 32nd Annual Meeting of the Board of Governors in Dakar, Senegal, 11-12 Jumada'II 1428H (28-29 May, 2007). The Symposium provided a platform to exchange experiences on addressing impediments to promotion of trade and investment opportunities in Africa and to identify ways for partnering amongst the multilateral and international organisations to enhance capacity building operations in the Sub-Saharan African member countries. The Symposium recommendations are presented in (Box 4.3), whose robust implementation by the multilateral institutions, including IDB, will ensure that capacity building assistance leads to the achievement of sustainable economic growth in Sub-Saharan African member countries.

V. COOPERATION WITH THE OIC AND RELATED INSTITUTIONS

As a manifestation of its fundamental endeavour to foster socio-economic and commercial cooperation among member countries, IDB Group has always maintained excellent relationship with the OIC and its affiliates. This is clearly observed through different programmes and activities that have been undertaken since the establishment of IDB in 1975. The Bank has always played an effective and dynamic role in promoting and strengthening cooperation among OIC-affiliated institutions by providing opportunities to exchange views on matters of collective concern so that such institutions can play their assigned role in serving the Ummah.

1. Cooperation at the OIC Level

IDB activities are geared to help, promote and strengthen economic and commercial cooperation among its member countries. To that end, IDB has established close cooperation and working relationship with the General Secretariat of the OIC and its various affiliates. They include: Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRTCIC) in Turkey; the Islamic Center for Development of Trade (ICDT) in Casablanca; the Islamic University of Technology (IUT) in Dhaka; and the Islamic Chamber of Commerce and Industry (ICCI) in Karachi. The cooperation between IDB and these institutions focuses on undertaking joint studies, collaboration in the process of collection and exchange of information, research and training activities, and participation in joint working groups. The cooperation also extends to participation in the Islamic Conference Summit and Islamic Conference of Foreign Ministers (ICFM) sessions to exchange information, views and experiences, Consultative and Sessional Committee meetings on the sidelines of the Standing Committee for Economic and Commercial Cooperation (COMCEC), and Islamic Commission for Economic, Cultural and Social Affairs (ICECS).

In 1428H, IDB took part in the following major activities of the OIC:

- Thirty-Fourth Session of the Islamic Conference for Foreign Ministers (ICFM), Islamabad, Pakistan, 15-17 May 2007.
- 30th Session of the Islamic Commission on Economic, Cultural and Social Affairs (ICECS), Jeddah, Saudi Arabia, 3-5 March 2007.

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Box 4.3
Major Recommendations of the IDB Annual Symposium on
"Capacity Building for Promoting Trade and Investment in Africa"
Dakar, Senegal, 28-29 May 2007

The 18th IDB Annual Symposium brought together experts from renowned institutions enriching the content of the plenary sessions with their expertise and experiences. Ministerial Session of the Symposium was chaired by H. E. Mr. Abdoulaye Diop, State Minister and Minister of Economy and Finance of the Republic of Senegal and Chairman of the IDB Board of Governors, while the Technical Sessions were chaired by H.E. Mr. Cheikh Hadjibou Soumare, Minister of Budget of the Republic of Senegal. The Keynote Address was delivered by H.E. Mr. Alpha Oumar Konare, Chairman of the Commission of the African Union and former President of the Republic of Mali. A prerecorded video message on the subject of the Symposium from Professor Jeffrey Sachs, Advisor to the UN Secretary General on the MDGs, was also delivered in the Symposium. Following recommendations were adopted by the Symposium:

At the IDB Group level

- Enhancing its assistance for capacity building and developing innovative instruments and programmes for technical assistance, taking into account the needs of African countries, particularly those related to supply-side;
- Helping African countries in involving their nationals living abroad in their capacity-building activities and programmes for promoting trade and investment;
- Assisting African members to acquire adequate skills in structured finance for trade and investment, and;
- Enhancing its collaboration with regional and international institutions active in providing technical assistance to African countries in the areas of trade and investment.

At Member Country level

- Creating a conducive environment to foster the development of human and social capital in both public and private sectors;
- Enhancing the technical expertise of staff in Ministries of Economy, Planning, Finance and Trade as well as in other government departments and agencies in trade and investment-related matters;
- Developing a long-term diversification strategy through well-targeted and sustainable capacity-building activities;
- Adopting and operationalising global norms and standards in order to attract investment flows, and;
- Coordinating and owning the implementation of donors-supported capacity-building initiatives for trade and investment promotion as well as mainstreaming them in their development strategies.

At the Regional level

- Adopting a holistic approach to trade and investment promotion and ensuring competitiveness of businesses, conformity of products with global standards, and connectivity to international markets;
- Identifying the capacity-building needs and better conducting trade and investment policy analysis and management;
- Building cost-effective and efficient national and regional infrastructure, particularly transport networks in both rural and urban areas, and;
- Strengthening capacity to achieve the best possible terms in regional and international trade and investment negotiations.

- The Coordination Meeting of the OIC Institutions for the Implementation of the OIC Ten-Year Programme of Action, Jeddah, 4 March 2007.
- Recently, IDB participated actively in the 11th Session of the Islamic Summit Conference, Dakar, Senegal, 13-14 March 2008, in which IDB presented its Special Development Programme for Africa.

2. Cooperation at the COMCEC Level

The COMCEC was mandated by the Third Extraordinary Session of the Islamic Summit Conference to promote measures which will help achieve the 20 percent OIC intra-trade by 2015, and to consider the possibility of establishing a Free Trade Area in the member states in order to achieve greater economic integration.

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Accordingly, the 23rd Session of COMCEC was held in Istanbul, Turkey on 14-17 November 2007. The follow-up of the 24th Session of the COMCEC was held on 13-15 May 2008. The 24th Session of the COMCEC will be held on 21-24 October 2008 in Istanbul, Turkey. The following agenda items were discussed in the 23rd Session:

- Review of the implementation of the OIC Ten-Year Programme of Action;
- Implementation of plan of action of COMCEC
- Adoption of Strategic Plan for Tourism Development in OIC member countries;
- Expansion of OIC intra-trade and investment;
- Second Round Trade Negotiations on Trade Preferential System among the OIC member states (Ankara Round);
- Matters related to the WTO activities;
- Enhancing cooperation among the stock exchanges of OIC countries;
- Capacity building programme for poverty alleviation in OIC member countries;
- Review of the implementation of the "Action Plan for OIC Cotton Producing Countries";
- Exchange of views on micro-credit financing and poverty alleviation in member states;
- Discussing proposal by SESRTCIC on Vocational Education and Training Action Programme for OIC member countries;
- Regulations of halal foods and;
- Making a brief presentation on ITFC about progress made since its establishment.

IDB is also actively cooperating with the COMCEC in the development of TPS-OIC through regular support and participation in its Trade Negotiating Committee (TNC). It has concluded its First Round of negotiation on the Tariff Preferential Scheme, and its outcome in the form of a Protocol on Preferential Tariff Scheme for TPS-OIC (PRETAS) has been developed, which is a trade agreement with specific tariff reduction rates. The Second Round of TNC, which is developing the Rules of Origin of Goods and Removal of Non-Tariff Barriers has been concluded. The OIC Commerce Ministers have declared the target date for the completion of the establishment of TPS-OIC by 1st January 2009, which is expected to help in achieving the OIC intra-trade target of 20 percent.

3. Cooperation at the COMSTECH Level

A number of initiatives launched by IDB in partnership with COMSTECH to support the development of Science and Technology (S&T) have already been covered in Section 3 of Chapter Three. In addition, a common framework for integration and coordination of policy and strategy of S&T for development among OIC Institutions and member countries has been formulated in partnership with ICCI, OIC, COMSTECH, and MOSTI. The Programme known as Early Harvest Projects (EHP) identifies quick-wins related to S&T projects to be implemented with major financing from the private sector.

The mode of the EHP is exploratory and partnership realizing potential for market-ready S&T solutions of a member country for deployment and commercialization in other member countries. The national focal points act as the EHP source of the potential solutions for which they are expected to screen and later monitor and facilitate the planned activities of the EHP projects. As a collective facilitator, the EHP promotes and facilitates partnership among other OIC member countries agencies; consider and facilitate broad-based fund raising options in the roll-out of the EHP projects; and solicits support for market access of the EHP.

4. Progress in the Implementation of the OIC Ten–Year Programme of Action

As mandated by the Third Extraordinary Session of the Islamic Summit, IDB made significant progress during 1428H in implementing the OIC Ten-Year Programme of Action in the following areas:

Islamic Solidarity Fund for Development (ISFD)

In response to the Ten-Year Programme of Action, IDB established Islamic Solidarity Fund for Development (ISFD) in May 2007, with the main objective to help address and alleviate poverty, and provide job opportunities in member countries. The ISFD has been established on the basis of voluntary contributions from member countries. Details are presented in Chapter Three.

Increasing IDB Capital Resources

As part of the implementation of the resolution of the Third Extraordinary Session of the OIC Summit, IDB Board of Governors in its 31st Annual Meeting held in Kuwait on 31 May 2006, increased IDB Authorized Capital from ID15 billion to ID30 billion and the Subscribed Capital from ID8.1 billion to ID15 billion.

IDB Trade Programme - An Instrument for Intra-Trade Facilitation

This instrument is meant to facilitate intra-trade flows among OIC countries. IDB has undertaken trade financing operations since 1397H (1977) to assist the development and trade efforts of its member countries. Started as a fund placement mechanism for its surplus funds during early years after its incorporation in 1975, the Programme has now evolved into a beneficial undertaking to both IDB and its member countries.

As one of its strategic objectives to increase intra-trade among member countries, IDB has instituted "affirmative action" measures under the trade financing operations. Following are some examples:

- For intra-trade financing, IDB keeps lower spreads of at least 50 basis points.
- IDB allows longer utilization period by an additional three months beyond the normal period of 12 months and offers longer maturity period for intra-trade financing.
- IDB consciously ensures at the time of approvals that transactions being considered for financing have high intra-trade elements.
- Preferences are also given to OIC countries' banks for related activities such as issuing Letter of Credits, advising, and reimbursing.
- The trade financing volume (including technical assistance) has grown phenomenally since 1397H (1977): from a modest level of about $50 million in the early years to $1 billion mark in 1420H (2000), reaching $2.8 billion in 1428H (2007). IDB has, to date, approved a total amount of $29.8 billion, of which about 77 percent is dedicated to financing of intra-trade.
- IDB trade financing operations have benefited about 30 member countries in Africa.

Supporting Development and Poverty Alleviation in Africa

In line with the Ten-Year Programme of Action, IDB has developed a Special Development Programme for Africa for 2008–2012. Its salient features were presented to the Meeting of Ministers of Economy and Planning of African OIC member states held in Dakar, Senegal on 22-23 January 2008 and to the OIC Summit held in Dakar, Senegal on 13-14 March 2008. Details of the Programme are presented in Chapter Three.

Combating Diseases and Epidemics

In coordination with the OIC General Secretariat, IDB is making necessary contacts with the WHO and other relevant institutions to draw up a programme for combating diseases and epidemics in member countries. It will be financed through the ISFD.

Meeting the Training Needs of Member Countries

IDB collaborates with the following OIC-affiliated institutions with a view to supporting their training activities:

- The Islamic Institute of Technology - now the Islamic University of Technology (IUT) - Dhaka, Bangladesh.
- The Islamic Chamber of Commerce and Industry (ICCI), Karachi, Pakistan.
- The Islamic Center for Development of Trade (ICDT), Casablanca, Morocco.
- Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRTCIC), Ankara, Turkey.

IDB extended $15 million to help in the renovation and reconstruction efforts of nine districts within the Nanggroe Aceh Darussalam (NA) Province in Indonesia. The project was approved in 1428H and will take four years to complete. On completion, it will provide reliable and modern irrigation network, drainage facilities, farm roads and ponds.

Up to end of 1428H, IDB provided total assistance of about $0.6 million for training activities, of which 31 percent went to SESRTCIC, 30 percent to ICDT, 21 percent to IUT, and 18 percent to ICCI.

5. Status Regarding the Signature and Ratification of Multilateral Agreements among OIC Member Countries

The OIC has developed a number of multilateral agreements and statutes for promoting economic, commercial and technical cooperation among its member countries. 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 them while giving special attention to the least developed member states". This Agreement became effective from 28 April 1981. By the end of 1428H, it was signed by 43 member states and ratified by 31.

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". Having secured the minimum number of 10 necessary ratifications, the Agreement became effective in October 2002. By the end of 1428H, it had been signed by 31 member states and ratified by 22.

Protocol on Preferential Tariff Scheme for TPS-OIC (PRETAS)

This Protocol was adopted as per Resolution No. 1 of the 21st Session of COMCEC held in Istanbul on 22-25 November 2005. 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). By the end of 1428H, the Framework Agreement of the TPS-OIC (PRETAS) had been signed by 11 member states and ratified by two. The second round of negotiations was concluded in Ankara, in September 2007, with the adoption of the Rules of Origin and progress on Para-Tariff and Non-Tariff Measures.

The TPS-OIC Rules of Origin

This Agreement was adopted by the 2nd Meeting of the Ministers of Commerce of the member states of the TNC held in Ankara, Turkey, on 10-12 September 2007. Seven member states have so far signed the Rules of Origin.

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 1-5 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. By the end of 1428H, it had been signed by 31 member states and ratified by 25.

Statute of the Islamic Civil Aviation Council

This Statute was adopted as per Resolution No. 16/13-E of the 13th (ICFM), held in Niamey, Niger, on 22-26 August 1982. The Statute became effective from 11 April 2004. By the end of 1428H, it was signed by 17 and ratified by 12 member states.

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. By the end of 1428H, it had been signed by 16 and ratified by 12 member states. The Statute has not yet entered into force as it needs ratification by a minimum of 15 member states.

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

This Statute was adopted as per Resolution No. 1 of the 14th COMCEC Session held in Istanbul, Turkey, on 1-4

November 1998. By end-1428H, 13 member states had signed the Statute and so far ratified by seven.

VI. COOPERATION WITH DEVELOPMENT PARTNERS

1. New Policy Initiatives

In 1428H, IDB joined the COMPAS (Common Performance Assessment System), an initiative that aims to establish a level-playing field for assessing through a set of common performance indicators, the overall effectiveness and impact of aid delivered by the participating organisations including ADB, AfDB, EBRD, IaDB, and World Bank.

As part of its efforts to assist African member countries in achieving the MDGs, IDB joined the recently established MDG Africa Steering Group. The Group is chaired by the UN Secretary General and includes the heads of IDB, European Commission, UNDP, IMF, AfDB, African Union Commission, and the World Bank. It aims to mobilise the leaders of the UN system and major multilateral and intergovernmental organisations in support of reaching the MDGs in Africa. The Group will focus on: (i) strengthening international mechanisms for implementation in the areas of health, education, agriculture and food security, and infrastructure and statistical systems; (ii) improving aid predictability, and (iii) enhancing coordination at the country level.

In 1428H, IDB became a sponsor of the World Bank-administered International Comparison Programme (ICP), which is the world's largest statistical initiative. It produces internationally comparable price levels, economic aggregates in real terms, and Purchasing Power Parity estimates. The ICP uses a series of statistical surveys to collect price data for a basket of goods and services. For meaningful inter-country comparisons, the ICP considers the affordability and price level of necessities and luxuries by ignoring the exchange rates impact.

Climate change has become the top of the global development agenda following the publication of the report by the Inter-Governmental Panel on Climate Change (IPCC). This process culminated with the UN Climate Change Conference held in December 2007 in Bali, Indonesia, which paved the way for the negotiations of a new post-Kyoto climate deal. IDB took part in the high-level meeting of Finance Ministers hosted by the Government of Indonesia, which aimed to initiate a forward-looking dialogue within the international financial community on the economic and financial implications of climate change.

2. Cooperation with Regional and International Organisations

In 1428H, IDB continued to expand its wide spectrum of development partners, while strengthening existing partnerships. In doing so, it concluded new institutional collaborative arrangements, with a special focus on operational matters, with the ADB, Japan Bank for International Cooperation (JBIC), OECD, UNIDO, UNDP, the World Bank, World Islamic Economic Forum (WIEF), and the World Intellectual Property Organization (WIPO). IDB also carried out extensive groundwork for a number of new partnership arrangements to be formalised in the course of 1429H with, *inter alia*, UN-Habitat and the AfDB. Furthermore, IDB was elected in 1428H as a member of the Board of Governors of the Arab Water Council (AWC), a regional think-tank. IDB is participating in the preparatory process leading to the 5th World Water Forum, which will be held on 16-22 March 2009 in Istanbul.

IDB approved $51.7 million to the Arab Natural Gas Pipeline Project, which is a network of pipelines to facilitate the export of natural gas from Egypt to Syria via Jordan. The project is at an advance stage of completion and will become operational in 1429H. The project will reduce the transportation cost and increase energy security in the region.

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Annex Table 4.1
Intra-Trade of IDB Member Countries

($ million)

	Countries	Exports 2006				Imports 2006			
		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	98.0	274.7	35.7	23.8	2,032.4	3,824.7	53.1	25.6
2	Albania	14.8	698.4	2.1	21.9	270.0	2,924.1	9.2	18.9
3	Algeria	3,034.9	53,749.9	5.6	16.2	2,707.8	25,148.7	10.8	24.9
4	Azerbaijan	1,034.9	6,372.1	16.2	14.4	1,087.6	5,266.2	20.7	17.2
5	Bahrain	2,604.2	19,933.2	13.1	24.8	4,080.9	8,765.9	46.6	25.1
6	Bangladesh	485.5	12,760.2	3.8	48.1	3,623.2	17,892.1	20.3	23.7
7	Benin	148.6	389.8	38.1	31.2	417.2	3,427.5	12.2	85.7
8	Brunei	1,418.5	6,768.2	21.0	28.3	450.2	2,012.2	22.4	1.3
9	Burkina Faso	63.9	419.3	15.2	26.1	544.9	1,261.6	43.2	25.7
10	Cameroon	378.9	4,684.5	8.1	11.4	699.4	2,908.3	24.0	29.8
11	Chad	6.6	2,279.8	0.3	33.1	169.3	529.3	32.0	23.6
12	Comoros	2.7	31.9	8.5	80.2	31.7	142.6	22.2	23.5
13	Cote d'Ivoire	1,984.6	8,133.7	24.4	6.9	2,016.6	5,814.4	34.7	9.3
14	Djibouti	249.1	340.4	73.2	23.8	515.3	1,554.5	33.1	27.6
15	Egypt	4,918.5	20,647.7	23.8	22.8	5,910.2	39,672.4	14.9	15.8
16	Gabon	216.5	4,666.9	4.6	113.7	199.8	1,947.0	10.3	14.2
17	Gambia	6.2	36.6	16.8	12.7	236.3	709.5	33.3	12.2
18	Guinea	85.9	1,363.1	6.3	60.2	265.9	2,251.0	11.8	5.3
19	Guinea-Bissau	26.4	132.6	19.9	25.5	51.8	200.3	25.9	-10.4
20	Indonesia	10,693.0	113,645.0	9.4	28.5	13,188.2	92,648.5	14.2	40.8
21	Iran	9,398.7	70,667.4	13.3	44.1	11,797.7	46,863.1	25.2	22.0
22	Iraq	1,149.1	23,798.7	4.8	8.3	8,227.0	13,897.6	59.2	11.4
23	Jordan	2,434.2	5,377.5	45.3	23.7	5,222.8	13,464.2	38.8	27.8
24	Kazakhstan	3,187.3	29,981.4	10.6	33.5	1,642.2	27,089.7	6.1	42.5
25	Kuwait	6,116.6	42,248.9	14.5	21.8	3,807.2	16,695.3	22.8	20.1
26	Kyrgyz Rep.	337.4	796.5	42.4	-8.5	338.8	1,710.5	19.8	9.7
27	Lebanon	1,849.7	2,534.0	73.0	20.8	3,073.5	11,014.8	27.9	23.8
28	Libya	3,467.5	39,330.1	8.8	18.6	1,955.7	10,257.6	19.1	24.8
29	Malaysia	11,824.7	160,664.0	7.4	17.4	11,012.3	130,477.0	8.4	30.8
30	Maldives	11.0	167.2	6.6	1,579.9	274.2	931.5	29.4	27.9
31	Mali	51.5	387.2	13.3	22.4	655.5	2,357.5	27.8	20.4
32	Mauritania	159.0	1,399.6	11.4	8.8	228.3	1,475.0	15.5	30.7
33	Morocco	1,111.6	13,257.6	8.4	31.7	4,558.9	25,146.9	18.1	28.7
34	Mozambique	39.3	2,381.1	1.7	125.3	145.7	2,913.7	5.0	46.7
35	Niger	87.1	427.7	20.4	22.8	297.4	1,009.4	29.5	21.0
36	Nigeria	3,945.3	53,885.7	7.3	12.7	2,201.5	29,392.4	7.5	5.0
37	Oman	4,002.7	23,605.9	17.0	28.3	3,921.1	11,573.2	33.9	21.1
38	Pakistan	5,254.0	17,198.4	30.5	21.5	12,086.7	33,875.5	35.7	24.6
39	Palestine		..		..	-	-	-	-
40	Qatar	2,222.3	34,032.4	6.5	22.5	2,698.9	15,786.7	17.1	38.1
41	Saudi Arabia	31,030.7	190,210.0	16.3	24.9	9,302.4	70,340.9	13.2	21.3
42	Senegal	604.2	1,363.6	44.3	1.9	490.7	3,423.0	14.3	-31.7
43	Sierra-Leone	5.9	208.8	2.8	15.1	120.6	559.8	21.6	-2.6
44	Somalia	275.5	299.9	91.9	22.8	411.0	798.1	51.5	23.0
45	Sudan	578.1	5,700.1	10.1	22.8	2,719.2	8,557.8	31.8	21.5
46	Suriname	87.1	1,234.1	7.1	23.4	9.8	965.2	1.0	22.0
47	Syria	7,779.5	12,261.6	63.4	21.5	9,131.6	18,954.6	48.2	23.1
48	Tajikistan	648.3	1,398.9	46.3	128.7	725.2	1,725.3	42.0	22.1
49	Togo	233.3	568.1	41.1	22.5	290.1	2,600.3	11.2	149.4
50	Tunisia	1,563.4	11,864.6	13.2	22.2	1,831.5	16,504.6	11.1	25.7
51	Turkey	14,982.5	85,492.2	17.5	14.8	19,107.8	139,480.0	13.7	32.3
52	Turkmenistan	2,076.3	6,313.6	32.9	25.6	1,146.0	2,782.5	41.2	-1.1
53	Uganda	92.3	687.5	13.4	13.0	265.7	2,130.7	12.5	27.4
54	U.A.E	19,484.2	111,805.0	17.4	22.9	15,319.9	114,438.0	13.4	19.5
55	Uzbekistan	1,355.8	4,947.3	27.4	22.9	665.1	4,322.9	15.4	20.7
56	Yemen Rep.	765.0	6,459.1	11.8	25.7	3,067.5	6,949.4	44.1	34.2
	Total	**165,683.2**	**1,220,283.4**	**13.6**	**23.0**	**177,248.4**	**1,009,365.1**	**17.6**	**24.3**

Source: IMF, Direction of Trade Statistics, accessed in February 2008.

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STRENGTHENING ISLAMIC FINANCE 5

Islamic Finance Making Rapid Progress

- Islamic financial institutions total more than 300 which are operating in over 75 countries with combined assets estimated at $500 billion, and growing 15 percent annually.
- Worldwide growth in issuance of sukuks have been phenomenal; the value of sukuks rose from $820 million in 2002 to $24 billion in 2006. By June 2007, the value of sukuks issued by corporate entities total $63 billion.

New Initiatives

- IDB launches Excess Liquidity Scheme and Fund Management Services to support financial intermediation by sovereign wealth funds and other entities.
- Four pilot Shariah-compliant microfinance schemes launched in Bangladesh, Indonesia, Sudan, and one member country to be selected in the West Africa region.
- Supporting the institutional and capacity building of the awqaf sector in selected member countries.

Supporting Capacity and Knowledge Building Activities

- Established $0.6 million Technical Assistance Sub-Account Facility with the IMF aimed at helping member countries implement common legal and regulatory standards for Islamic financial institutions.
- IDB supported the Islamic Financial Services Board (IFSB) to launch data compilation templates for Islamic financial institutions.
- IRTI produced five research papers, prepared three seminar proceedings, conducted policy dialogue in the three thematic areas, and organized 17 seminars and conferences.
- IRTI conducted 38 training programmes for over 886 participants.

This Chapter highlights the activities of the IDB in promoting Islamic finance towards mobilizing resources to support sustainable and shared economic growth in member countries. Traditionally, financial intermediation by Islamic financial institutions (IFIs) can be characterized as 'financing for growth'. From the standpoints of innovation, outreach, and potential business opportunities, the next growth frontier for IFIs worldwide is 'financing for development'.

In order to support the realization of IDB 1440H Vision, the Bank is undertaking a set of inter-related activities aimed at impacting grass root socio-economic development. In 1428H, the Bank launched various operational activities aimed at fostering financing for both 'growth and development' in member countries, in particular, and enhancing the role of Islamic finance, in general.

I. OVERVIEW OF DEVELOPMENTS IN ISLAMIC FINANCE

According to various industry sources, the number of IFIs totals more than 300 and their assets are estimated at $500 billion, which is projected to grow at 15 percent annually. These IFIs are now spread over 75 countries, with maximum concentration in the GCC, South and Southeast Asia regions. However, the present estimated assets held by Islamic banks are still less than 1 percent of global banking share.[1]

Amongst IDB member countries, assets held by Islamic banks are steadily growing. For example, in Indonesia, the largest Muslim country in the world, the share of Islamic bank assets grew from 0.3 percent in 2001 to 1.4 percent in 2005; in Malaysia, it rose from 8.2 percent in 2001 to 11.3 percent in 2005; in Kuwait, its share increased from 15.8 percent in 2001 to 21.6 percent in 2005; in the U.A.E., it rose from 7.2 percent in 2001 to 11.8 percent in 2005; while in Bahrain, the share of Islamic onshore bank assets declined from 17 percent in 2001 to 14.4 percent in 2005. These developments suggest that the Islamic

[1]Policy Dialogue Paper No.1, 'Islamic Financial Services Industry Development: Ten-Year Framework and Strategies', IRTI; and the McKinsey Quarterly (2007): 'Rethinking Regulation for Islamic Banking', Special Edition on 'Reappraising the Gulf States'.

banks need to aggressively address various challenges in order to make the transition from a niche segment into mainstream financial sector players.

Efforts are underway to popularize Islamic financial intermediation through various innovations. Most of the recent innovations have taken place in the area of Shariah-compliant capital market products. Besides the IFIs, there are over 250 Shariah-compliant mutual funds worldwide. From the vintage trade financing model, Islamic finance rapidly expanded into project and mortgage financing activities. During the last two years, various Shariah-compliant capital market products have been developed. Innovative capital market products relate to Shariah-compliant indexed-linked equity or hedge funds with full or partial capital protection features. The value of Shariah-compliant stocks traded worldwide has been estimated at $300 billion. Other examples of innovative capital market products include fixed income securities of sukuks; private equity funds, venture funds, and hedging structures with currencies and rates swap features.

The innovations in structuring fixed-income securities or sukuks have led to their mega-size issuance by corporates as well as by sovereigns, mainly in the GCC and the EU regions. The plain vanilla types of sukuks issued during 2002 were structured either on the basis of the project, the underlying asset, and/or the balance sheet of the issuer. However, during the past two years, sukuk structures have combined different risk-return features, which greatly enhanced its appeal for global investors. Examples of innovative sukuk structures are: convertible sukuk to IPO shares or issued equity shares; sukuk with put/call options, and; subordinated sukuks, which are part of tier-2 capital of Islamic banks. As a result, worldwide growth in issuance of sukuks has been phenomenal –the value of sukuks issued between 2002 and 2006 rose from $820 million to $24.1 billion.

The value of sukuks issued by corporates alone reached $63.2 billion between January 2004 and June 2007. Although the corporate-issued sukuks practically cover all sectors, they are mainly concentrated in construction and real estate development, energy, infrastructure development, telecommunications, banking services, and ports and shipping industry. Generally, the average maturity of the sukuks issued by the corporates is about five years but longer-term maturity can range from 10 to 20 years, where the issuers mostly belong to the energy sector. In overall terms, the global market for sukuks now constitutes an important cross-border vehicle for 'financing for growth'.

II. PROMOTING ISLAMIC FINANCE FOR DEVELOPMENT

Under the 1440H Vision, IDB is committed to promoting a holistic model of Shariah-compliant financing packages for the socio-economic development of member countries. In particular, the Bank seeks to leverage partnership with the IFIs for outreach to the poor through their improved access to Shariah-compliant financing packages. Implementation of pro-poor initiatives requires supportive public policies at the national and the international levels so as to encourage the IFIs to get involved in their socio-economic development.

During 1428H, the Bank launched several initiatives aimed at supporting the member countries' efforts to enhance accessibility of the poor to Shariah-compliant financing services. These initiatives relate to the development of microfinance, micro-takaful or insurance facilities, in addition to energizing and modernising the institutions of zakah, sadaqa, and aqwafs, and through leveraging philanthropic assistance to uplift the ultra poor.

1. Equity Investment in IFIs

IDB participates in the equity capital of companies/enterprises, including the IFIs that are Shariah-compliant and are projected to have a substantial developmental impact on their countries' economies. Equity participation in IFIs also serves the Bank's strategic objective of supporting and developing the Islamic financial institutions.

While IDB expects a reasonable rate of return on its investments, its participation in the equity of an enterprise is not only aimed at strengthening the capital base of the enterprise, but also to augment investors' confidence in the company. This enables the enterprise to raise additional finance from the capital market. The Bank seeks to diversify its equity investments into different productive sectors of the economy. The equity mode of financing can be used to finance all types of companies/enterprises both in public and private sectors.

As at the end of 1428H, IDB had equity investments in 26 Islamic banks and financial institutors in 19 countries, for a total disbursed amount of ID124.7 million. Investments in 57 manufacturing and other companies amounted to ID170.1 million in 19 countries. These equity investments are in the cement, engineering, pharmaceutical, healthcare, mining, and agriculture business.

2. Excess Liquidity Scheme and Fund Management Services

The Scheme is basically an off-balance sheet deposit placement operation designed to support the funding of deficit of member countries' balance of payments. The Scheme offers countries with relatively high foreign exchange reserves to place deposits with IDB which, under Murabaha and reverse Murabaha structure with matching currency and tenor, is then placed with other member countries on sovereign risk basis. During 1428H, the limit under this Scheme was raised from $500 million to $1 billion.

IDB now offers treasury fund management services to central banks and other entities in member countries. This is also an off-balance sheet deposit placement operation, with the Bank acting as a Mudarib or as a Wakeel (agent). Besides funds management services, it is also envisaged that a mechanism will be developed during 1429H to offer private placement of Sukuks to central banks in member countries with flexible redemption options.

3. IFSI Support Initiative

The "IFSI Development" initiative was launched as a Quick-Win project under IDB 1440H Vision for Comprehensive Human Development (CHD). In order to implement the Vision strategy, the initiative was divided into the following two sub-programmes: supporting the modernisation of the awqaf sector through institutional and capacity building activities and bringing the best practices of philanthropic and trust management, and; facilitating the entry of IFIs in the provision of Shariah-compliant microfinance by launching pilot projects in Bangladesh, Indonesia, Sudan and one member country from the West Africa region. These initiatives are at the various stages of development and implementation in member countries.

4. Activities of IDB Shariah Committee

In recent years, Shariah-compliant financial intermediation has witnessed an unprecedented growth. New financial institutions have been established to offer more specialized and focused services for the growing demand for Shariah-compliant financial services. In this regard, IDB Shariah Committee, as an industry leader, provides overall guidance on issues related to Shariah-compliance of new financing products and related activities. In addition, IDB Shariah Committee also reviews the standards developed by the Islamic Financial Service Board (IFSB).

In 1428H, the Committee held four regular and one extra-ordinary sessions. It approved a Shariah-compliant concept for hedging against risks associated with currency and profit rates structures. The committee has also approved a contract to consummate hedging operations with one of the counterparties. It is now reviewing other proposals presented by several parties for hedging mechanism. The other key topics addressed by the Committee are as follows:

i. The use of diminishing partnership mode of financing in the construction and development of highways.
ii. The maintenance and liability responsibility of assets subject to lease-to-own contracts and whether a lessee can be allowed to substitute the lessor in assuming the maintenance and liability responsibility of the owner/lessor.
iii. Rules governing third party guarantees.
iv. Shariah rules related to liquidity management.
v. Rules governing acceptance of non-Shariah forums and laws to govern contracts in which IDB is a party.

III. KNOWLEDGE BUILDING IN ISLAMIC FINANCE

The Islamic Research and Training Institute (IRTI), is the entity within IDB Group mandated to generate and disseminate knowledge in the areas of Islamic banking and finance. The research and training activities of IRTI during 1428H are given in Annex Tables 5.1 and 5.2, respectively.

The IRTI research work is concentrated in five thematic areas: (a) Financial Engineering, Product Development, and Capital Markets, (b) Sustainable Development, especially based on Maqasid Al-Shariah, and its implications for Public Policy, Poverty Alleviation and Empowerment, (c) Financial Stability covering the areas of risk management financial architecture and infrastructure development for the industry, (d) Frontiers of Islamic Economics and Finance, and (e) Policy Dialogues. A synopsis of the major IRTI publications during 1428H are presented in Box 5.1.

In the area of training, the Institute has concentrated on four thematic areas: They are (a) Islamic Economics, Banking, and Finance, (b) Private Sector Development, (c) Human Capital Development, and (d) Macroeconomic Policies.

The utilization of information and communication technology has been enhanced through the Distance Learning Programme. Courses on Islamic economic

Box 5.1
Highlights of IRTI's Research Activities During 1428H

Advances in Islamic Economics and Finance

During the past 30 years, substantial development has taken place in the academic as well as practical areas of Islamic economics and finance. In this book, the contributions of 17 scholars have been presented on the methodology of Islamic economics and the nature of Islamic finance, needs and implications of transparency and risk management, corporate governance, social responsibility, performance evaluation and other topics. The book covers both theoretical and empirical aspects of developments in Islamic economics and finance. The 17 papers included in the volume were presented to the '6th International Conference on Islamic Economics and Finance', held in Bank Indonesia during November 21-24, 2005.

Islamic Finance for Micro and Medium Enterprises

Exclusion of the poor from the financial system is a major factor contributing to their inability to participate in the development process. Building inclusive financial systems is, therefore, a central goal of policy makers and planners across the globe. Addressing the challenges of enhancing micro- and medium-scale enterprises to financial services, this book presents 18 case studies on the application of Islamic institutions, such as Zakah, Awqaf, Qard as well as Shariah-compliant financing contracts for micro and medium enterprises. The book is a compilation of the selected papers presented to the First International Conference on 'Inclusive Islamic Financial Sector Development: Enhancing Islamic Finance Services for Micro and Medium Sized Enterprises' organized by the University of Brunei, Darussalam during April 17-19, 2007.

Islamic Capital Markets Products, Regulation and Development

Islamic capital markets are an integral part of Islamic financial system for efficient mobilization of resources and their optimal allocation. These markets complement the investment role of the Islamic banking sector. How the Islamic capital markets will develop and what directions they will take depends on a number of factors. The book includes the contributions of 21 scholars in the area of products and strategies, market developments and policies, and comparative assessment of Islamic capital markets. The papers were presented to the International Conference on 'Islamic Capital Markets Products, Regulation and Development' held at the Muamalat Institute, Jakarta, Indonesia during August 27-29, 2007.

Financial Products in the Islamic Fiqh Vol.1 & 2

This comprehensive two-volume basic research extracts relevant references from the selected Fiqh resources. The objective is to facilitate the development of Islamic financial products. The volumes at present are available in the Arabic language and will also be made available in English in the future.

and finance have been established in collaboration with the leading universities. An internet-based Islamic finance research network, known as, Islamic Banks Information System (IBIS) has also been established.

Policy Dialogue

During 1428H, the Institute initiated policy dialogue with key stakeholders in member countries to address the challenges of integrating zakah, awqaf and Islamic financial contracts within the overall financial sector development strategies. The IFSD Working Group, established in 2006, prepared a paper addressing the issues involved in removing the barriers to access financial services, especially by the poor. The paper was then deliberated by the IFSD Forum, which held on the sidelines of the 32nd Annual Meeting of IDB in Senegal and attended by over 400 participants.

The Forum reiterated that microfinance is indeed an effective tool of market-based and sustainable poverty alleviation strategies. The Forum also called on all stakeholders to support the integration of Shariah-compliant microfinance with the financial sector development policies such as the regulatory, legal, tax and other public policies. It reiterated that the institutions of zakah and awqaf have an untapped potential in supporting the most vulnerable groups in the society, and suggested urgent actions on their integration with microfinance sector development strategies at the national-level.

Technical Assistance Services for the Development of the Islamic Financial Industry

In order to facilitate the orderly development of the Islamic financial industry, IDB, during 1428H, established a $0.6 million Technical Assistance Sub-account with the IMF. The fund will support member countries to implement a common legal and regulatory framework for Islamic financial institutions.

In addition, during 1428H, both IDB and the Asian Development Bank provided technical assistance to the Islamic Financial Services Board (IFSB) to prepare "Compilation Guide on Prudential and Structural Islamic Finance Indicators" (PIFD). The objectives of the PIFD are to help ascertain the market shares of Shariah-compliant financial transactions products and services in the overall financial system, at both national and global levels, so as to measure the size and performance of Islamic financial institutions overtime.

Annex Table 5.1
IRTI's Knowledge Generation Activities During 1428H

Research Papers			
(i)	Financial Products in Islamic Fiqh Resources		
(ii)	Legal Environment and Non-profit Institutions: Implications for Growth of Awqaf Institutions		
(iii)	The Islamic Vision of Development		
(iv)	Business Organizations, Theory of Firm and Islamic Economics		
(v)	Corporate Social Responsibility of Islamic Financial Institutions		
Seminar Proceedings			
(i)	Advances in Islamic Economics and Finance (Volume – I)		
(ii)	Advances in Islamic Economics and Finance (Volume – II)		
(iii)	Islamic Finance for Micro and Medium Enterprises		
Policy Dialogue			
(i)	Working Paper on "A Framework for Development of Islamic Microfinance Services"		
(ii)	Meeting of Islamic Financial Sector Development Working Group IDB Headquarters		
(iii)	Islamic Financial Sector Development Forum Dakar, Senegal		
Seminars/Conferences/Meetings			
	Activity	**Collaborating Institution**	**Venue**
1.	International Conference on "Integrating of Waqf Investment in the Islamic Financial Services Industry"	Islamic Religious Council of Singapore and Kuwait Awqaf Public Foundation	Singapore
2.	International Conference on "Management from Islamic Perspective"	International Islamic University Malaysia	Kuala Lumpur, Malaysia
3.	International Conference on "Development of Awqaf Institutions: Shari'ah, Legal and Regulatory Perspective"	National Awqaf Foundation of South Africa	Cape Town, South Africa
4.	Seminar on "Experience of Member Countries in Fighting Poverty with a Special Reference to Awqaf and Zakah Experiences"	University of Sad Al Dahlab, Algeria	Bulaidah, Algeria
5.	Workshop on "Sukuk of Participation and Components of its Effects"	OIC Fiqh Academy	IDB Headquarters
6.	International Seminar on "Islamic Alternatives to Poverty Alleviation: Zakah, Awqaf and Microfinance"	Islamic Economics Research Bureau and Islami Bank Bangladesh Ltd.	Dhaka, Bangladesh
7.	Seventh Zakah Conference	Kuwait Zakah House	Kuwait
8.	Third Forum on Fiqhi Issues of Awqaf	Kuwait Awqaf Public Foundation	Kuwait
9.	Islamic Capital Markets Conference and Workshop	International Islamic Financial Market, Bahrain	Karachi, Pakistan
10.	International Round Table Discussion on Exposure Draft of the Blue-Print of Islamic Banking Development in Indonesia	Bank Indonesia	Jakarta, Indonesia
11.	International Conference on "Enhancing Islamic Financial Services for Micro and Medium Sized Enterprises"	Centre for Islamic Banking, Finance and Management (CIBFM)	Brunei, Darussalam
12.	Forum on "New Financial Tools in Islamic Banking System"	Ministry of Economic Affairs and Finance, Islamic Rep. of Iran	Tehran, Iran
13.	Seminar on Financial Indices	Imam Saud University, Riyadh	Riyadh, KSA
14.	Islamic Capital Markets Orientation Seminar	IDB Headquarters	Jeddah, KSA
15.	2nd International Islamic Financial Markets Conference	International Islamic Financial Market (IIFM)	Manama, Bahrain
16.	International Conference on Islamic Capital Markets	Muamalat Institute, Bank Indonesia, Securities Commission Indonesia	Jakarta, Indonesia
17.	International Congress on "Education in the Islamic Countries"	Foundation for Research in Islamic Sciences (ISAV) Turkey	Istanbul, Turkey

Annex Table 5.2
IRTI's Training Programmes During 1428H

	Training Programs	Venue	Collaborating Institution	Observations
1.	Quality in the service of Volunteers	Kuwait	Kuwait Awqaf Public Foundation, Kuwait	- National Course - 21 Participants
2.	Financing Small Businesses	Ankara, Republic of Turkey	KOSGEB, Ankara, Turkey	- Regional Course - 14 Participants
3.	International Finance	Jeddah, Saudi Arabia	Dar Al-Hekma College, Jeddah	- National Course - Three times a week - 22 Participant
4.	Introduction to Banking	Jeddah, Saudi Arabia	Dar Al-Hekma College, Jeddah	- National Course - Three times a week - 15 Participant
5.	Business Finance	Jeddah, Saudi Arabia	Dar Al-Hekma College, Jeddah	- National Course - Three times a week - 27 Participant
6.	Introduction to Islamic Banking	Jeddah, Saudi Arabia	Dar Al-Hekma College, Jeddah	- National Course - Three times a week - 16 Participant
7.	Rights and Duties of the Staff Working in the Voluntary Sector	Kuwait	Kuwait Awqaf Public Foundation, Kuwait	- National Course - 14 participants
8.	Financing Small and Medium Enterprise	Djibouti, Republic of Djibouti	Direction du Financement Extérieur, Ministère de l'Economie des Finances et de la Planification Charge de la Privatisation	- National Course - 29 participants
9.	Financing Micro Enterprises	Casablanca, Morocco	SEGEPEC	- National Course - 60 participants
10.	SUKUK as Sources of Financing Development Projects	IDB Headquarter	HRMD, IDB	- For IDB staff - Fee-based Course - 10 Participants
11.	Public Private Partnership (PPP) as Modality for Financing Infrastructure Projects in IDB Member Countries	Kuwait	International Economic Cooperation Department, Ministry of Finance of Kuwait	- Regional Course - 49 Participants
12.	Human Resource Development	Rabat, Morocco	Ministry of Modernizing Public Sector	- Regional Course - 33 Participants
13.	Workshop on Export Auditing and Capacity Building of SME's	Casablanca, Morocco	Islamic Centre for Development of Trade (ICDT), Morocco	- Regional Workshop - Task Force on Training for Preparing the Ummah for 21st Century - 20 Participant
14.	Shari'ah Rules Governing Banking Operations and their Applications in operations of Saudi British Bank	Riyadh, Saudi Arabia	Institute of Banking SAMA	- Fee-based local course - 15 Participants
15.	Human Resources Development	Cairo, Egypt	Institute of National Planning, Egypt	- Regional Course - 31 Participant
16.	Regulation and Supervision of Islamic Banks	Brunei Darussalam	SEACEN, Malaysia and Ministry of Finance, Brunei Darussalam	- Regional Course - 46 Participant

Annex Table 5.2 (Continued)

	Training Programs	Venue	Collaborating Institution	Observations
17.	Shari'ah Rules Governing Banking Operations and their Applications in operations of Saudi British Bank	Jeddah, Saudi Arabia	Institute of Banking SAMA	- Fee-based course - 6 Participants
18.	Islamic Financial Products: Principles and Applications	Kuala Lumpur, Malaysia	Universiti Teknologi MARA Faculty of Business Management	- Regional cours - 28 Participant
19.	Shari'ah Rules Governing Banking Operations and their Applications in operations of Saudi British Bank	Dammam, Saudi Arabia	Institute of Banking SAMA	- Fee-based course - 9 participants
20.	Labour Statistics [Arabic]	Morocco	SESRTCIC, Ankara, Turkey	- Local Workshop - Task Force on Training for Preparing the Ummah for 21st Century - 12 Participants
21.	Economic Feasibility Studies	Alexandria, Egypt	Investment and Finance Institute	- Regional Course - 14 Participants
22.	Census/Surveys and Sampling Techniques	Mali	SESRTCIC, Ankara, Turkey	- Local Workshop - Task Force on Training for Preparing the Ummah for 21st Century - 25 Participants
23.	Financing and Managing Small and Medium Enterprises	Amman, Jordan	Institute of Banking Studies	- Regional Course - 25 participants
24.	General Statistics [English]	Maldives	SESRTCIC, Ankara, Turkey	- Local Workshop - Task Force on Training for Preparing the Ummah for 21st Century - 20 Participants
25.	Population and Demography and Census/Surveys and Sampling Techniques	Jordan	SESRTCIC, Ankara, Turkey	- Local Workshop - Task Force on Training for Preparing the Ummah for 21st Century - 15 Participants
26.	First Meeting of the Task Force on: Human Resource Development for Islamic Financial Services Industry (IFSI)	Kuala Lumpur, Malaysia	Islamic Financial Services Board (IFSB), Malaysia	- Task Force Meeting on HRD for IFSI - 24 Participant
27.	Basics and Media Skills of Voluntary Organizations	Kuwait	Kuwait Awqaf Public Foundation, Kuwait	- Regional Course - 22 participants
28.	Poverty Reduction: Concepts and Methodologies	IDB Headquarter	HRMD, IDB	- For IDB staff - Fee-based Course - 22 Participants
29.	Management and Investment of Awqaf Properties	Damascus, Syria	(i) Kuwait Awqaf Public Foundation, Kuwait (ii) Ministry of Awqaf, Syria	- Regional course - 37 Participants

Annex Table 5.2 (Continued)

	Training Programs	Venue	Collaborating Institution	Observations
30.	New Techniques of Internal Supervision in Charity Organizations	Kuwait	Kuwait Awqaf Public Foundation, Kuwait	- Regional course - 17 Participants
31.	Management of Public Finance: Concept and Methodologies	Khartoum, Sudan	School of Business Administration, University of Khartoum, Sudan	- National course - 25 Participants
32.	Basics of Shari'ah Compliant Banking Operations	Riyadh, Saudi Arabia	Institute of Banking SAMA	- National course - 24 Participants
33.	Financing and Managing Small and Medium Enterprises	Bissau, Guinea Bissau	Ministry of Commerce, Industry and Handicrafts	- National Course - 35 Participants
34.	Development of Indigenous Technological Capability in Medical Electronics [English]	Dhaka, Bangladesh	Islamic University of Technology [IUT], Dhaka	- Regional Workshop - Task Force on Training for Preparing the Ummah for 21st Century - 30 Participants
35.	Methods of improving Productivity and Resource Development of Charity Organizations	Kuwait	Kuwait Awqaf Public Foundation, Kuwait	- Regional course - 25 Participants
36.	ICT in Teaching –Learning in Technical and Vocational Education [English]	Dhaka, Bangladesh	Islamic University of Technology [IUT], Dhaka	- Regional Workshop - Task Force on Training for Preparing the Ummah for 21st Century - 19 Participants
37.	Operation in Islamic Banks [Arabic]	Beirut, Lebanon	Central Bank of Lebanon	- National Course - 30 Participants
38.	Training Programme on Devising National SME Development Programme for OCI Member Countries [English]	Dhaka, Bangladesh	Islamic Chamber of Commerce and Industry [ICCI]	- Regional Workshop - Task Force on Training for Preparing the Ummah for 21st Century

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ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
30 Dhul Hijjah 1428H (9 January 2008)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

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P.O. Box 60930
Riyadh 11555
Saudi Arabia

AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Islamic Development Bank - Ordinary Capital Resources (the "Bank") as of 30 Dhul Hijjah 1428H (9 January 2008) and the related statements of income, cash flows and changes in members' equity for the year then ended. These financial statements and the Bank's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Ordinary Capital Resources as of 30 Dhul Hijjah 1428H (9 January 2008), 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, as 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

1 Rabi Thani, 1429H
7 April, 2008G

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of 30 Dhul Hijjah 1428H (9 January 2008)
(In Thousands of Islamic Dinars)

	Notes	1428H	1427H
ASSETS			
Cash at banks	3	99,590	61,098
Commodity placements with banks, net	4	1,000,036	1,293,291
Murabaha financing, net	5	674,671	493,692
Accrued income and other assets	6	221,591	256,366
		1,995,888	2,104,447
Istisna'a assets, net	7	773,341	581,368
Installment sales financing, net	8	539,268	486,179
Loans, net	9	1,072,333	979,391
Ijarah Muntahia Bittamleek, net	10	968,342	782,999
		3,353,284	2,829,937
Investments in equity capital, net	12	844,376	692,559
Investments in subsidiaries and trust funds:			
Islamic Corporation for the Development of the Private Sector	13	191,940	201,172
Awqaf Properties Investment Fund	14	14,629	14,629
Export Financing Scheme	15	75,000	75,000
Islamic Banks' Portfolio for Investment and Development	15	39,699	39,699
Other investments, net	16	149,727	96,373
Property and operating equipment, net	17	53,899	53,577
TOTAL ASSETS		6,718,442	6,107,393
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accruals and other liabilities	18	831,622	687,362
Sukuk liability	19	573,440	607,363
Total liabilities		1,405,062	1,294,725
MEMBERS' EQUITY			
Paid-up capital	21	3,065,182	2,809,959
Capital reserve	22	22,672	26,267
General reserve	23	1,523,897	1,443,239
Fair value reserve		538,121	409,733
Net income for the year		163,508	123,470
Total members' equity		5,313,380	4,812,668
TOTAL LIABILITIES AND MEMBERS' EQUITY		6,718,442	6,107,393

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 1 Rabi Thani, 1429H (7 April 2008G).

The accompanying notes from 1 to 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF INCOME
For the Year Ended 30 Dhul Hijjah 1428H (9 January 2008)
(In Thousands of Islamic Dinars)

	Notes	1428H	1427H
Income from:			
Commodity placements with banks	4	56,521	53,840
Investment in Sukuk	16	9,605	5,901
Murabaha financing	5	30,404	24,493
Istisna'a assets	7	30,402	24,547
Installment sales financing	8	24,934	34,391
Loan service fees	9	24,546	18,638
Ijarah Muntahia Bittamleek	10	143,226	133,886
Investments in equity capital	12	35,382	19,577
Mudarib fees & others	14, 26	14,220	2,023
		369,240	317,296
Foreign exchange gain / (loss), net		6,403	(398)
Financing cost	18, 19	(55,372)	(49,398)
		320,271	267,500
Administrative expenses:			
Staff costs		(46,765)	(41,956)
Other		(15,501)	(13,810)
		(62,266)	(55,766)
Depreciation:			
Ijarah Muntahia Bittamleek	10	(91,892)	(84,704)
Property and operating equipment	17	(2,775)	(2,779)
		(94,667)	(87,483)
Recovery of / (Provision) for impairment of assets	11	170	(781)
Net income		163,508	123,470

The accompanying notes from 1 to 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1428H (9 January 2008)
(In Thousands of Islamic Dinars)

	1428H	1427H
CASH FLOWS FROM OPERATIONS		
Net income	163,508	123,470
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	94,667	87,441
(Recovery) / Provision for impairment of assets	(170)	781
Gain due to early repayment of Ijarah assets	-	(4,060)
Changes in operating assets and liabilities:		
Other investments	(53,184)	(28,313)
Murabaha financing	(184,716)	283,986
Istisna'a assets	(187,924)	(100,960)
Installment sales financing	(51,469)	(6,979)
Loans	(93,071)	(144,526)
Accrued income and other assets	34,775	(92,941)
Accruals and other liabilities and Sukuk liabilities	99,828	22,877
Net cash (used in) / from operating activities	(177,756)	140,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Commodity placements with banks	193,246	(185,994)
Ijarah Muntahia Bittamleek, net	(279,039)	(111,466)
Investments in equity capital	(23,429)	(10,649)
Investment in Islamic Corporation for the development of the private sector	9,232	(9,232)
Purchase of property and operating equipment, net	(3,097)	(735)
Net cash used in investing activities	(103,087)	(318,076)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in paid-up capital	255,223	74,019
Technical assistance and scholarship program grants	(8,643)	(10,276)
Payment of ICD capital on behalf of member countries (Note 13)	(27,254)	-
Net cash from financing activities	219,326	63,743
(Decrease) in cash and cash equivalents	(61,517)	(113,557)
Cash and cash equivalents at the beginning of the year	1,156,714	1,270,271
Cash and cash equivalents at the end of the year (Note 24)	1,095,197	1,156,714
Supplemental non-cash information		
Net unrealized fair value gains from investments in equity capital (Note 12)	128,388	6,653

The accompanying notes from 1 to 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 30 Dhul Hijjah 1428H (9 January 2008)
(In Thousands of Islamic Dinars)

	Note	Paid-up capital	Capital reserve	General reserve	Fair value reserve	Net income for the year	Total
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	21	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
Increase in paid-up capital	21	255,223	-	-	-	-	255,223
Net unrealized gains from investments in equity capital	2c	-	-	-	128,388	-	128,388
Cumulative actuarial losses relating to retirement plan	20	-	-	(10,510)	-	-	(10,510)
Transfer to General Reserve	22	-	(3,595)	3,595	-	-	-
Payment of ICD share capital on behalf of member countries	13	-	-	(27,254)	-	-	(27,254)
Net income		-	-	-	-	163,508	163,508
Transfer to reserves		-	-	123,470	-	(123,470)	-
Allocation for Grants*		-	-	(8,643)	-	-	(8,643)
Balance at 30 Dhul Hijjah 1428H		3,065,182	22,672	1,523,897	538,121	163,508	5,383,198

* According to the Board of Governors' resolution No. BG/2-428, and the Board of Executive Directors' resolution No. BED/BG/2-428, 5% of the Bank 1427H net income was allocated to finance Technical Assistance Operations in the form of grants during the year 1428H.

According to the Board of Governors' resolution No. BG/3-428, and the Board of Executive Directors' resolution No.BED/BG/3-428, an amount equivalent to 2% but not less than US Dollars 2 million of the net income for 1427H was allocated for the Merit Scholarship Programme in the form of grants for the year 1428H.

The accompanying notes from 1 to 33 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 Dhul Hijjah 1428H (9 January 2008)

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 Committee.

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) - under liquidation	Management services and equity participation (subsidiary)	57%	Financing exports of member countries
Islamic Banks' Portfolio for Investment and Development (IBP) - under liquidation	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)	76%	Private sector finance
Special Account Resources Waqf Fund	Management services	-	Social sector finance
Awqaf Properties Investment Fund	Mudarib and equity Participation	35%	Social sector finance

The financial statements of the Bank are expressed in thousands of Islamic Dinars (ID). Islamic Dinar is the unit of account of the Bank and is equal to one Special Drawing Right (SDR) of the International Monetary Fund.

The financial statements reflect the assets, liabilities and results of operations of the Ordinary Capital Resources of the Bank, as defined in the Articles of Agreement. The financial statements exclude the balances and results of operations of the Bank's subsidiaries and certain special trust funds, which are managed and/or operated by the Bank. The Bank prepares separate consolidated financial statements, which reflect the assets, liabilities and results of operations of the Bank's subsidiaries and trust funds over which the Bank exerts control.

The Bank's financial year is the lunar Hijra year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with Article 8.2 of the Financial Regulations of the Bank and with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee 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) Critical accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Such estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Post-employee benefits plans:

The Bank uses the projected unit credit method to determine the present value of its defined benefit plans and the related service costs. In this regard, the Bank uses certain assumptions of discount rates, expected return on plan assets and rate of salary increases which may differ from the actual experiences. However, these experiences are revised every three years when an actuarial estimate of the benefits plans is carried out. Any experience adjustment is taken directly to Members' equity.

ii) Provision for impairment of assets:

The Bank exercises judgement in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is provided in notes 2(i) and 11.

iii) Useful lives of property and equipment:

The Bank uses estimates of useful lives of property and equipment for depreciating these assets.

c) 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 Bank uses the Projected Unit Credit Method to determine the present value of its defined benefit plan and the related service costs.

Actuarial gains or losses, if material, are recognized immediately in the Members' Equity in the year they occur.

Until 1427H, the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the corridor defined as the greater of the following values:

a) 10% of the present value of the defined benefit obligation
b) 10% of the value of plan assets

The effect of the change in policy is presented in note 20.

The employee benefit liability is recognized as part of accruals and other liabilities in the balance sheet. The liability represents the present value of the Bank's defined benefit obligation, net of the fair value of the plan assets.

d) 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.

e) 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 (one of IDB affiliate).

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 over the lease term.

Income from investments in subsidiaries and trust funds are recognized when dividends are declared.

f) Operational assets

Operational assets consist of receivables from Murabaha financing, Istisna'a assets, installment sales financing, loan contracts and Ijarah Muntahia Bittamleek assets as follows:

(i) Murabaha

Murabaha is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

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.

(ii) Istisna'a

Istisna'a is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

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.

(iii) Installment sale

Installment sale is an agreement whereby the Bank sells to a customer a commodity or an asset, which the Bank has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin which is to be repaid on installment basis according to the terms of the signed agreement.

Amounts receivable from installment sales financing are stated at the gross amount receivable from the beneficiaries, net of unearned income.

(iv) Loans

Loans and advances are recognized when cash is advanced to the borrowers.

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.

(v) Ijarah Muntahia Bittamleek

Ijarah is an agreement whereby the Bank, acting as a lessor, purchases according to the customer request (lessee), based on his promise to lease the asset for an agreed rent for a specific period. The lessee has the right to buy the asset at the end of the lease term with or without consideration upon completion of all payments due.

Amounts relating to Ijarah Muntahia Bittamleek consist of assets purchased by the Bank, either individually or through a syndicate agreement and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek 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 in use.

g) 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 plans.

h) 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.

The Bank exercises judgement to consider impairment on the available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, the Bank considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

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.

i) Impairment of financial assets

Operational assets:

An assessment is made at each balance sheet date to determine whether there is an evidence that a financial asset or group of financial assets may be impaired. Accordingly, the Bank determines the provision for impairment losses based on an assessment of incurred losses. This involves a review of the financial assets on the balance sheet date in order to determine if there are any indications of impairment in their value individually; and also the losses that the Bank 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 of the financial asset mentioned 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.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

j) 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.

k) Investments in consolidated subsidiaries and trust funds

Investments in consolidated 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:

(In Thousands of Islamic Dinars)

	1428H	1427H
Income from operations	56,630	41,118
Net income	34,361	25,803
Total assets	736,174	653,391
Total liabilities	87,603	34,268

l) 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.

m) Provisions

Provisions are recognized when a reliable estimate can be made by the Bank for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

(In Thousands of Islamic Dinars)

n) Cash and cash equivalents

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

3. CASH AT BANKS

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

	1428H	1427H
Cash on hand	216	207
Current accounts	22,912	12,014
Call accounts	76,462	48,877
Total	99,590	61,098

Current accounts at end of Dhul Hijjah 1428H include ID 11.63 million (1427H - ID 11.63 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:

	1428H	1427H
Placements with Islamic banks	40,833	170,658
Placements with conventional banks	1,057,257	1,248,315
	1,098,090	1,418,973
Less: Provision for impairment (note 11)	(4,143)	(4,143)
Less: Third party placements	(93,911)	(121,539)
Commodity placements with banks, net	1,000,036	1,293,291

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.

(In Thousands of Islamic Dinars)

5. MURABAHA FINANCING, NET

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

	1428H	1427H
Gross amounts receivable	928,612	856,813
Less: share of syndicate members	(206,466)	(326,512)
Less: Unearned income	(40,914)	(33,785)
	681,232	496,516
Less: Provision for impairment (note 11)	(6,561)	(2,824)
Murabaha financing, net	674,671	493,692

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:

	1428H	1427H
Total income from Murabaha financing	30,431	24,887
Less: Share of investment depositors (note 2g)	(27)	(394)
Income from Murabaha financing, net	30,404	24,493

6. ACCRUED INCOME AND OTHER ASSETS

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

	1428H	1427H
Accrued income from placements	9,526	11,398
Accruals from projects	100,363	80,849
IDB Group current accounts (note 27)	95,231	149,536
Staff loans and advances	9,170	10,012
Prepayments and other assets	7,301	4,571
Total	221,591	256,366

(In Thousands of Islamic Dinars)

7. ISTISNA'A ASSETS, NET

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

	1428H	1427H
Istisna'a assets in progress	569,488	372,845
Istisna'a receivables	263,106	280,869
	832,594	653,714
Less : Unearned income	(58,041)	(67,085)
Istisna'a assets, net	774,553	586,629
Less : Provision for impairment (note 11)	(1,212)	(5,261)
	773,341	581,368

8. INSTALLMENT SALES FINANCING, NET

Receivable from installment sales financing at the end of Dhul Hijjah comprise the following:

	1428H	1427H
Gross amounts receivable	757,133	670,801
Less: Unearned income	(210,597)	(175,734)
	546,536	495,067
Less: Provision for impairment (note 11)	(7,268)	(8,888)
Installment sales financing, net	539,268	486,179

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:

	1428H	1427H
Loans	1,145,593	1,052,522
Less: Provision for impairment (note 11)	(73,260)	(73,131)
Loans, net	1,072,333	979,391

(In Thousands of Islamic Dinars)

10. IJARAH MUNTAHIA BITTAMLEEK, NET

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

	1428H	1427H
Cost:		
Assets not yet in use:		
At the beginning of the year	320,016	261,868
Additions	279,039	147,438
Transferred to assets in use	(126,046)	(89,290)
At the end of the year	473,009	320,016
Assets in use:		
At the beginning of the year	876,727	819,895
Disposal due to early repayment	-	(32,458)
Transferred from assets not yet in use	126,046	89,290
At the end of the year	1,002,773	876,727
Total cost	1,475,782	1,196,743
Accumulated depreciation:		
At the beginning of the year	(389,031	(304,873)
Disposal due to early repayment	-	546
Charge for the year	(91,892)	(84,704)
At the end of the year	(480,923)	(389,031)
Balance at the end of the year	994,859	807,712
Less: Provision for impairment (note 11)	(26,517)	(24,713)
Ijarah Muntahia Bittamleek, net	968,342	782,999

Included in assets in use is an amount of ID 148.5 million (1427H - ID 111 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 2f).

(In Thousands of Islamic Dinars)

11. PROVISION FOR IMPAIRMENT OF ASSETS

The movement in the provision for impairment is as follows:

	1428H	1427H
Balance at the beginning of the year	174,690	173,909
(Recovery) / charge for the year	(170)	781
Balance at the end of the year	174,520	174,690

The above impairment provision consists of the following:

a) The differences between the carrying amount of the related financial and non-financial assets and the net present value of the expected future cash flows discounted at the implicit rate of return of the financial assets mentioned in the respective agreements. These differences arise either as a result of agreed rescheduled installments or management's best estimates of the timings of future cash flows from such financial and non-financial assets.

b) A portfolio provision based on management's assessment of unidentified losses present in the portfolio using the country risk ratings and a probability analysis of the rates and severity of defaults.

Income on the impaired financial assets included in the statement of income as of 30th Dhul Hijjah 1428H is ID 8.6 million (1427H – ID 5.6 million).

Included in the project balances (operating assets) as of end of Dhul Hijjah 1428H are receivables with a carrying amount of ID 2.5 million (1427H - Nil) which are past due at the balance sheet date for which the Bank has not provided for as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The following is the aging of these past due amounts which are not impaired:

	1428H	1427H
Less than three months	683	-
Three months to twelve months	1,042	-
One year to five years	782	-
	2,507	-

Disclosures relating to the credit quality of the operating assets have been presented in note 32.

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, notwithstanding the ownership interest held or Bank's representation on the Board of Directors of the investee companies.

(In Thousands of Islamic Dinars)

Investments in equity capital at the end of Dhul Hijjah comprise the following:

	1428H	1427H
Equity investments:		
Listed	728,065	569,495
Unlisted	168,954	175,707
	897,019	745,202
Less: Provision for impairment (note 11)	(52,643)	(52,643)
Investments in equity capital, net	844,376	692,559

The movement in equity capital investments is summarized as follows:

	1428H	1427H
Balance at the beginning of the year	692,559	676,145
Additions during the year	23,429	9,761
Net unrealized gains	128,388	6,653
Balance at the end of the year	844,376	692,559

13. 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 1428H, the Bank owns 76% (1427H - 83%) of the paid-up capital of the Corporation. The Bank paid ID 9.2 million and 18.1 million during 1428H and 1427H respectively on behalf of the member countries towards the share capital of ICD, which has been appropriated against the General Reserve of 1428H.

14. AWQAF PROPERTIES INVESTMENT FUND

Awqaf Properties Investment Fund (the "Fund") is a specialized Trust fund established pursuant to the Articles 2 and 23 of the Articles of Agreement establishing the Bank and the Memorandum of Understanding signed between the Bank, Awqaf Ministries and Institutions of Islamic countries in the year 1422H. The Fund commenced its operations on 1 Rajab 1422H (19 September 2001). The objective of the Fund is to develop and invest, in accordance with the principles of Shari'ah, Awqaf real estate properties that are socially, economically, and financially viable in the member countries of IDB and Islamic communities in non-member countries. As of end of Dhul Hijjah 1428H, the Bank owns 35% (1427H – 35%) of the paid-up capital of the Fund.

(In Thousands of Islamic Dinars)

15. INVESTMENT IN EFS AND IBP

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 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 Scheme 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. The Board of Governors also approved the payment by IDB of the value of shares in ITFC allotted to IDB from the assets of the Scheme per the terms and conditions approved by the Board of Executive Directors. 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 the Scheme thereafter will be transferred to the general reserve of ITFC. The Articles of ITFC came into effect on 29 Dhul Qa'dah 1427H and it commenced operations on 1 Muharram 1429H. As per the interpretation of the above resolutions by the legal counsel of IDB, IDB shall be deemed as the liquidator for the purpose of liquidating the assets of the Scheme, settling its liabilities and transferring the proceeds to ITFC. Any shortfall between the net assets value as computed by the valuation consultant as of 30.12.1426H and the liquidation proceeds shall be borne by IDB.

As of 30 Dhul Hijjah 1428H, the scheme is under liquidation. The net assets of the Scheme as of the above date were ID 283 million (1427H: ID 269 million) which were more than the net assets value computed by the valuation consultant.

Islamic Banks' Portfolio for Investment and Development (IBP)

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. 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:

	1428H		
	Subscribed Amount	Paid up amount	
	US$ Thousands	US$ Thousands	ID Thousands
Fixed capital	49,674	49,674	39,699
Variable Capital	177,000	-	-
	226,674	49,674	39,699

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

(In Thousands of Islamic Dinars)

The Bank manages the Portfolio as a Mudarib. The Mudarib 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 the 15% of income will be introduced, with a corresponding reduction in the rate of dividends.

The Bank makes advances to and receives repayments from operations on behalf of the special and trust funds. Compensation is paid based on the average earnings on investment in short-term commodity transactions and on deposits for the period during which any amount is outstanding.

The Participant's Committee of the Portfolio during its meeting number 26 held on June 22, 2005, discussed the matter of establishing the ITFC to focus primarily on the trade finance operations for the IDB Group. The operations of the Portfolio shall be merged into the new corporation. The Executive Committee of the Portfolio in its meeting number 34 held on November 25, 2005 approved the purchase by IDB of the net assets of the Portfolio based on the adjusted net book value method. Members of the Portfolio who agree to join the new corporation based on the adjusted net book value as of the date of the purchase will have their equity transferred to the new corporation. The remaining members shall be paid out by IDB (see note 2a). Subsequently, the Board of Executive Directors in the meeting held on 27 November 2005, approved the purchase of shares by IDB on the adjusted net book value of the Portfolio as of 30.09.2005, and in case of provisions for defaulted receivables, those provision will be transferred to the Waqf fund of IDB. The Board of Governors of IDB through resolution no BG/1-427 (by circulation) on 7 Rabi Awwal 1427H (5 April 2006) also approved the payment by IDB of the value of shares in ITFC allotted to IDB from the assets of Export Financing Scheme and the Portfolio per the terms and conditions approved by the Board of Executive Directors. The Articles of ITFC came into effect on 29 Dhul Qa'dah 1427H and it commenced operations on 1 Muharram 1429H. As per the interpretation of the above resolutions by the legal counsel of IDB and in the light of Articles 14.2 and 14.4 of the Regulations of the Portfolio, IDB shall be deemed as the liquidator for the purpose of liquidating the assets of the Portfolio, settling its liabilities and transferring the proceeds to ITFC.

As of 30 Dhul Hijjah 1428H, the Portfolio is under liquidation. The net assets of the Portfolio as of the above date were USD 118 million (1427H: USD 112 million) which were more than net assets value as of 30.09.2005.

Based on the net assets value of the Scheme and the Portfolio as of end of Dhul Hijjah 1426, IDB OCR has been allotted 26,637 shares of US$ 10,000 each in the capital of ITFC and IDB OCR is deemed to have subscribed to it. The total value of shares allotted in ITFC of US$ 266,370 thousand (ID 184,517 thousand) has not been recorded in these financial statements as IDB-OCR has yet to pay these amounts to ITFC after liquidating the Scheme and the Portfolio as mentioned above.

16. OTHER INVESTMENTS, NET

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

	1428H	1427H
Lease and Real Estate Funds	10,815	10,465
Investment in Sukuks	141,829	88,995
	152,644	99,460
Less: Provision for impairment (note 11)	(2,917)	(3,087)
Other investments	149,727	96,373

(In Thousands of Islamic Dinars)

Lease and real estate funds are investments managed by third party Islamic institutions in which the Bank has made specific investments as part of its management of liquidity.

Investment in Sukuk certificates at the end of Dhul Hijjah 1428H and 1427H represents a share in the investment in Sukuks issued by various governments and certain other entities which have been measured at cost, as their fair value can not be reliably measured.

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 1428H	13,043	104,016	26,186	143,245
Additions during the year	-	2,469	617	3,086
	13,043	106,485	26,803	146,331
Less: share of assets allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1428H	-	(31,851)	(5,307)	(37,158)
Allocations during the year	-	-	11	11
	-	(31,851)	(5,296)	(37,147)
At 30 Dhul Hijjah 1428H	13,043	74,634	21,507	109,184
Accumulated depreciation				
At 1 Muharram 1428H	-	43,300	25,017	68,317
Charge for the year	-	2,280	1,236	3,516
		45,580	26,253	71,833
Less: share of accumulated depreciation allocated to Special Account Resources Waqf Fund:				
At 1 Muharram 1428H	-	(10,534)	(5,273)	(15,807)
Allocations during the year	-	(730)	(11)	(741)
	-	(11,264)	(5,284)	(16,548)
At 30 Dhul Hijjah 1428H	-	34,316	20,969	55,285
Net book value:				
30 Dhul Hijjah 1428H	13,043	40,318	538	53,899
29 Dhul Hijjah 1427H	13,043	39,399	1,135	53,577

(In Thousands of Islamic Dinars)

Included in property and operating equipment is an amount of ID 13 million, which represents the estimated market value of land, donated to the Bank by the Government of the Kingdom of Saudi Arabia, at the time of donation (see Note 22).

The cost of the Bank's permanent headquarters building was funded out of the Bank's ordinary resources and out of special assistance accounts resources. The cost and depreciation of the permanent headquarters building and related furniture and equipment were split according to the following proportions:

The Bank - Ordinary Capital Resources	65%
Special Account Resources Waqf Fund	35%

Also, a portion of other equipment cost and its related depreciation are charged to Islamic Research and Training Institute and Special Assistance Administration, which are part of the Special Account Resources Waqf Fund.

18. ACCRUALS AND OTHER LIABILITIES

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

	1428H	1427H
Investment deposits	35,326	52,277
IDB group current accounts (note 27)	96,619	30,734
Accruals	32,771	26,299
Accrued pension liability (note 20)	11,739	-
Other liabilities	655,167	578,052
Total	831,622	687,362

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 611.05 million as of 30 Dhul Hijjah 1428H (29 Dhul Hijjah 1427H: ID 562.73 million) which represents the purchase price including the accrued under these agreements. The related finance cost for the year ended 30 Dhul Hijjah 1428H is ID 28.07 million (29 Dhul Hijjah 1427H: ID 20.69 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 0.4 million at end of Dhul Hijjah 1428H (1427H - 0.6 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.

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 1428H (9 January 2008) is ID 27.3 million (1427H: ID 28.7 million).

20. RETIREMENT BENEFITS

The Bank has a defined Staff Retirement Pension 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 Pension Plan

The Staff Retirement Pension plan is a defined benefit pension plan established and maintained by IDB and covers most employees on regular appointment who receive a regular stated remuneration from the Bank. It became effective on 01 Rajab, 1399H. The Pension Committee is responsible for the oversight of investment and actuarial activities of the Plan, which includes the IDB's contribution to the Plan. The Bank underwrites the investment and actuarial risk of the plan.

The main features of the plan are:

(i) normal retirement age is the 60^{th} 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.

Under the Plan, the employee contributes at a rate of 7% of the salary (basic plus cost of living allowance) while the Bank typically contributes 14.88%, but may vary such contribution based on the results of the actuarial valuations.

The Plan assets are held and managed by IDB but recorded separately from the Bank's other assets and is used solely to provide the benefits and pay expenses of the Plan. The Bank pays all the administrative expenses of the Plan. The Plan's assets are invested in accordance with the policies set out by the Bank.

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 1428H. 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:

(In Thousands of Islamic Dinars)

Monthly highest average remuneration X 5 (being minimum contribution period) X 0.18%

The following table summarizes the movements on the present value of the defined benefit obligation:

	Staff Retirement Plan		Medical Benefit Scheme	
	1428H	1427H	1428H	1427H
Benefit obligation at beginning of the year	103,604	97,494	3,767	2,663
Service costs (net of member contributions)	4,574	4,444	374	177
Interest costs	6,090	5,517	237	250
Plan member contributions	1,706	1,769	110	126
Actuarial gains / (losses)		1,562		707
Benefits paid from plan assets	(5,127)	(3,942)	(59)	(68)
Exchange gain/(loss)	(5,719)	(3,240)	(208)	(88)
Benefit obligation at end of the year	105,128	103,604	4,221	3,767

The movements on the plan assets are as follows:

	Staff Retirement Plan		Medical Benefit Scheme	
	1428H	1427H	1428H	1427H
Fair value of Plan Assets at beginning of the year	89,221	86,014	2,633	2,276
Actual return on plan assets	9,044	3,332	136	125
Employer contributions	4,795	4,907	219	250
Plan member contributions	1,706	1,769	110	126
Benefits paid from plan assets	(5,127)	(3,942)	(59)	(68)
Exchange gain/(loss)	(4,923)	(2,859)	(145)	(76)
Fair Value of Plan Assets at end of the year	94,716	89,221	2,894	2,633
Funded status – net liability recognized on balance sheet representing excess of benefit obligation over fair value of plan assets (note 18)	10,412	14,383	1,327	1,134

The above net liability represents the cumulative actuarial losses resulting from the difference between the actual experience and the assumptions used in estimating the liability. The Bank has changed its policy relating to the recognition of the net liability. As mentioned in note 2c, till 1427H, this shortfall was recognized over the expected average remaining working lives of the employees participating in the plan. From the current year, the Bank has decided to recognize this shortfall in the Members' equity immediately in the year it arises, if material. Consequently, the Bank has recognized the cumulative shortfall in staff retirement plan of ID 10.5 million in the Members equity of 1428H without restating the prior year figures as the amount was not significant. The Bank has not recognized the shortfall in the medical benefit scheme as the amount was not considered significant.

Based on the actuarial valuations, the pension and medical benefit expenses for the year 1428H and 1427H for the Bank comprised the following:

(In Thousands of Islamic Dinars)

	Staff Retirement Plan		Medical Benefit Scheme	
	1428H	1427H	1428H	1427H
Current service costs – gross	6,280	6,213	484	303
Less – Employee contributions	(1,706)	(1,769)	(110)	(126)
Net - current service costs	4,574	4,444	374	177
Interest costs	6,090	5,517	237	251
Expected return on plan asset	(5,184)	(5,054)	(168)	(178)
Amortization of unrecognized actuarial loss/(gain)	271	-	51	-
Expense for the year	5,751	4,907	494	250

Principal assumptions used in the latest available actuarial valuations as at Dhul Hijjah1428H and 1427H are as follows:

	Staff Retirement Plan		Medical Benefit Scheme	
	1428H	1427H	1428H	1427H
Discount Rate	5.9%	5.9%	5.9%	5.9%
Expected return on plan assets	6.0%	6.0%	5.9%	5.9%
Rate of salary increase	4.0%	4.0%	4.0%	4.0%

The expected return on plan assets is an average of the expected long-term return of the Plan assets, weighted by the portfolio allocation of the assets. Asset class returns are developed based on historical returns as well as forward-looking expectations. The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AAA Corporate Bonds

The following table presents the plan assets by major category:

	Staff Retirement Plan		Medical Benefit Scheme	
	1428H	1427H	1428H	1427H
Commodity placements	28,270	23,886	2,557	2,370
Investment in UIF	23,419	19,564	-	-
Syndicated Murabaha	8,700	21,321	-	-
Investment in Sukuk	18,264	16,183	-	-
Land	10,550	4,738	-	-
Others (net)	5,513	3,529	337	263
Plan Assets – net	94,716	89,221	2,894	2,633

28% of Staff Retirement Plan assets (1427H–25%) and 12% of Medical Benefit Scheme assets (1427H–3%) are invested respectively within the IDB group as of 30th Dhul Hijjah 1428H.

(In Thousands of Islamic Dinars)

The following table summarizes the funding status of the Staff Retirement Plan at the end of the last five fiscal years:

	1428H	1427H	1426H	1425H	1424H
Present value of defined benefit obligation	(105,128)	(103,604)	(97,494)	(86,014)	(79,585)
Fair value of plan assets	94,716	89,221	86,014	63,067	60,263
Plan deficit	(10,412)	(14,383)	(11,480)	(22,947)	(19,322)
Experience adjustment on plan assets and liabilities - net	-	(1,248)	627	-	(1,565)

The following table summarizes the funding status of the Medical Benefit Scheme at the end of the last five fiscal years:

	1428H	1427H	1426H	1425H	1424H
Present value of defined benefit obligation	(4,221)	(3,767)	(2,663)	(2,798)	(2,204)
Fair value of plan assets	2,894	2,633	2,276	1,947	1,573
Plan deficit	(1,327)	(1,134)	(387)	(851)	(631)
Experience adjustment on plan assets and liabilities - net	-	(644)	771	-	-

21. PAID-UP CAPITAL

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

	1428H	1427H
Authorized 3,000,000 shares of ID 10,000 each		
(1427H - 3,000,000 shares of ID 10,000 each)	30,000,000	30,000,000
Issued: 1,500,000 shares of ID 10,000 each		
(1427H – 1,500,000 shares of ID 10,000 each)	15,000,000	15,000,000
Issued shares not subscribed	(1,129,990)	(1,782,320)
Subscribed capital	13,870,010	13,217,680
Share capital not yet called	(9,799,180)	(9,146,850)
Installments not yet due	(921,698)	(1,190,088)
Called-up capital	3,149,132	2,880,742
Installments due, not yet paid	(83,950)	(70,783)
Paid-up capital	3,065,182	2,809,959

(In Thousands of Islamic Dinars)

22. CAPITAL RESERVE

The capital reserve comprises the estimated value of land (ID 13 million) and buildings (ID 3.5 million) that were donated by the Government of the Kingdom of Saudi Arabia. The Government also donated SR 50 million (ID 9.6 million) for the construction of the permanent headquarters building.

As per the requirements of IAS 20 Government Grants, the grants relating to depreciable assets need to be amortized in the same pattern as the related assets are depreciated. Since the amounts involved were insignificant, the Bank's management had decided to transfer the amounts from the capital reserve once the related asset is fully depreciated. Since the buildings of ID 3.5 million have been fully depreciated, this amount has been transferred from the capital reserve to general reserve during the year.

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:

	1428H	1427H
Cash at banks	99,590	61,098
Commodity placements with banks (note 2n)	995,607	1,095,616
Total	1,095,197	1,156,714

25. UNDISBURSED COMMITMENTS

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

	1428H	1427H
Murabaha financing	1,513,087	1,205,494
Installment sales financing and Istisna'a assets	1,707,626	1,661,446
Loans	1,160,811	1,114,752
Ijarah Muntahia Bittamleek assets	864,820	760,567
Investments in equity capital	-	9,300
International Trade Finance Corporation (note 15)	184,517	-
Investment in Islamic Corporation for the Development of the Private Sector-ICD	60,031	67,114
Investment in Awqaf Properties Investment fund	-	2,684
The project of Information Technology Plan (ITP)	12,202	20,998
Total	5,503,094	4,842,355

(In Thousands of Islamic Dinars)

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 1428H of ID 0.63 million (1427H - ID 0.63 million) in respect of projects sold to the Fund of ID 90.50 million (1427H – ID 101.85 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:

	1428H		1427H	
	Assets	Liabilities	Assets	Liabilities
World Waqf Foundation	507	-	412	-
Islamic Solidarity Fund	86	-	2,075	-
Awqaf Properties Investment Fund	1,663	-	8,598	-
Export Financing Scheme	36,254	-	-	(25,731)
Islamic Banks' Portfolio for Investment and Development	32,239	-	70,979	-
IDB - Unit Investment Fund	-	(23,537)	16,705	-
Islamic Corporation for the Insurance of Investment and Export Credit	-	(457)	403	-
Special Account Resources Waqf Fund	-	(12,488)	29,406	-
IDB Special Assistance Fund	7,070	-	-	(4,984)
IDB Pension Fund	-	(16,351)	1,523	-
IDB Medical Fund	-	(245)	80	-
Al-Aqsa and Al Quds Funds	7,734	-	3,389	-
Islamic Corporation for the Development of the Private Sector – ICD	9,678	-	15,966	-
Badea	-	(18)	-	(19)
International Trade Finance Corporation (ITFC)	-	(43,523)	-	-
Total	95,231	(96,619)	149,536	(30,734)

(In Thousands of Islamic Dinars)

28. NET ASSETS IN FOREIGN CURRENCIES

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

	1428H	1427H
United States Dollar	681,848	632,960
Euro	348,845	462,230
Pound Sterling	103,317	167,472
Japanese Yen	99,041	100,960
Other currencies	17,196	22,028

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

	30 Dhul Hijjah 1428H					
	Maturity period determined					
	Less than 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Maturity Period not determined	Total
Total assets	1,667,456	750,150	932,476	897,325	2,471,035	6,718,442
Total liabilities	236,346	852,356	316,360	-	-	1,405,062
	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. CONCENTRATION OF ASSETS

Analysis of assets by economic sector is as follows:

	30 Dhul Hijjah 1428H						
	Public utilities	Transport & telecom	Agriculture	Industry & mining	Social Services	Others	Total
Total assets	1,083,464	830,238	303,217	236,673	686,729	3,578,121	6,718,442
	29 Dhul Hijjah 1427H						
Total assets	648,450	651,094	238,233	206,686	520,897	3,842,033	6,107,393

(In Thousands of Islamic Dinars)

The geographical locations of assets are as follows:

	30 Dhul Hijjah 1428H				
	Member countries				
	Asia	Africa	Europe	Non member countries	Total
Total assets	4,679,166	1,703,676	283,809	51,791	6,718,442
	29 Dhul Hijjah 1427H				
Total assets	4,744,827	1,187,862	52,717	121,987	6,107,393

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 Department ("RMD") fully independent from all business departments as well as other entities of the Bank. The RMD 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

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Bank's credit risk arises mainly from its operating assets.

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 commodity placements, Murabaha financing, Istisna'a assets, installment sales financing, loans and Ijarah Muntahia Bittamleek, which are mainly covered by sovereign guarantees and commercial banks guarantees acceptable to the IDB, in accordance with specific eligibility criteria and credit risk assessments. 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 sovereign guarantees from member countries or 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.

Credit risk includes potential losses arising from a counterparty's (i.e., countries, banks/financial institutions, corporate, etc.) inability or unwillingness to service its obligation to the Bank. In this respect, the Bank has developed and put in place comprehensive credit policies and guidelines as a part of overall credit risk management framework to provide clear guidance on various types of financing.

These policies are clearly communicated within the bank with a view to maintain IDB's overall credit risk appetite and profile within the parameters set by the management. The credit policy formulation, credit limit setting, monitoring of credit exceptions / exposures and review / monitoring functions are performed independently by the RMD, which endeavors to ensure that business lines comply with risk parameters and prudential limits established by the BED and the management.

An important element tool of credit risk management is the established exposure limits for single beneficiary or an obligor and group of connected obligors. In this respect, IDB has a well developed limit structure, which is based on the credit strength of the beneficiary, the obligor. Moreover, credit concentration limits in member countries regarding financing operations as well as placements of liquid funds are also in place.

The assessment of any exposure is based on the use of comprehensive internal rating systems for various potential counterparties eligible to enter into business relationship with IDB. While extending financing to its member countries the Bank should safeguard its interests by obtaining the relevant guarantees for its financing operations and has to ensure that the concerned beneficiaries as well as the guarantors are able to meet their obligations to IDB. In addition to the above risk mitigation tools, the Bank has in place a comprehensive counterparty's assessment criteria and detailed structured exposure limits in line with the best banking practices.

Country risk refers to the risks associated with the economic, social and political environments of the beneficiary's home country. Guidelines were developed for monitoring country exposure to safeguard the bank against undue risk. The country exposure limits are determined and periodically reviewed and updated taking into consideration the recent macro-economic, financial, and other developments in the member countries, the status of their business relationship with IDB as well as their risk profiles as perceived by the rating agencies, specialized international publications of repute, risk perception of the participants in the market, and experience of other MDB's. Countries are classified under 7 risk categories; i.e., "A" to "G", whereby "A" represents to the highest creditworthy category (lowest risk) and "G" represents the lowest creditworthy category (highest risk).

(In Thousands of Islamic Dinars)

Concentration of credit risk

The below table shows the fifth and tenth largest country exposure as of the end of years 1428H and 1427H:

Country	1428H Amount (in ID million)	1428H (%)	Country	1427H Amount (in ID million)	1427H (%)
Morocco	413.70	10%	Morocco	318.10	9.2%
Iran	284.60	6.9%	Iran	224.80	6.5%
Jordan	273.20	6.6%	Bahrain	215.20	6.3%
Pakistan	243.70	5.9%	Bangladesh	167.60	4.9%
Bangladesh	235.60	5.6%	Jordan	155.60	4.5%
Sub-total Top 5	1,450.80	35%	Sub-total Top 5	1,081.30	31.4%

Country	1428H Amount (in million)	1428H (%)	Country	1427H Amount (in million)	1427H (%)
Lebanon	166.90	4.0%	Lebanon	153.80	4.4%
Indonesia	157.30	3.8%	Libya	147.30	4.3%
Bahrain	155.50	3.8%	Bahrain	127.10	3.7%
Syria	144.00	3.5%	Tunisia	119.50	3.5%
Libya	134.90	3.3%	Jordan	118.20	3.4%
Total Top 10	2,209.40	53.4%	Total Top 10	1,747.20	50.70%

Credit Quality of operating assets:
The analysis of credit quality based on the country exposure guidelines and risk assessment approach as of the year ends are as follows:

Credit Risk Category	1428H Amount	1428H In %	1427H Amount	1427H In %
Category “A”	323,112	7.8	217,569	6.3
Category “B”	1,524,530	36.8	1,334,253	38.8
Category “C”	860,106	20.8	641,323	18.6
Category “D”	399,263	9.6	266,779	7.7
Category “E”	752,006	18.2	652,179	18.9
Category “F”	240,469	5.8	234,780	6.8
Category “G”	43,262	1.0	90,761	2.6
Other Non Rated	24	0.0	301	0.0
Total	4,142,772	100	3,438,447	100

(In Thousands of Islamic Dinars)

Total operating assets are secured by the following amount of guarantees:

	Sovereign	Commercial & Others	Total
1428H	3,998,773	144,000	4,142,773
	96.5%	3.5%	100%
1427H	3,334,933	103,513	3,438,446
	97%	3%	100%

Geographical concentration of operating assets

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.

The following table depicts the geographical distribution of exposure on financed operations with member countries:

Area	1428H	1427H
Africa	19.2%	19.9%
Asia & Others	36.5%	34.90%
Middle East	44.3%	45.20%
	----------	----------
	100%	100%
	=======	=======

b) Market risks

IDB is exposed to following market risks:

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Bank does not hedge its currency exposure by means of hedging instruments. Exposure to exchange risk is limited. Most of the IDB's financing operations are SDR-denominated, the same currency in which the Bank's resources – i.e., equity are denominated. 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 Dinars basket, namely US Dollar, Sterling Pound, Euro and Japanese Yen. The Bank has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

ii) Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. To guard against this risk, the Bank adopts 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. The liquidity profile of the Bank's assets and liabilities has been presented in note 29.

(In Thousands of Islamic Dinars)

iii) Equity price risk

The Bank is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Bank does not actively trade these investments. If equity prices had been 5% higher or lower, net income for the year ended 30th Dhul Hijjah 1428H would have been unaffected as equity investments are classified as available-for-sale and adequate provision has been made for the equity investments against which an impairment loss has occurred.

iv) Mark-up risk

Mark-up risk arises from the possibility that changes in Mark-up risk will affect the value of the financial instruments. The Bank is exposed to Mark-up on its investments in cash and cash equivalents, commodity placements, Murabaha financing, Istisnaa assets, Ijara Muntahia Bittamleek assets, investments in Sukuks and Sukuk liabilities. In respect of the financial assets, the Banks returns are based on a benchmark and hence vary according to the market conditions. In terms of the Sukuk liability, the outflows are based on the returns on the underlying assets which are measured in terms of a fixed percentage over and above a benchmark.

The sensitivity analysis have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout and reporting period. A 50 basis point change is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's net income would not be changed significantly.

c) Other risks

The Bank assumes financial institution risk while dealing with banks and other financial institutions for placement of liquid funds; acceptance of guarantees for IDB financing operations; and extending lines of financing. The RMD follows in its credit risk evaluation the approved framework for the financial institutions.

Credit quality of the liquid funds portfolio, based on the internal rating system of the Bank, as of the year end 1428H is shown below:

	1428H		1427H	
Credit Risk Category	Amount in ID million	In %	Amount in ID million	In %
Category "A"	-	0.00%	-	0.0%
Category "B"	159.97	13.36%	271.76	18.36%
Category "C"	976.33	81.52%	1,020.57	68.95%
Category "D"	34.53	2.88%	12.41	0.84%
Category "E"	20.98	1.75%	11.39	0.77%
Category "F"	-	0.00%	-	0.00%
Category "G"	5.86	0.49%	163.93	11.08%
Total	1,197.68	100	1,480.06	100%

The Bank assumes corporate risk due to its dealings with corporations, that are not financial institutions and do not carry any explicit government guarantee, in the form of financing, investments and corporate guarantees. This financing can be in the form of structured facilities, trade finance and equity investments (profit sharing) etc. According to the approved guidelines a maximum of 30% of IDB's financing operations can be provided against such alternatives to sovereign/bank guarantees.

The Bank has a strict framework for corporate financing risk evaluation. The RMD while reviewing the financing operations proposals ensures that the business department has performed its due-diligence according to the approved guidelines.

The Bank adopts a detailed risk management framework for assessing measuring and mitigating all risks related to project finance The RMD undertakes independent risk review covering all aspects of the project finance in accordance with the related guidelines.

d) Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of operational assets are not significantly different from the carrying values included in the financial statements except for unlisted equity investments. Unlisted equity investments are stated at cost as their fair values cannot be reliably determined.

33. <u>COMPARATIVE AMOUNTS</u>

Certain prior year amounts have been reclassified to conform to the current year's presentation.

DELOITTE & TOUCHE
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MEMBER OF BDO INTERNATIONAL
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Saudi Arabia

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

FINANCIAL STATEMENTS
30 Dhul Hijjah 1428H (9 January 2008)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND

30 Dhul Hijjah 1428H (9 January 2008)

CONTENTS

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AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Islamic Development Bank - Special Account Resources Waqf Fund (the "Waqf Fund") as of 30 Dhul Hijjah 1428H (9 January 2008) and the related statements of activities and cash flows for the year then ended. These financial statements and the Waqf Fund's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Waqf Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Islamic Development Bank - Special Account Resources Waqf Fund as of 30 Dhul Hijjah 1428H (9 January 2008), 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 as disclosed in note 2 (a) with respect to accounting measurement, recognition, and presentation and disclosure matters not covered by the AAOIFI standards.

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

1 Rabi Thani, 1429H
7 April, 2008G

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
as of 30 Dhul Hijjah 1428H (9 January 2008)
(In Thousands of Islamic Dinars)

	Notes	1428H	1427H
ASSETS			
Cash at banks		53,141	41,814
Commodity Placements with banks		684,773	366,368
Murabaha and other funds – net	3	122,552	131,812
Investments in specific deposit-UIF	5	-	628
Investments in units (UIF & IBP)	5	125,282	94,761
Investment in Islamic Corporation for the Insurance of investment and Export Credit (ICIIEC)	6	65,190	62,720
Investment in Islamic Ijarah Sukuk	7	123,673	161,092
Accrued income and other assets		1,048	12,304
Other investments	8	53,901	52,397
Property and equipment – net	9	20,587	21,354
Loans net	10	138,280	121,903
Receivable from IDB – Ordinary Capital resources	4	13,627	-
TOTAL ASSETS		1,402,054	1,067,153
LIABILITIES AND NET ASSETS			
LIABILITIES			
Payable to IDB - Ordinary Capital Resources	4	-	29,407
Accruals and other liabilities	11	452,902	113,702
Specific deposit from IDB – Unit Investment Fund	5	9,257	10,511
Total liabilities		462,159	153,620
NET ASSETS			
Waqf Fund principal amount	12	756,784	748,855
Special assistance	13	50,452	42,589
Special account for least developed member countries	14	132,659	122,089
Total net assets		939,895	913,533
TOTAL LIABILITIES AND NET ASSETS		1,402,054	1,067,153

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 1 Rabi Thani, 1429H (7 April, 2008G)

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

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF ACTIVITIES
For the Year Ended 30 Dhul Hijjah 1428H (9 January 2008)
(In Thousands of Islamic Dinars)

	Notes	1428H Waqf Fund Principal	1428H Special Assistance	1428H Special Account for LDMC	1428H Total	1427H Total
Income from:						
Commodity Placements with banks		18,165	-	-	18,165	13,924
Murabaha and other funds	3	30,035	-	-	30,035	16,332
Specific deposit from IDB - Unit Investment Fund	5	(507)	-	-	(507)	(777)
IDB - Investments in units	5	5,472	-	-	5,472	2,832
Investment in ICIIEC	6	2,470	-	-	2,470	905
Investment in Islamic Ijarah Sukuk (see note 22)	7	4,082	-	-	4,082	10,269
Foreign currency exchange gain (loss), net		1,127	-	-	1,127	3,004
Total income		60,844	-	-	60,844	46,489
Administrative Expenses:						
Staff costs		(498)	-	-	(498)	(445)
Finance cost	11	(4,175)	-	-	(4,175)	(4,089)
Total Administrative expenses		(4,673)	-	-	(4,673)	(4,534)
Attributable Net Income		56,171	-	-	56,171	41,955
Allocation of Attributable Net Income	2 (n)	(47,745)	36,511	11,234	-	-
Share of Income transferred from IDB-OCR	15	353	1,532	471	2,356	2,606
Contributions from IDB-OCR for technical assistance grants and scholarship program		-	8,643	-	8,643	10,159
Income before Grants and Program Expenses		8,779	46,686	11,705	67,170	54,720
Grants for causes	13	-	(30,561)	-	(30,561)	(33,390)
Program Expenses	13	-	(4,576)	-	(4,576)	(11,322)
Change in net assets		8,779	11,549	11,705	32,033	10,008
Net assets at beginning of the year, net of ID 5,671 adjustments		748,005	38,903	120,954	907,862	903,525
Net assets at end of the year		756,784	50,452	132,659	939,895	913,533

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

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1428H (9 January 2008)
(In Thousands of Islamic Dinars)

	1428H	1427H
CASH FLOWS FROM OPERATING ACTIVITIES:		
Attributable net income	56,171	41,955
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	771	1,009
Change in operating assets and liabilities:		
Murabaha and other funds	9,260	20,782
Accrued income and other assets	7,793	1,297
Accruals and other liabilities	338,264	5,125
Loans	(16,377)	(22,310)
Net cash from operations	395,882	47,858
CASH FLOWS FROM INVESTING ACTIVITIES:		
Placements with banks having maturity more than three months, net	(107,689)	8,369
Investment in specific deposit - UIF	628	-
Investment in units – UIF & IBP	(30,521)	(18,517)
Investment in ICIIEC, net	(2,470)	(905)
Investment in Islamic Ijarah Sukuk	36,147	(13,471)
Other investments	(1,504)	(8,250)
Specific deposit from IDB - Unit Investment Fund	(1,254)	(361)
Additions to property and equipment	(4)	(20)
Special assistance program expenses	(4,576)	(11,322)
Net cash used in investing activities	(111,243)	(44,477)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in payable to/ receivable from IDB - Ordinary Capital Resources	(43,034)	(14,348)
Income transferred from IDB - Ordinary Capital Resources	2,356	2,606
Net grants for causes and contribution from Islamic Development Bank For technical assistance grants from Special Assistance Account	(21,918)	(23,231)
Net cash used in financing activities	(62,596)	(34,973)
Net increase (decrease) in cash and cash equivalents	222,043	(31,592)
Cash and cash equivalents at beginning of year (Note 16)	408,182	439,774
Cash and cash equivalents at end of year (Note 16)	630,225	408,182

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 30 Dhul Hijjah 1428H (9 January 2008)

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 which is international institution, the Waqf Fund is not subject to an external regulatory authority.

The Waqf Fund's financial year is the lunar Hijrah year.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Advisory Board. For matters, which are not covered by AAOIFI standards, the Waqf Fund uses the relevant standard issued or adopted by the International Accounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale investments.

b) Translation of currencies

Transactions in currencies other than the Islamic Dinar are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to Islamic Dinars on the basis of SDR rates declared by the International Monetary Fund at the date of the statement of financial position. Foreign currency exchange gains and losses are included in the statement of activities.

c) Cash and cash equivalents

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

d) Revenue recognition

1. Commodity Placements with banks

   Income from Commodity Placements is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

2. Loans

   Loans, which are disbursed from the Waqf Fund resources, are income free, except for a service fee calculated to recover part of the administrative costs of the loans. The loans are administered by IDB - OCR and the service fees charged are included as part of its income.

3. Murabaha and other funds

   Income from investments in Murabaha and other funds is accrued on a time apportionment basis over the period from the date of actual disbursement of funds to the scheduled repayment dates of installments.

4. Managed investments

   Changes in the market value of managed investments are recorded as gains or losses in the statement of activities.

5. Investments in Islamic Ijarah Sukuk

   Income from investment in Islamic Ijarah Sukuk is recognized as declared by the investee banks and includes accretions of any discounts, net of amortization of any premiums on acquisition.

e) Loans

Loans represent amounts disbursed in respect of projects plus loan service fees due, less repayment received relating to the outstanding capital portion of the loan as determined by the loan agreement. The accounting policy with regards to the provision for impairment is further discussed in note 2 (o).

f) Murabaha and other funds

Investments in Murabaha and other funds are stated at cost, less provision for impairment. The accounting policy with regards to the provision for impairment is further discussed in note 2 (o).

g) Investments in IDB - Unit Investment Fund

Investments in IDB - Unit Investment Fund are considered as trading and are recorded at market value with unrealized gain or loss included in income.

h) Investment in ICIIEC

Investment in ICIIEC is not consolidated because the control of ICIIEC does not rest with the Waqf Fund. Accordingly, this investment is accounted for on the equity method.

i) Investment in Islamic Ijarah Sukuk

The investment in Islamic Ijarah Sukuk is carried at cost, less provision for impairment.

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/2-428, and the Board of Executive Directors resolution No. BED/BG/2-428, 5% of the IDB 1427 net income was allocated to finance Technical Assistance Operations in the form of grants during the year 1428H.

According to the Board of Governors' resolution No. BG/3-428, and the Board of Executive Directors' resolution No. BED/BG/3-428, an amount equivalent to 2% but not less than USD 2 millions of the IDB net income for 1427 was allocated for financing of Scholarship Programmers in the form of grants for the year 1428H.

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:

	1428H	1427H
Waqf Fund principal	15%	15%
Special Assistance	65%	65%
Special Account for Least Developed Member Countries	20%	20%

(In Thousands of Islamic Dinars)

The allocation of percentage of income from the Waqf Fund resources is reviewed each year on the basis of annual income earned for that year.

n) Impairment of financial assets

Operational assets:

The Fund 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 (IBP), a trust fund of the Bank. The Portfolio is acting as Mudarib for the Waqf Fund and is entitled to an agreed management fee. IBP is currently under liquidation (note 5). The amounts invested by the Waqf Fund at the end of Dhul Hijjah are as follows:

	1428H	1427H
Syndicated Murabaha and other funds	26,283	63,270
Mudarabah and equity funds	96,269	68,542
Murabaha and other funds – net	122,552	131,812

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 from IDB-OCR as at 30 Dhul Hijjah 1428H is ID 13.63 million (1427H – due to IDB - OCR of ID 29.4 million).

(In Thousands of Islamic Dinars)

5. INVESTMENT IN UIF AND IBP

Investment in specific deposit - Unit Investment Fund (UIF)

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 of UIF

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.

Investment in IBP

Islamic Banks Portfolio for investment and development (IBP) is trust fund established within the framework of Articles 23 of the Articles of Agreement of the Bank and pursuant to the Memorandum of Understanding by the Islamic banks in Istanbul on 27 Rajab 1407H (27 March 1987). The objective of IBP is to mobilize the liquidity available with Islamic banks and financial intuitions and the saving of individual investors, and channel them to finance trade of Islamic countries in accordance with the principles of Shari'ah. The operation of IBP shall be merged into new corporation, International Trade Finance Corporation (ITFC) ' to focus primarily on the trade finance operations for IDB Group, Waqf Fund purchased the shares of IBP Members who disagree to join the new corporation based on the adjusted net book value. IDB shall be deemed as the liquidator for the purpose of liquidating the assets of IBP, and transferring the proceeds to ITFC.

6. INVESTMENT IN ICIIEC

ICIIEC was established on 1 August 1994 by the Bank. The objective of ICIIEC is to enlarge the scope of trade transactions and the flow of investments among member countries of the Organization of the Islamic Conference by providing: a) export credit insurance to cover the non-payment of export receivables; and b) investment insurance against country risks.

The authorized capital of ICIIEC is ID 100 million, divided into 100,000 shares of ID 1,000 each. The subscribed capital of ICIIEC at 30 Dhul Hijjah 1428H ID 97.74 (1427H-ID 97.24 million, with called-up installments of ID 73.87 million (1427H- ID 73.56 million) of which ID 72.90 million were paid (1427H: 72.74 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, are summarized as follows:

	1428H	1427H
Balance at beginning of year	62,720	61,815
Share of profit during the year	2,470	905
Balance at end of year	65,190	62,720

(In Thousands of Islamic Dinars)

7. INVESTMENT IN ISLAMIC IJARAH SUKUK

Investment in Sukuk certificates as at the end of Dhul Hijjah 1428H and 1427H represents a share in the investment in Sukuks issued by the various governments and certain other entities.

8. OTHER INVESTMENTS

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

	1428H	1427H
Infrastructure Fund	53,901	51,018
OIC - Network SDN BHD	1,379	1,379
	55,280	52,397
Provision for impairment	(1,379)	-
Total	53,901	52,397

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 462.20 million) (1427H US$ 730.50, ID 489.20 million). The Bank has committed US$ 100 million (ID 63.27 million) (1427H US$100, ID 66.97 million) of which US$ 85.50 (ID 54.09 million) was paid up to 30 Dhul Hijjah 1428H (1427H US$ 85.50 million, ID 57.26 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 has been fully provided for during the year.

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:

(In Thousands of Islamic Dinars)

	1427H	Addition/charge	1428H
Cost			
Buildings	34,443	-	34,443
Furniture and equipment	6,525	4	6,529
Total	40,968	4	40,972
Accumulated depreciation			
Buildings	13,125	731	13,856
Furniture and equipment	6,489	40	6,529
Total	19,614	771	20,385
Net book value at year end	21,354		20,587

10. LOANS, NET

Loans at the end of Dhul Hijjah comprise the following:

	1428H	1427H
Loans	145,716	135,339
Provision for impairment	(7,436)	(13,436)
Loans – net	138,280	121,903

11. ACCRUALS AND OTHER LIABILITIES

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

	1428H	1427H
Contribution for Bosnia Fund	49	52
Accrued expenses and others	10,220	4,488
Other Liabilities	442,633	109,162
Total	452,902	113,702

The Bank on behalf of the Waqf Fund has entered into commodity purchase and sale agreements with certain banks. Under the terms of the agreements, the Bank has purchased certain commodities from these banks on deferred payment basis and has simultaneously sold these through those banks to third parties. The other liabilities above represent the purchase price including the accrued markup under these agreements. The related finance cost for the year ended 30 Dhul Hijjah 1428 (9 January 2008) was ID 4,175 (1427H: ID 4,089).

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.

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 1428H and 1427H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

(In Thousands of Islamic Dinars)

	1428H	1427H
Relief against disasters and calamities	3,353	7,080
Assistance for Islamic causes	11,720	9,825
Technical assistance grants	8,732	10,617
Technical cooperative program	1,721	1,849
Scholarship program	5,035	4,019
Total	30,561	33,390

The following amounts were incurred as program expenses from the Waqf Fund during the years ended Dhul Hijjah 1428H and 1427H as part of the activities of the Special Assistance accounts pursuant to its above-mentioned objectives.

(In Thousands of Islamic Dinars)

	1428H	1427H
IRTI, Program share & others	6,568	6,204
Technical cooperation Office	221	194
Special Assistance office	1,181	1,371
Sacrificial meat project	235	194
Scholarship Program	224	228
Fixed assets depreciation	768	1,011
Operations risks (recovery)/ provision	(4,621)	2,120
Total	4,576	11,322

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 is as follows:

	1428H	1427H
Return on call accounts	2,356	2,606
Total	2,356	2,606

The Bank's Shari'ah advisers have ruled that the investment in companies that deal with interest-bearing methods of finance is not permissible under Shari'ah. The Bank's management is reviewing its equity participation portfolio and the cumulative income arising from such companies.

The allocation of the income transferred from IDB - OCR to the Waqf Fund's resources during the years ended Dhul Hijjah is as follows:

	1428H	1427H
Waqf Fund principal amount	353	391
Special Assistance	1,532	1,694
Special Account for Least Developed Member Countries	471	521
Total	2,356	2,606

(In Thousands of Islamic Dinars)

16. CASH AND CASH EQUIVALENTS

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

	1428H	1427H
Cash at banks	53,141	41,814
Commodity placements with banks	577,084	366,368
Total	630,225	408,182

17. UNDISBURSED COMMITMENTS

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

	1428H	1427H
a) For disbursements:		
Special Assistance Grants	74,807	78,512
Loans to Least Developed Member Countries («LDMC»)	106,013	110,173
Special loans	4,034	1,427
Technical assistance grants	65,130	63,634
Scholarship program	8,865	9,223
	258,849	262,969
b) Investments with Trust Funds	-	5,692
Total	258,849	268,661

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:

	1428H	1427H
United States Dollar	247,817	271,313
Euro	283,838	273,682
Japanese Yen	68,752	72,120
Pound Sterling	93,002	87,280
Other currencies	26,555	18,703

(In Thousands of Islamic Dinars)

19. CONTRACTUAL MATURITIES OF ASSETS AND LIABILITIES

30 Dhul Hijjah 1428H

	Maturity period determined: Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Maturity Period not determined	Total
Assets	718,330	150,753	20,957	117,710	394,304	1,402,054
Liabilities	272,614	189,545	-	-	-	462,159

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	154,556	-	-	-	-	154,556

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.

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

30 Dhul Hijjah 1428H

	Member countries: Asia	Africa	Europe	Non-member Countries	Total
Assets	1,155,405	109,021	127,168	10,460	1,402,054
Liabilities	462,159	-	-	-	462,159

29 Dhul Hijjah 1427H

	Member countries: Asia	Africa	Europe	Non-member Countries	Total
Assets	756,182	128,461	13,841	168,669	1,067,153
Liabilities	154,556	-	-	-	154,556

The geographical locations of assets and liabilities for 1428H and 1427H 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 commingling 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 as per Management opinion, 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 Fund is not subject to Zakat or tax.

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ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME – UNDER LIQUIDATION

FINANCIAL STATEMENTS
30 Dhul Hijjah 1428H (9 January 2008)

with

AUDITORS' REPORT

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME – UNDER LIQUIDATION
30 Dhul Hijjah 1428H (9 January 2008)

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AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Islamic Development Bank - Export Financing Scheme – under liquidation (the "Fund") as of 30 Dhul Hijjah 1428H (9 January 2008) and the related statements of income and cash flows 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 – under liquidation as of 30 Dhul Hijjah 1428H (9 January 2008), and the results of its operations and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Fund.

As explained in notes 1 and 2, the Fund's operations are under liquidation. Consequently, these financial statements have been prepared on a liquidation basis.

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

1 Rabi Thani, 1429H
7 April, 2008G

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME – UNDER LIQUIDATION
STATEMENT OF FINANCIAL POSITION
30 Dhul Hijjah 1428H (9 January 2008)
(In thousands of Islamic Dinars)

	Notes	1428H	1427H
NET ASSETS			
ASSETS			
Cash at banks	3	41	505
Commodity placements with banks	4	210,157	175,224
Receivable from operations:			
Murabaha financing	5	111,972	85,038
Less: Provision for impairment	5	(2,293)	(2,293)
Receivable from operations, net		109,679	82,745
Receivable from Islamic Development Bank – Ordinary Capital Resources	6	-	24,079
Accrued income and other assets		1,366	1,097
TOTAL ASSETS		321,243	283,650
LIABILITIES			
Accruals and other liabilities	7	1,673	15,027
Payable to Islamic Development Bank – Ordinary Capital Resources	6	36,983	-
TOTAL LIABILITIES		38,656	15,027
NET ASSETS		282,587	268,623
REPRESENTED BY:			
Contributions	8	134,507	134,507
Contribution bonus	9	18,023	18,023
General reserve and retained earnings	9	116,093	106,847
Net Income for the year		13,964	9,246
		282,587	268,623

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 1 Rabi Thani, 1429H (7 April, 2008G).

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

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME- UNDER LIQUIDATION
STATEMENT OF INCOME
For the Year Ended 30 Dhul Hijjah 1428H (9 January 2008)
(In thousands of Islamic Dinars)

	Note	1428H	1427H
Income from:			
Commodity placements with banks		8,175	3,383
Murabaha financing		6,047	5,194
Compensation to Islamic Development Bank – Ordinary Capital Resources	6	(140)	(785)
		14,082	7,792
Exchange gain/(loss)		80	(126)
Financing cost		(68)	(131)
Administrative expenses		(130)	(174)
Recovery of impairment provision	5	-	1,885
Net income		13,964	9,246

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

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME – UNDER LIQUIDATION
STATEMENT OF CASH FLOWS
For the Year Ended 30 Dhul Hijjah 1428H (9 January 2008)
(In thousands of Islamic Dinars)

	Note	1428H	1427H
CASH FLOWS FROM OPERATIONS			
Net income for the year		13,964	9,246
Adjustments to reconcile net income to net cash from operating activities:			
Changes in operating assets and liabilities:			
Murabaha financing		(26,934)	128,142
Receivable from/(payable to) Islamic Development			
Bank – Ordinary Capital Resources		61,062	(53,496)
Accrued income and other assets		(269)	(871)
Accruals and other liabilities		(13,354)	13,469
Net cash from operating activities		34,469	96,490
CASH FLOWS FROM INVESTING ACTIVITY			
Change in commodity placements with banks		(62,658)	(115,355)
Net cash used in investing activity		(62,658)	(115,355)
Decrease in cash and cash equivalents		(28,189)	(18,865)
Cash and cash equivalents at the beginning of year	13	28,230	47,095
Cash and cash equivalents at the end of year	13	41	28,230

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

ISLAMIC DEVELOPMENT BANK
EXPORT FINANCING SCHEME
NOTES TO FINANCIAL STATEMENTS
30 Dhul Hijjah 1428H (9 January 2008)

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 (“IDB” or 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 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. The Board of Governors also approved the payment by IDB of the value of shares in ITFC allotted to IDB from the assets of the Fund per the terms and conditions approved by the Board of Executive Directors. 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. The Articles of ITFC came into effect on 29 Dhul Qaadah 1427H and it commenced operations on 1 Muharram 1429H. As per the interpretation of the above resolutions by the legal counsel of IDB, IDB shall be deemed as the liquidator for the purpose of liquidating the assets of the Fund, settling its liabilities and transferring the proceeds to ITFC. Any shortfall between the net assets value as computed by the valuation consultant as of 30.12.1426H and the liquidation proceeds shall be borne by IDB.

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 has been dissolved and is under liquidation. Therefore, the historical cost convention of accounting being no longer relevant, these financial statements have been prepared on a liquidation basis, with the assets being recorded at their net realizable amounts and liabilities at the actual monetary amounts required to settle them.

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.

(In thousands of Islamic Dinars)

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:

	1428H	1427H
Call accounts with Islamic banks	6	213
Call accounts with conventional banks	35	292
Total	41	505

4. COMMODITY PLACEMENTS WITH BANKS

Commodity placements with banks at the end of Dhul Hijjah are comprised of the following:

	1428H	1427H
Placements with Islamic banks	-	6,704
Placements with conventional banks	210,157	168,520
Total	210,157	175,224

5. MURABAHA FINANCING

Murabaha financing at the end of Dhul Hijjah is comprised of the following:

	1428H	1427H
Gross amounts receivable	126,698	97,851
Less: Share of the Saudi Fund for Development	(10,128)	(10,242)
Less: Unearned income	(4,598)	(2,571)
Murabaha financing, net	111,972	85,038

(In thousands of Islamic Dinars)

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 prior 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:

	1428H	1427H
Balance at beginning of the year	2,293	4,178
Recovery of assets' impairment	-	(1,885)
Balance at the end of the year	2,293	2,293

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 30 Dhul Hijjah 1428 was ID 140 thousand (Dhul Hijjah 1427: ID 785 thousand).

7. ACCRUALS AND OTHER LIABILITIES

During 1427H, 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 Nil as of 30 Dhul Hijjah 1428H (29 Dhul Hijjah 1427H: 10.2 million), which represents the purchase price including the accrued markup under the agreement. The related financing cost has been disclosed in the statement of income.

(In thousands of Islamic Dinars)

8. CONTRIBUTIONS

Participants' contributions at the end of Dhul Hijjah are comprised of the following:

	1428H	1427H
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.

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:

	1428H	1427H
United States Dollar	100,965	105,209
Japanese Yen	30,016	24,883
Euro	116,123	98,366
Pound Sterling	32,658	33,632
Deutsche Mark	1,847	1,781
French Franc	1	1
Non-SDR constituent currencies	(770)	(682)

(In thousands of Islamic Dinars)

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:

	1428H					
	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	41	-	-	-	-	41
Commodity placements with banks	210,157	-	-	-	-	210,157
Murabaha financing	14,273	87,877	9,698	124	-	111,972
Receivable from IDB	-	-	-	-	-	-
Accrued income and other assets	1,366	-	-	-	-	1,366
	225,837	87,877	9,698	124	-	323,536
Less: Provision for operation risks						2,293
Total assets						321,243
Liabilities						
Payables to IDB	36,983	-	-	-	-	36,983
Accruals and other liabilities	60	-	-	-	1,613	1,673
Total liabilities	37,043	-	-	-	1,613	38,656

(In thousands of Islamic Dinars)

	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						
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)

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.

(In thousands of Islamic Dinars)

The geographical locations of assets at the end of Dhul Hijjah are as follows:

	1428H			
	Member countries			
	Asia	Africa	Non-member countries	Total
Cash at banks	35	-	6	41
Commodity placements with banks	137,045	-	73,112	210,157
Murabaha financing	91,341	20,631	-	111,972
Accrued income and other assets	1,366	-	-	1,366
	229,787	20,631	73,119	323,536
Less: Provision for operation risks				2,293
Total assets				321,243

	1427H			
	Member countries			
	Asia	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)

13. CASH AND CASH EQUIVALENTS

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

	1428H	1427H
Cash at banks	41	505
Commodity placements with banks	-	27,725
Total	41	28,230

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 30 Dhul Hijjah 1428H amounted to ID 125.5 million (1427H - ID 257.2 million). Since the Fund is under liquidation, the Bank, as the manager and liquidator of the Fund believes that the commitments mentioned above shall either be fulfilled by the Bank or by ITFC.

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Saudi Arabia

ASSOCIATED ACCOUNTANTS
MEMBER OF BDO INTERNATIONAL
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ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION

FINANCIAL STATEMENTS
31 December 2007

WITH

AUDITORS' REPORT

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION
31 December 2007

CONTENTS

DELOITTE & TOUCHE
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MEMBER OF BDO INTERNATIONAL
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Riyadh 11555
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AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of Islamic Banks' Portfolio for Investment and Development - under liquidation (the "Portfolio") as of 31 December 2007, 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 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 Board of the Portfolio.

As explained in notes 1 and 2, the Portfolio is under liquidation. Consequently, these financial statements have been prepared on a liquidation basis.

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

1 Rabi Thani, 1429H
7 April, 2008G

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION
STATEMENT OF NET ASSETS
31 December 2007
(In thousands of United States Dollars)

	Notes	2007	2006
ASSETS			
Cash and cash equivalents	3	4,720	15,432
Commodity placements with banks	4	128,935	61,564
Investments:			
Islamic Ijarah Sukuk	5	5,000	11,500
IDB - Unit Investment Fund	6, 14	10,937	10,937
Mudaraba funds	14	2,486	2,284
Ijarah Muntahia Bittamleek, net	7	36	203
Receivables:			
Murabaha financing, net	8	6,899	15,944
Istisna'a assets, net		3,549	4,070
Accrued income and other assets		2,776	905
Total Portfolio's assets		165,338	122,839
Net assets financed by variable capital	10	11	11
Total assets		165,349	122,850
LIABILITIES			
Payable to Islamic Development Bank - Ordinary Capital Resources	9, 14	47,305	7,915
Dividends payable	11	89	89
Accruals and other liabilities		264	2,477
Total portfolio's liabilities		47,658	10,481
PORTFOLIO'S NET ASSETS		117,691	112,369

Continued on next page

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION
STATEMENT OF NET ASSETS (continued)
31 December 2007
(In thousands of United States Dollars)

	Notes	2007	2006
REPRESENTED BY			
FIXED CAPITAL FUNDS			
Paid-up capital	12	100,000	100,000
Reserve	11	7,190	6,877
Retained earnings		10,490	5,481
Total fixed capital funds		117,680	112,358
VARIABLE CAPITAL FUNDS			
Paid-up capital	12	-	-
Retained earnings		11	11
Total variable capital funds	10	11	11
		117,691	112,369
Number of shares outstanding, fixed capital funds		100,000	100,000
Net assets per share (USD), fixed capital funds		1,177	1,124

The financial statements were authorized for issue in accordance with a resolution of the Board of Executive Directors on 1 Rabi Thani, 1429H (7 April, 2008G).

The attached notes from 1 through 20 form an integral part of these financial statements

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION
STATEMENT OF OPERATIONS
For the year ended 31 December 2007
(In thousands of United States Dollars)

	Note	2007	2006
INCOME			
Commodity placements with banks		3,278	1,159
Income from cash and cash equivalents		578	1,234
		3,856	2,393
Income from investments, sales and financing:			
Investments:			
Islamic Ijarah Sukuk		542	721
IDB - Unit Investment Fund		414	659
Ijarah Muntahia Bittamleek		200	4,301
Sales:			
Murabaha financing		979	1,148
Installment sales financing		-	6
Istisna'a assets		246	279
Mudaraba fees		205	90
Total income from investments, sales and financing		2,586	7,204
EXPENSES			
Depreciation expense - Ijarah Muntahia Bittamleek	7	(167)	(2,652)
Other expenses		(14)	(93)
		(181)	(2,745)
Net income from investments, sales and financing		2,405	4,459
Net income before Mudarib's share		6,261	6,852
Less: Mudarib's share		(939)	(1,028)
INCREASE IN NET ASSETS AFTER MUDARIB'S SHARE		5,322	5,824

The attached notes from 1 through 20 form an integral part of these financial statements

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION
STATEMENT OF CASH FLOWS
For the year ended 31 December 2007
(In thousands of United States Dollars)

	2007	2006
OPERATING ACTIVITIES		
Increase in net assets before Mudarib's share	6,261	6,852
Adjustments for:		
Depreciation	167	2,652
	6,428	9,504
Changes in operating assets and liabilities:		
Murabaha financing	9,045	4,588
Installment sales financing	-	257
Istisna'a assets	521	490
Accrued income and other assets	(1,871)	4,307
Payable to Islamic Development Bank - Ordinary Capital Resources	39,390	(4,932)
Accruals and other liabilities	(2,213)	2,110
Cash from operations	51,300	16,324
Mudarib's fee paid	(939)	(1,028)
Net cash provided by operating activities	50,361	15,296
INVESTING ACTIVITIES		
Commodity placements with banks	(27,723)	(15,505)
Investment in Islamic Ijarah Sukuk	6,500	500
Ijarah Muntahia Bittamleek	-	7,697
Mudaraba funds	(202)	-
Net cash used in investing activities	(21,425)	(7,308)
FINANCING ACTIVITIES		
Dividends paid	-	(2,380)
Net cash used in financing activities	-	(2,380)
Net increase in cash and cash equivalents	28,936	5,608
Cash and cash equivalents at the beginning of year	45,784	40,176
Cash and cash equivalents at the end of year (Note 15)	74,720	45,784
Supplemental Schedule on Non-Cash Items		
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

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION
STATEMENT OF PORTFOLIO
INVESTMENTS, RECEIVABLES AND FINANCING
31 December 2007
(In thousands of United States Dollars)

	2007	Percentage of portfolio	2006	Percentage of portfolio
INVESTMENTS				
Islamic Ijarah Sukuk	5,000	17%	11,500	26%
IDB - Unit Investment Fund	10,937	38%	10,937	24%
Mudaraba funds	2,486	%٨	2,284	5%
Ijarah Muntahia Bittamleek, net	36	%١	203	1%
RECEIVABLES				
Murabaha financing, net	6,899	24%	15,944	35%
Istisna'a assets, net	3,549	12%	4,070	9%
TOTAL INVESTMENTS, RECEIVABLES AND FINANCING	28,907	100%	44,938	100%

The attached notes from 1 through 20 form an integral part of these financial statements

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT – UNDER LIQUIDATION
STATEMENT OF FINANCIAL HIGHLIGHTS
31 December 2007

	2007	2006
Data per share (In United States Dollars)		
Net assets value (fixed capital funds) at the beginning of year	1,124	1,065
Net income from investments, sales and financing before Mudarib's share	62	69
Less: Mubarib's share	(9)	(10)
Net income from investment, sales and financing after Mudarib's share	53	59
Net assets value (fixed capital funds) at the end of year	1,177	1,124
Financial ratios/supplementary data (thousands of United States Dollars)		
Total net assets at the end of the year – fixed capital funds	117,680	112,358
Average net assets*	115,025	109,457
Ratio of expenses to average net assets	0.16%	3%
Turnover rate of portfolio investments, receivables and financing	9%	16%
Annual rate of return	5%	5%

*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

ISLAMIC BANKS' PORTFOLIO
FOR INVESTMENT AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
31 December 2007

1. INCORPORATION AND ACTIVITIES

Islamic Banks' Portfolio for Investment and Development (the "Portfolio") is a trust fund established under Article 23 of the Articles of Agreement of Islamic Development Bank (the "Bank" or "IDB") and pursuant to the Memorandum of Understanding signed by the Islamic banks in 1407H (1987). The objective of the Portfolio is to mobilize the liquidity available with Islamic banks and financial institutions and the savings of investors and channel them to finance trade of Islamic countries in accordance with the principles of Shari'ah.

The Bank consults on behalf of the Portfolio, the Islamic Fiqh Academy, an institution established by the Organization of the Islamic Conference, to obtain Shari'ah advice. During 1422H (2001), the Bank also established its own Shari'ah Advisory Board.

The Bank manages the Portfolio as a Mudarib based upon the regulations of the Portfolio. The Portfolio has a Participants' Committee chosen by the founding member banks of the Portfolio. This committee oversees the actions of the Mudarib and the general policies of the Portfolio.

The duration of the Portfolio is 25 years. This period may be extended by equal periods. The Portfolio may be liquidated at any time by the Bank and with approval of the Participants' Committee.

The Participant's Committee of the Portfolio during its meeting number 26 held on June 22, 2005, discussed the matter of establishing the International Islamic Trade Finance Corporation to focus primarily on the trade finance operations for the IDB Group. The operations of the Portfolio shall be merged into the new corporation. The Executive Committee of the Portfolio in its meeting number 34 held on November 25, 2005 approved the purchase by IDB of the net assets of the Portfolio based on the adjusted net book value method. Members of the Portfolio who agree to join the new corporation based on the adjusted net book value as of the date of the purchase will have their equity transferred to the new corporation. The remaining members shall be paid out by IDB (see note 2a). Subsequently, the Board of Executive Directors in the meeting held on 27 November 2005, approved the purchase of shares by IDB on the adjusted net book value of the Portfolio as of 30.06.2005, and in case of provisions for defaulted receivables, those provision will be transferred to the Waqf fund of IDB. The Board of Governors of IDB through resolution no BG/1-427 (by circulation) on 7 Rabi Awwal 1427H (5 April 2006) also approved the payment by IDB of the value of shares in ITFC allotted to IDB from the assets of Export Financing Scheme and the Portfolio per the terms and conditions approved by the Board of Executive Directors. The Articles of ITFC came into effect on 29 Dhul Qaadah 1427H and it commenced operations on 1 Muharram 1429H. As per the interpretation of the above resolutions by the legal counsel of IDB and in the light of Articles 14.2 and 14.4 of the Regulations of the Portfolio, IDB shall be deemed as the liquidator for the purpose of liquidating the assets of the Portfolio, settling its liabilities and transferring the proceeds to ITFC.

The Portfolio carries out its business activities through the Bank's headquarters in Jeddah, Saudi Arabia.

As a trust fund of the Bank, the Portfolio is not subject to an external regulatory authority.

The financial statements of the Portfolio are expressed in thousands of United States dollars. All disbursements on operations are made in United States dollars and all repayments in United States dollars.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

a) Basis of preparation

The financial statements are prepared in accordance with Article 12 of the Financial Regulations of the Portfolio and with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Board of the Portfolio. For matters which are not covered by AAOIFI standards, the Portfolio uses the relevant standard issued or adopted by the International Acccounting Standards Board (the IASB) and the relevant interpretation issued by the International Financial Reporting Interpretations Committee of the IASB.

As mentioned in note 1, the Portfolio is under liquidation. Therefore, the historical cost convention of accounting being no longer relevant, these financial statements have been prepared on a liquidation basis, valuing assets at their net realizable amounts and liabilities at the actual monetary amounts required to settle them.

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.

d) Cash and cash equivalents

Cash and cash equivalents comprise balances with maturities of less than 90 days from the date of acquisition and represent short-term investments with banks.

e) Financial contracts

Financial contracts consist of Murabaha, Instalment sales and Istisna'a receivable, Mudaraba financing and Musharaka financing. Balances relating to these contracts are stated at the cost of goods sold or disbursements made to the beneficiaries plus income recognized by the Portfolio to the statement of net assets date, less repayments received.

f) IDB - Unit Investment Fund

The investment in IDB - Unit Investment Fund is held as available-for-sale and is initially recorded at cost and remeasured at fair value. Unrealized gains are reported as a separate component of equity until the investment is derecognized. On derecognition the cumulative gain previously reported in equity is included in the statement of operations for the year.

g) Islamic Ijarah Sukuk

The investment in Islamic Ijarah Sukuk is held to maturity and is carried at amortised cost, less provision for impairment in value. Amortised cost is calculated by taking into account any discount or premium on acquisition.

h) Ijarah Muntahia Bittamleek

This represents assets purchased by the Portfolio either individually or as a part of a syndication with other financial institutions or entities and leased to beneficiaries for their use under Ijarah Muntahia Bittamleek agreements whereby the ownership of the assets is transferred to the beneficiaries at the end of lease term and the completion of all payments under the agreement. The assets are stated at their acquisition cost less accumulated depreciation up to the date of the statement of net assets. The assets are depreciated using the straight-line method over the related lease period. No depreciation expense is recorded in respect of assets not yet put to use.

i) Variable capital, net assets and income

The variable capital is subscribed and called to finance specific operations identified by the Portfolio. Net assets financed by variable capital represent the assets financed by the variable capital for these operations, net of specific liabilities. As the assets are realized, the proceeds will be used to redeem the variable capital contributed for their acquisition.

Income from assets financed by variable capital is recognized on the same basis as that applicable to various modes of financing as explained in these accounting policies and is included, net of expenses, as part of retained earnings of the variable capital to be distributed based on the Regulations of the Portfolio.

j) Reserve

In accordance with the Regulations of the Portfolio, 5% of net income before Mudarib's share is transferred annually at the year-end to a reserve account, which is not available for distribution. No transfer to reserve is made in respect of income arising from restricted assets financed by variable capital.

k) Impairment of financial assets

Impairment of receivable from operations:

The Portfolio determines its provision for the receivable from operations based on an assessment of collectibility risks in the receivable from operations. The provision is periodically adjusted based on a review of the prevailing circumstances. The assessment of the impairment is made on a case-by-case basis and long-term historical experience of the Portfolio. In order to determine the adequacy of the provision, the Portfolio considers the net present value of the expected future cash flows discounted at the financial instruments' implicit rate of return.

Adjustments to the provision are recorded as a charge or addition to income.

(In thousands of United States Dollars)

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 amortized 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:

	2007	2006
Liquid funds with Islamic banks	4,720	15,432

Liquid funds maintained with Islamic banks are utilized by the respective banks in the purchase and sale of commodities.

4. COMMODITY PLACEMENTS WITH BANKS

Commodity placements with banks at the end of December comprise the following:

	2007	2006
Placements with Islamic banks	-	6,146
Placements with conventional banks	128,935	55,418
Commodity placements with banks	128,935	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 2007 and 2006.

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 2007, the Portfolio owned 3.3% of the issued units of the Fund (3.3% at 31 December 2006). The fair value of the Fund at 31 December 2007 and 2006 approximates its cost.

(In thousands of United States Dollars)

7. IJARAH MUNTAHIA BITTAMLEEK, net

Ijarah Muntahia Bittamleek at 31 December comprises the following:

	2007	2006
Cost:		
Assets not in use:		
At the beginning of the year	-	8,457
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	-	-
Assets in use:		
At the beginning of the year	6,000	41,067
Deletions of assets due to early repayment during the year	-	(4,846)
Deletions of assets due to full repayment	(5,000)	-
Transferred to a related party during the year	-	(30,221)
At the end of the year	1,000	6,000
Accumulated depreciation:		
At the beginning of the year	(5,474)	(22,942)
Charged during the year	(167)	(2,652)
Deletions of assets due to early repayment during the year	-	1,945
Deletions of assets due to full repayment	5,000	-
Transferred to a related party during the year	-	18,175
At the end of the year	(641)	(5,474)
Less: Provision for impairment	(323)	(323)
Balance at the end of the year	36	203

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:

	2007	2006
Ijarah operations in Turkey	-	625
Total	-	625

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.

(In thousands of United States Dollars)

8. MURABAHA RECEIVABLES, NET

Murabaha receivables at 31 December comprise the following:

	2007	2006
Gross amounts receivable	6,999	16,834
Less: Unearned income	(100)	(580)
Provision for impairment	-	(310)
Murabaha receivables, net	6,899	15,944

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:

	2007	2006
Mudarib's share of profit (see note 11)	939	1,028
Short-term advances and inter-fund account	46,366	6,887
Total	47,305	7,915

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 2007.

10. NET ASSETS FINANCED BY VARIABLE CAPITAL

Net assets financed by variable capital at 31 December comprise the following:

	2007	2006
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.

(In thousands of United States Dollars)

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 %

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:

	2007	2006
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.

(In thousands of United States Dollars)

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.

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:

	2007	2006
Investment:		
IDB - Unit Investment Fund	10,937	10,937
Al Baraka Group - Mudaraba funds	2,486	2,284
Ijarah Muntahia Bittamleek, net	-	16,633
Payable to the Bank (see Note 9):		
Current account	46,366	6,887
As Mudarib's share of profit	939	1,028

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December comprise the following:

	2007	2006
Cash at banks	4,720	15,432
Commodity placements with banks (note 2d)	70,000	30,352
Total	74,720	45,784

(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:

	2007					
	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	4,720	-	-	-	-	4,720
Commodity placements with banks	8,645	120,290	-	-	-	128,935
Investments	2,321	-	5,201	-	10,937	18,459
Receivables	4	2,406	4,489	-	3,549	10,448
Accrued income and other assets	-	2,776	-	-	-	2,776
Total Portfolio's assets	15,690	125,472	9,690	-	14,486	165,338
Liabilities						
Payable in cash:						
Payable to the Bank	-	47,305	-	-	-	47,305
Dividends payable	-	89	-	-	-	89
Accruals and other liabilities	-	264	-	-	-	264
Total Portfolio's liabilities	-	47,658	-	-	-	47,658

	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

(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:

2007	Public utilities	Transport	Industry and mining	Social services	Other	Total
Cash and cash equivalents	-	-	-	-	4,720	4,720
Commodity Placements with banks	-	-	-	-	128,935	128,935
Investments	-	-	-	-	18,459	18,459
Receivables	6,899	-	3,549	-	-	10,448
Accrued income and other assets	-	-	-	-	2,776	2,776
Total assets	6,899	-	3,549	-	54,890	165,338

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

(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:

	2007				
	Cash and cash equivalents	Commodity placements with banks	Investments	Receivables	Total
Saudi Arabia	-	50,290	10,937	6,899	68,126
Bahrain	4,720	8,645	-	-	13,365
Turkey	-	-	2,522	-	2,522
Malaysia	-	-	-	-	-
Sudan	-	-	-	-	-
Qatar	-	-	3,000	3,549	6,549
United Arab Emirates	-		-	-	-
Pakistan	-	-	2,000	-	2,000
Tunisia	-	25,000	-	-	25,000
Mauritania	-	-	-	-	-
Morocco	-	-	-	-	-
Others	-	45,000	-	-	45,000
	4,720	128,935	18,459	10,448	162,562
Accrued income and other assets					2,776
Total assets					165,338

(In thousands of United States Dollars)

17. CONCENTRATION OF ASSETS (CONTINUED)

	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
Bangladesh	-	-	-	903	903
Turkey	-	-	2,487	2,677	5,164
Malaysia	-	-	5,000	-	5,000
Sudan	-	-	-	1,059	1,059
Qatar	-	-	4,500	4,070	8,570
United Arab Emirates	-	6,146	-	-	6,146
Pakistan	-	-	2,000	(24)	1,976
Tunisia	-	-	-	2,159	2,159
Mauritania	-	-	-	1,027	1,027
Morocco	-	-	-	549	549
Others	-	-	-	-	-
	15,432	61,564	24,924	20,014	121,934
Accrued income and other assets					905
Total assets					122,839

18. ZAKAT AND TAX

Any liability for zakat and income tax is the responsibility of the individual participants.

19. COMMITMENTS

At 31 December 2007, undisbursed commitments for investing in operations and other investments amount to US$37.00 million (US$ 24.8 million at 31 December 2006). Since the Portfolio is under liquidation, IDB as the Mudarib and liquidator believes that the commitments mentioned above shall be fulfilled by ITFC.

20. COMPARATIVE FIGURES

Certain figures for 2006 have been reclassified to conform with the presentation in the current year.

Appendix II
Comparative Statement Showing OCR Actual Expenditure for 1427H and 1428H and Approved Budget for 1429H (2008)

(ID thousand)

S. No.	Description	Actual Expenditure		Approved Budget
		1427H (2006-2007)	1428H (2007-2008)	1429H (2008)
1.	Annual Meeting and BED Expenses	**2,118**	**2,232**	**2,872**
	i. Annual Meeting Expenses	1,147	1220	1,411
	ii. Board of Executive Directors Expenses	971	1013	1,461
2.	Personnel Cost	**38,088**	**40,911**	**42,999**
	i. Salaries & Benefits	36,297	38,543	39,393
	ii. Other Personnel Cost	918	896	1,332
	iii. New Staff Cost	-	-	410
	iv. Young Professional Programme	873	1,472	1,864
3.	General Administrative Expenses (4+5)	**8,103**	**8,967**	**9,860**
4.	Business Travel	2,855	3,050	3,215
5.	General Administrative Expenses	5,248	5,917	6,645
6.	Contingencies	-	-	87
7.	Regional Offices	1,689	1,972	2,625
8.	Capital Expenditure	772	650	1,618
9.	Expenditure specifically approved	505	671	1,718
	Total (1 to 9)	**51,274**	**55,404**	**61,780**
10.	IDB Reform Programme (approved in 1428H)	-	290	-
11.	Assets Management Department*	-	1,832	1,581
	Grand Total	**51,274**	**57,526**	**63,361**

* Cost relating to AMD included in Trust and other Funds in 1428H; merged with IDB (OCR) in 1429H.

Appendix III - Part 1
Islamic Development Bank - Ordinary Capital Resources
Statement of Subscriptions to Capital Stock and Voting Power
As on 30/12/1428H (January 9, 2008) Expressed in Million Islamic Dinars (ID)

		Subscribed Capital[1]							Voting Power	
	Member Country	**No. of Shares**	**Percent of Total**	**Total**	**Callable**	**Paid-in**	**Overdue**	**Not Yet Due**	**Number of Votes**	**Percent of Total**
1	Afghanistan	993	0.07	9.93	4.930	2.600	1.172	1.228	1,253	0.12
2	Albania	923	0.07	9.23	6.730	2.499	*	0.001	1,209	0.12
3	Algeria	45,922	3.31	459.22	334.960	90.021	4.270	29.969	32,370	3.16
4	Azerbaijan	1,819	0.13	18.19	13.270	3.566	0.168	1.186	1,763	0.17
5	Bahrain	2,588	0.19	25.88	18.880	7.000	*	0.000	2,489	0.24
6	Bangladesh	18,216	1.31	182.16	132.870	35.682	1.706	11.902	13,139	1.28
7	Benin	1,819	0.13	18.19	13.270	3.528	0.206	1.186	1,759	0.17
8	Brunei	4,585	0.33	45.85	33.440	9.418	*	2.992	3,725	0.36
9	Burkina Faso	2,463	0.18	24.63	12.220	8.132	1.284	2.994	2,535	0.25
10	Cameroon	4,585	0.33	45.85	33.440	8.133	1.283	2.994	3,596	0.35
11	Chad	977	0.07	9.77	4.850	2.873	0.862	1.185	1,272	0.12
12	Comoros	250	0.02	2.50	*	0.560	1.940	0.000	750	0.07
13	Cote d'Ivoire	465	0.03	4.65	2.150	2.508	*	(0.008)	858	0.08
14	Djibouti	496	0.04	4.96	2.460	1.625	0.875	0.000	996	0.10
15	Egypt	127,867	9.22	1,278.67	932.670	256.769	*	89.231	89,852	8.76
16	Gabon	5,458	0.39	54.58	39.810	9.680	1.527	3.563	4,186	0.41
17	Gambia	923	0.07	9.23	6.730	2.500	*	0.000	1,209	0.12
18	Guinea	4,585	0.33	45.85	33.440	8.136	1.280	2.994	3,597	0.35
19	Guinea-Bissau	496	0.04	4.96	2.460	2.212	0.288	0.000	996	0.10
20	Indonesia	40,648	2.93	406.48	282.220	93.936	0.356	29.968	30,125	2.94
21	Islamic Republic of Iran	129,334	9.32	1,293.34	943.370	265.928	*	84.042	91,499	8.92
22	Iraq	4,824	0.35	48.24	35.190	13.051	*	(0.001)	4,207	0.41
23	Jordan	7,350	0.53	73.50	53.610	15.093	*	4.797	5,669	0.55
24	Kazakhstan	1,929	0.14	19.29	14.000	3.405	0.488	1.397	1,795	0.18
25	Kuwait	98,588	7.11	985.88	489.240	359.859	17.005	119.776	85,410	8.33
26	Kyrgyz Republic	496	0.04	4.96	2.460	2.101	*	0.399	996	0.10
27	Lebanon	977	0.07	9.77	4.850	3.565	0.169	1.186	1,342	0.13
28	Libya	147,824	10.66	1,478.24	1,078.240	352.506	5.991	41.503	109,365	10.67
29	Malaysia	29,401	2.12	294.01	214.450	60.370	*	19.190	21,178	2.07
30	Maldives	923	0.07	9.23	6.730	2.501	*	(0.001)	1,209	0.12
31	Mali	1,819	0.13	18.19	13.270	3.565	0.169	1.186	1,763	0.17
32	Mauritania	977	0.07	9.77	4.850	3.230	0.504	1.186	1,308	0.13
33	Morocco	9,169	0.66	91.69	66.880	18.822	*	5.988	6,948	0.68
34	Mozambique	923	0.07	9.23	6.730	2.526	*	(0.026)	1,212	0.12
35	Niger	2,463	0.18	24.63	12.220	7.273	2.143	2.994	2,449	0.24
36	Nigeria	465	0.03	4.65	2.150	0.478	1.022	1.000	857	0.08
37	Oman	5,092	0.37	50.92	37.140	10.452	*	3.328	4,080	0.40
38	Pakistan	45,922	3.31	459.22	334.960	94.287	*	29.973	32,798	3.20
39	Palestine	1,955	0.14	19.55	9.700	5.106	2.368	2.376	1,981	0.19
40	Qatar	9,773	0.70	97.73	48.500	37.351	*	11.879	9,085	0.89
41	Saudi Arabia	368,513	26.57	3,685.13	2,687.960	756.821	*	240.349	259,695	25.33
42	Senegal	4,589	0.33	45.89	33.470	8.171	1.250	2.999	3,602	0.35
43	Sierra Leone	496	0.04	4.96	2.460	1.812	0.176	0.512	996	0.10
44	Somalia	496	0.04	4.96	2.460	2.501	*	(0.001)	996	0.10
45	Sudan	7,277	0.52	72.77	53.080	12.903	2.039	4.748	5,414	0.53
46	Suriname	923	0.07	9.23	6.730	2.501	*	(0.001)	1,209	0.12
47	Syria	1,849	0.13	18.49	13.490	3.586	0.189	1.225	1,780	0.17
48	Tajikistan	496	0.04	4.96	2.460	2.154	*	0.346	996	0.10
49	Togo	496	0.04	4.96	2.460	2.276	*	0.224	996	0.10
50	Tunisia	1,955	0.14	19.55	9.700	7.473	*	2.377	2,217	0.22
51	Turkey	116,586	8.41	1,165.86	850.390	206.641	32.649	76.180	79,222	7.73
52	Turkmenistan	496	0.04	4.96	2.460	2.500	*	0.000	996	0.10
53	United Arab Emirates	104,596	7.54	1,045.96	762.930	214.786	*	68.244	74,066	7.22
54	Uganda	2,463	0.18	24.63	12.220	8.133	1.283	2.994	2,535	0.25
55	Uzbekistan	250	0.02	2.50	*	1.250	*	1.250	750	0.07
56	Yemen	9,238	0.67	92.38	67.570	18.826	*	5.984	7,002	0.68
	Net Shortfall/ (Overpayment)	*	*	*	*	*	(0.712)	0.713	*	*
	Sub-Total	**1,387,001**	**100.00**	**13,870.01**	**9,799.180**	**3,065.181**	**83.950**	**921.700**	**1,025,301**	**100.00**
	Uncommitted	**112,999**	*	**1,129.99**	**1,101.310**	*	*	*	*	*
	Grand Total	**1,500,000**	**100.00**	**15,000.00**	**10,900.490**	**3,065.181**	**83.950**	**921.700**	**1,025,301**	**100.00**

Note 1: Some difference may arise in the voting power due to rounding.
Note 2: 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 GCI and 100% of 4th GCI. However, 50% of the 4th GCI is callable in cash and the remaining 50% is callable as collateral. 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 and one one vote for every share subscribed under the 4th General Capital increase which is applicable to 50% callable as collateral and one vote for every paid-in share for 50% callable as cash.

Appendix III - Part 2
Islamic Development Bank - Ordinary Capital Resources Statement of Subscriptions to Capital Stock
As on 30/12/1428H (January 9, 2008) Expressed in Million Islamic Dinars (ID)

	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	0.07
2	Albania	2.50	*	*	2.46	4.27	9.23	0.07
3	Algeria	25.00	38.10	61.16	122.41	212.55	459.22	3.31
4	Azerbaijan	2.50	*	2.42	4.85	8.42	18.19	0.13
5	Bahrain	5.00	2.00	*	6.90	11.98	25.88	0.19
6	Bangladesh	10.00	15.00	24.29	48.56	84.31	182.16	1.31
7	Benin	2.50	*	2.42	4.85	8.42	18.19	0.13
8	Brunei	6.30	*	6.11	12.22	21.22	45.85	0.33
9	Burkina Faso	2.50	3.80	6.11	12.22	.	24.63	0.18
10	Cameroon	2.50	3.80	6.11	12.22	21.22	45.85	0.33
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	0.03
14	Djibouti	2.50	*	*	2.46	*	4.96	0.04
15	Egypt	25.00	148.00	173.00	340.84	591.83	1,278.67	9.22
16	Gabon	3.00	4.50	7.27	14.55	25.26	54.58	0.39
17	Gambia	2.50	*	*	2.46	4.27	9.23	0.07
18	Guinea	2.50	3.80	6.11	12.22	21.22	45.85	0.33
19	Guinea-Bissau	2.50	*	*	2.46	*	4.96	0.04
20	Indonesia	25.00	38.10	61.16	122.41	159.81	406.48	2.93
21	Islamic Republic of Iran	2.50	175.00	172.47	344.75	598.62	1,293.34	9.32
22	Iraq	10.00	3.05	*	12.86	22.33	48.24	0.35
23	Jordan	4.00	6.10	9.79	19.59	34.02	73.50	0.53
24	Kazakhstan	2.50	0.37	2.42	5.07	8.93	19.29	0.14
25	Kuwait	100.00	152.20	244.44	489.24	*	985.88	7.11
26	Kyrgyz Republic	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	10.66
29	Malaysia	16.00	24.40	39.16	78.37	136.08	294.01	2.12
30	Maldives	2.50	*	*	2.46	4.27	9.23	0.07
31	Mali	2.50	*	2.42	4.85	8.42	18.19	0.13
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	0.66
34	Mozambique	2.50	*	*	2.46	4.27	9.23	0.07
35	Niger	2.50	3.80	6.11	12.22	*	24.63	0.18
36	Nigeria	2.50	*	*	*	2.15	4.65	0.03
37	Oman	5.00	2.00	6.78	13.57	23.57	50.92	0.37
38	Pakistan	25.00	38.10	61.16	122.41	212.55	459.22	3.31
39	Palestine	2.50	2.50	4.85	9.70	*	19.55	0.14
40	Qatar	25.00	*	24.23	48.50	*	97.73	0.70
41	Saudi Arabia	200.00	306.37	490.80	982.30	1,705.66	3,685.13	26.57
42	Senegal	2.50	3.80	6.12	12.23	21.24	45.89	0.33
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	0.52
46	Suriname	2.50	*	*	2.46	4.27	9.23	0.07
47	Syria	2.50	*	2.50	4.93	8.56	18.49	0.13
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	0.14
51	Turkey	10.00	150.00	155.47	310.77	539.62	1,165.86	8.41
52	Turkmenistan	2.50	*	*	2.46	*	4.96	0.04
53	U.A.E.	110.00	33.72	139.31	278.81	484.12	1,045.96	7.54
54	Uganda	2.50	3.80	6.11	12.22	*	24.63	0.18
55	Uzbekistan	2.50	*	*	*	*	2.50	0.02
56	Yemen	5.00	7.60	12.21	24.81	42.76	92.38	0.67
	Grand Total	**836.80**	**1,370.31**	**1,863.72**	**4,000.49**	**5,798.69**	**13,870.01**	**100.00**

GOVERNORS AND ALTERNATE GOVERNORS			
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	Country	Governor	Alternate Governor
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	Country	Governor	Alternate Governor
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18.	Republic of Guinea	H.E. Mr Ousmane DORE Minister of Economy, Finance and Planning Ministry of Economy, Finance and Planning BP 579 Conakry Fax: (224) 30 43 13 28 Tel: (224) 30 41 17 95 e.mail: odore@finance.gov.gn	H.E. Bangoura DAOUDA Governor, Central Bank of Guinea (BCRG) B.P 692 Conakry Fax : (224) 30 41 48 98 Tel : (224) 30 41 26 51
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43.	Republic of Sierra Leone	David O. Careaw Minister of Finance and Development Ministerial Building, George Street Freetown Tel: (232) 22-225612 Mobile: (232) 76 601202 / 33 601202 Fax: (232) 22-228355 / 224872 email: docarew@yahoo.com	H.E. Mr. Sheku Sesay Financial Secretary, Ministry of Finance Ministerial Building Freetown Tel: (232) 22-222211 Fax: (232) 22-228472 - 225826 Mobile: (232) 76 59918 email: sheks1949@yahoo.com
44.	Republic of Somalia	H.E. Dr. Salim Aliow Ibrow Deputy Prime Minister for Financial and Economic Affairs, Ministry of Finance Mogadishu Through The Somalian Embassy in Riyadh	H.E. Mr. Bashir Issa Ali Acting Governor, Central Bank of Somalia Central Bank of Somalia Mogadishu Through The Somalian Embassy in Riyadh
45.	Republic of Sudan	H.E.Dr. Awad Ahmad Al Jaz Minister of Finance and National Economy Ministry of Finance and National Economy P. O. Box 2092, Khartoum Tel: 777563 / 784378 Fax: 776081 / 772600	H.E. Dr Saber Mohammad Hassan Governor, Bank of Sudan Bank of Sudan P. O. Box 313 Khartoum Fax: (249) 11-780273 / 780561 Tel: (249) 11-780123 / 774419
46.	Republic of Suriname	H.E. Mr. André Telting President, Centrale Bank Van Suriname, Waterkant 20 P. O. Box 1801, Paramaribo Fax: (597) 476444 Tel: (597) 473741 / 474788 e.mail: postmaster@cbvs.sr	Vacant

	Country	Governor	Alternate Governor
47.	Syrian Arab Republic	H.E. Dr. Mouhammad Al Hussein Minister of Finance, Ministry of Finance Sahat Al Tajreeda Al Maghrebia Avenue Jul Jamal P.O.Box 13136, Damascus Fax: (963) 11-2224701 Tel: (963) 11-2457121 / 2239624	H.E. Dr . Taysir Suleman Raddawi Head, State Planning Commission Council of Ministers, State Planning Authority Damascus Fax: (963) 11-5161004 Tel : (963) 11-5161037
48	Republic of Tajikistan	H.E. Mr. Gulomjon Bobozoda Minister of Economic Development & Trade Ministry of Economic Development & Trade Bokhtar Street 37, Dushanbe Tel: (992-372) 2734 34 Fax: (992-372) 21 51 32	H.E. Mr. Sharif Rakhimzoda Chairman of the National Bank of Tajikistan Rudaki av. 23/2, Dushanbe Tel: (992-44) 6003180 Fax: (992-372) 510077
49.	Republic of Togo	H.E. Mr. Gilbert B. BIWARA Minister of Cooperation, Development and Lands Management. Ministry of Cooperation, Development and Lands Management. P. O. Box 1667, LOME Fax: (228) 2206723 Tel: (228) 2206725	H.E. Mr. Adji Otèth AYASSOR Minister of Economy and Finance Ministry of Economy and Finance P. O. Box 1667, LOME Fax: (228) 2212548 Tel: (228) 2212371 / 2212541
50.	Republic of Tunisia	H.E. Mr. Mohamed Ennouri El Jouini Minister of Development and International Cooperation Ministry of Development and International Cooperation, Place Ali Zouaoui - Tunis 1069 Fax: 71351666 Tel: 71353278	H.E. Mr. Moncef Bouallagui General Director of Regional Financial Cooperation Ministry of International Cooperation and External Investment, 98 Avenue Mohamed V Tunis Tel: 796616 / 798522 Fax: 799069
51.	Republic of Turkey	H.E. Mr. İbrahim Halil ÇANAKCI Undersecretary of Treasury Undersecretariat of Treasury, Prime Ministry İsmet İnönü Bulvarı No. 36 06510 Emek Ankara Tel: 90 (312) 212 86 30 / 212 57 45 Fax: 90 (312) 212 22 97	H.E. Mr. Burhanettin AKTAŞ Deputy Undersecretary Undersecretariat of Treasury, Prime Ministry İsmet İnönü Bulvarı No. 36 06510 Emek Ankara Tel: 90 (312) 212 87 45 / 212 11 52 Fax: 90 (312) 212 88 75
52.	Republic of Turkmenistan	H.E.Mr.Guvanchmurad Geoklenov Chairman of the Board of State Bank for Foreign Economic Affairs 32 Garashsyzlyk Shayolo. 744000 Ashgabat Fax: (99-312) 40 65 95 Tel: (99-312) 40 60 40	H.E. Mr. Serdar Bayriev First Deputy Minister of Economy and Finance 2 Nurberdi Pomma Str., 744000 Ashgabat Fax: (993-12) 511823 Tel: (993-12) 511537
53.	Republic of Uganda	H.E. Dr. Ezra Suruma Minister of Finance, Planning and Economic Development Ministry of Finance, Planning and Economic Development P. O. Box 8147 - Kampala Fax: (256) 41-230163 Tel: (256) 41-234700 e.mail: finance@finance.go.ug	H.E. Chris M. Kassami Permanent Secretary / Secretary to the Treasury Ministry of Finance, Planning and Economic Development P. O. Box 8147 - Kampala Fax: (256) 41-230163 Tel: (256) 41-234700 -707000 email: finance@finance.go.ug

	Country	Governor	Alternate Governor
54.	United Arab Emirates	H.H. Shaikh Hamdan bin Rashid Al Maktoom Deputy Ruler, Dubai Emirate and Minister of Finance & Industry Ministry of Finance & Industry P. O. Box 433, Abu Dhabi Tel: 6744222 Abu Dhabi Fax: 6713333	H.E. Mr Obeid Hameed Al Tayer Senior Minister, Finance Affairs Ministry of Finance & Industry P. O. Box 433 Abu Dhabi Tel : 6744222 Abu Dhabi Fax: 6713333
55	Republic of Uzbekistan	H.E. Mr. Eljor Ganiev Minister of Foreign Economic Relations, Investments and Trade Ministry of Foreign Affairs 1, Taras Shevshenko Str. Tashkent 700008 Fax: (99-871) 1385000 / 138 52 00 Tel: (99-871) 1385100	H.E. Mr. Ravshan Gulyamov Executive Director, Fund of Reconstruction and Development of the Republic of the Republic Uzbekistan 101, Amir Timur Str. Tashkent, 100015 Tel/Fax: (99871) 1385648
56.	Republic of Yemen	H.E.Mr. AbdulKareem Ismael Al Arhabi Deputy Prime Minister for Economic Affairs and Minister of Planning & International Cooperation, Ministry of Planning & International Cooperation P. O. Box 175, Sanaa Fax: (967) 1-250665 Tel: (967) 1-250118	H.E. Eng. Abdullah Hassan AL Shater Undersecretary, Projects Programming Sector Ministry of Planning and International Cooperation P.O.Box 175, Sanaa Fax: (967) 1-250605 Tel: (967) 1-250112

As of 8th March 2008

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	259,695	259,695
2.	Hon. Agus Muhammad (Indonesia)	Brunei Darussalam	3725	
		Indonesia	30,125	
		Malaysia	21,178	
		Suriname	1,209	56,237
3.	Hon. Rahimberdi J. Jepbarov (Turkmenistan)	Albania	1,209	
		Azerbaijan	1,779	
		Kazakhstan	1,795	
		Kyrgyz Republic	996	
		Tajikistan	996	
		Turkmenistan	996	
		Uzbekistan	750	8,521
4.	Hon. Dr. Syed Hamid Pour Mohammadi (Iran)	Iran	91,499	91,499
5.	Hon. Jamal Nasser Rashid Lootah (U.A.E.)	U.A.E.	74,066	74,066
6.	Hon. Zeinhom Zahran (Egypt)	Egypt	90,299	90,299
7.	Hon. Dr. Selim Cafer Karatas (Turkey)	Turkey	79,222	79,222
8.	Hon. Somone Mibrathu (Djibouti)	Bahrain	2,489	
		Djibouti	996	
		Iraq	4,207	
		Jordan	5,669	
		Lebanon	1,358	
		Maldives	1,209	
		Oman	4,080	20,009
9.	Hon. Aissa Abdellaoui (Algeria)	Algeria	32,370	
		Benin	1,759	
		Mozambique	1,212	
		Palestine	1,981	
		Syria	1,780	
		Yemen	7,002	46,102
10.	Hon. Faisal Abdul Aziz Al-Zamil (Kuwait)	Kuwait	85,410	85,410
11.	Hon. Md. Shaheedul Haque (Bangladesh)	Afghanistan	1,253	
		Bangladesh	13,139	
		Pakistan	32,798	47,190
12.	Hon. Mohammad Azzaroog Rajab (Libya)	Libya	109,365	109,365
13.	Hon. Yakoubou Mahaman Sani (Niger)	Burkina Faso	2,535	
		Cameroon	3,596	
		Chad	1,272	
		Gabon	4,186	
		Gambia	1,209	
		Mali	1,763	
		Mauritania	1,308	
		Niger	2,449	
		Senegal	3,602	
		Togo	996	22,917
14.	Hon. Issufo Sanha (Guinea-Bissau)	Comoros	750	
		Cote d' Ivoire	858	
		Guinea	3,597	
		Guinea Bissau	996	
		Morocco	6,948	
		Nigeria	857	
		Sierra Leone	996	
		Somalia	996	
		Sudan	5,414	
		Tunisia	2,217	
		Uganda	2,535	26,165

[1] In Arabic alphabetical order. [2] Qatar is not yet represented on the Board of Executive Directors. [3] As on 04.03.1429H (12.03.2008).
[4] Differences in totals may arise due to rounding of figures.

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	
Hamza Kunna	General Counsel, Office of the President
Marwan Seifeddine	Adviser to the President
Cheikh Ibrahima Fall	Adviser to the President
Mohamed Abdus Sattar	Adviser to the President
El Mansour Ben Fata	Adviser, Office of the President
Mohamed Ennifar	Senior Adviser to the Vice-President (Operations)
Sulaiman Ahmed Salem	Adviser (Islamic Solidarity Fund for Development) to the Vice-President (Operations)
Bashir Omar Fadlallah	Adviser, (Policy) to the Vice-President (Operations)
Osman Skeikh Ahmed	Adviser, Operations Complex
DEPARTMENTS	
Legal Department	Essam Eldine I. El-Kalyoubi, Acting Director
	Muddasir Husain Siddigui, Senior Lawyer, Shariah
Bank Secretariat Department	Abderrahim Omrana, Bank Secretary & Director
	Ghassan Y. Al-Baba, Deputy Bank Secretary & Deputy Director
	Alsir Sid Ahmed, Adviser, Communications
Economic Policy and Statistics Department	Lamine Doghri, Director
Islamic Financial Services Industry Department	Nabil A. Naseeif, Adviser in-Charge
	Mohamed H. Djarraya, Deputy Director
Treasury Department	Mohamed Tariq, Director
	Zainol Bin Mohamud, Acting Deputy Director
Finance Department	Aboubakr Kairy Barry, Acting Director
	Abdur Raouf Lalloo, Deputy Director
Human Resources Management Department	Fareed Zaki Al-Sayed, Director
	Jalal Muslet, Deputy Director
Human Capital Development Department	Abdul Aziz Mustafa, Director
	Waleed Hefni, Deputy Director
Information Technology Department	Nabeil Al Madani, Director
Administrative Services Department	Essam Shatta, Director
Country Operations Department - 1	Walid Abdelwahab, Director
	Mohammad Reza Yousof Khan, Deputy Director
Country Operations Department - 2	Abderrahman El Glaoui, Director
	Sangone Amar, Deputy Director

	Country Operations Department - 3	Rami Mahmoud Saeed , Director
		Mohamed Jamal Al-Saati, Deputy Director
	Operations Planning and Services Department	Mohameden Mohamed Sidiya, Acting Director
	Risk Management Department	Hassine Jeddah, 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
	Special Assistance Office	Mohamed Hassan Salim, Head
	Scholarship Programme Office	Malek Shah Bin Mohd. Yusoff, Head
	Office of the President	Mohammed A. Al-Baghdadi, Director
	Organization & Management Development Office	Salah El-Din El-Iskandrani, Director
	Technical Cooperation Office	Walid Abdulaziz Fagih, Director
	Science and Technology Office	Sameh Hussein, Director
	Office of Saudi Arabian Project for the Utilization of Hajj Meat	Hofan Ahmed Al-Shamrani, Supervisor
		Ahmad Jamil Areef, Deputy 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	Hisham Taleb Maarouf, Acting Director
	Regional Office, Dakar	Saidou Barry, 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)	Khaled M. Al-Aboodi, CEO & General Manager
	International Islamic Trade Finance Corporation (ITFC)	Waleed Al-Wohaib, CEO
		Hani Salim Sunbul, Deputy CEO
		Nik Najib Husain, Adviser
	International Centre for Biosaline Agriculture, (ICBA) Dubai, UAE	Shawki Barghouti, Director General