ISLAMIC DEVELOPMENT BANK

ANNUAL REPORT

1434H (2013)



FORTY YEARS IN THE SERVICE OF DEVELOPMENT

WHO WE ARE

We foster **economic development and social progress of our member countries** and **Muslim communities in non-member countries** based on the principles of Shari'ah.

Our modes of financing are Shariah-compliant:

- ✓ LOAN
- ✓ LEASING
- ✓ ISTISNA'A
- ✓ MURABAHA
- ✓ PROFIT SHARING
- ✓ TECHNICAL ASSISTANCE
- ✓ INSTALLMENT SALE
- ✓ LINES OF FINANCING
- ✓ EQUITY PARTICIPATION

Our **Vision** is to become a **world-class development bank** and to transform the landscape of **comprehensive human development** in the Muslim world and **restore its dignity** by the year 1440 Hijrah (2020G).

9 KEY STRATEGIC THRUSTS THAT ANCHOR OUR **1440H VISION**

- Reform IDB
- Alleviate poverty
- Promote health
- Universalise education
- Prosper the people
- Empower the Sisters of Islam without breaching the tenets of Islam
- Expand the Islamic financial industry
- Facilitate integration of IDB Member Country economies among themselves & with the world
- Improve the image of the Muslim world

FROM A SINGLE ENTITY TO **IDB GROUP** COMPRISING OF 5 ENTITIES:

1975	1981	1994	1999	2008
Islamic Development Bank (IDB)	Islamic Research and Training Institute (IRTI)	Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)	Islamic Corporation for the Development of the Private Sector (ICD)	International Islamic Trade Finance Corporation (ITFC)

OUR STRUCTURE

56 MEMBER COUNTRIES

4 REGIONAL OFFICES

13 FIELD REPRESENTATIVES

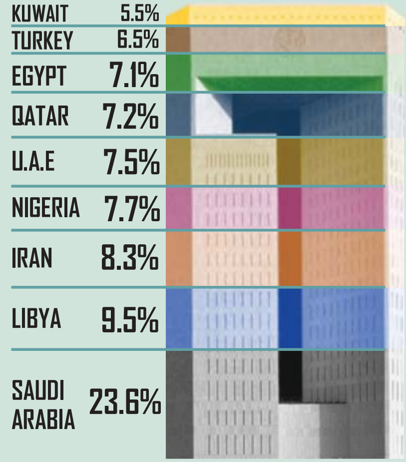
5 GATEWAY OFFICES

ID 100 billion
Authorized Capital

ID 50 billion
Subscribed Capital

1,134 BANK GROUP EMPLOYEES

MAJOR SHAREHOLDERS:



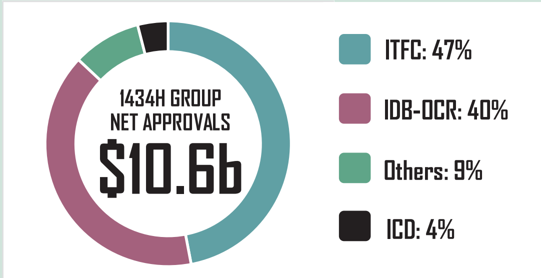
OUR ACHIEVEMENTS

ID 175.6 million
IDB Net Income (1434H)

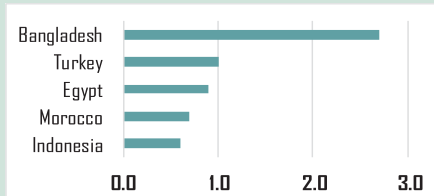
AAA
Credit Rating

$97.8 billion

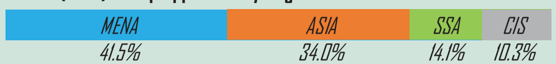
Total Group net approvals (1395H-1434H) excluding ICIEC's $14 billion insurance commitments.



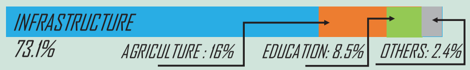
TOP 5 BENFICIARIES OF GROUP FINANCING (1434H)($ BILLION)



1434H (2013) Group Approvals by Region



Sectoral Distribution of OCR Approvals (4134H)



CORPORATE PROFILE OF THE ISLAMIC DEVELOPMENT BANK

Establishment

The Islamic Development Bank (IDB) is an international financial institution established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Qadah 1393H (December 1973). The Inaugural Meeting of the Board of Governors took place in Rajab 1395H (July 1975) and the IDB formally commenced operations on 15 Shawwal 1395H (20 October 1975).

Vision

By the year 1440H, the Islamic Development Bank shall have become a world-class development bank, inspired by Islamic principles, that has helped significantly transform the landscape of comprehensive human development in the Muslim world and helped restore its dignity.

Mission

To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people.

Membership

The membership of the IDB stands at 56 countries spanning many regions. The basic condition for membership is that the prospective country should be a member of the Organization of the Islamic Cooperation (OIC), pays the first instalment 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

At its 38th Annual Meeting, the Board of Governors of IDB approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID 100 billion and the Subscribed Capital was increased to ID 50 billion. By the same Resolution, the Board of Governors agreed to the calling in of the callable (in cash) portion of the 4th General Capital Increase. However, as at the end of 1434H, the subscribed capital stood at ID18 billion, of which ID17.8 billion was fully subscribed.

Islamic Development Bank Group

The IDB Group comprises five entities: the Islamic Development Bank (IDB), the Islamic Research and Training Institute (IRTI), the Islamic Corporation for the Development of the Private Sector (ICD), the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and the International Islamic Trade Finance Corporation (ITFC).

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 in Dakar, Senegal.

Financial Year

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

Accounting Unit

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

Language

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

ISLAMIC DEVELOPMENT BANK

Annual Report
1434H (2013)

Sha'ban 1435H (June 2014)

Acknowledgements

This Annual Report 1434H (2013) was prepared by the Economic Research and Policy Department in the Chief Economist Complex of the Islamic Development Bank under the overall guidance of the Annual Report Coordination Committee and the Board of Executive Directors.

All Departments and Entities: The Annual Report Coordination Committee acknowledges the contributions and comments received from all the Departments and Entities in the IDB Group during the preparation of the Report.

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Design and typesetting of the Annual Report: Musharraf Wali Khan, Economic Research and Policy Department

Front Cover: (i) Solar Electrification project, Mauritania; (ii) Bilingual Education project, Burkina Faso; (iii) Road project, Yemen; and (iv) Irrigation project, Azerbaijan

Note: *This report is the first of two volumes that constitute the Annual Report of the Islamic Development Bank. The second report contains the audited financial statements and is published in a separate volume as the Financial Statements. Both volumes are available online at www.isdb.org.*

12 Rajab 1435H
11 May 2014

In the Name of Allah, the Beneficent, the Merciful

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

Dear Mr. Chairman,

Assalamu alaikum warahmatullahi wabarakatuhu

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 1434H (2013).

The Annual Report also includes the audited financial statements of the Bank as well as those of the operations of the Waqf Fund, 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

Board of Executive Directors

First row (from left to right): Hon. Md. Abul Kalam Azad, Hon. António Fernando Laice, Hon. Mohamed Ahmed Abu Awad, H.E. Dr. Ahmad Mohamed Ali, Hon. Ismail Omar Al-Dafa, Hon. Mohammed Jawad Bin Hassan Suleman, Hon. Zeinhom Zahran, Hon. Mohammed Gambo Shuaibu, Hon. Noureddine Kaabi

Second row (from left to right): Hon. Sékou Ba, Hon. Bader Mishari Al-Hammad, Hon. Ali Hamdan Ahmed, Hon. Ibrahim Halil Çanakci, Hon. Hamad Bin Suleiman Al-Bazai, Hon. Yerlan Alimzhanuly Baidaulet, Hon. Mohammad Parizi, Hon. Tan Sri Dr. Mohd Irwan Serigar Bin Abdullah, Hon. Bader Abdullah Abuaziza, Hon. Diomande Kanvaly

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Abbreviations

AAOIFI	:	Accounting and Auditing Organization for Islamic Financial Institutions in IDB MCs
AFD	:	Agence Française de Développement
AGFUND	:	Arab Gulf Program for Development
AFESD	:	Arab Fund for Economic and Social Development
AFFI	:	Arab Financing Facility for Infrastructure
BADEA	:	Arab Bank for Economic Development in Africa
BED	:	Board of Executive Directors of IDB
BOG	:	Board of Governors of IDB
CAEs	:	Country Assistance Evaluations
CAREC	:	Central Asia Regional Economic Cooperation
COMCEC	:	OIC Standing Committee for Economic and Commercial Cooperation
COMSTECH	:	OIC Standing Committee for Scientific and Technological Cooperation
ECG	:	Evaluation Cooperation Group
e4e	:	Education for Employment
EIB	:	European Investment Bank
GCC	:	Gulf Cooperation Council
GIZ	:	Deutsche Gesellschaftfür Internationale Zusammenarbeit
CIBAFI	:	Council of Islamic Banks and Financial Institutions
IBP	:	Islamic Banks Portfolio
ICBA	:	International Centre for Biosaline Agriculture
ICD	:	Islamic Corporation for the Development of the Private Sector
ICDT	:	Islamic Centre for Development of Trade
ICIEC	:	Islamic Corporation for the Insurance of Investment and Export Credit
ID	:	Islamic Dinar (equivalent to one Special Drawing Right of IMF)
IDB	:	Islamic Development Bank
IRTI	:	Islamic Research and Training Institute
ISESCO	:	Islamic Educational, Scientific and Cultural Organization
ISFD	:	Islamic Solidarity Fund for Development
IFIs	:	International Financial Institutions
IICRA	:	International Islamic Centre for Reconciliation and Arbitration
IIFM	:	International Islamic Financial Market
ILMC	:	International Liquidity Management Corporation
INCEIF	:	International Centre for Education in Islamic Finance
ITFC	:	International Islamic Trade Finance Corporation
ITAP	:	Investment Promotion Technical Assistance Program
ITFO	:	Import Trade Financing Operations of IDB
IDB-STATCAP	:	IDB Statistical Capacity Building Initiative

LDMCs	:	Least Developed Member Countries
MCs	:	Member Countries of the Islamic Development Bank
MCPS	:	Member Country Partnership Strategy
MDBs	:	Multilateral Development Banks
MDGs	:	Millennium Development Goals
MENA	:	Middle East and North Africa
MoU	:	Memorandum of Understanding
OCR	:	Ordinary Capital Resources of IDB
OECD	:	Organisation for Economic Cooperation and Development
OFID	:	OPEC Fund for International Development
OIC	:	Organisation of the Islamic Cooperation
RLs	:	Reverse Linkages
SAO	:	Special Assistance Operations
SAPEPE	:	Smallholder Agricultural Productivity Enhancement Program
SESRIC	:	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SMEs	:	Small and Medium Enterprises
SVP	:	Sustainable Villages Program
TA	:	Technical Assistance of IDB
UIF	:	Unit Investment Fund of IDB
VOLIP	:	Vocational Literacy for Poverty Reduction Program
YES	:	Youth Employment Support
YPP	:	Young Professionals Program

SYMBOLS:

.. Not Available

\- Not Computable

$ United States Dollar

ID Islamic Dinar

Executive Summary

Despite the continuing global economic crisis and a challenging financial environment, the volume of Bank Group financing continued its upward trend in 1434H crossing the $10 billion mark in two successive years. Net approvals totaled ID 7.0 billion ($10.6 billion) in 1434H, of which ID2.8 billion ($4.2 billion) was financed by the IDB's Ordinary Capital Resources (IDB-OCR), ID3.6 billion ($5.4 billion) by other entities [mainly ITFC - ID3.3 billion ($5 billion) and ICD - ID278 million ($426 million)] and ID109 million ($167 million) by special funds [UIF - ID54 million ($83 million) and APIF - ID55 million ($84 million)]. Bangladesh, Turkey, Egypt, Morocco, and Indonesia were the top-5 beneficiaries of Bank Group financing during the year.

Between 1396H and 1434H, Bank Group approved a total of 7,909 operations (net of cancellation) for an amount of ID67.6 billion ($97.8 billion). This figure excluded the ICIEC's insurance commitments totaling ID13.1 billion ($20.2 billion) and business insurance operations of ID11.6 billion ($17.9 billion). Of these Group cumulative approvals, IDB-OCR accounted for 37.9 percent, ITFC 18.4 percent, and ICD 2.4 percent. Others including pre-ITFC trade financing accounted for 32.3 percent, UIF 2.3 percent, APIF 0.4 percent, Special Assistance operations 0.8 percent and Treasury operations 5.6 percent.

Group disbursements since inception reached ID42.72 billion ($61.52 billion) and repayments totaled ID31.98 billion ($45.75 billion) resulting in net resource transfer of ID10.75 billion ($15.77 billion).

Major achievements of the Group in 1434H were:

- **Credit Rating**: Both the IDB and the ICIEC have been rated by top international credit rating agencies since 2002 and 2008 respectively. Standard & Poor's, Moody's and Fitch Ratings continued to award the highest credit rating of "AAA" to the IDB due to its sound financial health and strong shareholders' support while the ICIEC has continued to receive an "Aa3" rating by Moody's.

- **Resource Mobilization**: The IDB issued three landmark *sukuk* transactions: $700 million private placement in March 2013 (maturing in March 2018), $1.0 billion public placement in June 2013 (maturing in June 2018), and MYR 300 million local currency *sukuk* in Malaysian capital markets in July 2013 with a five year tenor.

- **Hosted the Secretariat of Deauville Partnership Initiative**: The IDB became the second MDB after the African Development Bank to successfully host the Coordination Platform Secretariat from September 2012 to December 2013 during which it organized in London in September 2013 in partnership with the UK G8 Chair and the EBRD, a major G8 Deauville Partnership Investment Conference. The objective was to promote a dialogue between the Arab transition countries and the investment community as well as to showcase investment opportunities,

- **Member Country Partnership Strategy (MCPS)**: Sixteen MCPSs have so far been completed and are under active implementation. During 1434H, the IDB Group completed the formulation and commencement of the implementation of six MCPSs for Bangladesh, Kuwait, Morocco, Niger, Senegal, Tunisia, and two Interim MCPSs for Somalia and Suriname. In addition, Mid-term MCPS Reviews for Turkey and Uganda were undertaken during the year.

- **IDB Group Assessment and New 10-Year Strategy**: Work has begun in earnest on these two important reports as part of the activities to mark the 40th Anniversary of the Bank. Boston Consulting Group (BCG) has been selected to undertake the exercise. Four regional high-level consultative forums have been held so far: in Kuala Lumpur (Malaysia) on 16-17 December 2013, in Almaty (Kazakhstan) on 14-15 January 2014, in Dakar (Senegal) on 27-28 January 2014, and in Jeddah (Saudi Arabia) 11-12 February 2014.

The Bank's interventions in key economic sectors of member countries have covered infrastructure, education, health, and agriculture described as follows:

- Infrastructure received the largest allocation of IDB-OCR funding totaling ID2.0 billion ($3.1 billion), representing 73.1 percent, followed by agriculture 16.0 percent, education 8.5 percent, health 1.6 percent and others, including finance 0.8 percent. Infrastructure approvals covered electricity generation and transmission, transportation, and water & sanitation.
- 15 energy sector projects benefited 12 countries for ID1.0 billion ($1.5 billion).
- 24 education operations, targeting tertiary education, vocational and technical education, and training in middle income countries, were approved for a total of ID232.9 million ($354.4 million). The largest education operations were (i) the development and upgrading of seven universities in Indonesia for an amount of $174.0 million, and (ii) the construction of 3 colleges in the University of Lebanon for $31.0 million.
- 11 health operations benefited 5 countries for ID60 million ($92 million). Financing in the health sector was predominantly non-concessional through Istisna'a and Installment Sale.
- 43 operations in the agriculture and rural development sector were approved for ID439.0 million ($664.8 million), of which ID200.0 million ($302.9 million) was disbursed, representing 89 percent of the annual target.
- 9 operations were co-financed with members of the Coordination Group, which collectively provided financing of $337 million, with IDB contributing 41 percent of the total cost of the projects.
- 31 operations under special assistance activities were approved for Muslim communities in non-member countries for $6.4 million
- 62 operations under the Technical Cooperation Programme benefited 24 member countries for an amount of $1.5 million
- 16 operations under Science & Technology programme were approved in 1434H for $395,500. These operations included among others, collaboration between Cyber Security of Malaysia and the Central Bank of Suriname in the area of Information Security Management System.
- 9 operations under the NGO Programme were approved for $450,000 for Azerbaijan, Kuwait, Morocco, Niger, Saudi Arabia, Senegal and Turkey.
- 400 students from 30 Muslim communities in non-member countries and 6 member countries benefited from Scholarship Programme for Muslim Communities in Non-Member Countries.
- 50 students benefited from the M.Sc. Programme in Science and Technology for the Least Developed Member Countries (MPST) scholarship bringing the cumulative number of beneficiaries since the inception of the programme in 1419H (1998) to 510 students.
- 91 scholars received the Merit Scholarship Programme for High Technology for Member Countries.

The Bank continued to support the empowerment of women through its different programmes. It jointly organized with the Islamic Chamber of Commerce, Industry and Agriculture in Manama (Bahrain) the 6th Businesswomen's Forum entitled "Development of Entrepreneurship among Women and Youth" and it also supported 3 projects for the improvement of women's economic opportunities in Azerbaijan, Morocco and Senegal.

The 1434H Prize for Women's Contribution to Development (8th edition) was awarded to Mrs.

Seidaliyeva Balikhiya Amzeevna (Kazakhstan), Professor Mrs. Pervin Mammadova (Azerbaijan), and Mrs. Tri Mumpuni (Indonesia) who shared the prize for Individual Category while that of the Organization Category went to the "Heritage Foundation" (Pakistan). Similarly, the IDB Prizes for S&T (11th edition) went to (i) National Council for Scientific Research (CNRS) (Lebanon), (ii) Solar Energy Research Institute (SERI) (Malaysia), and (iii) Avicenna Tajik State Medical University (TSMU) (Tajikistan).

The IDB Reverse Linkage (RL) initiative facilitated a project in the area of ophthalmology between Turkey and Niger. The Turkish Humanitarian Relief Organization (IHH), an NGO, and the Government of Niger will establish an ophthalmic unit in Niger with the objective of improving access to, and the quality of, eye health care in Niger by transferring the Turkish technology and expertise. Two other RL projects – one between Morocco and Burkina Faso in water treatment and the second, between Indonesia and Kazakhstan and the Kyrgyz Republic in artificial insemination -- were also initiated.

The Board of Governors' key decisions in 1434H were: (i) to authorize a capital increase: with effect from 22 November 2013, the authorized capital of IDB increased from ID30 billion to ID100 billion and similarly the subscribed capital increased from ID18 billion to ID50 billion, (ii) to make a special resource allocation to Islamic finance development: At least $4 million from the IDB's net income is to be earmarked annually to finance Technical Assistance operations (grants) in the field of Islamic Finance over the period 1434H-1436H, (iii) implement the decision of the Islamic Summit Conference regarding the suspension of Syria from the membership of the OIC and organizations related to it and (iv) approval of the request of Mozambique to host the 40th Annual Meeting of the IDB Board of Governors.

The Board of Executive Directors, which held 7 regular and 22 standing committees meetings, approved 92 projects and adopted 142 Resolutions on financing and policy matters. The most important policy matters processed concerned (i) Energy Sector Policy, (ii) OCR Revised Liquidity Policy, (iii) Updating and Upsizing the IDB's Existing Medium-Term Note Programme Limit from $6.5 billion to $10 billion, and (iv) Investments and Portfolio Management Policy for Equity and Fund Investments made through Ordinary Capital Resources.

Twenty-four projects were post-evaluated, of which 23 were ordinary operations and one for ITFC. One joint evaluation was undertaken with the African Development Bank (AfDB) and a cluster of Technical Assistance operations and Special Assistance projects for Burkina Faso and Burundi respectively. Two Country Assistance Evaluations (CAEs) in Iran and Azerbaijan, and their related sector studies were also completed as well as one CAE for Guinea initiated.

The Bank Group has continued to give high priority to strengthening its internal risk management capacity in addition to its fiduciary controls and safeguard activities. As such, it has taken steps toward developing an Enterprise Risk Management Framework to reinforce risk governance, to monitor the growth of its portfolio and to streamline business processes. This is expected to contribute to the development of a comprehensive risk model for risk assessments of each entity and for the IDB Group as a whole.

Through its Medium Term Business Plan (MTBS 2.0), Operation Plans and Budget for 1434H-1436H were developed which fixed annual target approvals at $4.6 billion, $5.1 billion and $5.5 billion for 1434H, 1435H, and 1436H respectively with corresponding annual disbursements target of $2.2 billion, $2.4 billion and $2.6 billion respectively.

Under the Bank Group's ambitious multi-year Group Business Enhancements and Systems Transformation Programme (GBEST Programme) new solutions have been deployed including those for Funds Management, Cash Management, Bank Communication Management, Employee & Manager Self Services and Budget Planning & Consolidation.

In line with its 1440H Vision of becoming a knowledge-based institution, the Bank has drafted its Knowledge Management Strategy and Implementation Plan. The strategy focused on two goals: (i) the transformation to a knowledge-based bank; and (ii) the provision of policy and technical advisory services to member countries to help them attain productive and competitive knowledge-based economies. A Special Programme for Knowledge and Innovation is being implemented to speed up the activities identified in the strategy.

Thirty-nine new staff from 14 member countries and 7 from non-member countries joined the Bank in 1434H. These individuals were recruited for 18 departments in line with the geographical distribution policy of the Bank. As at the end of 1434H, the total staff of IDB Group reached 1,134 comprising 10 Management, 53 Directors, 62 Managers, 588 Professionals, 150 para-professionals and 271 support staff.

Table 0.1a: Approvals by Entities and Modes of Financing (1396H-1434H) (Islamic Dinar - ID million)

	1430H	1431H	1432H	1433H	1434H	1396H-1434H
A. IDB-OCR[1]						
Loan	240.7	244.9	249.2	254.2	238.9	4,755.4
Equity	109.5	75.2	44.0	216.9	19.1	888.7
Leasing	344.6	637.6	619.5	407.2	518.3	5,858.0
Instalment Sale	340.0	20.2	142.3	608.5	250.5	3,351.9
Combined Lines of Financing	32.2		65.7	29.3		470.4
Profit Sharing/Musharaka		66.7	62.0	33.3		223.8
Istisna'a	1,050.5	1,228.6	1,469.5	1,325.5	1,424.9	9,464.2
Mudaraba					292.8	292.8
Technical Assistance	21.8	12.4	22.9	14.3	8.7	295.4
Sub-Total	**2,139.3**	**2,285.6**	**2,675.1**	**2,889.1**	**2,753.2**	**25,600.7**
B. ICD						
Equity	33.6	99.4	77.6	95.9	141.4	716.8
Leasing	41.7	25.0		75.3	39.2	342.9
Instalment Sale						85.2
Istisna'a			16.1	9.8		36.2
Murabaha	43.9	34.2	86.7	86.9	97.3	433.4
Sub-Total	**119.3**	**158.6**	**180.4**	**267.9**	**277.9**	**1,614.6**
C. ITFC						
Murabaha	**1,275.7**	**1,684.8**	**1,933.2**	**2,902.9**	**3,297.1**	**12,451.3**
D. Others						
UIF	74.7	20.1	22.2	39.2	54.1	1,552.3
APIF	21.6	47.6	24.7	34.6	54.7	241.4
Special Assistance Operations	12.4	13.2	9.6	5.2	4.2	558.2
Treasury Operations	727.2	257.2	442.2	411.0	536.1	3,761.7
Pre-ITFC trade (ITFO,EFS & IBP)	-		-	-	-	21,809.3
Sub-Total	**835.9**	**338.1**	**498.7**	**490.0**	**649.0**	**27,922.9**
Grand Total	**4,370.2**	**4,467.2**	**5,287.4**	**6,549.9**	**6,977.2**	**67,589.5**

Memo:

ICIEC Operation for the last five years and total since inception (ID million)

	1430H	1431H	1432H	1433H	1434H	1415H-1434H
New Commitments	1,327.9	2,011.4	2,127.0	1,514.8	1,468.1	13,971.3
Business Insured	655.1	1,297.4	2,020.9	2,014.1	2,195.6	12,342.7

OCR-IDB Resources and Finance (at year's end)

	1430H	1431H	1432H	1433H	1434H	
Total Assets	8,725.4	9,067.6	10,351.2	11,446.7	13,425.8	
Gross Income	363.7	356.9	375.8	468.4	483.1	
Net Income	124.8	169.6	109.0	130.2	179.4	
General Reserves	1,677.9	1,702.3	1,769.8	1,858.5	1,896.7	
Fair Value Reserves	425.0	525.9	377.1	433.8	377.7	
Subscribed Capital	15,863.5	17,475.6	17,782.6	17,782.6	17,803.8	
Approved Administrative budget*	66.83	81.93	88.80	98.38	105.10	
Actual Administrative budget*	64.57	69.35	81.30	88.94	96.98	

**include Trust Funds (i.e Al-Quds and Al-Aqsa Funds)*
Source: IDB Data Resources and Statistics Division, ERPD

The conversion rates are those for end of each hijra year.
The conversion rates for the various years are as follows:

1430H 1ID = $ 1.57085 **1431H** 1ID = $1.5392 **1432H** 1 ID=$1.55621 **1433H** 1 ID= $1.52623
1434H 1ID = $1.53128 **1396H-1434H** 1ID =$1.44725 (approximation only)

[1] See Box 2.12 for definitions of these modes.

Table 0.1b: Approvals by Entities and Modes of Financing (1396H-1434H) ($ million)						
	1430H	1431H	1432H	1433H	1434H	1396H-1434H
A. IDB-OCR[1]						
Loan	367.3	369.3	383.0	391.0	364.1	6,663.2
Equity	167.0	114.5	68.1	333.6	28.8	1,292.0
Leasing	528.7	974.6	982.7	620.4	783.2	8,618.1
Instalment Sale	521.4	30.8	220.7	927.1	382.0	4,841.6
Combined Lines of Financing	50.0	-	100.0	45.0	-	673.0
Profit Sharing/Musharaka	-	100.0	100.0	50.0	-	331.9
Istisna›a	1,628.6	1,922.0	2,296.4	2,039.2	2,152.4	14,350.9
Mudaraba	-	-	-	-	440.0	440.0
Technical Assistance	33.6	19.0	35.2	21.9	13.4	417.5
Sub-Total	**3,296.6**	**3,530.1**	**4,186.0**	**4,428.2**	**4,163.9**	**37,628.1**
B. ICD						
Equity	52.9	153.0	120.8	146.3	216.5	1,092.7
Leasing	65.5	38.5	-	115.0	60.0	515.3
Instalment Sale	-	-	-	-	-	125.2
Istisna'a	-	-	25.0	15.0	-	55.7
Murabaha	69.0	52.7	135.0	132.6	149.0	666.6
Sub-Total	**187.4**	**244.2**	**280.8**	**408.9**	**425.5**	**2,455.5**
C. ITFC						
Murabaha	**1,941.4**	**2,554.6**	**3,033.4**	**4,466.0**	**5,008.5**	**19,168.5**
D. OTHERS						
UIF	117.4	31.0	34.5	59.9	82.8	2,226.3
APIF	34.0	73.3	38.5	52.8	83.7	369.2
Special Assistance Operations	19.0	19.9	15.1	8.0	6.4	728.1
Treasury Operations	1,142.2	384.9	698.1	626.2	811.5	5,694.3
Pre-ITFC trade (ITFO,EFS & IBP)	-		-	-	-	29,549.0
Sub-Total	**1,312.5**	**509.1**	**786.2**	**746.8**	**984.4**	**38,567.0**
Grand Total	**6,737.9**	**6,838.0**	**8,286.3**	**10,050.0**	**10,582.3**	**97,819.1**
Memo:						
E. ICIEC Operation for the last five years and total since inception ($ million)						
	1430H	1431H	1432H	1433H	1434H	(1415H-1434H)
New Commitments	2,086	3,096	3,310	2,312	2,248	20,220
Business Insured	1,029	1,997	3,145	3,074	3,362	17,863

[1] See Box 2.12 for definitions of these modes.

Table 0.2a: IDB Group Approvals by Country and Entity (ID million)						
Country	1434H[1] Approvals by Entity					Share in (1396H-1434H) approvals (%)
	OCR	ICD	ITFC	Others[2]	Total 1434H	
Afghanistan	0.1	0.0	0.0	0.0	0.1	0.1
Albania	81.4	0.0	0.0	0.0	81.4	0.5
Algeria	0.0	0.0	0.0	0.0	0.0	2.9
Azerbaijan	0.0	13.1	1.3	0.0	14.4	1.1
Bahrain	0.0	98.0	0.0	0.0	98.0	2.4
Bangladesh	55.3	6.5	1,690.1	11.1	1,763.1	15.2
Benin	9.2	0.0	19.6	0.0	28.8	0.4
Brunei	0.0	0.0	0.0	0.0	0.0	0.1
Burkina Faso	95.9	0.0	19.7	0.0	115.6	0.8
Cameroon	16.1	0.0	11.9	0.0	28.0	0.4
Chad	21.3	0.0	0.0	0.0	21.3	0.5
Comoros	0.0	0.0	0.0	0.0	0.0	0.0
Cote d'Ivoire	111.5	0.0	0.0	0.0	111.5	0.6
Djibouti	5.2	0.0	0.0	0.0	5.2	0.2
Egypt	247.7	11.3	324.8	13.9	597.7	5.9
Gabon	39.6	0.0	0.0	0.0	39.6	0.5
Gambia	23.8	0.0	39.5	3.3	66.5	0.5
Guinea	8.1	0.0	0.0	0.0	8.1	0.5
Guinea Bissau	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	315.2	0.0	24.6	40.4	380.2	3.8
Iran	228.0	0.0	0.0	0.0	228.0	6.1
Iraq	0.0	0.0	0.0	0.0	0.0	0.5
Jordan	0.1	6.5	223.1	3.3	233.0	2.3
Kazakhstan	0.0	13.1	200.5	6.5	220.1	1.2
Kuwait	0.1	0.0	0.0	0.0	0.1	1.4
Kyrgyz Republic	11.0	0.0	0.0	0.0	11.0	0.2
Lebanon	48.3	0.0	0.0	0.0	48.3	1.3
Libya	0.2	0.0	0.0	0.0	0.2	0.8
Malaysia	0.0	0.0	0.0	31.7	31.7	1.5
Maldives	23.2	1.1	0.0	0.0	24.3	0.3
Mali	15.8	0.0	15.8	0.0	31.6	0.9
Mauritania	32.8	2.8	65.2	0.0	100.7	1.1
Morocco	150.4	0.0	286.4	3.7	440.5	5.9
Mozambique	11.9	3.3	9.8	0.0	25.0	0.2
Niger	19.4	0.0	0.0	0.0	19.4	0.6
Nigeria	0.0	26.1	19.9	0.0	46.0	0.6
Oman	0.0	0.0	0.0	0.0	0.0	0.7
Pakistan	23.1	1.8	65.1	1.3	91.2	8.9
Palestine	1.3	3.9	0.0	0.0	5.2	0.2
Qatar	0.0	0.0	0.0	43.5	43.5	0.8
Saudi Arabia	78.0	10.8	26.0	90.9	205.7	4.8
Senegal	88.6	0.0	0.0	0.0	88.6	1.2
Sierra Leone	0.0	0.0	0.0	0.0	0.0	0.2
Somalia	0.0	0.0	0.0	0.0	0.0	0.1
Sudan	33.5	6.5	0.0	6.5	46.6	1.6
Suriname	0.0	0.0	0.0	0.0	0.0	0.0
Syria	1.3	0.0	0.0	0.1	1.5	1.2
Tajikistan	19.3	14.4	0.0	3.3	36.9	0.3
Togo	16.0	0.0	0.0	0.0	16.0	0.2
Tunisia	131.1	0.0	0.0	0.0	131.1	2.8
Turkey	304.8	6.5	229.4	119.8	660.5	7.5
Turkmenistan	0.0	0.0	0.0	0.0	0.0	0.6
UAE	0.0	2.0	6.5	99.3	107.8	1.8
Uganda	161.9	0.0	0.0	0.0	161.9	0.4
Uzbekistan	288.2	47.0	0.0	0.0	335.2	1.4
Yemen	10.3	3.3	0.0	0.7	14.3	1.2
Non Member Countries	20.3	0.0	18.0	29.8	68.1	1.0
Regional Projects	4.0	0.0	0.0	140.1	144.0	1.5
Special Programmes	0.0	0.0	0.0	0.0	0.0	0.1
Net Approvals	**2,753.2**	**277.9**	**3,297.1**	**649.0**	**6,977.2**	**100**

[1] Cut-off date for data reported in this table was 29 Dhul Hijjah 1434H (3 November 2013).

[2] Comprised of APIF, SAO, IBP, EFS, ITFO, UIF, and Treasury Operations.

Source: IDB Data Resources and Statistics Division, ERPD.

Table 0.2b: IDB Group Approvals by Country and Entity ($ million)						
Country	1434H[1] Approvals by Entity					Share in (1396H-1434H) approvals (%)
	OCR	ICD	ITFC	Others[2]	Total (1434H)	
Afghanistan	0.2	0.0	0.0	0.0	0.2	0.10
Albania	125.3	0.0	0.0	0.0	125.3	0.57
Algeria	0.0	0.0	0.0	0.0	0.0	2.54
Azerbaijan	0.0	20.0	2.0	0.0	22.0	1.18
Bahrain	0.0	150.0	0.0	0.0	150.0	2.45
Bangladesh	85.0	10.0	2,5710	17.0	2,683.0	15.60
Benin	14.0	0.0	30.0	0.0	44.0	0.35
Brunei	0.0	0.0	0.0	0.0	0.0	0.05
Burkina Faso	147.8	0.0	30.0	0.0	177.8	0.84
Cameroon	24.1	0.0	18.0	0.0	42.1	0.44
Chad	32.0	0.0	0.0	0.0	32.0	0.56
Comoros	0.0	0.0	0.0	0.0	0.0	0.02
Cote d'Ivoire	163.5	0.0	0.0	0.0	163.5	0.58
Djibouti	8.0	0.0	0.0	0.0	8.0	0.26
Egypt	374.0	17.3	491.0	21.3	903.5	5.99
Gabon	61.0	0.0	0.0	0.0	61.0	0.50
Gambia	35.0	0.0	60.0	5.0	100.0	0.56
Guinea	12.3	0.0	0.0	0.0	12.3	0.45
Guinea Bissau	0.0	0.0	0.0	0.0	0.0	0.02
Indonesia	479.0	0.0	37.0	61.6	577.6	3.91
Iran	344.9	0.0	0.0	0.0	344.9	6.19
Iraq	0.0	0.0	0.0	0.0	0.0	0.37
Jordan	0.2	10.0	338.0	5.0	353.2	2.12
Kazakhstan	0.0	20.0	305.0	10.0	335.0	1.31
Kuwait	0.1	0.0	0.0	0.0	0.1	1.47
Kyrgyz Republic	16.3	0.0	0.0	0.0	16.3	0.20
Lebanon	72.5	0.0	0.0	0.0	72.5	1.23
Libya	0.3	0.0	0.0	0.0	0.3	0.75
Malaysia	0.0	0.0	0.0	48.5	48.5	1.52
Maldives	35.0	1.7	0.0	0.0	36.7	0.33
Mali	23.7	0.0	24.0	0.0	47.7	0.86
Mauritania	49.1	4.3	100.0	0.0	153.4	1.15
Morocco	227.5	0.0	430.0	5.7	663.1	5.95
Mozambique	18.1	5.0	15.0	0.0	38.1	0.21
Niger	29.2	0.0	0.0	0.0	29.2	0.54
Nigeria	0.0	40.0	30.0	0.0	70.0	0.68
Oman	0.0	0.0	0.0	0.0	0.0	0.61
Pakistan	35.0	2.7	100.0	2.0	139.7	8.64
Palestine	2.1	6.0	0.0	0.0	8.1	0.16
Qatar	0.0	0.0	0.0	66.0	66.0	0.83
Saudi Arabia	120.0	16.5	40.0	136.8	313.4	4.91
Senegal	133.8	0.0	0.0	0.0	133.8	1.13
Sierra Leone	0.0	0.0	0.0	0.0	0.0	0.22
Somalia	0.0	0.0	0.0	0.0	0.0	0.08
Sudan	50.2	10.0	0.0	10.0	70.2	1.58
Suriname	0.1	0.0	0.0	0.0	0.1	0.04
Syria	2.0	0.0	0.0	0.2	2.2	1.17
Tajikistan	29.5	22.0	0.0	5.0	56.5	0.35
Togo	24.0	0.0	0.0	0.0	24.0	0.22
Tunisia	200.2	0.0	0.0	0.0	200.2	2.79
Turkey	458.1	10.0	350.0	182.1	1,000.2	7.27
Turkmenistan	0.0	0.0	0.0	0.0	0.0	0.60
UAE	0.0	3.0	10.0	149.8	162.8	1.89
Uganda	244.4	0.0	0.0	0.0	244.4	0.44
Uzbekistan	434.3	72.0	0.0	0.0	506.3	1.43
Yemen	15.5	5.0	0.0	1.0	21.5	1.08
Non Member Countries	30.8	0.0	27.5	45.6	103.8	0.99
Regional Projects	6.0	0.0	0.0	211.9	217.9	1.61
Special Programmes	0.0	0.0	0.0	0.0	0.0	0.11
Net Approvals	**4,163.9**	**425.5**	**5,008.5**	**984.4**	**10,582.3**	**100**

[1] Cut-off date for data reported in this table was 29 Dhul Hijjah 1434H (3 November 2013). [2] APIF, SAO, IBP, EFS, ITFO, UIF, and Treasury operations.
Source: IDB Data Resources and Statistics Division, ERPD

Table 0.3: Cumulative IDB Group Operations by Major Modes of Financing[1]
(1396H - 1434H) (1 January 1976 - 3 November 2013)

Country	Project Financing			Technical Assistance (TA)			Trade Financing			Special Assistance Operations			Grand Total[2]		
	No.	ID m.	$ m.	No.	ID m.	$ m.	No.	ID m.	$ m.	No.	ID m.	$ m.	No.	ID m.	$ m.
Afghanistan	5	44.4	66.7	8	7.9	11.0	0	0.0	0.0	21	11.4	15.8	34	63.7	93.5
Albania	26	361.7	552.7	5	0.8	1.1	1	3.3	5.0	3	1.0	1.4	35	366.8	560.2
Algeria	41	445.7	592.1	11	3.0	4.0	188	1,490.0	1,887.7	7	4.5	5.6	247	1,943.2	2,489.4
Azerbaijan	38	684.3	1,036.9	14	2.5	3.6	13	70.5	107.0	4	1.5	2.0	69	758.8	1,149.4
Bahrain	101	1,386.1	2,062.8	10	1.7	2.6	22	230.8	328.5	0	0.0	0.0	133	1,618.6	2,393.8
Bangladesh	79	939.5	1,406.2	9	3.4	5.2	233	9,321.2	13,809.7	12	28.8	35.7	333	10,292.9	15,256.7
Benin	42	191.3	273.8	25	5.5	6.9	6	45.6	65.0	1	1.3	1.4	74	243.7	347.1
Brunei	4	36.4	46.2	1	0.2	0.3	0	0.0	0.0	0	0.0	0.0	5	36.6	46.5
Burkina Faso	66	382.4	550.8	39	10.8	14.0	8	163.2	251.1	9	8.3	8.8	122	564.7	824.7
Cameroon	37	256.6	367.0	14	3.1	4.0	3	34.2	53.0	3	1.3	1.7	57	295.3	425.8
Chad	48	343.9	522.4	31	5.0	6.9	1	2.1	3.2	10	9.9	10.8	90	360.9	543.2
Comoros	4	8.3	9.9	15	4.1	5.9	3	5.9	7.5	3	0.9	1.1	25	19.2	24.4
Cote d›Ivoire	23	327.4	490.0	2	0.9	1.4	3	48.5	76.3	5	1.0	1.2	33	377.8	568.9
Djibouti	32	155.6	235.8	18	3.0	4.2	1	7.6	12.0	10	1.7	2.3	61	167.9	254.3
Egypt	60	1,281.9	1,900.4	18	3.6	5.2	136	2,692.0	3,954.9	4	1.1	1.5	218	3,978.6	5,862.0
Gabon	18	327.2	484.3	4	1.7	2.2	0	0.0	0.0	0	0.0	0.0	22	328.8	486.5
Gambia	46	201.1	292.6	22	3.6	4.9	34	163.0	247.0	4	1.7	1.8	106	369.4	546.4
Guinea	57	268.0	368.4	35	8.3	11.0	6	37.9	48.8	6	6.1	7.8	104	320.4	436.0
Guinea Bissau	1	1.4	1.5	8	1.6	2.1	2	11.6	15.0	3	1.1	1.3	14	15.7	19.9
Indonesia	127	1,624.7	2,420.8	13	2.2	3.3	56	964.6	1,398.3	4	2.9	4.4	200	2,594.3	3,826.9
Iran	81	2,315.8	3,435.9	16	4.3	6.6	176	1,789.7	2,599.8	7	10.0	13.3	280	4,119.9	6,055.6
Iraq	6	43.4	54.3	8	0.9	1.3	35	264.9	301.3	12	4.0	5.5	61	313.3	362.4
Jordan	62	644.7	902.3	26	5.0	6.7	71	905.2	1,167.8	1	0.2	0.3	160	1,555.1	2,077.2
Kazakhstan	25	346.5	532.5	10	1.6	2.3	20	486.8	746.0	5	1.3	1.9	60	836.2	1,282.6
Kuwait	26	190.2	275.5	14	1.6	2.2	48	775.9	1,151.5	4	6.5	7.5	92	974.1	1,436.7
Kyrgyz Republic	23	125.0	186.2	18	3.8	5.8	0	0.0	0.0	7	1.7	2.4	48	130.5	194.3
Lebanon	56	683.4	967.4	10	1.2	1.7	11	157.9	221.5	21	7.0	9.8	98	849.6	1,200.4
Libya	18	313.3	427.0	10	3.0	4.2	10	230.0	299.8	3	3.2	4.3	41	549.5	735.2
Malaysia	72	833.0	1,193.5	7	0.9	1.4	41	201.2	281.7	5	8.8	11.5	125	1,043.9	1,488.0
Maldives	26	107.7	157.5	13	1.9	2.6	8	102.6	159.0	3	0.6	0.8	50	212.7	319.9
Mali	69	407.9	588.8	32	9.4	12.5	14	149.6	223.9	12	14.9	16.5	127	581.7	841.8
Mauritania	79	540.8	805.5	43	17.4	23.9	15	189.2	283.2	7	9.7	11.1	144	757.2	1,123.7
Morocco	67	1,630.7	2,408.8	23	4.1	5.7	125	2,380.1	3,399.8	4	1.2	1.5	219	4,016.0	5,815.8
Mozambique	22	114.0	164.7	11	2.0	3.1	3	22.9	35.0	5	1.8	2.2	41	140.6	205.0
Niger	54	241.6	345.0	48	12.2	16.5	21	122.2	158.3	18	10.2	12.2	141	386.3	532.1
Nigeria	13	200.8	308.6	7	0.9	1.3	16	223.0	345.0	30	5.9	7.9	66	430.6	662.8
Oman	35	443.9	587.3	9	2.1	2.8	1	1.4	2.0	2	0.4	0.5	47	447.8	592.6
Pakistan	105	1,901.1	2,847.1	12	2.0	2.9	244	4,090.1	5,587.0	11	8.5	11.7	372	6,001.7	8,448.7
Palestine	23	66.3	94.5	16	8.3	12.9	0	0.0	0.0	42	41.3	53.3	81	115.9	160.7
Qatar	53	536.7	813.5	1	0.1	0.1	1	1.0	1.5	0	0.0	0.0	55	537.7	815.1
Saudi Arabia	112	1,335.5	1,999.9	26	2.8	4.0	162	1,913.1	2,802.5	4	0.3	0.4	304	3,251.6	4,806.7
Senegal	77	557.6	801.6	31	9.0	11.7	26	199.4	282.6	7	12.9	14.2	141	778.8	1,110.1
Sierra Leone	30	133.2	193.9	28	5.5	7.2	2	6.4	10.0	4	2.8	3.6	64	147.9	214.7
Somalia	3	7.3	9.4	11	3.4	5.1	4	36.1	46.2	47	11.4	16.0	65	58.2	76.7
Sudan	98	767.2	1,126.0	28	4.3	6.2	31	277.4	392.4	20	19.4	23.5	177	1,068.3	1,548.0
Suriname	5	22.0	32.3	2	0.2	0.3	1	7.4	10.0	2	0.1	0.2	10	29.6	42.8
Syria	38	674.5	971.9	10	2.4	3.6	29	130.8	164.8	6	0.6	0.9	83	808.3	1,141.1
Tajikistan	35	181.6	264.8	19	3.6	5.2	4	47.7	74.0	9	1.1	1.5	67	233.9	345.6
Togo	21	112.0	161.9	6	1.5	2.2	3	30.2	46.0	2	1.4	1.7	32	145.1	211.7
Tunisia	61	1,111.8	1,629.2	13	2.2	3.2	159	802.6	1,092.9	4	3.3	4.2	237	1,919.9	2,729.5
Turkey	131	2,040.7	2,993.7	13	4.2	5.7	326	2,984.3	4,093.7	6	17.3	20.7	476	5,046.5	7,113.8
Turkmenistan	11	375.0	586.5	4	0.8	1.1	0	0.0	0.0	1	0.2	0.3	16	376.0	588.0
UAE	130	836.0	1,265.3	8	0.7	0.9	27	403.7	585.2	0	0.0	0.0	165	1,240.3	1,851.4
Uganda	23	267.3	403.2	20	3.7	4.9	5	11.3	13.9	9	3.4	4.5	57	285.7	426.5
Uzbekistan	32	812.1	1,237.5	5	0.8	1.1	8	102.1	158.1	7	1.4	1.9	52	916.4	1,398.5
Yemen	66	423.6	612.5	34	8.3	11.0	42	355.2	425.3	10	8.4	10.6	152	795.6	1,059.4
Non Member Countries	42	234.7	354.6	12	4.1	6.1	14	210.2	324.9	925	207.5	282.5	993	656.4	968.1
Regional Projects	78	908.3	1,390.5	375	82.5	121.6	0	0.0	0.0	70	45.3	62.9	523	1,036.1	1,575.0
Special Programmes	4	62.5	85.0	0	0.0	0.0	1	14.8	20.0	0	0.0	0.0	5	77.3	105.0
Net Approvals	**2,767**	**31,817.5**	**46,897.1**	**1,281**	**295.4**	**417.5**	**2,420**	**34,918.4**	**49,776.4**	**1,441**	**558.2**	**728.1**	**7,909**	**67,589.5**	**97,819.1**
Gross Approvals	**3,136**	**35,085.9**	**51,379.2**	**1,370**	**318.7**	**449.7**	**2,939**	**38,650.0**	**54,978.0**	**1,494**	**567.0**	**740.3**	**8,939**	**74,621.5**	**107,547.1**

[1] Cut-off date for data reported in this table was 29 Dhul Hijjah 1434H (3 November 2013).
[2] Figures are net cancellation (unless otherwise specified) and include ICD, UIF, IBP, APIF and Treasury operations.
Source: IDB Data Resources and Statistics Division, ERPD

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CHAPTER ONE

IDB Group in Focus

Overview of IDB Group Operations
Group Major Initiatives
Entity-Wise Activities
Creating Opportunities for the Poor
Promoting Awqaf

IDB Group in Focus

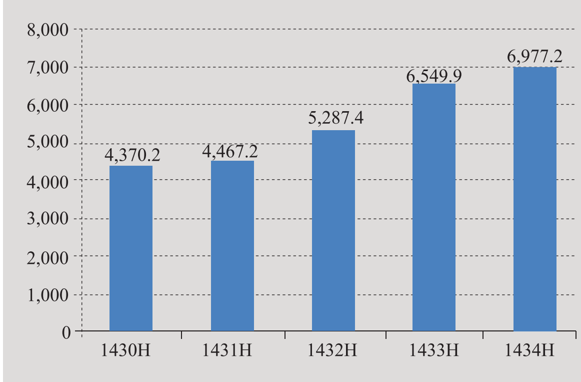
The Bank Group performs a wide range of activities to support the economic development of member countries. This chapter presents an overview of the Group's operations, the major initiatives undertaken during 1434H, and a brief analysis of the activities of the entities -- ICD, ITFC, ICIEC and IRTI -- as well as the Special Funds (mainly ISFD and APIF) and the World Waqf Foundation.

1.1 Overview of IDB Group Operations

The IDB Group continued to record strong performance in 1434H despite a challenging global economic and financial environment that posed major challenges to its operations and to the economies of member countries. During 1434H, global economic recovery was fragile and slow (economic growth was lower than its potential), unemployment and public debt were exceptionally high, capital flows were volatile on the back of the U.S Federal Reserve's announcement of the tapering of its quantitative easing. There was also continued turmoil to some extent in the Middle East and in North Africa, and weak growth in some emerging market economies. These economies, combined with developing countries, have been and remain the main drivers of the world economy accounting for three-quarters of aggregate global economic growth in recent years. These challenges, combined with a number of other issues, affected member countries unevenly.

Against this backdrop, the Bank Group maintained a record level of approvals of ID7.0 billion ($10.6 billion) in 1434H, representing a growth of 6.1 percent over the level in 1433H. This performance marked the second consecutive year that approvals per annum exceeded ID6.0 billion (about $10 billion) (Figure 1.1). Across entities and funds, approvals in 1434H increased with few exceptions: (i) ITFC approved ID3.3 billion ($5 billion) compared to ID2.9 billion ($4.5 billion) in 1433H; (ii) IDB Ordinary Capital Resources (OCR) approvals amounted to ID2.8 billion ($4.2 billion), a small decrease from ID2.9 billion ($4.4 billion) in 1433H; (iii) ICD approvals totaled ID278 million ($426 million) compared with ID268 million ($409 million) a year before; and (iv) Special Funds, comprising UIF and APIF, approved respectively ID54 million ($83 million) [compared to ID39 million ($60 million) in 1433H] and ID55 million ($84 million) [versus ID35 million ($53 million) in the previous year][1]. The level of IDB-OCR approvals in 1434H is an indication that the Bank is gradually returning to its regular pre-global crisis approval level due to signs of recovery from global recession (Figure 1.2).

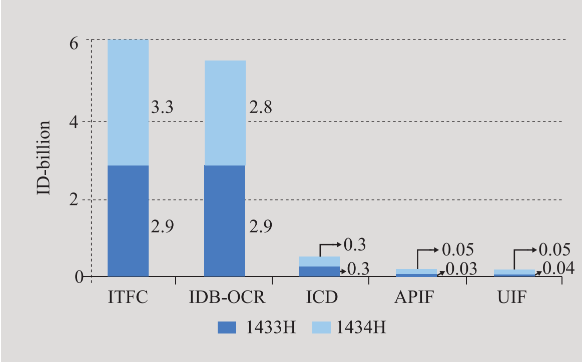
Figure 1.1: IDB Group Net Approvals (1430H-1434H) (ID million)



In terms of the distribution of IDB Group approvals by region[2] in 1434H, the largest share was allocated to Middle East and North Africa ID2.8 billion ($4.3 billion), followed by Asia ID2.3 billion ($3.5 billion), Sub-Saharan Africa (SSA) ID960 million ($1.5 billion), and Central Asia ID699 million ($1.06 billion). Projects financing accounted for the lion's share of the regional

[1] The difference between the categories shown in Fig. 1.2 and the headline total is due to Special Assistance Operations and Treasury Operations.
[2] This is based on an IDB classification of its 56 member countries into four regions namely MENA, Asia, Sub-Saharan Africa, and Countries in Transition (CIT). To avoid confusion, CIT is replaced in this report with Central Asia.

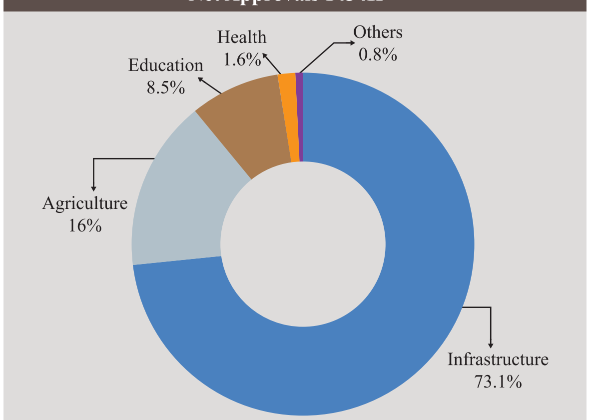
Figure 1.2: Net Approvals by Entities & Funds



approvals (more than 60 percent) for MENA, SSA, and Central Asia whereas trade financing dominated approvals in Asia representing 78 percent of the region's total approvals. The top-5 beneficiaries of IDB Group approvals in 1434H were Bangladesh ID1.8 billion ($2.7 billion) (25.3 percent), Turkey ID660.5 million ($1.0 billion) (9.5 percent), Egypt ID598 million ($903.5 million) (8.6 percent), Morocco ID440.5 million ($663.1 million) (6.3 percent), and Indonesia ID380.2 million ($577.6 million) (5.4 percent).

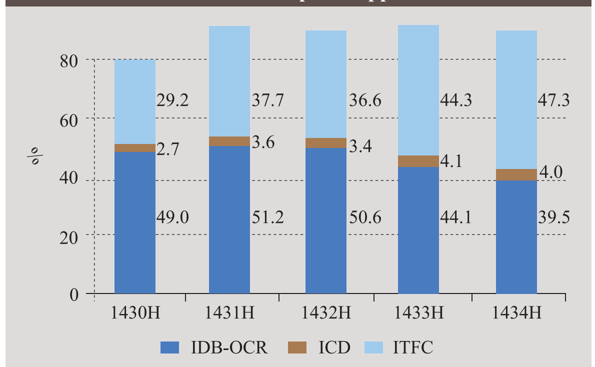
The sectoral distribution of OCR approvals in 1434H shows that infrastructure received the largest allocation 73.1 percent, followed by agriculture 16.0 percent, education 8.5 percent, health 1.6 percent, and others including finance 0.8 percent (Figure 1.3)

Figure 1.3: Sectoral Distribution of OCR Net Approvals 1434H



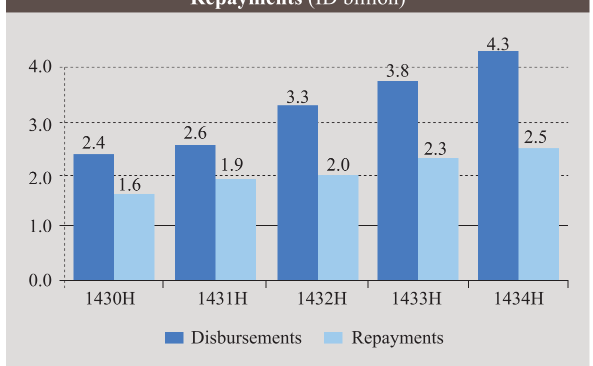
Over the period 1396H-1434H, the IDB Group approved 7,909 projects and operations totaling ID67.6 billion ($97.8 billion). This amount excluded ICIEC's insurance commitments totaling ID13.1 billion ($20.2 billion) and business insurance operations for ID11.6 billion ($17.9 billion). Of the cumulative Group approvals, the share of IDB-OCR was 37.9 percent, ITFC 18.4 percent, and ICD 2.4 percent. Others including pre-ITFC trade financing accounted for 32.3 percent, UIF 2.3 percent, APIF 0.4 percent, Special Assistance operations 0.8 percent and treasury operations 5.6 percent (Figure 1.4)

Figure 1.4: Trends in Share of Entities in Total IDB Group Net Approvals



Disbursements continued to increase from ID3.77 billion ($5.75 billion) in 1433H to ID4.32 billion ($6.62 billion) in 1434H. Repayments totaled ID2.49 billion ($3.82 billion) in 1434H, an increase of ID0.18 billion ($0.29 billion), or almost 8 percent, from 1433H. Cumulatively, Group disbursements since inception reached ID42.72 billion ($61.52 billion) and repayments totaled ID31.98 billion ($45.75 billion) resulting in net resource transfer of ID10.75 billion ($15.77 billion) (Figure 1.5).

Figure 1.5: Trends in Bank Group Disbursements and Repayments (ID billion)



1.2 Group Major Initiatives

During the year under review, the IDB Group undertook several initiatives in a number of diverse areas. The IDB Group undertook a capital increase, was involved in a significant mobilization of resources, engaged in a number of MCPS preparations, it hosted the Secretariat of Deauville Partnership, went through a credit rating exercise, engaged in a youth development programme, and engaged in a number of activities related to the 40th Anniversary celebration. A snapshot of progress in and the achievements of these initiatives is presented below.

Capital Increase: The Board of Governors of the IDB, during its 38th Annual Meeting held on 11-12 Rajab 1434H (21-22 May 2013) in Dushanbe, Tajikistan, adopted a resolution that approved the implementation of the directive of the Extraordinary Islamic Summit held in Makkah Al-Mukarramah on 26-27 Ramadan 1433H. As a result, the authorized capital of the IDB has been increased significantly from ID30 billion to ID100 billion while the subscribed capital was also increased from ID18 billion to ID50 billion. This capital increase took effect on 22 November 2013.

Resource mobilization: The IDB has been issuing *sukuk* as part of its strategy towards resource mobilization to help it meet the ever growing demand for development assistance from its constituency. In 1434H, the IDB was active in the *sukuk* markets culminating in three landmark transactions. The first transaction was a $700 million private placement in March 2013 (maturing in March 2018); and the second transaction was a $ 1.0 billion public placement in June 2013 (maturing in June 2018) which was oversubscribed and issued at a profit rate of 1.535 percent with a very tight spread of only 30 bps over a 5 years mid swap rate.

In addition to the global *sukuk* issuance, the IDB has also issued in 1434H a local currency *sukuk* on the Malaysian capital markets. Under its MYR 1.0 billion MTN Programme, the Bank issued Tranche 3 of MYR-denominated *sukuk* to the public of MYR 300 million in July 2013 with a five year tenor, making it the third time it successfully tapped the Malaysian market.

The Bank has also been active in raising finance through direct placements based on commodity and *Wakala* transactions as a way to mobilize short to medium terms funds from the markets. Besides securing funding for its operations, it was also actively involved in providing advisory services relating to *sukuk* issuances to some member countries including Tunisia, Libya, and Egypt with a view to helping them in their efforts to develop their local *sukuk* markets.

Member Country Partnership Strategy (MCPS): The MCPS is aimed at aligning IDB Group activities with its member countries' development goals to deliver critically needed development assistance in priority sectors. The MCPS process helps generate country knowledge (especially the identification of major binding constraints to growth) and to enhance south-south cooperation through the identification of Reverse Linkage (RL) opportunities and their implementation in member countries. Through the MCPS programmes, the Bank Group engages in wide ranging consultations with the private sector, financial sector, civil society, and it engages in leverage with other development partners.

Sixteen MCPS programmes have so far been completed and are under active implementation, shown in Table 1.1 which also provides a scorecard on achievement rates. During 1434H, six MCPS programmes (for Bangladesh, Kuwait, Morocco, Niger, Senegal, and Tunisia) and two Interim MCPS programmes (for Somalia and Suriname) were completed and the Bank Group has commenced their implementation. To deliver country-level knowledge work, the Bank has also completed Country Economic Work (CEW) for Chad, Morocco and Uzbekistan and commenced MCPS-related preparatory activities for five countries (Chad, Benin, Uzbekistan, Iran, and Yemen).

During the year, mid-term MCPS reviews for Turkey and Uganda were undertaken in partnership with the Government authorities concerned and the IDB Group entities. In terms of Interim MCPS programmes, the one for Suriname formed the

Table 1.1: MCPS Achievement Rates (as of end-Quarter 1, 1435H)				
Sl. No.	MCPS Under Implementation	Indicative Financing Envelope ($ million)	Net Approvals by IDB Group ($ million)	Achievement Rates (%)[1]
1	Turkey (2010-13)	2,000	2,200	109
2	Indonesia (2011-14)	2,500	1,520	61
3	Mauritania (2011-15)	650	421	65
4	Uganda (2011-13)	295	358	121
5	Mali (2011-14)	500	246	49
6	Pakistan (2012-15)	2,500	1,110	44
7	Senegal (2012-14)	760	169	22
8	Niger (2013-15)	800	83	10
9	Bangladesh (2013-16)	9,500	2,700	28
10	Tunisia (2012-15)	870	200	23
11	Morocco (2013-16)	2,200	451	21
12	(Interim) Suriname (2014-15)	66	60	90
13	Malaysia (2012-15)	*	57	
14	Kazakhstan (2012-14)	*	544	
15	(Interim) Somalia (2014-15)	*	5	
16	Kuwait (2012-15)	*	1	

* Denotes no indicative financing envelope in the MCPS Programmes.
[1] Refers to cumulative net approvals against the notional financing envelope indicated at the start of the MCPS period

basis of a resumption of operational activities in the country after a spell of relative inactivity (Box 1.1) while that in Somalia supports two pillars: (i) the rebuilding of economic infrastructure, improving livelihoods and human development, and (ii) mitigating conflict-stress by supporting humanitarian and relief activities.

Based on the MCPS implementation lessons, the Bank Group is in the process of enhancing the process and the design of the MCPS programmes with a greater focus on achieving development impact, on promoting innovative interventions such as third party buy-downs of part of financing costs, and on expanding operations in cross-cutting areas such as Islamic Finance, Private Sector Development, and Reverse Linkages.

Hosting of the Secretariat of Deauville Partnership Initiative: In order to leverage on their collective resources and to coordinate activities in Arab countries in transition, the G8 Deauville Partnership Finance Ministers, along with ten international financial institutions (IFIs)[3] including the IDB, set-up a Coordination Platform with a rotating secretariat at their meeting in September 2011. The AfDB first hosted the secretariat and the IDB took over from September 2012 to December 2013. During the IDB-hosted secretariat, a major G8 Deauville Partnership Investment Conference was organized by the IDB in London in September 2013 in partnership with the UK G8 Chair and the EBRD to promote a dialogue between the Arab transition countries and the investment community as well as to showcase investment opportunities. Prior to this event, in June 2013, the IDB, in partnership with the G8 Chair, the OECD and IFIs, had also helped organize country investment conferences in Tunisia and Egypt. A series of follow up events are being planned for 2014 in the remaining Arab transition countries beginning with Morocco and Jordan. The secretariat has been handed over to the EBRD since the end of December 2013.

Credit Ratings: Beginning in 2002, the IDB has been rated annually by the top three international credit rating agencies -- Standard & Poor's, Moody's and Fitch Ratings –and each, at the end of 1434H, has continued to award the highest credit rating of "AAA" to the Bank due to its sound financial health and strong shareholders' support. With this rating, the Bank has been able to mobilize resources from international markets to finance its development activities in member countries. The Bank is also designated as a 'Zero-Risk Weighted'

[3] The others are the African Development Bank (AfDB), the Arab Fund for Economic and Social Development (AFESD), the Arab Monetary Fund (AMF), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the International Finance Corporation (IFC), the International Monetary Fund (IMF), the OPEC Fund for International Development (OFID) and the World Bank.

Box 1.1: Launching of the Interim Member Country Partnership Strategy for Suriname,
Paramaribo, Suriname (26 November 2013)

The Republic of Suriname joined the IDB on 5th August 1997, and it is the only member from the Latin America and the Caribbean region. The last IDB operation,- a supplementary financing for an existing project, was approved in 2009. Since then there has been no IDB Group engagement with Suriname. The IDB Group Interim Member Country Partnership Strategy (MCPS) for Suriname with an indicative financing envelop of US$66 million for the period 2014-2015 is the first step taken by the IDB to re-engage with the country after a spell of relative inactivity. It is "Interim" since the Bank's operational strategy is to help address the most pressing needs of the country in the shortest possible period (2014 and 2015). After the re-engagement, a full-fledged MCPS for Suriname is planned. Under the Interim MCPS, the IDB will support Suriname in the following four areas: (i) Healthcare Services (at various levels of the healthcare system); (ii) Skills Development (technical & vocational education and training – TVET); (iii) Sea Transport (improvement of the Nieuw Nickerie Seaport through dredging & construction of some storage and warehousing facilities); and (iv) Capacity Development for the Central Bank (i.e. through a "Reverse Linkage" technical assistance operation for Cyber Security with the support of Malaysia) and the Ministry of Finance.

From left to right, H.E Gillmore Hoefdraad, Governor of the Central Bank, Suriname (also the IDB Governor); Birama Sidibe, Vice President (Operations); Safiullah Abid, Country Manager for Suriname; and Mohammad Jamal Al-Saati, Director, Country Programs Department, Islamic Development Bank

Multilateral Development Bank (MDB) by both the Basel Committee on Banking Supervision and the Commission of the European Communities.

Apart from the IDB, the only other entity in the IDB Group that is rated is the ICIEC which, since June 2008, has been annually awarded Aa3 rating by Moody's. The ICIEC has successfully maintained this high quality credit rating, notwithstanding the impact of the financial crisis over the past years. This rating has placed the ICIEC at par with the major insurers of credit and political risk in the global arena. This rating reflects both the stand-alone fundamentals of the ICIEC as well as the potential support from its shareholders (the IDB and its member countries). It also reflects the ICIEC's legal structure and business nature, as the only multilateral export credit and investment insurance corporation in the world that provides *Shari'ah* compatible insurance and reinsurance products, as well as its enhanced regional knowledge based on its experience gained by operating in the region.

40th Anniversary Celebration: The IDB clocks 40 years in 1435H (2014) and as part of the activities lined-up to mark the occasion, the IDB Board of Executive Directors has decided to conduct an independent study of the IDB Group's development results, its intervention effectiveness in member countries and in Muslim communities, and of its strategic direction in the next decade. The Boston Consulting Group (BCG) has been selected to undertake the study and to formulate the next 10 Year Strategy. In preparing the study, various stakeholders were invited to provide inputs into the assessment process through four regional high-level consultative forums in Kuala Lumpur (Malaysia) on 16-17 December 2013, Almaty (Kazakhstan) on 14-15 January 2014, Dakar (Senegal) on 27-28 January 2014, and Jeddah (Saudi Arabia) on 11-12 February 2014. These well-attended high-level forums were highly successful and provided a unique opportunity for the IDB Group to listen to its stakeholders about their perceptions of its past activities, its missed opportunities, and their expectations going forward.

Youth Employment Programme: In recent years, youth unemployment has become a major development challenge facing member countries. In response to this challenge, whose urgency has been reinforced by turmoil in selected member countries in the MENA region, the IDB has formulated a two-pronged strategy:

direct engagement with the youth and a special employment support programme. The direct engagement strategy seeks interaction with the youth in order to mainstream their social and economic aspirations in the IDB Group's programmes and operations. The programme strategy led to the launch of the 'IDB Youth Employment Support (YES) Programme for Arab Countries' in 1432H with an additional earmarked allocation of $250 million to the programme.

Under its direct engagement strategy, the IDB has mainstreamed a Youth Development Forum in its annual meeting. To this end, the second Youth Forum was held during the 38th Annual meeting of the IDB Board of Governors themed "Innovative Solutions for Youth Unemployment" (see Box 1.2 for the recommendations).

With respect to the YES programme, out of the $250 million earmarked for it, the Bank has approved $50 million each for Tunisia, Egypt, Libya and Yemen while the remaining $50 million was set aside to support the implementation of the Education for Employment (e4e) Programme which has so far provided three youth employment related advisory services: (i) Completion of e4e Country Action Plan for Egypt and Morocco, (ii) a Regional Agenda for Improving Education Quality initiative along with the World Bank and the Arab League Educational, Cultural and Scientific Organization (ALECSO), and (iii) Strengthening Youth Employability through Green Jobs in Tunisia under the MENA Transition Fund.

Apart from the advisory services, under the e4e programme, the Bank has supported Egypt, Jordan, Morocco and Tunisia to prepare e4e Action Plans that identify and match sectors with high employment prospects with the required education sector reforms. Table 1.2 shows the IDB's operations in support of youth employability in the Arab World under the YES and e4e Programmes as well as the number of employment created.

Box 1.2: Recommendations from the Second IDB Group Youth Development Forum on "Innovative Solutions for Youth Unemployment"

The second IDB Group Youth Development Forum with the theme "Innovative Solutions for Youth Unemployment" was held alongside the 38th Annual Meeting of IDB in Dushanbe, Tajikistan on 19th May 2013.

The keynote speakers were (i) Shahid Malik, ex-UK Minister of Development, Chairman, Global Cooperation and Development Partnerships; (ii) Anasse Elhasnaoui, Consultant, World Waqf Foundation "Innovative use of Waqf for Youth Employment", (iii) Susana Puerto, Manager, Youth Employment Network "Regional Cooperation for Youth Employment", (iv) Dr. Emmanuel Jimenez, Director, IEG, World Bank "Youth Employment Programmes: An Evaluation of the World Bank and IFC Support, (v) Stefan Erber, GIZ Country Director Tajikistan "Best Practices and Innovative Ideas on Youth Employment in Tajikistan", and (vi) Juraev Kabir, First Deputy of Chairman of Committee of Youth, Sport and Tourism "Innovative Youth Employment Policies in Tajikistan".

The Forum adopted the following major recommendations:

- In order to promote youth entrepreneurship, the development community must work with the private sector and financial institutions to develop products and services that cater for the needs of youth. MDBs should consider providing a regular platform where youth can express their concerns, come up with ideas, and guide the strategy of development institutions.
- Youth employment should not be seen just in the context of youth employment programmes. All development programmes and projects should have a dimension of youth employment.
- The institution of Waqf should be used to generate youth employment opportunities as this has been proven in projects supported by the IDB in countries like Sudan and Palestine. The Productive Waqf Model is an example where Waqf assets are used to connect young people with business opportunities, generating profit and improving their livelihoods.

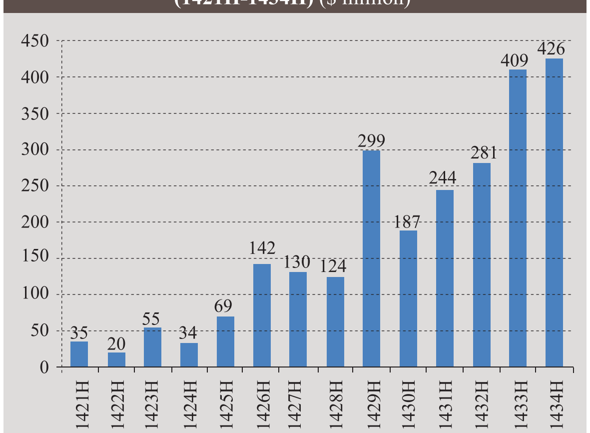
1.3 Entity-Wise Activities

Bolstering the Private Sector: The Islamic Corporation for the Development of Private Sector (ICD) is the private arm of the Group established in 1420H (1999) to support and promote private sector development in member countries. The ICD pursues this objective through equity participation, murabaha and ijarah financing. In 1434H the ICD approved 31 new projects (including 8 new advisory mandates) and 8 capital increases in existing equity projects

Table 1.2: IDB Approvals for YES and e4e Programmes for Arab World and their impact		
Programmes	Amount ($ m. & approval date)	Estimated Impact on Youth Employability (number)
Tunisia		
Youth Employment Support (YES) Programme	**50.0** (3/11/2011)	300,000
Youth Employment Support (YES) Programme Grant	**0.32** (3/11/2011)	-
Vocational Training for Employment (e4e)	**27.0** (9/9/2012)	63,000
Egypt		
Youth Employment Support (YES) Programme	**50.0** (23/11/2011)	180,000
Youth Employment Support (YES) Programme Grant	**0.34** (23/11/2011)	-
Vocational Training for Employment (e4e)	**25.0** (26/12/2012)	59,000
e4e Action Plan	**0.3** (31/3/2012)	-
Libya		
Youth Employment Support (YES) Programme	**50.0** (09/09/2012)	45,000
Youth Employment Support (YES) Programme (Grant)	**0.32** (09/09/2012)	-
National Programme for Enabling Youth to Establish Small and Medium Projects	**0.3** (07/01/2013)	-
Yemen		
Youth Employment Support (YES) Programme	**50.0** (17/10/2012)	30,000
Vocational Training Programme for Youth in Hadramouth	**0.05** (29/07/2012)	-
Faculty of Engineering of Aden University (e4e)	**12.0** (9/9/2012)	28,000
Total	**265.63**	**705,000**

(including 2 shareholder's loans to existing investee companies) totaling $425.5 million (Figure 1.6). Despite an unfavourable global economic situation, this volume of investments is slightly higher than the previous year's and reflects the ICD's robust support to private sector development of member countries. Equity investments accounted for the bulk of ICD's 1434H approvals representing 50.9 percent of the total, followed by the murabaha 35 percent, and ijarah 14.1 percent.

Figure 1.6: Trends in ICD Net Approvals (1421H-1434H) ($ million)



The sectors that benefited most in 1434H from ICD approvals were finance, telecommunications and industry & mining, together totaling $348.1 million or 82 percent of all approvals. The financial sector accounted for the largest allocation of $273.8 million, or 64.4 percent, followed by the telecommunications sector with $40 million (9.4 percent).

Global projects received the largest allocation of ICD approvals in 1434H (35.3 percent), followed by Europe and Central Asia (34.4 percent), MENA (17.1 percent), Sub-Saharan Africa (10.6 percent), and Asia (2.6 percent). ICD approvals benefited 19 member countries, including 2 new countries namely Mozambique and Palestine.

The ICD's disbursement in 1434H more than doubled to $308.5 million from $125 million in 1433H. This impressive performance was due to improvement in the internal disbursement process which significantly helped transfer resources to clients on time[4].

Thiqah: The ICD oversees the activities of *Thiqah*, which is a unique and innovative platform for

[4] For more details, see the ICD Annual Report 2013 at http://www.icd-idb.com/.

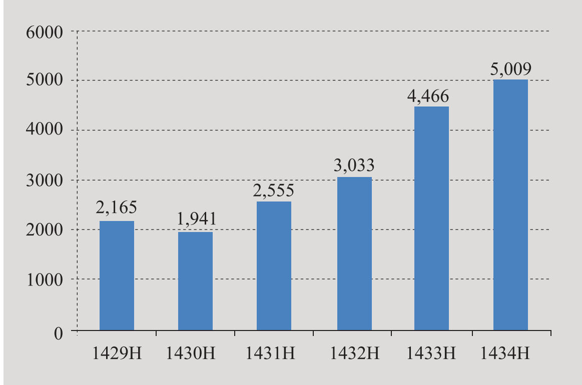
dialogue, cooperation and inclusive partnership for business leaders to maximize promising investment opportunities. Thiqah's vision is to position itself as the leading business platform of the IDB Group serving the private sector in member countries and maximizing the achievements of successful investment projects. It leverages the IDB Group's resources to offer necessary services and it provides confidence to investors in member countries. It establishes strategic partnerships with private sector leaders in order to capitalize on their expertise and know-how creating synergies with IDB Group entities.

In 1434H (2013), *Thiqah* provided technical and administrative support to the IDB-hosted Secretariat of the G8 Deauville Partnership IFI Coordination Platform, and it assisted in organizing the G8 Deauville investment conferences which were held in Egypt, Tunisia and the United Kingdom. It also participated in IDB Group Days in Djibouti, Benin, and Niger as well as organized Business Forums in Sarajevo and Dushanbe and it coordinated the participation of the IDB Group in several international and regional conferences and fora.

Expanding Trade Financing: The International Islamic Trade Finance Corporation (ITFC) commenced operation in 1429H (2008) and is dedicated to trade finance and trade development of member countries. Its primary objective is to promote intra-OIC trade through financing the imports and exports of member countries. As of the end of 1434H, the ITFC had an authorized capital of $3.0 billion and a subscribed capital of $750 million.

The ITFC has recorded impressive growth in its operations in the last six years by doubling its trade approvals from $2.5 billion in 1429H to $5.0 billion in 1434H (Figure 1.7). Its disbursements have also more than tripled from $1.2 billion to $4.0 billion over the same period. A large portion of the approvals came from funds mobilized from banks and financial institutions in the international market totaling $3.9 billion in 1434H, through syndication, for use in financing trade operations in the member countries. The ITFC provides financing to both public and private sectors, using

Figure 1.7: Trends in ITFC Net Approvals (1429H-1434H) ($ million)



mainly the *murabaha* instrument, and different modes of trade solutions including Structured Trade Finance. Its financing activities cover energy (crude oil and petroleum products), fertilizers, plastics, textiles, agricultural inputs, food items, sugar, coffee etc. Besides its direct operations with clients, including LDMCs, it also provides Lines of Financing to local banks to support SMEs in member countries. Trade development activities are undertaken through the Trade Promotion and Cooperation Programme (TCPP), working closely with the Trade Promotion Organizations (TPOs), international and regional organizations, as well as with COMCEC. In 1434H, the TCPP launched the *Aid for Trade Initiative for Arab States*, in cooperation with the international institutions and governments of member countries, with the objective of supporting inclusive economic growth to increase employment opportunities and greater competitiveness through trade policy reforms. The Initiative will benefit 22 countries in the Arab region[5].

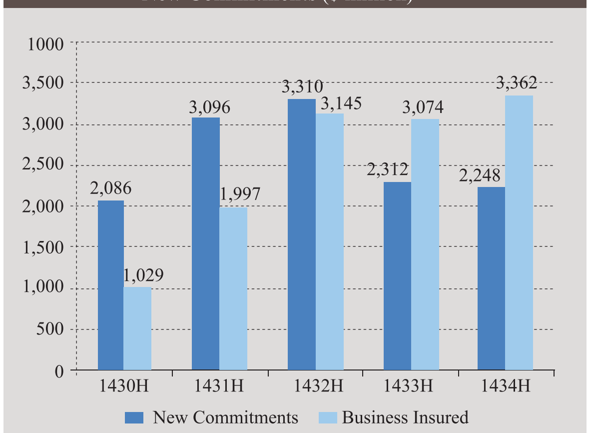
Strengthening Credit and Country-Risk Insurance: The Islamic Corporation for the Insurance of the Export Credit and Investment (ICIEC), a member of IDB Group, was established in 1415H (1994). Its objective is to expand trade transactions and encourage investment flows among its member countries. It fulfils this by providing *shari'ah* compliant export credit and investment insurance services to exporters, financial institutions, and investors, to cover the risk of non-payment of export receivables resulting from commercial

[5] More details on this initiative are available at http://www.itfc-idb.org/node/214.

(buyer) or non-commercial (country) risks, and political risks. It also provides re-insurance services to the export credit agencies of member countries.

ICIEC business insurance operations increased by 9 percent in 1434H to reach $3.4 billion from $3.1 billion in 1433H while the new commitments slightly decreased by 3 percent from $2.3 billion in 1433H to $2.2 billion in 1434H (Figure 1.8). These activities facilitated trade transactions and investment flows totaling $4.8 billion and $1.9 billion, respectively, in 1434H. Cumulatively, since inception, insurance approvals issued reached $20.2 billion and the business insured totaled $17.9 billion with an overall claims ratio (claims paid over premium earned), the main indicator of credit insurance operations performance, standing at 25 percent which is significantly below the industry's ratio. The top-6 member countries that benefited most from ICIEC services since the inception of business through to 1434H were Saudi Arabia (25.7 percent), Bahrain (11.9 percent), UAE (11.0 percent), Egypt (8.6 percent), Pakistan (7.0 percent) and Turkey (4.7 percent).

Figure 1.8: Trends in ICIEC's Business Insured and New Commitments ($ million)



The ICIEC also manages the IDB Group Investment Promotion Technical Assistance Programme (ITAP) which was launched in 2005. ITAP objectives are to assist member countries in improving their investment climate and in identifying and promoting promising investment opportunities. To serve its objectives, ITAP has established a network of partners including both specialized international organizations and relevant investment-focused entities from member countries such as the Arab Bank of Economic Development of Africa (*BADEA*), the United Nations Industrial Development Organization (*UNIDO*), the United Nations Conference on Trade and Development (*UNCTAD*), the Multilateral Investment Guarantee Agency (*MIGA*), the World Association of Investment Promotion Agencies (*WAIPA*), the Union of Chambers & Commodity Exchange of Turkey (*TOBB*), the Malaysian Industrial. Development Agency (*MIDA*), the Jordan Investment Board (JIB), the Economic Policy Research Foundation of Turkey (TEPAV), the Investment Support & Promotion Agency of Turkey (ISPAT), the Ministry of Economy of Turkey and the Arab Regional Centre for Entrepreneurship & Investment Training (ARCEIT).

During 1434H, the ITAP undertook five activities, of which two were linked to capacity building and reverse linkage programmes (one took place in Turkey entitled "Turkey's Experience Sharing in Investment Climate Reforms and Attracting FDI" and the second in Malaysia entitled "Investment Promotion Strategies and Sector Competitiveness for the Growth of the country" on 10-15 November 2013). There were two training courses ("A New Generation of International Investment Policies" in Sarajevo, Bosnia and Herzegovina, 1- 4 October 2013; and "Investment Policies Towards Sustainable Development and Inclusive Growth" in Rabat, Morocco 10 – 13 December 2013). Finally, the ITAP conducted two familiarization programmes for experts from the Tunisian Foreign Investment Agency (FIPA, Tunisia) and the Ministry of Development and International Cooperation (Tunisia): the first one took place in Ankara (1-5 July 2013) in collaboration with the Investment Support and Promotion Agency of Turkey (ISPAT), and the second in Kuala Lumpur (10-15 November 2013) in collaboration with the Malaysia Investment Development Authority (MIDA).

Advancing Islamic Economics and Finance: The Islamic Research and Training Institute (IRTI), which is the knowledge hub of the IDB Group, was established in 1401H (1981) to conduct cutting-edge research and to undertake training in Islamic Economics, finance, and banking.

The activities of the IRTI in 1434H focused on Islamic Finance from the perspective of *Maqasid Al-Shari'a* and these entailed (i) the development of a Risk Management Standard for Islamic Financial Institutions (IFIs) in collaboration with the Global Association of Risk Professionals, (ii) the development of a Financial Sector Assessment Programme: A Proposal on Supplementary Templates for Islamic Finance (iFSAP), (iii) a mid-term review of a 10-Year Framework and Strategies in collaboration with the Islamic Financial Services Board (IFSB), (iv) Islamic Finance Country Reports on Tunisia, Turkey, and Egypt, and (v) an Islamic Social Finance Report.

The IRTI organized 19 events and participated in 22 others in 1434H, including its own 8th annual forum which was themed "The Role of Islamic Finance for the Development of IDB Member Countries in Central Asia". These events dealt with a range of issues such as examining the role of IDB Group in supporting Islamic trade finance in member countries, revisiting the value proposition of Islamic financial intermediation, and of microfinance from an Islamic perspective.

In addition to producing an occasional paper on "The Role of Islamic Finance in the Development of the IDB Member Countries: A Case Study of the Kyrgyz Republic and Tajikistan", the IRTI prepared in 1434H nine in-house research papers dealing with a variety of contemporary issues such as evaluating microfinance institutions from the perspectives of customers and institutions, considering the constraints to intra-OIC trade and assessing the potential role of Islamic finance, the performance of Islamic banking during the financial crisis, Islamic financial inclusion, the determinants of tax rates, and the use of the issuance of trade-based SDRs for enhancing intra-OIC trade.

Working in collaboration with the ICD, the IRTI undertook advisory services for a number of clients in member countries including the United Gulf Financial Services of North Africa (Tunisia) (to set up a *Musharaka* investment fund aimed at the SME sector), the National Bank of Yemen (to establish its first full-fledged Islamic subsidiary), BFME of Tunisia (to open its Islamic window), and Al-Bilad Islamic Bank of Lebanon (under its standing agreement).

Thirty-four training courses were organized by the IRTI during the year including nineteen training courses under the Member Country Assistance Training Programme, two Global Islamic Leadership Programmes, two Training of Trainers Programme, 8 training courses for IDB staff, and 3 courses for the external private sector. In addition, the IRTI continued to offer Master's Programme in Islamic Banking and Finance via e-learning in partnership with Insaniah University (Malaysia), along with three lecture series in distance learning for a network of seven universities. The IRTI likewise developed five training packages during the year and published 17 new books on Islamic Economics and Finance, five in English and two in Arabic and ten in Russian. It similarly issued two newsletters and published six IRTI Journals.

1.4 Creating Opportunities for the Poor

The Islamic Solidarity Fund for Development (ISFD), a special poverty fund, was established based on the decision of the Extraordinary Islamic Summit Conference held in Makkah, Saudi Arabia, in December 2005. Launched during the 32nd Meeting of the IDB Board of Governors (BOG) in May 2007 in Dakar (Senegal), the Fund operates in the form of a *Waqf*[6] (i.e. Trust) and has a target capital of $10 billion. Its *raison d'etre* is to reduce poverty in member countries by promoting pro-poor economic growth with an emphasis on human development especially improving health care and education and providing financial support to enhance the productive capacity and sustainable income of the poor. The Fund provides concessional financing primarily for the 25 least developed member countries.

The Fund's capital is sourced from voluntary contributions by member countries as a

[6] The concept of Waqf (Trust) implies that only the income which will be made from the investments of the Fund's resources will be available to finance its operations.

way of demonstrating "Islamic solidarity" among themselves. So far, the ISFD capital contribution has reached $2.7 billion (or 26.8 percent of the targeted capital of the Fund), out of which 44 member countries committed $1.7 billion while the rest was committed by the IDB ($1.0 billion). Of the total amount committed, $2.1 billion has already been paid-in. Extra efforts are being made to mobilize additional resources from member countries as well as to tap into complementary resources such as setting up specific poverty-related Trust Funds under the umbrella of the Fund and striving to benefit from the *Zakat* and *Awqaf* (Trusts) institutions that are aimed at achieving goals similar to those of the ISFD.

In 1434H, the ISFD approved 14 operations for 11 member countries totaling $82.1 million bringing the cumulative approvals of the ISFD since its inception to 59 operations for $324.3 million. The total cost of these operations is estimated at $2.0 billion. This shows that the Fund has played a catalytic and facilitator role in mobilizing additional resources from other partners, including the IDB, for its operations. So far, Africa has received the largest approvals from the Fund (62 percent), followed by Asian member countries (29 percent), and then the Arab Region (9 percent).

1.5 Promoting Awqaf

Awqaf Properties Investment Fund (APIF): Awqaf organizations are ubiquitous across member countries and beyond. These are Islamic charitable institutions that carry out diverse economic, social and cultural activities. In order to address the development needs of these organizations or the Awqaf sector, the IDB in 2001 established the Awqaf Properties Investment Fund (APIF) and continued to act as the Mudarib for the Fund. The APIF's objective is to develop idle Waqf lands and renovate existing Waqf buildings, thereby transforming them into profit generating assets. The income generated from the APIF projects is used by the Waqf and by charitable organisations to finance and support their activities in the social and charitable fields in favour of the poor, as well as in the religious and cultural fields.

As of the end of 1434H, the APIF had a capital of $76.4 million funded by 15 Awqaf organizations and Islamic banks including the IDB. In addition, it received from the IDB a Line of Financing (LoF) of $100 million to support its activities. Since its inception, the APIF has approved 46 projects totaling $956 million for 26 member countries and non-member countries. These approvals included 37 projects totaling $824 million for member countries and 9 projects totaling $132 million for non-member countries. In terms of modes of financing, leasing dominated (38 projects), followed by *Istisna'a* (5 projects), equity participation (2 projects) and Murabaha (1 project).

In 1434H, eight projects were approved for an amount of $214 million. These projects involved financing the construction of residential or commercial/office buildings in Egypt, Indonesia, Macedonia, Morocco, Saudi Arabia, the UK and the USA as well as the purchase of an existing office building in Germany. Moreover, MoUs were also signed with the parties concerned for the development of the Waqf sector in Burkina Faso, Sudan and the UAE.

World Waqf Foundation: Established in 1422H (2001) in collaboration with Waqf organizations, governmental organizations, NGOs, and philanthropists, the World Waqf Foundation (WWF) aims to promote Awqaf by extending technical assistance to Waqf organizations to support their projects, programmes and activities especially in educational, health, social, and cultural fields. Its ultimate aim is to contribute to cultural, social and economic development of member countries and to Muslim communities and to alleviate poverty.

The WWF approved four major projects in 1434H. The first project entitled "International Waqf Advisory House (IWAH)" is aimed at building the capacity and human capital of Awqaf institutions, the designing of "Awqaf databanks" and specialized knowledge portals, and providing advisory services, research and studies in the area of Waqf. The second project entitled "Awqaf Capital (ACAP)", an Awqaf-based Investment firm, is a specialized entity providing fund management services to Awqaf Institutions.

The third project of the WWF is the scaling-up of the India Education Waqf. The project, which is jointly implemented with the IDB's Special Assistance Department, consists of preparing media material (booklet and video) covering the most important achievements of the programme, with a view to presenting it to potential donors. The fourth project, entitled “Waqf for Development (W4D)”, is aimed at injecting Waqf principal -- not the returns-- into the “bottom of the pyramid” (i.e. investing Waqf assets into socially responsible projects/or doing business with the poor). The WWF has been mandated to activate its role in the area of Waqf for Development (W4D) and so it is currently conducting a full feasibility study on the W4D project.

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CHAPTER TWO

IDB Financing for Sustainable Development

Building Human Capital and Well-being
Education
Health
Investing in infrastructure
Focusing on Agriculture and Food Security
Promoting Capacity Development
Strengthening Economic Cooperation and Integration
Fostering Islamic Finance
Supporting Inclusive Solidarity

IDB Financing for Sustainable Development

The Bank intervenes in key economic sectors of member countries to enable them to leapfrog the stages of development and to attain international development goals. This chapter analyses the Bank's sectoral financing from its ordinary capital resources during 1434H and presents progress of the Bank's capacity building programmes, co-financing, partnerships, new cooperation arrangements and its contribution to the Islamic financial services industry. Other activities covered include the empowerment of women, the winners of IDB prizes, and solidarity programmes.

2.1 Building Human Capital and Well-being

Improving the wellbeing of the citizens of member countries is vital for attaining sustainable, inclusive, and balanced economic growth. Investment in the social sector (particularly health and education) of member countries continued to receive considerable attention in the Bank's financing activities in 1434H. Between 1395H and 1434H, social sector financing from IDB-OCR totaled ID3.62 billion ($5.20 billion) for 816 operations.

Education

The IDB continued to place a strong emphasis on poverty reduction and on comprehensive human development (the main strategic thrust of its Vision 1440H) through focusing its education financing in member countries on: (i) basic education (especially bilingual programmes) to attain a universal quality, (ii) tertiary education to upgrade the teaching of science and technology, (iii) vocational training and technical education to enhance youth employability; and (iv) informal education and functional literacy through the Vocational Literacy Programme (VOLIP) for skills acquisition and productive engagement.

In pursuit of this strategy, the value of IDB interventions in the education sector of its member countries since inception through to 1434H has totaled ID2.2 billion ($3.1 billion) for 504 operations. Of this amount, tertiary interventions accounted for the largest allocation at 70 percent due to two factors. First, more middle income member countries like Indonesia are using non-concessional financing modes such as Istisna'a and Installment Sale to finance their tertiary education; and second, the IDB has placed special emphasis on developing a critical mass of human capital at the middle and higher levels in science and technology education (Box 2.1).

In 1434H, 24 education operations were approved for an amount of ID232.9 million ($354.4 million), an increase of 25.8 percent over the previous year. These operations strategically targeted tertiary education, vocational and technical education, and training in middle-income member countries. The main objective of the operations is to increase the stock and quality of the workforce in order to tackle skills gaps, to enhance the productivity of the labour force, and to reduce unemployment in member countries. For its least developed member countries, the IDB's education strategy has focused on supporting efforts toward universalizing basic education by targeting underserved and hard-to-reach communities.

The two largest operations approved for the education sector in 1434H were (i) the development and upgrade of seven universities in Indonesia ($174.0 million), and (ii) the construction of three colleges in the University of Lebanon ($31.0 million). These projects aimed to support the higher education strategies of the governments concerned to produce the qualified and competitive graduates needed in the the labour market. The projects also aimed to improve access to, the quality of, and the relevance of higher education institutions by expanding, renovating and equipping facilities as well as improving the curricula, and the skills of the academic staff. By

Box 2.1 Boosting the Quality of Education in Uganda

The IDB financed the Construction of Student Hostels at the Islamic University in Uganda. The project's outputs included: a male student hostel (for 550 students), a female student hostel (for 550 students) and, a students' dining hall and kitchen for both males and females. In addition, furniture for the hostels, a generator, a 96 cubic meters water tank and kitchen utensils were procured. As a result, at the Mbale (Main) Campus, 4,024 students study, while 987 females and 1,520 males reside on campus. In the male hostel, built as part of the project, 700 students reside, while in the female hostel 600 students reside, both more than the achieved capacity (550). In total, 8,709 students from 23 countries study at the university. Since the project positively influenced the image of the campus for international students and their parents, the university consequently attracted students from more countries. The accommodation facilities also improved the learning environment. The project has brought both regional and international reputation to the university. The number of students graduating with honours degrees was 313 in 2004, but it has risen to 1,420 in 2012. Since its establishment, 11,268 students have graduated from the university and have gained employment in the public and private sectors. The establishment of IDB-funded campuses leads to the creation of many small businesses in the vicinity.

Overview of female Hostel

2018, about 222,000 students (60 percent female) and 753 lecturers are expected to benefit from the Indonesian project while that in Lebanon will provide access to university education for 2,500 students annually with a curriculum attuned and responsive to labour market needs.

During 1434H, the Bank scaled up its Vocational Literacy Programme (VOLIP) for Poverty Reduction which was launched under the Islamic Solidarity Fund for Development with the aim of reducing poverty particularly among women and youth in rural areas through the provision of functional literacy skills and access to micro-finance. Two VOLIP projects for Egypt and Morocco for $15.5 million were approved in 1434H bringing the total number of beneficiary countries to eight with a cumulative approval of ID52.9 million ($80.0 million) . The VOLIP and the Education-for-Employment (e4e) initiative complement each other since both are aimed at tackling unemployment through enhancing the acquisition of skills.

Health

The third key strategic thrust of the IDB 1440H Vision is to promote health especially maternal and children's health and to eradicate malaria, and other communicable diseases which coincide with health-related MDG targets. The Bank's intervention in the health sector has continued to focus on three areas: (i) the prevention and control of both communicable and non-communicable diseases, (ii) strengthening health system to improve access to quality healthcare services and (iii) financing alternative health provision to remove financial barriers to access, mobilize additional financial resources for health, and to make better use of available resources.

The Bank's health sector approvals for member countries since its inception reached ID1.47 billion ($2.12 billion) for 312 operations. In the past 22 years, approvals in the sector increased more than tenfold. During 1434H, five countries benefited from 11 health sector-related operations totaling ID60 million ($92 million) mainly through non-concessional instruments of Istisna'a and Installment Sale. All health sector approvals cover a wide spectrum of the health system -- from community to tertiary levels -- and encompass basic to specialized services (such as Oncology and Emergency care) as well as soft components (such as the training of human resources and establishing or improving of the health management system and facilities) (Box 2.2).

In addition to country specific interventions, the Bank has, in 1434H, approved a sum of $128,000, under a Technical Assistance grant financing for

Box 2.2: Paediatric Hospital in Jordan

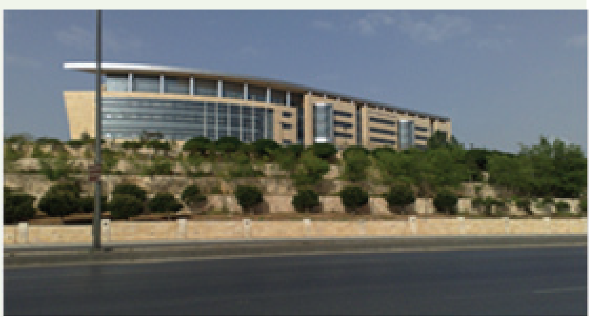
The Bank financed the Paediatric Hospital in Jordan over five years (2005-2010) which has made a significant impact on the lives of patients. The hospital is the central referral location for children in Jordan and the beneficiaries include the army, civilians with public health insurance, those covered by the royal court, and cash paying civilians from inside and outside Jordan.

The Hospital provides tertiary, secondary and primary health care for children including medical, surgical and intensive care and it is a centre of excellence for graduate medical education. It has 202 beds, 18 intensive care unit beds, a neonatal unit of 14 incubators, 5 operating rooms, 24 consulting clinics, 13 specialty units and an emergency room to accommodate 92,000 visiting patients per year. It addition, it has a medical records unit, a laboratory, a library, a cafeteria, a laundry, a kitchen, meeting rooms, test centres and halls, a helipad, and other supporting facilities.

The hospital is the first paediatric specialty institution in Jordan with a unique paediatric surgery centre that is the only one having a paediatric renal transplant unit, a paediatric rheumatology unit, the ability to cope with paediatric bone marrow transplantation with primary immunodeficiency, a paediatric bronchoscopy unit, and a metabolic service in the country. The hospital is also the only one with a genetic clinic for children in Jordan.

The number of beneficiaries in 2010 reached 205,734 patients, of which the army accounted for 80.0 percent, civilians from Jordan 19.7 percent, and non-Jordanians 0.3 percent. In 2011, the beneficiaries increased to 315,151 patients, of which 77 percent were from the army, 22 percent were Jordanian citizens and 1 percent were non-Jordanians. In 2012, the beneficiaries further surged to 336,652 patients, mainly dominated by the army 77.5 percent, followed by Jordanians 21.4 percent, and non-Jordanians 1.1 percent. The number of visitors to Central Emergency was 184,424 in 2010, 180,609 in 2011 and 185,176 in 2012 reaching 30,370 as of March 2013.

The Hospital Director said "The hospital impacted the reduction of the health bill of the country since its establishment by providing quality health service for unique diseases which were previously transferred outside the country for treatment such as, metabolic disorder disease, immunology, oncology, genetics and bone marrow transplants".



the Statistical, Economic, Social Research and Training Centre for Islamic Countries (SESRIC) to prepare an OIC Strategic Health Programme of Action (OIC-SHPA 2014-2023) which will serve as a common guiding framework for health sector interventions in all OIC member countries.

The Bank and the Bill & Melinda Gates Foundation are financing a Polio Eradication Programme (PEP) in Pakistan through a triple-win financing mechanism. The Programme has been facing various challenges including resistance by and the reluctance of the local community to support it due to complex socio-cultural and religious reasons. To address the challenge, the Bank in 1434H organized a high-level consultative conference with religious scholars from Pakistan and the Kingdom of Saudi Arabia. Through this conference, a new partnership was established to engage religious scholars, their schools, and students to support the public sensitization and community level vaccination campaigns that are being undertaken by UNICEF and the WHO in collaboration with the Government of Pakistan. Building on the PEP experience in Pakistan, the Bank, in partnership with the Global Alliance on Vaccine and Immunization (GAVI), is rolling out vaccines against two of the biggest killers of children in developing countries – diarrhoea and pneumonia – as well as new and underused vaccines, including human papillomavirus (HPV) against cervical cancer, Japanese encephalitis, typhoid, and rubella.

2.2 Investing in infrastructure

Infrastructure development is widely acknowledged as a linchpin for economic growth. This sector has the potential to transform the economies of member countries profoundly and to assist them to address their most pressing challenges. The Bank's intervention in the infrastructure sector has remained strong and consistent over the years. By the end of 1434H, the IDB has financed infrastructure operations in member countries totaling ID17.4 billion ($25.7 billion) while its active infrastructure portfolio stood at ID8.7 billion ($13.4 billion) for 219 operations, of which ID2.6 billion (30 percent) has been disbursed.

In 1434H, infrastructure projects approved by the Bank totaled ID2 billion ($3.1 billion) for 24 member countries covering electricity generation and transmission, transportation, and water and sanitation. In the same year, ID1.03 billion ($1.58 billion) was disbursed, which is an increase of 27 percent over the previous year's level, demonstrating the Bank's continued strong commitment to help create an enabling environment in its member countries. The energy sector alone received the largest infrastructure allocation (39.2 percent of the total of OCR approvals), followed by transportation (20.2 percent), and water, sanitation and urban services (13.7 percent).

Facilitating Affordable Access to Energy: The Bank continues to prioritize support for environment-friendly self-sustainable energy projects with a focus on the development of indigenous renewable energy resources and on the promotion of energy efficiency enhancement initiatives. In this context, the Bank in 1434H approved 15 energy sector projects for 12 member countries (Bangladesh, Egypt, Iran, the Kyrgyz Republic, Mozambique, Sudan, Tajikistan, Togo, Tunisia, Turkey, Uganda and Uzbekistan) for approximately ID1 billion ($1.52 billion) (Box 2.3). It also disbursed ID275 million ($421 million) in the same year to facilitate the implementation of public sector energy projects in various member countries.

Sustainable Transportation Networks: Financing transport networks in member countries is also an important strategic priority of the IDB aimed at alleviating poverty and accelerating the economic development of member countries. During 1434H, the Bank financed its first transport sector operation in Iraq for ID145 million ($220 million); this project is consistent with the Bank's commitment of 2003 to help finance Iraq's reconstruction and to improve its road transport, network efficiency and highway safety. The Bank continued to promote regional integration in Africa through financing transportation networks in eight member countries (Benin, Burkina Faso, Cote d'Ivoire, Gambia, Mauritania, Senegal, Togo and Uganda) which benefited from a total amount of ID341 million ($521 million), representing 48 percent of total transportation approvals (Box 2.4 and Box 2.5).

Box 2.3: Restricted Mudaraba Renewable Energy Investment Facility for Turkey

In 1434H, the Bank fully disbursed $100 million that had been approved earlier for the pilot Renewable Energy Programme in Turkey. Twelve projects are being developed under the pilot $100 million Restricted Mudaraba Investment Facility with completion dates varying from July 2013 to December 2015.

The total cost of the twelve projects is $857.8 million, of which $233.2 million is being supplied in the form of equity by the private sector project sponsors. The debt portion is being co-financed with the IBRD (World Bank), the IFC, the EIB, the KfW as well as leading local commercial banks which include Garanti, Is Bankasi, and Yapi Kredi.

A total of 493 MW of new installed capacity will be commissioned with savings of 1,345 k. tons equivalent reduction in CO_2 emissions. In addition, the energy efficiency projects will result in saving 445,578 GCal annually. Following-up on the success of the pilot Renewable Energy Programme, in line with the priorities set in the MCPS, two additional Restricted Mudaraba Investment Facilities were approved for a total amount of $440 million in 1434H to support the development of Renewable Energy and Energy Efficiency projects in the Republic of Turkey.

In Asia, the IDB approved ID13 million ($20 million) for the construction of harbours in the Maldives while in the CIS region, two projects totaling ID194 million ($293 million) were approved for the purchase of two airplanes in Uzbekistan, and the construction of national roads in Albania. In addition, an Istisna'a operation for ID13 million ($20 million) was also approved for upgrading the Millosheve-Mitrovica M2 main road in Kosovo. This amount is the balance from the IDB's special allocation to Kosovo exceptionally approved in 1999 by the BED to support the reconstruction of that country. The Bank disbursed ID360 million ($551 million) for the 57 active projects in the transportation sector, which is an increase of 19 percent over 1433H.

Fostering Urban Development: The Bank has continued to scale-up its financing of the urban development sector by approving seven urban-related infrastructure operations in 1434H for ID277 million ($424 million). These were in the

Box 2.4: Up-grading of Tirinyi – Pallisa – Kumi and Pallisa – Kamonkoli Road Project

Uganda, through the Road Sector Development Programme, is focusing on the provision of a safe and efficient road network by increasing the density of paved roads. The IDB is providing assistance to Uganda for the development of a safe reliable, efficient and integrated road transport infrastructure, which will best meet the needs of freight and passenger transportation, whilst being environmentally and economically sustainable and creating a conducive environment for economic and social development. The up-grading of the Tirinyi – Pallisa – Kumi and Pallisa – Kamonkoli Road Project is one such intervention. The project is part of the national road network and it is located in the eastern part of Uganda. It has gravel/earthen surface and it connects the towns of Tirinyi, Pallisa Mbale to those of Kumi and Soroti. Trinyi is a growing town on the busy Lganga-Mbale highway to Kumi which used for the transportation of maize, potatoes, cassava and the main cash crop, cotton, to trading centres. Upgrading of this road, to a better standard, will result in the socio-economic development of the project area and the vicinity. The Project is targeting an up-grading of a 111.25 km 2-lane existing roadway to an asphaltic paved road standard. The estimated total cost of the project is $162.45 million. The IDB is providing $120 million for 91.7km of road length and the provision of maintenance and axle load control equipment. The project is expected to be completed by December 2017.

areas of water supply and sanitation and were aimed at assisting member countries achieve the MDG-related to the sector. The Fars Sewerage project in Iran accounted for 45 percent of total urban development financing in 1434H. The project's aim is to support the Iranian government's efforts to establish an effective and sustainable system for the improvement of waste-water collection and treatment in six cities in Fars. Burkina Faso, Gabon, Indonesia, Maldives and Tajikistan also received finance to support their water supply, drainage and sanitation infrastructure projects, while a flood mitigation and urban restructuring project was also approved for Senegal during the year under review.

Partnering with the Private Sector: The IDB has continued to support private investment in infrastructure in its member countries by financing Public Private Partnership (PPP) transactions. Its PPP portfolio over the past five years has grown rapidly to $3 billion and has continued to expand

Box 2.5: Infrastructure Development in Mauritania: Modernization of Nouadhibou Mining Port Handling Equipment

In Mauritania, the IDB financed the Mining Port Handling Equipment Project (MAU0108) which aimed at modernizing the Nouadhibou port loading equipment of "Société Nationale Industrielle et Minière" (SNIM), which is the state mining company and one of the major iron exporters in the world. The project succeeded in increasing SNIM's iron ore production from 10.65 million tons in 2006 to 11.50 million tons in 2012. The project increased the average loading rate from 1,407 tons per hour to 1,732 tons per hour and simultaneously, reduced the average waiting time in harbour from 155 hours to 148.5 hours. Moreover, the project has had a sustained socio-economic impact at both micro and macro levels. At the macro level, SNIM's increased production lead iron ore exports to become 44% of the total exports of the country. In addition, SNIM provided 30% of national income and therefore, contributed to the allocation of funds required for the socio-economic development of the country. On the other hand, at the micro-level, SNIM made an impact on the local community living along its railway corridor (Zouérate-Nouadhibou). SNIM Group, is the largest employer in Mauritania after the state, but it increased job opportunities by creating 3,000 temporary jobs during the implementation of the project.

Bucket Wheel Reclaimer transporting ore to the ship

Stacker creating iron ore stockpile

through a stronger engagement with governments and the private sector in member countries. In 1434H, the Bank approved an industrial project to support the SADARA Chemical Complex in Saudi Arabia and disbursed ID251 million ($384 million) for on-going PPP projects, representing an increase of 138 percent over the previous year.

Building on its success, the Bank's PPP portfolio will continue to expand its activities during the coming years. Its regional impact will also continue to broaden in order to include member countries from Sub-Saharan Africa and Central Asia. In addition to geographical considerations, a substantial allocation of resources is being made to develop the untapped soft infrastructure sectors of healthcare, education and agriculture (Box 2.6).

Box 2.6: The Arab Financing Facility for Infrastructure (AFFI)

The Bank continued to play an active role in promoting private sector development through the avenue of the Public Private Partnership (PPP). The Arab Financing Facility for Infrastructure (AFFI), a partnership of the World Bank Group and the Islamic Development Bank, was launched in 2011. The AFFI is designed to support private investment flows for the development of Infrastructure in the Arab World, which meet regional needs. Recent events in the Arab region highlight the importance of bringing infrastructure investments and other pro-job investments into these countries. The AFFI is encouraging private sector interventions in the Arab League countries' infrastructure space at a time when governments are increasingly relying on PPP based financing. The Technical Assistance Facility (TAF), one of the components of the AFFI, provides support to governments and public sector entities to increase awareness, assist in building a favorable enabling environment, and to provide transaction advisory services in order to prepare well-structured public-private partnership projects.

2.3 Focusing on Agriculture and Food Security

Agriculture plays a critical role in achieving food security and in reducing poverty in member countries. For this important reason, the Bank has been active in financing the sector with approvals in 1434H totaling ID439 million ($664.8 million) for 43 projects and operations; of which ID200 million ($302.9 million) was disbursed, representing 89 percent of the annual target.

During the same year, seven countries in the Sahel region benefited from a $316 million Bank's special programme on Drought and Building Resilience related to recurring food insecurity in the region. Also a regional programme for rural water supply for WAEMU was launched for an amount of $100 million. All in all, a significant part of the Bank's interventions in the agricultural sector in 1434H were devoted to Smallholder Agricultural Productivity Enhancement Programme (SAPEP), the East Africa Dry Lands Programme (EADP), the Millennium Villages Programme (MVP), the Sustainable Village Programme (SVP), the Youth Employment Support (YES) Programme, and Community Driven Development (CDD).

Jeddah Declaration: After successfully passing the approval phase in 1433H, the Bank shifted the focus of its Jeddah Declaration (JD) to improving the quality and impact of its portfolio. In this regard, a thorough analysis and review of the JD portfolio was conducted in 1434H, resulting in a report entitled "Programme Completion Report of the Approval Phase of JD". The report provided assessments of the JD in terms of approvals versus targets set for the period of the implementation of approved projects, and of the design of an "action plan" to fast-track implementation and ensure timely completion and achievement of the JD objective. Also, during the year, significant efforts were made to implement the action plan and a report entitled "JD Crash Programme Implementation: An Update" was prepared highlighting key elements of the action plan along with a project disbursement profile for the JD portfolio.

Special Programme for the Development of Africa (SPDA): The implementation of this initiative, which had a five-year time frame (2008-2012), deepened in 1434H, as the programme transitioned from the approval stage to the implementation stage. Out of the total approval of $5.01 billion under the Programme, $472 million was disbursed by the IDB Group to the twenty-two SPDA beneficiary member countries in 1434H bringing the cumulative disbursements to $1.6 billion or 31.6 percent of total approvals. Of the total disbursements, project financing by the IDB stood at $317 million (67 percent), followed by $17 million for private sector development by the ICD, $133 million for trade financing by the ITFC, and $5.2 million by the APIF. In addition, the ICIEC issued insurance coverage for $640 million.

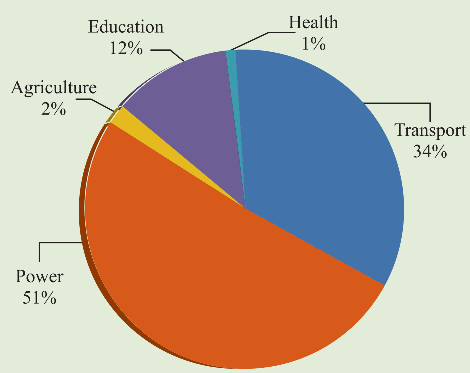
In terms of sectoral distribution (excluding the ICIEC), more than half of the disbursements (52 percent) went to infrastructure development with one-third (30 percent) to agriculture development, while 5 percent and 3 percent were respectively disbursed for education and health projects. Meanwhile, the SPDA assessment is being undertaken by a team of consultants who will prepare a detailed inventory of achievements versus expected outputs of SPDA projects, review the implementation of the programme in the field, and document lessons for a more effective implementation of future IDB programmes in Africa.

Strengthening Partnerships: In 1434H, the Bank fostered new partnerships with major global organizations to drive forward its agenda of ensuring food security and rural development in its member countries. Accordingly, new partnership agreements were agreed with three international agencies, namely the Alliance for Green Revolution in Africa (AGRA), the International Fertilizer Development Center (IFDC) and the International Food Policy Research Institute (IFPRI). So far, the Bank has signed a MOU with each of these organizations to better assist member countries in the field of agriculture and food security. In addition, the Bank deepened its collaboration with other key development partners including the MDG Centre (MDGC) on the Drylands Regional Programme, the Millennium Villages Programme (MVP), and the Sustainable Village Programme (SVP); the Permanent Interstate Committee for Drought Control in the Sahel (CILSS) on Building Resilience to Food Insecurity in the Sahel; and the IFAD on Integrated Rural Development Project in Yemen. With regard to MVPs and SVPs, the Bank in partnership with the MDGC, has launched two programmes in Uganda and Mozambique.

Expanding Co-financing: The Bank collaborates with development partners and donors to co-finance projects and operations in member countries. This collaborative strategy has helped it to pool and tap resources from a large number of organizations and institutions which are interested in jointly financing development activities. In addition to pooling resources, partnerships provide an ideal platform for improving aid effectiveness and for knowledge-sharing.

During the year under review, 17 projects in 15 countries were co-financed with other institutions. The cost of these projects totaled $4.3 billion with the IDB contributing $1.4 billion (33 percent) and others $1.7 billion (40 percent) of the total cost. Co-financed operations represented 34 percent of the total approvals of the IDB in 1434H, of which the infrastructure sector (mainly energy and transport projects) accounted for two-thirds, while the remaining portion went to the agriculture, health and education sectors (Figure 2.1).

Fig. 2.1: Sectoral Distribution of Co-financed Operations in 1434H



In terms of regions, ten percent of co-financed operations benefited member countries in Sub-Saharan Africa, while the remaining 90 percent went to countries in Asia, the Middle East & North Africa, and Europe.

Table 2.1 shows that annual co-financing activities, on average, represent 35 percent of IDB-OCR cumulative financing. The IDB provided, on average, around 20 percent of the combined total cost of co-financed projects, while co-financiers provided 50 percent, including 15 percent from members of the Coordination Group. The trend for the year 1434H is fairly consistent with recent historical trends.

Co-financing with the Coordination Group: As a member of the Coordination Group, the IDB has developed a close working relationship

Table 2.1: Evolution of Co-financing Activities of the Bank (1426H-1434H)							
Year	OCR Approvals $m*	Co-financing $m (% OCR)	No. of Operations	No. of MCs	Co-financiers $m	Of which CG $m	Projects' Cost $m
1434H	4,164	1,410 (34%)	17	15	1,733	337	4,290
1433H	4,168	1,286 (31%)	31	20	2,474	1,180	5,733
1432H	4,270	1,518 (36%)	21	16	4,468	1.421	7,863
1431H	3,702	1,495 (40%)	26	17	5,806	862	7,302
1430H	3,359	1,213 (37%)	23	16	2,766	1,479	7,133
1429H	2,498	856 (34%)	21	18	2,151	540	5,218
1428H	2,087	1,014 (49%)	31	20	2,818	786	6,925
1427H	1,652	368 (22%)	8	7	793	437	1,802
1426H	1,464	368 (25%)	15	12	745	311	1,688
Total	**27,364**	**9,528 (35%)**	**193**		**23,754**	**7,353**	**47,954**

Source: IDB Annual Reports (various issues) * OCR Approvals shown here are as reported at year-end in related IDB Annual Reports

with this group and its bilateral and multilateral members. With over 35 years of existence, the Coordination Group remains an exemplary model of south-south cooperation and inter-agency aid coordination. As a donor coordination forum, the Coordination Group enables its members to better combine their efforts in order to increase the focus and impact of their collective assistance to developing countries.

The IDB and members of the Coordination Group have so far co-financed 288 projects costing $41.6 billion. Of this amount, IDB's contributed $5.9billion while the rest Coordination Group members' contribution reached $13.1 billion.

In 1434H, the IDB co-financed 17 operations with other donors; out of which 9 were co-financed with members of the Coordination Group[1]totaling $337 million (representing 20 percent of the total cost of the co-financed projects ($1.6 billion). Of this amount, IDB's share was 41 percent.

During the year, co-financing activities took place with the following Coordination Group members:

- **Arab Fund for Economic and Social Development**: The IDB has been working closely with the Arab Fund for Economic and Social Development for almost 40 years. Both institutions have increased the volume of their co-financing activities in recent years. In the past five years, they co-financed 9 projects costing $7.6 billion mainly in the infrastructure sector in Arab countries. The IDB contributed $1.1 billion while the Arab Fund's contribution to the same projects totaled $1.3 billion.

- **Abu Dhabi Fund for Development**: Co-financing between the IDB and the Abu Dhabi Fund has targeted 33 projects in excess of $14 billion in 21 countries in Africa, the Middle East & North Africa and, more recently, in Central Asia. The IDB and Abu Dhabi Fund's co-financing in the past five years totaled $1.9 billion with the IDB contributing $1.2 billion and the Abu Dhabi Fund $0.7 billion.

- **Arab Bank for Economic Development in Africa (BADEA):** The IDB and the BADEA have so far co-financed 60 projects costing $5.1 billion in common member countries in Africa. In 1434H, three projects were co-financed with BADEA namely the construction of the $612 million Ouagadougou-Donsin International Airport Project in Burkina Faso ($100 million from IDB and $10 million from BADEA), the second phase of the Niassa Rural Electrification Project in Mozambique ($8 million from IDB and $10 million from BADEA) and the reconstruction of the Adagali-Atakpame Road Project in Togo ($13 million from IDB and $10 million from BADEA).

[1] 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 (ADFD), the Arab Fund for Economic and Social Development (AFESD), the Arab Bank for Economic Development in Africa (BADEA), the Arab Gulf Programme for Development (AGFUND), the Arab Monetary Fund (AMF), the Islamic Development Bank (IDB), the Kuwait Fund for Arab Economic Development (KFAED), the OPEC Fund for International Development (OFID), Qatar Development Fund (QDF) and the Saudi Fund for Development (SFD).

- **Kuwait Fund for Arab Economic Development (KFAED):** In the last five years, the IDB and the Kuwait Fund co-financed 97 projects in Africa, Asia, and in Arab countries costing $12.6 billion with the IDB contributing $2.0 billion and the Kuwait Fund $1.2 billion. In 1434H, the IDB and the Kuwait Fund co-financed 4 projects, including 2 transport projects in Burkina Faso and Togo, a rural electrification project in Mozambique, and a health sector project in Kosovo. The IDB also contributed $128 million towards the cost of these projects, while the Kuwait Fund's contribution totaled $62 million.

- **OPEC Fund for International Development (OFID):** The IDB and OFID co-financed 5 projects in 1434H costing $892 million, with the IDB contributing $152 million and OFID $65 million. These co-financed projects included the construction of the $612 million Ouagadougou-Donsin International Airport Project in Burkina Faso ($100 million from the IDB and $24 million from OFID), the second phase of the Niassa Rural Electrification Project in Mozambique ($8 million from the IDB and $10 million from OFID), the reconstruction of the Adagali-Atakpame Road Project in Togo ($13 million from the IDB and $10 million from OFID), Togo's Access to Energy for Rural Communities ($11 million from the IDB and $6 million from OFID), and Kosovo's Upgrading of the Millosheve-Mitrovica M2 Main Road Project ($20 million from the IDB and $15 million from OFID).

- **Saudi Fund for Development**: The IDB and the Saudi Fund co-financed over 100 operations for a cost of $22.9 billion across member countries from Africa, Asia and from Arab regions. These operations focused mainly on infrastructure, agriculture & rural development, health and education with the IDB providing $3.5 billion and the Saudi Fund $2.9 billion. In 1434H, the IDB co-financed 8 projects with the Fund at a cost of $1.6 billion, with the IDB contributing $0.6 billion and with $0.2 billion from the Saudi Fund, including 4 transport projects in Albania, Burkina Faso, Togo and Kosovo, 2 power projects in Egypt and Mozambique, a health project in Kosovo and a tertiary education project in Indonesia.

- **Other Institutions of the Coordination Group**: The IDB has undertaken regular activities jointly with other Coordination Group members. For instance, the Bank and the Arab Gulf Programme for Development (AGFUND) have jointly established the Al-Ebda'a Microfinance Institution in Sudan in 1434H. The Bank has an equity investment stake of 25 percent in the $5 million Paid-up Capital of the Al-Ebda'a Microfinance Institution, which supports job creation and poverty alleviation activities in Sudan. The Bank has also collaborated with the Arab Monetary Fund in organizing seminars and training programmes for senior officials in the Arab region. In 1434H, the newly established Qatar Development Fund joined the Coordination Group, which will foster greater cooperation and joint operational activities in common member countries.

- In addition, the Bank has collaborated and actively participated in the High Level Dialogue with the Coordination Group Institutions and the Development Assistance Committee (DAC) of the OECD, which was first initiated in 2009. The third Dialogue was held in January 2014 to foster common approaches in three areas namely: (i) explore ways of delivering inclusive growth and job creation in Arab states in transition, (ii) support peace building and state building in fragile states, especially in Somalia and Yemen, and (iii) prepare for the Ministerial Meeting of the Global Partnership for Effective Development Cooperation (GPEDC) to be held in April 2014 in Mexico. During 1434H, the Bank also supported Coordination Group Institutions in fostering cooperation with the World Bank, setting up of the Arab Development Portal, organizing roundtables on supporting developmental opportunities in Egypt and Palestine.

During the year, the IDB also strengthened cooperation with the following multilateral development banks:

- **World Bank Group**: Co-financing activities with the World Bank targeted over 70 projects costing $23 billion in common member countries in Africa, Asia and the Middle East and North Africa, in which the two institutions collectively provided $7 billion of assistance, including $1.5 billion from the IDB and $5.5 billion from the World Bank. In 1434H, the IDB and the World Bank co-financed 3 major infrastructure projects (2 transport projects and 1 power project) for $2.2 billion in Burkina Faso, Iraq and Turkey, with the IDB contributing $0.5 billion and the World Bank $0.6 billion.

  Recent major operations with the World Bank include Kazakhstan's Western Europe-Western China International Transit Corridor; Egypt's South Helwan Power Plant and Iraq's Improvement of Expressway No.1. Similarly, the IDB recently worked with the IFC on a number of PPP transactions, including Jordan's Queen Alia Airport Expansion Project. MIGA also provided political risk cover, part of which was reinsured by the ICIEC, for the IDB-financed Doraleh Container Seaport Terminal in Djibouti, a BOT project sponsored by Dubai Port World.

  Thematic cooperation includes, for example, the water sector, as both the IDB and the World Bank recently supported the establishment of the Arab Water Academy, a regional capacity development programme hosted by the International Centre for Biosaline Agriculture (ICBA)[2], in partnership with the Abu Dhabi Environment Agency, under the umbrella of the Arab Water Council. Similarly, the IDB and the World Bank are currently working together on the Arab Financing Facility for Infrastructure (AFFI), on youth employment through the Education for Employment (e4e) initiative and on support for SMEs development, especially through the G8 Deauville Partnership. Trade facilitation and infrastructure to support greater regional integration is another area of cooperation, particularly in the Mashreq and Maghreb regions, but also in Africa, mainly through the Trans-Sahelian and Trans-Saharan transport corridors as well as through major regional hydraulics and hydropower infrastructure developments along the Senegal and Niger Rivers. Another area of common interest is clean energy development, especially solar and wind power. The IDB and the World Bank are working on the development of Concentrated Solar Power (CSP), especially in North Africa.

- **Asian Development Bank**: Cooperation with the Asian Development Bank (ADB) dates back to the inception of the IDB when the ADB provided helpful corporate and operational assistance. The two institutions have co-financed 30 projects in 9 common member countries mainly in South and Southeast Asia. These operations supported a total investment worth $11 billion with the IDB and the Asian Development Bank contributing $1.3 billion and $3 billion respectively. In 1434H, the IDB and the ADB co-financed Bangladesh's $400 million Sylhet Power Efficiency Enhancement Project, with the IDB contributing $85 million and the ADB $185 million.

- **European Investment Bank**: The European Investment Bank is one of the IDB's earliest co-financing partners, given that it co-financed the IDB's first operation, Cameroun's Song-Loulou hydropower scheme, which was approved in 1396H (1976). Since then cooperation has grown steadily. In the last five years, the IDB and the European Investment Bank have co-financed 5 projects worth around $3.7 billion, mainly in the power and transport sectors, including $0.7 billion from the IDB and $1 billion from the European Investment Bank. In 1434H, the IDB and the European Investment Bank participated in co-financing the Bangladesh's $400 million Sylhet Power Efficiency Enhancement Project, in which the IDB contributed $85 million and the European Investment Bank $98 million.

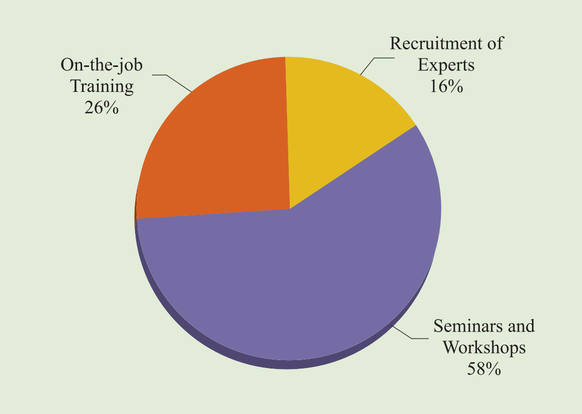
[2] The ICBA was established in 1999 by the IDB in partnership with the United Arab Emirates as a regional agricultural research and development organisation, with an international focus, dedicated to harnessing saline and low quality water for irrigation purposes. Since 2010 the ICBA has been operating under the aegis of the United Arab Emirates.

2.4 Promoting Capacity Development

Technical Cooperation Programme: The Bank's Technical Cooperation Programme (TCP) is aimed at human resource development in member countries. It is a South-South cooperation programme focusing on transfer and exchange of skills, knowledge, and know-how among member countries. Built around a tripartite scheme, the programme involves three partners in each of its activities, namely a technical donor, a beneficiary, and the IDB acting as a facilitator. Focusing on capacity development, the TCP entails organizing seminars, providing on-the-job training courses and recruiting experts to assist member countries to build the capacities, skills, and experience of technical and professional staff.

In 1434H, 62 operations were approved under the TCP for 24 member countries[3] for an amount of $1.5 million. Fifteen regional activities were also organized (Figure 2.2).

Figure 2.2: Distribution of TCP Approvals by Activity in 1434H



On the recruitment of experts, 10 operations were approved in 1434H for $255,000. These experts provided technical services in various sectors such as agriculture, health, SMEs and science & technology in member countries. One noteworthy case was the recruitment of experts to support a specialized Centre on Small and Medium Enterprises (SMEs) established for the Bahrain Chamber of Commerce & Industry. The experts provided consulting services for the Centre on (i) subcontracting & partnership exchange and export consortia, (ii) implementing quality management programmes for SMEs, and (iii) implementing branding concepts and franchise.

The TCP also financed 16 training courses during 1434H for an amount of $446,900. It continued to invest efforts in developing regional courses and in providing support for study visits and on-the-job training. The Programme has helped the Bank to strengthen its partnerships with centres of excellence in member countries, in sharing experiences with other institutions and, in offering a wide range of specialized training courses. As a result, the Bank, in collaboration with the Jordanian Ministry of Finance funded the Regional Training Programme on Government Accounting, in Amman in October, 2013. This training programme, covering 30 training hours over a period of 5 days, benefited 15 middle and upper government officials working in various public accounting departments and regulatory units in IDB member countries.

The Bank through its TCP organized 36 seminars, workshops and conferences in 1434H spending a total of $798,100. These activities helped to disseminate best practices in key sectors and enabled participating countries to address some of their major challenges. A case in point is the Arab Forum for Environment & Development (AFED) Conference on "Sustainable Energy in Arab Countries", which was financed by the TCP and held on 28-29 October 2013, in Sharjah, United Arab Emirates. The Conference presented a situational analysis of the current state of energy in the Arab region, shed light on the major challenges facing Arab country's energy sector and discussed different sustainability options for energy in the region. During the event, the findings of the 2013 AFED Annual Report on "Sustainable Energy in Arab Countries" were presented which highlighted methods of managing energy efficiently.

Science and Technology Programme: The Science and Technology (S&T) Programme focuses on cooperation to enable knowledge and technology

[3] Saudi Arabia, Bahrain, Lebanon, Jordan, Tunisia, Morocco, Azerbaijan, Kyrgyz Republic, Burkina Faso, Chad, Comoros, Gabon, Senegal, Cameroon, Nigeria, Guinea Bissau, Mauritania, Egypt, Libya, Malaysia, Indonesia, Iran, Turkey and Brunei.

transfer and on partnership in scientific research among member countries. It promotes and encourages the acquisition and dissemination of knowledge through activities such as the short-term assignments of experts, the exchange of scientists, through networking amongst associations of scientists and the organization of on-the-job training as well as conferences. Between 1425H – when the programme was launched – and 1434H, 213 operations for $10.7 million have been approved; of this, 16 operations were approved in 1434H for an amount of $395,500.

IDB Prizes for Science & Technology: The IDB Prizes for Science & Technology (S&T) were established in 1422H to promote excellence in research & development and in scientific education. Three prizes are awarded on an annual basis to reward achievements in three categories: (i) outstanding science & technology contribution to social and economic development, (ii) excellence in a given scientific specialty, and (iii) for the best performing S&T centre in a least developed member country. The amount for each prize is $100,000.

In 1434H, the winners for the 11th edition of the IDB Prizes for S&T were (i) the National Council for Scientific Research (CNRS), Lebanon, (ii) the Solar Energy Research Institute (SERI), Malaysia, and (iii) the Avicenna Tajik State Medical University (TSMU), Tajikistan (Box 2.7).

Box 2.7: Winners of 11th Edition of the IDB Prizes for Science & Technology

Category-1: National Council for Scientific Research (CNRS), Lebanon

The CNRS published substantial research articles and books. Through its research laboratories and research grants given to scientists or research institutions, it produced benefits which can flow into the economy and society. It generated useful knowledge, provided society with skilled graduates and researchers, developed scientific networks, enhanced problem-solving capacities, and facilitated the creation of new enterprises.

Category-2: Solar Energy Research Institute (SERI), Malaysia

The SERI designed several advanced technological innovations in the use and application of solar energy. Its achievements became noticeable despite only seven years of existence and limited manpower. It published 8 books as well as 235 journal articles with a high scientific impact factor.

Category-3: Avicenna Tajik State Medical University (TSMU), Tajikistan

The TSMU is the largest scientific, educational and medical complex in the country, providing high level training. In the last 5 years, it made 145 inventions, innovations and discoveries and published large number of books and scientific articles. It collaborates strongly with local, regional and international professional institutions.

Scholarships: The IDB Scholarship Programmes are designed to build science-based human capital in member countries as well as in Muslim communities in non-member countries. The Bank has three types of scholarship programmes: (i) Scholarship Programme for Muslim Communities in Non-Member Countries (SPMC), (ii) M.Sc. Programmes in Science and Technology for the Least Developed Member Countries (MPST), and (iii) Merit Scholarship Programme for High Technology for Member Countries (MSP).

For the SPMC, meritorious students from Muslim communities in non-member countries with limited financial means are granted scholarships in the form of loans to pursue their first degree-level education. Approved disciplines under this programme are medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. In 1434H, 400 students from 30 Muslim communities in non-member countries and from 6 member countries benefited from this scholarship programme bringing the total beneficiaries from the inception of the programme in 1404H (1983) to 12,789 students.

The MPST aims to develop the intermediate level of science-based human capital in member countries, and to enable students to qualify for the IDB Merit Scholarship Programme for High Technology (MSP). The annual enrollment of students for this scholarship programme has increased from 20 in 1429H to 50 in 1434H, bringing the cumulative number of beneficiaries since the inception of the programme in 1419H (1998) to 510 students. Under the IDB-STATCAP initiative, 12 scholarships were also awarded in the fields of statistics, demography and other related fields.

The MSP provides an outright grant to scholars from member countries who intend to undertake doctoral or post-doctoral research in designated universities. Under this programme, the IDB signed MoUs with several universities including the Universities of Cambridge, Oxford, Nottingham and Birmingham in the UK and ParisTech Group in France. Since signing the MOUs, 113 scholars have benefitted from the programme. In 1434H, 91 scholars were awarded scholarships. So far, 951 scholarships have been awarded since the inception of the programme in 1413H (1992); out of which 23 scholarships were given to Muslim communities in Non-Member Countries, representing about 5 percent of the total allocation to them over the period 1428H - 1433H (Box 2.8).

The number of graduates under the three programmes has exceeded 8,600 from Muslim communities in non-member countries and from member countries. Ninety-eight percent of graduates from Muslim communities in non-member countries are in gainful employment while 70 percent of the M.Sc. graduates are engaged in employment in their countries, filling the intermediate level human resources needs in the science and technology sectors. Ninety percent of MSP graduates have returned to their respective countries to join their home institutions.

The IDB also provides students with extra-curricular activities during their course of study under a special programme called "Guidance and Counseling Activities". There is a later follow through with "Post Study Activities" including community service. The purpose of these activities is to prepare students for leadership roles in developing their communities and countries. Until 1429H, these activities were restricted to the beneficiaries of the programme for Muslim communities in non-member countries. But starting from 1430H, the activities have been extended to a number of graduates from other scholarship programmes.

Box 2.8: Support to Muslim Communities in Non-Member Countries

Muslim communities in many non-member countries face enormous challenges in terms of their access to basic social services and to economic opportunities. The IDB assists Muslim Communities in non-member Countries to be effective partners in the development of their communities through improving the quality of education and health facilities, through empowerment and capacity building initiatives (e.g., training, micro-finance, seminars and educational materials including educational laboratories) and, by providing relief assistance to both member/non-member countries in situations of natural and man-made disasters. In addition, it offers opportunities for the academically meritorious and financially needy young Muslim students to pursue higher education, and it facilitates the cross-fertilization of experiences and knowledge sharing. The IDB also enhances co-financing initiatives with donors in non-member countries.

In 1434H, the IDB undertook several activities in non-member countries including providing relief assistance, supporting education and health services, launching capacity building initiatives through micro-financing, and training; and through the provision of scholarships.

In addition to these activities, the IDB has initiated in 1430H an "Excellent Leadership Award" for graduates of all three scholarship programmes. Under this Award, high achieving graduates – both professionally and in community service – are invited to attend a 3-day Management Development Programme at IDB headquarters. Furthermore, the Bank has been organizing Community Development Workshops to strengthen the capacity of partner NGOs. In 1434H, four workshops were organized for over 150 leaders.

Alliance to Fight Avoidable Blindness: The Alliance is a partnership programme for addressing preventable or curable blindness in member countries. The programme brings together (but is not restricted to) non-governmental organizations involved in eye care, ministries of health, and donors. By joining efforts with various parties, the Alliance focuses on cataract treatment and human resource development in the ophthalmologic field.

The main beneficiaries of the programme are Benin, Burkina Faso, Cameroon, Chad, Djibouti, Guinea, Mali and Niger while the financial partners are the Egyptian Fund for the Technical Cooperation with Africa, the OPEC Fund for International Development, the Arab Bank for Economic Development in Africa (BADEA), and the Azerbaijan International Development Agency (AIDA). The main technical partners involved in the programme are the non-governmental organization Nadi Al-Bassar (Tunisia), the Prevention of Blindness Union (Saudi Arabia), Al-Basar Foundation (Saudi Arabia), the Arab Medical Union (Egypt), and the Human Rights Foundation - IHH (Turkey).

Alliance activities consist of (i) supporting non-governmental organizations and volunteer doctors to conduct blindness control campaigns, (ii) organizing training courses for existing ophthalmologists and mid-level personnel in the beneficiary countries along with the non-governmental organizations in charge of conducting blindness control campaigns, and (iii) granting scholarships to medical professionals who would like to specialize in ophthalmology.

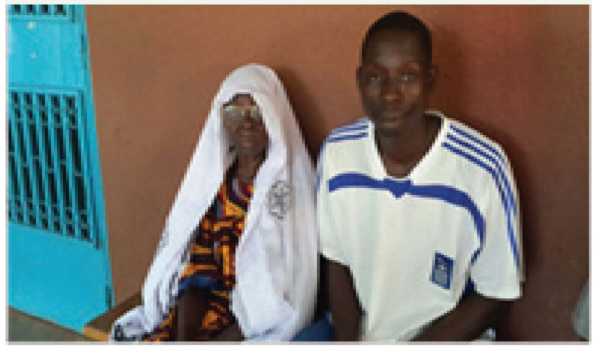
In 1434H, the Alliance examined 31,164 patients and carried out 7,058 sight-restoring cataract operations. It helped change the life of thousands of children, women and men of all ages who recovered their sight (Box 2.9).

Non-Governmental Organisation Programme: The IDB established this programme in 1997 to facilitate IDB involvement at grassroots level in member countries through capitalizing on the NGOs which are essential partners in the development process. In line with the strategic thrusts of the IDB Vision 1440H, the programme focuses its intervention in areas such as poverty alleviation, education, health, prospering people and on improving governance.

Over the period 1424H-1434H, the NGO Programme approved 229 operations for a total amount of $11.8 million in the form of grants. These approvals consisted of direct support to grassroots communities and capacity development to improve the efficiency of local NGOs and allow them to better serve the population in their countries. The scope of interventions covers training, information and communication activities, and the provision of equipment.

Box 2.9: Burkina Faso National Blindness Control Campaigns - Changing Lives

The IDB financed National Blindness Control Campaign in Burkina Faso has touched the lives of hundreds of people who have lost their eye-sight. One such remarkable story of determination and resilience is 90 year old, Ms. Tapsoba Adjaratu, from Nagareongo, 45 km from Ouagadougou. She lost her vision when she turned 72 and since then she has been left in the care of her family. In 2009, upon the insistence of her grandson, Souleymane, she had a cataract surgery. She is now self-employed and is independently able to support herself by selling traditional plants in the local market. In her words, the restoration of her eye-sight has restored her ‘dignity and fortunes’.



In 1434H, despite limited grant resources, 9 operations were approved for $450,000 in the framework of the NGO Programme for Azerbaijan, Kuwait, Morocco, Niger, Saudi Arabia, Senegal and Turkey. These operations covered education (33 percent), agriculture and income generation (24 percent), micro-finance and Islamic finance (22 percent), youth employment (12 percent) and health (8 percent).

The Bank, through its NGO programme, has partnered with the German Agency for International Cooperation (GIZ) to jointly finance an “income generation for rural women” project in Morocco. The project’s aim is to improve the livelihood of rural women in the Tinghir province of Morocco through sustainable use, processing and the marketing of medicinal and aromatic plants. In addition, through a local NGO “*Association Nour pour la Solidarité avec la Femme Rurale*”, the project will also establish a women’s cooperative society, organize special sessions on training and skill development to enable women to produce competitive products in their local markets.

Women Empowerment: The Bank since its inception has been financing operations that directly or indirectly benefit women. These operations cover various activities such as women's access to finance to improve their living conditions, education programmes to help correct gender disparity in school enrolment, as well as in health programmes to improve women's health and their ability to provide necessary basic health care to their children.

In 1434H, the Bank supported women empowerment through its different programmes (NGO programme and the Technical Cooperation Programme (TCP)). With the TCP, the Bank supported the 6th Businesswomen's Forum which was jointly organized with the the Islamic Chamber of Commerce, Industry and Agriculture in Manama (Bahrain) under the theme "Development of Entrepreneurship among Women and Youth". Meanwhile, the NGO Programme supported 3 projects aimed to improve women economic opportunities in Azerbaijan, Morocco and Senegal. For instance, the support given to the Azerbaijan Micro-finance Association has helped it to increase 100 existing and potential women microfinance clients' access to financial services using the gender action learning system.

In terms of Obstetric Fistula, the NGO programme, in collaboration with the Islamic Solidarity Fund for Development, has continued to provide support to member countries to assist them in addressing this debilitating maternal health condition. In 1434H, this support was extended to Uganda through the "Prevention, Treatment and Social Reintegration of Women with Obstetric Fistula" project. In this operation, the local NGO mobilizes local surgeons, arranges repair surgeries for 200 patients, and provides social and economic skills to women to ensure that they return to their respective communities after treatment.

By 1434H, the Bank had supported 6 Fistula projects in Nigeria, Sierra Leone, Gambia, and Uganda for $730,000; out of which 4 projects are currently under implementation and are expected to provide support to 350 women. The Bank's intervention has helped in sensitizing more than 25,000 persons, in surgically repairing the fistula of 100 women and in providing 150 women with life skills such as functional literacy, vocational training and income generating skills. It has also helped to socially reintegrate the affected women back into their communities.

The community-based approach of the Bank in addressing Obstetric Fistula has continued to gain recognition. For instance, in 1434H, the United Nations Population Fund, which is spearheading the international Campaign to End Fistula, invited the Bank to serve as a member on the International Obstetric Fistula Working Group.

IDB Prize for Women's Contribution to Development: The 8th edition of the Prize for Women's Contribution to Development was announced in 1434H. This prize, which is awarded annually, draws international attention to the vital role women play in developing their communities and the world at large. It aims to recognize, encourage, inspire and reward women's participation in the socio-economic development process. In 1434H, the Prize was devoted to "Promoting Women, Environment and Sustainable Development". Accordingly, the award for the Individual Category was shared by Mrs. Seidaliyeva Balikhiya Amzeevna from Kazakhstan, Professor Mrs. Pervin Mammadova from Azerbaijan, and Mrs. Tri Mumpuni from Indonesia while that of the Organization Category was granted to the "Heritage Foundation" in Pakistan (Box 2.10).

IDB WTO-Related Technical Assistance and Capacity Building Programme: This Programme, which was launched in 1997, was aimed at assisting the OIC member states in understanding WTO rules and in coping with the challenges arising thereof. Under this Programme, the IDB, during 1434H, organized seven capacity building activities including six seminars and one training course as follows:

1. Seminar on the WTO Made-in-the-World Initiative: Significance of Global and Regional Supply Chains for African Countries, 26-28 November 2012, Dakar, Senegal.

Box 2.10: Winners of the IDB Prize for Women's Contribution to Development

Mrs. Seidaliyeva Balikhiya Amzeevna received the award of $20,000 for her innovative solution to restore the vitality of chemically affected soils by creating an eco-fertilizer produced from mining waste. Her fertilizer not only helped to reverse soil pollution, but also fostered the cultivation of various food crops that can contribute to improving the health and income of families within her community with the potential to be replicated elsewhere.

Professor Mrs. Pervin Mammadova was awarded the prize of $15,000 for her breakthrough research on the biotechnology to neutralize oil polluted soils enabling cultivation. Her activities extended beyond the laboratory, spanning the lecture hall and civil society, inspiring the next generation of young women scientists and communities to take up environmental challenges.

Mrs. Tri Mumpuni, received the award of $15,000 for her innovative and practical application of renewable energy. Through her efforts, she was able to establish a micro-hydro programme that helps to provide energy to remote villages in Indonesia, while creating income for local inhabitants contributing to economic growth. Her initiative is replicable and accessible for the benefit of all.

The award for the Organization Category was granted to the "Heritage Foundation", a Pakistani-based organization led by women. This organization won the Prize of $100,000 in recognition of its use of earthquake proof and flood resistant eco-construction techniques in disaster prone areas in the remote regions of Pakistan. This unique technique has facilitated women's active participation in the development of their communities

2. Seminar on Non-Tariff Barriers to Trade in the Arab Maghreb, 24-26 December 2012, Casablanca, Morocco.

3. Training Course on Accession for Iraq, 25 February to 1 March 2013, Ankara, Turkey.

4. Seminar on Trade and Development, 25 -27 March 2013, Kuala Lumpur, Malaysia.

5. Seminar on Trade Facilitation, 8-10 April 2013, Dubai, U.A.E.

6. Seminar on Multilateral Negotiations on Trade in Services as leverage to promote intra-country trade in the Arab region, 4-6 June 2013, Casablanca, Morocco.

7. Seminar on the Doha Negotiations and WTO Accession for ECO member countries, 2-4 July 2013, Istanbul, Turkey.

All these activities are in line with the IDB Vision 1440H, which, among other things, "calls on the IDB to assist member countries in their efforts to integrate among themselves and in the multilateral trading system''.

2.5 Strengthening Economic Cooperation and Integration

Reverse Linkage: The Reverse Linkage (RL) initiative of the Bank focused in 1434H on setting up successful patterns and models to implement projects that could be replicated as tested and proven examples in the future. During the year under review, the first RL project was between Turkey and Niger in the area of ophthalmology, whereby the Turkish Humanitarian Relief Organization (IHH) (an NGO) and the Government of Niger agreed to establish an ophthalmic unit in Niger by transferring Turkish technology and expertise. The project objective is to contribute to improving the access to and quality of eye health care in Niger (Box 2.11).

During 1434H, remarkable progress has also been made in two other RL projects. The RL projects between Morocco and Burkina Faso on water quality treatment and between Indonesia and Kazakhstan & the Kyrgyz Republic on airfield insemination have been designed through a rigorous peer-to-peer consultation process with the active participation of the knowledge provider and recipient countries.

Significant efforts have been put into developing framework of cooperation with the national development agencies in the member countries. In this respect, an MoU was signed in July, 2013 with BAPPENAS of Indonesia highlighting the main areas of cooperation under the RL initiative. To this end, $2 million has been earmarked by BAPPENAS to be utilized solely for joint activities under the framework of this MoU.

By the same token, a separate MoU is expected to be signed with the Turkish Cooperation and Coordination Agency (TIKA) and the Moroccan Agency for International Cooperation (AMCI). These MoUs will pave the way for enhanced cooperation with both Turkey and Morocco, and

Box 2.11: Reverse Linkage Project between Turkey and Niger in Ophthalmology

The project aims at reducing the backlog of cataract blindness in Niger by restoring the sight of 30,000 persons free of charge over a period of 5 years in addition to improving the skills of local eye health personnel in the country and transferring the latest technology in ophthalmology to Niger from Turkey. Some of the most advanced techniques in cataract surgery, such as phacoemulsification, are not being used currently in public facilities in Niger, and a notable feature of the project is that it will facilitate the transfer of the latest technology by introducing these new techniques. The Turkish NGO IHH will build an ophthalmic unit in the Lamorde Hospital in Niamey, Niger and it is going to operate this unit for a period of 5 years before handing it over to the local authorities. As the main provider of expertise, IHH will ensure continuous medical and managerial training for the local staff to strengthen local capacity. All the costs related to the construction of this unit along with the training and operating expenses (amounting to roughly $1.8 million) during the five year period will be covered mainly by the IHH.

The beneficiary country, Niger will provide the plot of the land for the ophthalmic unit to be built on and will contribute to the running costs (such as utilities) and local staff salaries working in the unit. In addition, it will facilitate all the necessary logistical support throughout the project and ensure that this unit will be adequately embedded in the national health system.

The IDB will mainly play the role of a facilitator during the whole operation and it will limit its contribution to financing the medical equipment for the new ophthalmic unit. This equipment is expected to foster the transfer of technology in the area of ophthalmology, in particular in the most advanced techniques in cataract surgery, which does not currently exist in the Lamorde Hospital.

will activate the RL pillars under the respective Member Country Partnership Strategies (MCPSs).

Partnership: In 1434H, the IDB concluded five new bilateral institutional Memoranda of Understanding and cooperation agreements with development partners including Germany's GIZ, the World Customs Organisation (WCO), the International Food Policy Research Institute (IFPRI)—a member institution of the Consultative Group on International Agricultural Research (CGIAR)—, the International Fertilizer Development Centre (IFDC) and the World Bank on aid flows. The IDB, along with several International Financial Institutions (IFIs), also signed a MOU with the United Nations to collaborate in strengthening statistical capacity in member countries.

- **GIZ**: The GIZ (formerly GTZ) is the Germany's technical assistance arm supporting its international development programme and it is responsible for coordinating Germany's technical assistance programmes across governments. The IDB and GIZ signed a MoU on 30 April 2013 in Jeddah, which provides the overall framework for cooperation between the two institutions. The MoU seeks to promote information or knowledge-sharing and cooperation on project work, analytical work, advisory services and joint advocacy, particularly in the areas of (i) Islamic Microfinance, (ii) Youth Employment, (iii) Education and Vocational Training, (iv) Water and Food Security, (v) Renewable Energy, (vi) Poverty Reduction, and (vii) Capacity Building. GIZ has so far provided $100,000 to promote the second Islamic Microfinance Challenge.

- **World Customs Organisation**: The IDB and the World Customs Organisation signed in Jeddah, in March 2013, a MoU on cooperation to promote and facilitate customs modernisation and cross-border trade, as well as customs cooperation and regional integration.

- **World Bank:** The IDB and the World Bank signed in Washington DC, in October 2013, an agreement on the "AidFlows" initiative. AidFlows is a partnership between the World Bank, the Asian Development Bank, and the Inter-American Development Bank and the OECD to enhance the transparency of aid, and to make global data on development assistance more easily accessible. By joining this web-based platform, the IDB Group will be able to reach a wider audience in both donor and recipient countries, helping to further information-sharing and to provide information to the global dialogue about development aid.

- **International Food Policy Research Institute (IFPRI):** The IDB and the IFPRI signed in Washington, DC in October 2013, a MoU on cooperation in the field of agricultural and rural development, with a special focus on helping small-holder households make the transition from subsistence-oriented to market oriented-agriculture, thus achieving higher productivity and better market integration.

- **International Fertiliser Development Centre (IFDC):** The IDB and the IFDC signed in Jeddah, in August 2013, a MoU on cooperation and collaboration in the field of agricultural productivity and value chain development, with a particular emphasis on helping smallholder households produce scaled-up and market-oriented agricultural output.

- **International Financial Institutions and the United Nations**: In April 2013, the IDB, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the International Monetary Fund, the United Nations, and the World Bank Group signed a MoU to collaborate in strengthening statistical capacity in member countries and to facilitate in the sharing of data, tools, standards, and analysis to improve statistics for monitoring development outcomes. The European Investment Bank and the European Bank for Reconstruction and Development offered their full support for the goals of the MoU and will contribute to the post-2015 development agenda in their areas of expertise.

Cooperation with OIC and its Institutions: The IDB continued to attach great importance to its relations with the Organization of Islamic Cooperation (OIC), its institutions, and Standing Committees. In particular, it strengthened collaboration with the OIC institutions concerned with promoting economic, educational and scientific development such as the Islamic Centre for Development of Trade (ICDT), the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), the Islamic Chamber of Commerce Industry and Agriculture (ICCIA), the OIC Standing Committee for the promotion of Economic and Commercial Cooperation (COMCEC) and the OIC Standing Committee for Scientific and Technological Cooperation (COMSTECH).

The activities of these institutions complement those of the IDB which often provides financial and technical support to the projects initiated by them in pursuance of their respective mandates and the resolutions of OIC conferences. The IDB actively participates in OIC Ministerial conferences and other meetings organized by the OIC institutions. The major OIC events in 1434H in which the IDB took part were (i) the 12th Islamic Summit Conference, Cairo, Egypt (7 – 8 February 2013), (ii) the 39th Session of the Council of Ministers of Foreign Affairs, Djibouti (15 – 17 November 2012), and (iii) the 29th Session of the Standing Committee for Economic and Commercial Cooperation of the OIC (COMCEC), Istanbul, Turkey, (18-21 November 2013).

2.6 Fostering Islamic Finance

The Islamic finance sector has come of age, gaining traction worldwide among Muslims and non-Muslims. The industry, estimated to have reached total assets of $1.8 trillion[4] in 2013, has been growing at between 15-20 percent per annum (Box 2.12 describes the major Islamic instruments used by IDB). In recognition of the leadership and catalytic role of the Bank, the Board of Governors of the IDB in 1434H took a major decision to provide more resources for the development of this sector (see section 3.1 for more on this).

All along the Bank has been promoting and advancing the Islamic financial services industry through partnership with governments, the private sector and multilateral financial institutions. It has also been developing the Awqaf sector for charitable purposes. Key activities undertaken by the Bank in 1434H in this sector are described below.

Technical Support Programme: The IDB provides technical assistance for the development of an enabling environment for Islamic finance by supporting the creation of the requisite legal, regulatory, supervisory and Shari'ah frameworks. The Bank's Technical Assistance (TA) activities and trends in approvals in the sector in 1434H are in Table 2.2 and Figure 2.3.

[4] Ernst & Young: World Islamic Banking Competitiveness Report 2012-2013 - Growing Beyond DNA of Successful Transformation 2012-2013

Box 2.12: Major Islamic finance instruments used by the IDB

The instruments used by the IDB are loan, leasing, instalment sale, technical assistance, equity participation, profit sharing, Istisna'a, Murabaha, and lines of financing extended to NDFIs. A brief explanation of each is given below:

- **Loan**: This mode of financing is used for projects expected to have a significant socio-economic impact, with a long implementation period, and which may not be revenue generating. Loans are given to governments or public institutions mainly in Least Developed Member Countries (LDMCs) for the implementation of infrastructure and industrial projects.
- **Leasing (Ijara)**: This is a medium term mode of financing for the rental of capital equipment and other fixed assets such as plant, machinery, and equipment for industrial, agro-industrial, infrastructure, transport, etc., both for the public and private sectors. Lease financing is also provided for acquiring ships, oil tankers, fishing trawlers, etc. After the end of the rental period the Bank transfers the ownership of equipment to the lessee as a gift.
- **Instalment Sale**: Instalment Sale is similar to Leasing. The major difference is that in Instalment Sale the ownership of the asset is transferred to the beneficiary on delivery. Under this mode of financing the Bank purchases equipment and machinery, and sells it to the beneficiary at a higher price.
- **Equity Participation**: Under this mode of financing, the Bank participates in the equity capital of existing or new companies in the public and private sectors. The Bank's participation is limited to one-third of the equity capital of the company.
- **Profit Sharing**: This is a form of partnership in which two or more parties pool funds to finance a venture. The partners share the profit (or loss) in proportion to their contribution to the capital.
- **Line of Financing to NDFIs**: Under this category the Bank extends financing through equity, leasing, and instalment sale to the NDFIs in member countries to promote the growth of small and medium scale industries, mainly in the private sector.
- **Istisna'a**: Istisna'a is a mode for trade and project financing for the promotion of trade in capital goods and the enhancement of productive capacity. It is a contract for manufacturing goods or other assets in which the manufacturer agrees to provide the buyer with goods identified by description after they have been manufactured in conformity with this description within a certain time and for an agreed price. This new mode will enable the Bank to finance working capital and thus contribute to the enhancement of productive capacity in member countries.
- **Murabaha**: This mode of financing is used in the financing of foreign trade, both imports and exports. The Bank purchases the commodity requested and re-sells it to the beneficiary. In the case of import financing, the period of financing is up to 30 months, while, in case of export financing, it may extend up to 120 months.

In addition to the above, Technical Assistance (TA) is a form of grant and/or a loan for project-related tasks such as a feasibility study and design, for the supervision of implementation, and for tasks of an advisory nature such as the definition of policies, sector plans, institution-building, research, etc. Technical Assistance is mainly extended to LDMCs.

Source: http://www.isdb.org/irj/portal/anonymous/idb_faq_en

Table 2.2: Technical Support Projects for Islamic Finance Industry in 1434H

Sl. No.	Country	Executing Agency	Objective
1	Tunisia	Ministry of Finance	Assisting the Ministry in preparing for the issuance of *Sukuk*
2	Oman	Capital Market Authority	Capacity building and implementation of regulations on capital markets and *Takaful*.
3	Kazakhstan	National Bank of Kazakhstan	Developing the legal framework for Islamic finance
4	Mozambique	Central Bank of Mozambique	Developing the enabling environment for Islamic banking through the legal framework conducive with existing banking laws.
5	GCC Countries	GCC Secretariat	Preparing a study on launching a diploma on Zakat

Several previously approved TA projects were also implemented in 1434H. These projects benefited Tajikistan, Maldives, Turkey, Djibouti, Mauritania, Uganda, IIRA, Bank Millie Afghanistan, the Kyrgyz Re[ublic, Kazakhstan, Tunisia, Libya, and the IFSB. The geographical distribution of these TAs approvals in 1434H is shown in the Figure 2.4.

Supporting and contributing to the development of Islamic Financial Architecture: The Bank provides TAs to support Islamic Infrastructure Institutions (IIIs) – such as IFSB, AAOIFI, IIFM, IICRA, CIBAFI, IIRA -- through several means which include participation in their activities, financing the development and implementation of standards and documentation, and regularly participating in their Board, Council, Technical Committee meetings as well as in Financial Stability Forums.

Figure 2.3: Trends in TA Approvals for Islamic Financial Sector

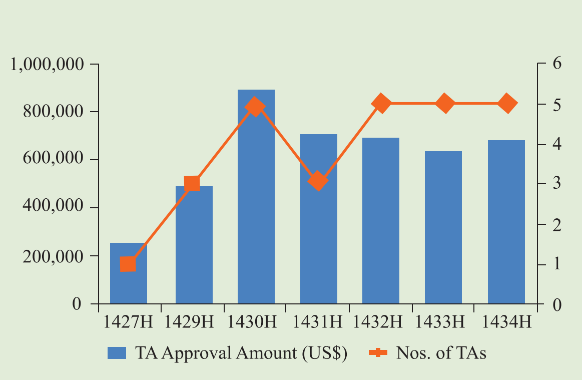
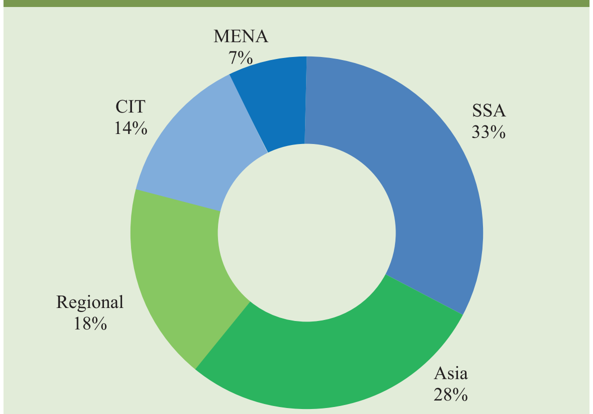


Figure 2.4: Regional Distribution of TAs



During 1434H, the Bank participated in more than 20 meetings of these Islamic Infrastructure Institutions and has since commenced a study to assess the achievements and challenges facing them to provide recommendations for their future developmental roles in further advancing the Islamic financial sector. Two TAs were also approved for IIFM and CIBAFI during the year.

As of the end of 1434H, the equity portfolio of the IDB's investments in financial institutions, funds, and companies comprised of over 70 investments in 26 member and non-member countries, for a disbursed amount of ID405 million and a market value of ID870 million. The equity portfolio, which also includes 27 Islamic financial institutions, contributes more than 10 percent of the IDB's net income and has had a significant development impact, especially in the area of Islamic banking and finance and also in terms of job creation and in adding value to the economies of the host countries.

IDB Microfinance Development Programme (IDB-MDP): In order to support financial inclusion and develop the Islamic microfinance sector, the Bank is continuing its IDB-MDP and has increased its coverage to eight countries namely Bangladesh, Indonesia, Sudan, Senegal, Tunisia, Egypt, Pakistan and Tajikistan. The Bank is currently establishing the Islamic microfinance institutions and is conducting feasibility studies as per these countries' needs.

In creating awareness about Islamic microfinance, the Bank in 1434H partnered with *Deutsche Gesellschaftfür Internationale Zusammenarbeit* (GIZ) to organize a Workshop on Islamic Microfinance for GIZ staff in Amman, Jordan. The Bank also joined hands with CGAP (Consultative Group to Assist the Poor), Al-Baraka Banking Group, Triple Jump and GIZ to launch the second Islamic Microfinance Challenge, a global contest entitled "Islamic Microfinance Challenge 2013: Beyond Murabaha" for providers of Sharia-compliant microfinance products. With a $100,000 grant award, the Islamic Microfinance Challenge hopes not only to spur innovation, but also to help scale up the application of Shari'ah-compliant products by financial institutions that are already serving large numbers of poor people.

Islamic Financial Product Development: The IDB established the Financial Product Development Centre (FPDC) within the Office of the Vice President (Finance) with the mandate to enhance the leadership of the IDB Group in the development and promotion of innovative Islamic financial products within the framework of Maqasid al-Shari'ah. The Centre has promoted Islamic finance in 1434H through these activities:

- Developed a Financial Product Development Process for the IDB Group, and publishing the document in Jumada II 1434H.
- Surveyed 'Capital Protected Funds' across the world and the hedging mechanisms they utilize (the report is published).
- Surveyed partnership mechanisms to finance development and the investor appetite for then.

- Won the Weqaya Prize for Innovative Products for a paper titled “Development of Insurance Products” at the 4th Forum of Cooperative Insurance in Kuwait.
- Participated in more than 30 conferences and symposia worldwide covering topics ranging from the Future of Islamic Finance to Ethical Finance initiatives and introducing Islamic -finance in Non-Member countries.
- Conducted 3 training programmes on Islamic financial products.
- Established a first-of-its-kind Islamic Financial Engineering (IFE) Lab at the Muhammad V University of Morocco. The Lab will develop a state-of-the-art agent-based simulation (ABS) platform and conduct research to develop, evaluate and test new Islamic financial instruments and systems, and how they could assist the economic development of IDB member countries and the Islamic financial industry.
- Assisted governments of member countries to establish a framework for *Sukuk* for the future development of the sector in respective countries.
- Pioneered, structured and explored various *Sukuk* mechanisms for both the IDB Group as well as its member countries.

The Islamic Research and Training Institute (IRTI) undertook several activities with a view to creating and disseminating knowledge in Islamic economics, banking and finance, building capacity and developing human capital for the promotion of Islamic financial services industry. It organized its 8th Annual Forum (Box 2.13), prepared Occasional Paper (Box 2.14) as well as being involved in the following events:

- 9th International Conference on Zakah in cooperation with Bayt Al Zakah of Kuwait, held in Jordan
- Workshop on prominent experiences in Waqf, held in Algeria
- 4th conference on Takaful with the Islamic International Foundation for Economics and

Box 2.13: 8th IDB Global Forum on Islamic Finance: “Role of Islamic Finance for the Development of IDB Member Countries In Central Asia”

The 8th IDB Global Forum on Islamic Finance was successfully held on 09 Rajab 1434H (May 19, 2013) at Kokhi Somon in Dushanbe, Tajikistan in conjunction with the 38th Annual Meetings of the IDB Group. It was very well attended by more than 150 people. The event was organized in collaboration with the National Bank of Tajikistan (the local host institution), the General Council of Islamic Banks and Financial Institutions (CIBAFI), and the IFS Department of the IDB.

The event helped promote Islamic finance and its potential role for economic development in the Central Asian countries. A total of 17 people spoke on several aspects of the issue (this includes the speakers in the inaugural session and chairmen of the subsequent sessions). IRTI Occasional Paper No.14 “Role of Islamic Finance for the Development of IDB Member Countries: A Case Study of the Kyrgyz Republic and Tajikistan” was also distributed along with the launch of Russian language translations of some of the IRTI books and presentations about the IRTI and IFS Department programmes.

The Forum recommended that the Islamic Finance may be given a chance to develop in the Central Asian countries and suggested the authorities make room for introduction of Islamic finance not only in the private but also in the public sector.

Box 2.14: ”The Role of Islamic Finance in the Development of the IDB Member Countries: A Case Study Of The Kyrgyz Republic and Tajikistan” (1434H IRTI Occasional Paper)

The book pinpoints the failure of conventional finance to provide inclusive growth to world economies and explores the potential of Islamic Finance to generate equitable and sustainable economic development in low income countries. This potential role of Islamic finance is discussed in the context of case studies of the Kyrgyz Republic and Tajikistan. The study notes the achievements as well as identifies some of the key constraints faced by these countries in their aspiration for socio-economic development. Since these constraints are a combination of financial, governance and political factors that are interlinked, a broader approach is followed here highlighting the issues and indicating how Islamic finance can address and alleviate some of them. It also discusses examples of some specific sectors where Islamic finance can make a difference.

Finance and Shura Sharia Consultancy in Kuwait

- ISRA-IRTI-Durham University Strategic Roundtable Discussion in Saudi Arabia
- 8th International Shari'ah Scholars Forum in Malaysia in collaboration with ISRA
- Seminar on *Sukuk* Challenges with International Islamic Liquidity Management Corporation (ILLM) Malaysia
- Shari'ah Scholars lecture by Dr. Abdul Rahman Al Atram under the title "*Contemplations on Cooperative Insurance*" (Takaful) organized at IDB headquarters, Jeddah, Saudi Arabia

The IRTI's Islamic Banking and Finance Information System (IBIS) collected and published data for 156 Islamic Financial Institutions in 1434H. In addition, the IRTI portal also revised information on the Awqaf Database System and on management of IRTI customer relationships.

2.7 Supporting Inclusive Solidarity

Special Assistance Programme: In a bid to enhance the human capital and well-being of Muslim Communities living in Non-Member Countries, the Bank focused in 1434H on its special assistance programme on developing and strengthening institutions in education, social and health care services, and on development of human capital. Diverse projects were approved and implemented in more than 78 Muslim communities in non-member countries spanning Asia and Oceania, Africa, South & Central America, North America and Europe.

Under its special assistance activities – covering relief assistance to member and non-member countries, support for education and health services in non-member countries, and capacity building initiatives through micro-financing and training -- the Bank carried out 31 operations for an amount of $6.4 million for Muslim communities in non-member countries in 1434H.

Special multi-year interventions were also undertaken during the year in two countries ($16 million for the Philippines, and $1.7 million for India). More specifically, one relief project was approved for the Philippines for $100,000 which will contribute to the health and education development of the Muslim community in southern Philippines. Similarly, two projects were approved for India totaling $0.416 million to contribute to the education development of Muslim community in India. Also a project for Scout Camps in each of the Continents of Europe, Asia & Africa was approved for $52,000.

In 1434H, the Muslim communities in the following non-member countries benefited from the special assistance programme of the Bank: Austria, India, New Zealand, UK, USA, DR Congo, Botswana, Nepal, Thailand, Trinidad & Tobago, Tanzania, Kenya, Serbia, Sri Lanka, Fiji, Spain, Rwanda, Ukraine, and Mauritius. Meanwhile, the countries that benefited from the relief assistance in 1434H were Syria, Yemen and the Philippines.

The Saudi Arabian Project for Utilization of Hajj Meat: This Project is managed by the IDB for the Government of Saudi Arabia. The Bank oversees the utilization of the Hajj meat in accordance with established religious norms. The meat is then distributed to the needy and poor in some of the member countries and to Muslim communities in non-member countries.

Through the Project, a United Company of Gelatin and Organic Material Production is being established to produce 600 tons of Halal Gelatin (extracted from Skin & bones) and one billion hard gelatin capsules as pharmaceutical products of different sizes (0, 1, 2, 3).

In 1434H, the number of slaughtered sheep totaled 770,000. Out of this figure, 569,500 sheep were distributed among the poor and needy people in the Haram area in Makkah Al-Mukarram and charities inside the Kingdom, as well as the meat of cows and camels. The remaining 200,500 sheep were distributed outside the Kingdom of Saudi Arabia.

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CHAPTER THREE

Institutional Effectiveness

Board of Governors
Board of Executive Directors
IDB Reform Update
Operations Evaluation
Audit
Risk Management
Integrity function
Policies and Strategies
Information and Communication Technology
Knowledge Management & Innovation
Human Resources Management

Institutional Effectiveness

This chapter contains a summary of the activities of the IDB Board of Governors, the Board of Executive Directors, and a brief overview of the Bank Group's evaluation, risk management, internal audit and integrity functions which are aimed at achieving institutional efficiency and development effectiveness. It also provides an update on IDB Reform and Group Business Enhancements and System Transformation Programme (GBEST) as well as progress on knowledge management and innovation activities and changes and improvements made in the human resources area to hire and retain staff.

3.1 Board of Governors

The Board of Governors (BOG) of the IDB is the highest policy-making organ of the institution and meets once a year to take decisions on major issues relevant to the smooth running of the Group's activities. In line with this mandate, the Board of Governors, at their last meeting in May 2013 in Dushanbe, Tajikistan, took the following important decisions: (i) approved the 5th General Capital Increase and call-in of 50 percent (cash callable portion) of the subscribed capital of the IDB under the 4th General Capital Increase, (ii) allocated at least $4 million per year from the IDB's net income to finance Technical Assistance Operations (Grants) in the field of Islamic Finance for the period 1434H-1436H, (iii) implemented the decision of the Islamic Summit Conference regarding the suspension of Syria from the membership of the OIC and organizations related to it, and (iv) approved the request of the Republic of Mozambique to host the 40th Annual Meeting of the IDB Board of Governors.

3.2 Board of Executive Directors

The Board of Executive Directors (BED) of the Bank is a decision-making body responsible for guiding the general operations and strategic direction of the Bank under delegated powers from the IDB Board of Governors. The 18 non-resident BED meet regularly and have four standing committees namely the Audit Committee, the Finance Committee, the Operations Committee, and the Administrative Committee.

During 1434H, the BED held 7 meetings (one of them took place on the occasion of the BOG Annual Meeting} while its Standing Committees had a total of 22 meetings. In addition, through two "Ad-hoc" Committees, the BED prepared a document on "IDB Operational Growth and Resource Requirements" which was submitted to the Board of Governors for a capital increase consideration. The BED is currently overseeing the IDB Group 40th Anniversary activities, which entail reviewing the IDB Group's performance over the past 40 years and developing a new 10-Year strategy.

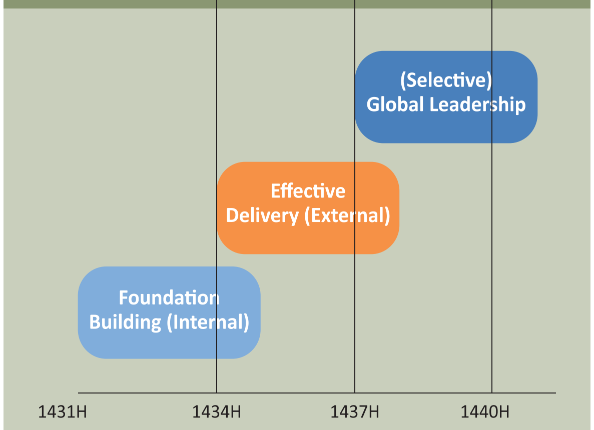
The BED also approved 92 projects and adopted 142 Resolutions on financing and policy matters in 1434H. The most important policy matters processed by the BED were (i) Energy Sector Policy, (ii) OCR Revised Liquidity Policy, (iii) Updating and Upsizing the IDB's Existing Medium-Term Note Programme Limit from$6.5 billion to $10 billion, and (iv) Investments and Portfolio Management Policy for Equity and Fund Investments made through Ordinary Capital Resources.

3.3 IDB Reform Update

The IDB Reform, which is the first key strategic thrust in the IDB Vision 1440H, is on track. Progress has been made on various fronts. The staff resourcing exercise, for instance, which was a major component of the Reform has been declared to be complete. This exercise saw staff members redeployed to other departments where their skills and qualifications are better matched while some staff willingly opted for an alternative opportunity scheme.

From the outset, the IDB Reform has been guided by an overlapping three phased-approach (Figure 3.1). Phase 1, the "foundation" stage, was focused on strengthening IDB Group organizational capacity; Phase 1, the "effective delivery" stage is ongoing and focuses on external engagement and servicing the clients; and the last phase is concerned with consolidating the IDB Group's "global leadership" in selected development areas. This phased-Reform journey is being implemented through medium-term (3-5 years) strategies and business plans (MTBS). The first MTBS was successfully implemented and the second, MTBS 2.0, is currently active (see section 3.8 of this Chapter for details).

Figure 3.1: IDB Group Organization Reform Phases



3.4 Operations Evaluation

The Group Operation Evaluation Department (GOED) reports to the IDB Board of Executive Directors and its mandate is to focus on accountability and learning. It conducted 24 post-evaluations of projects in 1434H, of which 23 were ordinary operations and one for the ITFC.

In addition, the Department conducted one joint evaluation with the AfDB and a cluster of Technical Assistance operations as well as Special Assistance projects for Burkina Faso and Burundi. During the year, the GOED completed one Country Assistance Evaluations (CAEs) in Guinea (Box 3.1) as well as undertaking and independent review of 12 MCPSs produced during the past three years (2011-2013).

The 1434H evaluation outcomes showed that the Bank Group's interventions were relevant to both the national development priorities of the beneficiary member countries and to the Group strategic agenda. The outcomes also revealed that the Bank Group projects contributed to citizens' access to basic utilities such as potable water, sanitation and electricity, improved access to health services, supported higher education, improved transport infrastructure, promoted Islamic finance and developed institutional capacity.

A number of valuable lessons were drawn from the post-evaluation exercises conducted during the year. These lessons have been disseminated to the relevant departments and stakeholders to provide feedback for future Group interventions. The management responses have also been encouraging and showed the commitment of the Group entities and the departments concerned in implementing the follow-up actions and recommendations from post-evaluations.

3.5 Audit

The Group Internal Audit Department (GIAD) provides a balanced work programme that mitigates a wide range of calculated risks and covers the core business activities of the IDB Group including treasury, operations, sovereign and non-sovereign credit assessments and IT developments or systems. The GIAD utilizes a risk-based approach to develop its Annual Audit Plan. The frequency of GIAD's audits reflects a risk rating architecture designed to ensure a continuous monitoring of the IDB Group. The GIAD delivers independent objective assurance, advisory, and consulting services to improve the Group's control environment, risk management, operations and governance. The GIAD's key foundation documents encompass its Code of Ethics, Audit Charter, Audit Manual, and the Audit Process Quality Assurance which are based on the Institute of Internal Auditors' International Professional Practices Framework and best banking practices.

Box 3.1: Country Assistance Evaluation (CAE) of Guinea: Summary of Development Results

The GOED launched a CAE exercise in Guinea in 1434H for Bank Group financed projects totaling $334.6 million; of which a sum of $249.0 million was disbursed. The projects consisted of: (i) seven Special Assistance operations amounting to$9.36 million, (ii) IDB investments including equity participation in the Islamic Bank of Guinea (BIG) in 1992 and the financing of a Waqf project for$5 million to support the Guinean education sector, (iii) three ICD financed operations: an equity participation in 2009 through Tamweel Africa Holdings followed by a capital increase in 2010 and two technical assistance operation for private sector companies, and (iv) the ICIEC covered for 8 Guinean buyers with a total commitment of $94.5 million. The development results are as follows:

Energy Sector: The outputs include the installation of 9 Diesel Engine Generator sets with a capacity of 50.9 MW and the construction of the Garafiri hydropower station with a capacity of 75 MW. As outcomes, the completed projects contributed significantly to the total generated electricity in the country but in recent years the actual production has been well below installed capacity.

Agriculture and Rural Development Sector: The outputs include the development of 6,641 ha. of land, 27 bridges, 1,006 km of new feeder roads, 620 km. of rehabilitated roads, and 591 water points, along with social infrastructure, such as 18 health centres and 16 schools. As a result, crop production increased significantly and the productivity of vegetable production also increased by almost 50 percent and most production areas were linked to nearby markets in the region.

Transport Sector: The outputs include 468 km. of paved road that constitutes the Guekedou–Seredou Road and the Seredou– N›zerekouré Road (connecting Guinea to Liberia), and the Kankan – Siguiri – Kourémalé Road (connecting Guinea to Mali). The completed projects contributed to increase in the Average Annual Daily Traffic (AADT) in the projects' areas and to the development of trade between Guinea and Liberia as well as Guinea and Mali.

Islamic Finance: The main outputs and outcomes are: (a) Islamic Bank of Guinea (BIG), which is the only Islamic Bank in the country, holds a total deposit of $34.4 million and a total credit portfolio of $21.6 million, (b) WAQF IDB-Guinea, consisting of one complex with two buildings, generated rental income of $5.9 million during the period 2009-2012 and supported the following: 120 classrooms, 80 school latrines, 10 bore holes, 63 scholarships, 660 computers, several promotional programmes for the WAQF concept and support for Quranic schools, and (c) Three microfinance institutions received a total of $1 million which provided finance for 1,287 income-generating activities.

Overall, the Bank Group's interventions in Guinea have been highly aligned with the country's national development policies and are consistent with the related strategies. They were also coherent with the Bank's priorities. Besides, due to the constant continuity of its operations unlike other financiers who have suspended their activities during major political crises, the IDB interventions were highly relevant and timely to meet the strategic needs of the country.

3.6 Risk Management

The IDB continues to pursue prudent risk management policies and practices with an emphasis on optimal deployment of capital resources for effective delivery of its development mandate at minimal risks. These policies have helped the Bank to preserve its financial soundness and achieve good results despite the difficult financial market environment in which it operates.

With sound financial health and strong shareholders' support, the IDB continued to maintain the highest credit ratings of "AAA" from the Standard & Poor's, Moody's and Fitch Ratings with a stand-alone credit rating amongst the highest of Multilateral Lending Institutions. The IDB has also been designated as a 'Zero-Risk Weighted' Multilateral Development Bank (MDB) by both the Basel Committee on Banking Supervision and the Commission of the European Communities.

The Bank's financial capacity and commitment headroom have been further strengthened by the recent calling of ID3.6 billion of paid-in capital (GCI-IV) as well as the increase in the subscribed and authorized capital (GCI-V) to ID50 billion and ID100 billion respectively.

The IDB continues to leverage its risk management framework to address all types of financial risk associated with its business (credit, market and operational risks) and adjust the policies, guidelines and processes to its evolving risk profile. In managing these risks, due consideration is given to the risk-bearing capacity and prudential rules anchored to its capital adequacy and exposure management framework. Risk oversight is performed at different levels with the Board of Executive Directors (BED) and its Audit Committee approving the risk strategy, policies and guidelines and limits. The IDB Management, supported by the Group Risk Management Committee (GRMC) and the Asset and Liability Management Committee (ALCO) ensure execution of the Bank's activities in accordance with the approved risk governance frameworks. The Group Risk Management Department (GRM) is responsible for independent and ongoing risk identification, quantification, monitoring and reporting along with proposed strategies to mitigate and minimize exposure and potential losses.

In light of the strong growth in IDB's operations, strengthening internal risk management capacity is accorded a high priority in addition to fiduciary controls and safeguard activities. In this regard, the Bank is about to develop an Enterprise Risk Management Framework with the objective of further reinforcing risk governance, monitoring the sound growth of its portfolio and streamlining the business processes. This will contribute to the development of a comprehensive risk model for full scope risk assessments of each entity and the IDB Group as a whole for measuring and monitoring risks and building resilience to stress events.

The IDB is committed to ensuring that all of its activities are governed by strict internal procedures and guidelines to facilitate regularity, transparency and legality. The Bank's internal policy takes into consideration the unbiased and non-political recommendations of the international entities such as the United Nations Financial Action Task Force (FATF) and its Forty Plus Nine Recommendations on Anti-Money Laundering and Combating Financing of Terrorism, as well as the International Convention for Suppression of the Financing of Terrorism and UN Security Resolution No. 1373 as the measures to combat money laundering and the financing of terrorism.

3.7 Integrity function

The IDB Group Integrity Office (GIO) was set up to combat fraudulent and corrupt practices in all aspects of the Group activities. In order to strengthen its integrity framework, the IDB Group has so far adopted various policies, procedures and guidelines such as (i) the IDB Group Integrity Policy, (ii) the IDB Group Integrity Principles and Guidelines, (iii) the IDB Group Whistleblower and Witness Protection Policy, and (iv) the IDB Group Anti-Corruption Guidelines on Preventing and Combating Fraudulent and Corrupt Practices.

In strengthening cooperation in the field of anti-corruption and integrity, the Bank signed two MOUs with both the World Bank's Integrity Vice-Presidency (INT) and the African Development Bank's Integrity and Anti-Corruption Department (IACD). These MOUs set out various forms of collaboration which include (i) capacity building initiatives, through exchange programmes, (ii) organizing national, regional and international seminars, fora, and symposia, (iii) conducting review and research activities, (iv) developing peer-to-peer partnerships, and (v) undertaking additional activities identified and mutually agreed upon.

During the annual meeting of the Ethics Network of Multilateral Institutions (ENMO) in July 2013, the IDB Group became a permanent member of ENMO and it also used the occasion to share relevant best practices of Islamic Ethics and Values. During the year under review, the IDB Group got a permanent observer status with UNCAC (United Nations Convention Against Corruption) and GOPAC (Global Organization of Parliamentarians Against Corruption) due to the Bank's continued contribution to fighting fraud and corruption in its member countries.

The IDB Group Speak-Up Hotline and a Case Management System (CMS), which are designed to facilitate the reporting of fraudulent and corrupt practices and related staff misconduct, are expected to be launched.

3.8 Policies and Strategies

Progress of Medium-Term Business Plans (MTBS): The BED endorsed in November 2012 the MTBS 2.0 (1434H-1436H) which is anchored on two main themes -- Enhancing

Connectivity in Member Countries and Effective Delivery. The MTBS 2.0 emphasizes three priority sectors (Islamic Finance, Infrastructure, and Comprehensive Human Development & Poverty Alleviation) and three cross-cutting themes (Capacity Development, Private Sector Development, and Economic Cooperation).

As a result of MTBS 2.0, the IDB has developed Operation Plans and Budget for 1434H-1436H which fixed annual target approvals at $4.6 billion, $5.0 billion and $5.5 billion for 1434H, 1435H, and 1436H respectively with corresponding annual disbursements target of $2.2 billion, $2.4billion and $2.6 billion respectively.

In order to coordinate, facilitate and support the implementation of MTBS 2.0, the Bank established an Implementation Facilitation Committee (IFC), which has so far undertook sensitization and a Bank-wide awareness session of MTBS 2.0 to address concerns from staff. The IFC has also developed a baseline framework of initiatives clustered around the MTBS strategic focus areas – the exercise resulted in a baseline of 48 initiatives. Each strategic focus area is divided into clusters with each cluster having a group of initiatives as presented in Table 3.1.

Table 3.1: MTBS 2.0 Initiative and Programmes

Strategic Focus Area	Cluster	No. of Initiatives
Seeding Global Positioning	Global Products - Flagship Offering & Islamic Finance	5
	Global Communication & Branding	3
	Innovation - New Lines of Business	2
Enhancing Connectivity	Partnerships	4
	Resource Mobilization To/ From MCs	4
Effective Delivery	Scale-up Operation	4
	Increase Field Presence	1
	Vision-Based Result Management	3
Organizational Modernization	People & KM	4
	Living the Culture Model	1
	Enhance Group Synergy & Governance	3
	World Class IT/BEST Infrastructure and Business Process	2
	Enhance Financial Model & Budgeting	12

A number of challenges need to be addressed for an effective implementation of MTBS 2.0 including financial constraints (for both ordinary and concessionary operations) to achieve required disbursement targets and support cooperation, capacity development and knowledge components of the MTBS 2.0. The existence of staff constraints in an operational environment is also a challenge in the implementation of MTBS 2.0. Meanwhile, a working group has been set up to study and recommend innovative resource mobilization initiatives to address financial resources for the MTBS 2.0 implementation.

Policies: In 1434H, the Bank developed a number of policies, guidelines and procedures. The two major policies finalized and in the course of implementation were: (i) an OCR Liquidity Policy and (ii) an Energy Sector Policy. The Energy Policy is based on four pillars and two enablers. The pillars are (i) increasing *access* to modern energy services, (ii) designing and targeting *energy efficiency*, (iii) scaling up or promoting *renewable energy* and (iv) improving *knowledge* services. The enablers are (i) regional energy integration and (ii) private sector development.

With this policy, the IDB will support sustainable energy development in its member countries based on sound economic, social and environmental policies and it will focus on a rational use of energy and exploitation of indigenous as well as renewable energy sources. A key element of the future thrust of IDB energy policy will be to reduce the rising energy inequality (with a particular focus on improved access to modern energy services). The policy also aimed to make a gradual transition in the energy sector portfolio of the Bank so that it is eventually synchronized with the overall goal of poverty reduction and (sector) knowledge enhancement. In parallel, efforts will be made to strengthen the financial, human and knowledge resources of the Bank which is a prerequisite for bringing about any transformation in the energy sectors of member countries.

3.9 Group Information Management and Technology Solutions

The Bank Group is implementing an ambitious Group Business Enhancements and Systems Transformation Programme (GBEST Programme) which is aimed at transforming its client facing businesses from a set of disparate, silo, and manual-based tasks into an integrated and efficient collection of automated end-to-end process. The prime enablers of this transformation, as noted in Vision 1440H of the IDB Group, are Knowledge Management (KM) and Information Technology (IT). This will empower users to transform from being mere task-dispatchers into efficient and effective knowledge workers.

This multi-year Program has been divided into three phases: Phase 1, which went live on 1st Muharram 1432H, covered solutions for Finance, Procurement and Human Capital Management. Phase 2, which has gone live in 1434H and part of 1435H, covered the solutions for Funds Management, Cash Management, Bank Communication Management, Employee and Manager Self Services, Budget Planning and Consolidation, Scholarship Management, Treasury, and Investment. Phase 3, which is planned to go live by mid-1436H, will cover solutions related to Operations Management, Operations Financing, Risk Management, Travel Management and Enterprise Content Management.

3.10 Knowledge Management & Innovation

Knowledge Management: In line with its vision of becoming a knowledge-based institution by 1440H (2020), the Bank in 1434H drafted its knowledge management strategy and implementation plan. The strategy focuses on two goals: (i) transformation to a knowledge-based bank; and (ii) policy and technical advisory services to help the transition of member countries into productive and competitive knowledge-based economies. The strategy recognizes knowledge as a fundamental Islamic value with knowledge management and innovation considered as desirable outcomes.

From left to right, H.E. Davlatali Saidov, the IDB Governor for Tajikistan, inaugurating the 2013 IDB Innovation Exhibition in Tajikistan along with Dr. Ahmed Mohamed Ali, President, IDB and Dr. Jamel Zarrouk, Chief Economist, IDB

The strategy is aimed at positioning the IDB Group as the "best practice" institution and a "knowledge broker" of choice in fostering Islamic socio-economic development. It is also intended to advance Islamic banking knowledge for both member countries and Muslim communities in order to address their future development challenges. A knowledge-based bank implies having the capacities to combine financial resources and knowledge to create, capture, communicate, broker and (re)-Use knowledge to the benefit of the institution and its member countries.

In line with this strategy, several activities were undertaken in 1434H including the revamping of the IDB Group Communities of Practices (CoPs) which act as a powerful catalyst for learning and deepening the Bank's knowledge in key sectors and the themes contained in major initiatives. The IDB has already recognized the power of CoPs and concluded that their functioning can be strengthened beyond organizing in-house seminars by focusing more on internalizing learning from projects and by identifying and validating external knowledge of relevance to its operations. The Bank has identified seven signatory knowledge areas for CoPs. These are Agriculture & Food Security; Development Effectiveness; Infrastructure; Islamic Finance and Economics; Poverty & Human Development; Regional Economic Integration; and Youth. A Special Programme for knowledge and innovation is being implemented to speed up the activities identified in the strategy.

Innovation: During the 38th IDB Annual Meeting in Dushanbe, Tajikistan, the Bank organized two major events on innovation. The first was the 24th IDB Annual Symposium entitled ''Innovation for Economic Development in IDB Member Countries" which was well-attended by the IDB Governors with speakers drawn from diverse background (see Box 3.2 for the Symposium's conclusions and recommendations).

The second event was an innovation exhibition entitled "Innovation, Inclusion and Impact" which also took place during the BOG Annual meeting from 18-22 May 2013. Fourteen inclusive innovation projects from 12 member countries

Box 3.2: Conclusions and Recommendations of the 24th IDB Annual Symposium
21st May 2013 Dushanbe, Tajikistan

The 24th IDB Annual Symposium on "Innovating for Economic Development in IDB Member Countries" was held on 21st May 2013 during the 38thAnnual Meeting of the IDB Board of Governors in Dushanbe, Tajikistan.

H.E Davlatali Saidov, the Chairman of the IDB Board of Governors, and H.E. Dr. Ahmad Mohamed Ali, the President of IDB Group, delivered the opening remarks and welcoming address respectively.

Four panelists -- Professor Jeffrey Sachs, Director of the Earth Institute, USA, Dr. Hamza Kassim, Co-founder and CEO of the iA Group in Malaysia, Dr Umar Saif, Chairman of the Punjab Information Technology Board in Pakistan and Ms. Ogheneruno Okiomah, Co-founder and CEO, Maa-Bara, Nigeria – shared their views and thoughts on the topic of the symposium which was moderated by Mr. Rushdi Siddiqi, former Global Head of Islamic Finance, Thomson Reuters in New York USA.

The following conclusions and recommendations emerged from the Symposium:

1. Innovativeness, inclusiveness, and cooperation are critical to address the myriad of problems facing member countries in this contemporary era.
2. Local innovations for local problems should be encouraged by rewarding and recognizing ingenuities and creativities at all levels.
3. National innovation systems should be strengthened based on three levers: quality education for all, industrial value-added activities and problem solving activities to establish a steady balance between societal welfare, economic development and environmental serenity.
4. Social innovation is critical for poverty reduction and inclusive development.
5. Fast-tracking and scaling-up of entrepreneurial innovation can be achieved through mentoring, crowdfunding and government support.

The recommendations for IDB member countries are:

1. Create an enabling environment for innovation to flourish and provide support for grassroots innovations to address local problems.
2. Develop an innovation strategy and mainstream innovation in national development plans.
3. Scale-up investment in innovation activities and provide quality education with skills that meet the needs of modern industrial and business activities.
4. Establish national innovation councils with membership drawn from all stakeholders.
5. Improve information and data collection on innovation activities.

The major recommendations for the IDB Group are:

1. Set-up a funding mechanism for innovative ventures in member countries.
2. Conduct surveys on innovation activities in member countries to take stock of their progress towards a knowledge economy and disseminate the findings and best practices.
3. Establish information repository on innovations and create a platform for innovators in IDB member countries to exchange ideas and establish mutually-beneficial cooperation.
4. Organize workshops to showcase and discuss innovation models that create jobs and alleviate poverty.
5. Leverage partnership with member countries and other partners through facilitating transfer of innovation models and adapt them to member countries' national innovation eco-system using the Reverse Linkage initiative.

were showcased. These were projects deemed to have had an impact on people's livelihoods.. Also showcased were a number of IDB financed innovative projects which were selected based on their innovativeness and uniqueness; on their contribution to the improvement in the socio-economic status of the people in the country, and their potential for replication in other member countries.

Inaugurated by the IDB President and the Chairman of the Annual Meeting H.E Davlatali Saidov, the IDB Governor for Tajikistan, the innovation exhibition was visited by over 300 people including IDB Governors, guests from international organizations in Dushanbe, local students and lecturers of universities and the media.

The purpose of the exhibition, which has become an annual event, was to create a platform for innovators and institutions in member countries to promote their innovations as well as to facilitate knowledge exchange through sharing experiences and success stories. The exhibition also explored the possibility of transferring and replicating good practices under the framework of the IDB's 'Reverse Linkage' initiatives. As a result, four reverse linkage opportunities in the areas of renewable energy, agriculture and Islamic Finance were identified.

3.11 Human Resources Management

Recruitment and Selection: In 1434H, 39 vacant positions were filled by 31 external candidates and 8 internal candidates. These candidates, which were recruited for 18 departments and were from 14 member countries and 7 non-member countries, comprised 1 director, 29 professionals and 9 para professionals. The recruitment is in line with the geographical distribution policy of the Bank. As at the end of 1434H, the total staff of IDB Group reached 1,134 comprising 10 Management, 53 directors, 62 managers, 588 professionals, 150 para-professionals and 271 support staff.

In order to improve recruitment, the Bank has revamped its recruitment process from 22 to 14 steps. It has also undertaken other initiatives to speed up the process including (i) the acquisition of an automated recruitment software "Sniperhire", (ii) subscription to professional recruitment websites for vacancy advertisements and for potential candidate searches, (iii) the development of an automated Employment Offer Preparation System which prints offers along with all allowances & benefits as well as their monetary value, and (iv) the development of an On-boarding manual which helps the newcomers to integrate into their new work environment smoothly.

Young Professionals Programme (YPP): Since the new YPP policies and procedures were approved in November 2012, the Bank's YPP capacity building initiative was given a boost with the implementation of a YPP Training Curriculum comprising a list of identified training courses. These are categorized into Core Programmes, Elective Competency Development Training, and Elective Technical Programmes.

The key policy change in the YPP is the extension of job rotation from 18 months to 27 months which aimed to provide the Young Professionals with a better opportunity to know more about the Bank and equip them with the necessary skills needed to excel in their jobs and in their future career.

A new set of YPs have been selected in 1434H after going through a series of rigorous interviews. The candidates are from a variety of geographies, specializations, skills and gender diversity. They represent an excellent diversity of global educational systems namely American, British, European, Arab, French, Central Asian, etc. and international centers of excellence. The candidates will be joining IDB in the 2nd quarter of 1435H (2014).

Annex 1

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

FINANCIAL STATEMENTS
29 Dhul Hijjah 1434H (3 November 2013)

with

INDEPENDENT JOINT AUDITORS' REPORT

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Kingdom of Saudi Arabia

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INDEPENDENT JOINT AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank
Jeddah
Kingdom of Saudi Arabia

We have audited the accompanying statement of financial position of Islamic Development Bank - Ordinary Capital Resources (the "Bank") as of 29 Dhul Hijjah 1434H (3 November 2013) and the related statements of income, cash flows and changes in members' equity for the year then ended and the attached notes from 1 to 35 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and to operate in accordance with Islamic Shari'ah rules and principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 issued by AAOIFI and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 29 Dhul Hijjah 1434H (3 November 2013), and the results of its operations, its cash flows and changes in members' equity for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Bank.

PricewaterhouseCoopers

Ali A. Alotaibi
Certified Public Accountant
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KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

16 Rajab 1435H
15 May 2014
Jeddah

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in Thousands of Islamic Dinars unless otherwise stated)

	Note	1434H	1433H Restated
ASSETS			
Cash and cash equivalents	4	**210,458**	469,972
Commodity placements through banks	5	**2,468,335**	1,357,530
Investments in Sukuk	6	**595,450**	388,549
Murabaha financing	7	**233,450**	214,438
Accrued income and other assets	8	**297,499**	480,775
Istisna'a assets	9	**3,181,353**	2,538,153
Installment financing receivables	10	**1,174,984**	1,026,479
Loans	11	**1,709,374**	1,659,954
Ijarah Muntahia Bittamleek	12	**2,069,506**	1,864,050
Investments in equity capital	14	**713,064**	717,065
Investments in associates	15	**602,178**	560,680
Other investments	16	**112,874**	110,915
Fixed assets	17	**57,262**	58,102
TOTAL ASSETS		**13,425,787**	11,446,662
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Sukuk liability	18	**4,205,004**	3,101,322
Commodity purchase liabilities	19	**1,560,211**	893,219
Accruals and other liabilities	20	**406,894**	439,305
Total liabilities		**6,172,109**	4,433,846
MEMBERS' EQUITY			
Paid-up capital	22	**4,799,791**	4,590,239
Reserves		**2,274,446**	2,292,330
Retained earnings		**179,441**	130,247
Total members' equity		**7,253,678**	7,012,816
TOTAL LIABILITIES AND MEMBERS' EQUITY		**13,425,787**	11,446,662
Restricted Investment Accounts	27	**56,267**	53,403

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF INCOME
For the Year Ended 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in Thousands of Islamic Dinars unless otherwise stated)

	Notes	1434H	1433H Restated
Income from:			
Commodity placements through banks		**19,725**	19,562
Investments in Sukuk	6	**517**	21,914
Murabaha financing		**9,384**	8,311
Istisna'a assets		**122,813**	102,164
Installment financing		**44,657**	41,212
Loans service fees		**10,843**	8,820
Ijarah Muntahia Bittamleek		**201,714**	189,789
Investments in equity capital		**33,234**	41,953
Share of income in associates	15	**26,134**	14,928
Net gain on disposal and acquisition of associates	15	**1,612**	-
Other income		**12,435**	19,776
		483,068	468,429
Depreciation of assets under Ijarah Muntahia Bittamleek	12	**(133,949)**	(147,254)
		349,119	321,175
Foreign exchange gain, net		**6,780**	4,456
Gain/(loss) from Murabaha based profit rate and cross currency profit rate swaps	8	**8,263**	(5,028)
Financing costs	18, 19	**(64,197)**	(57,358)
Income from operations		**299,965**	263,245
General and administrative expenses	24	**(99,796)**	(98,231)
Income before provision for impairment of financial assets		**200,169**	165,014
Provision for impairment of financial assets	13	**(20,728)**	(34,767)
Net income		**179,441**	130,247

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in Thousands of Islamic Dinars unless otherwise stated)

	Notes	1434H	1433H Restated
CASH FLOWS FROM OPERATIONS			
Net income		**179,441**	130,247
Adjustments to reconcile net income for the year to net cash utilized in operating activities:			
Depreciation	12, 17	**141,552**	154,693
Share of income in associates and other	15	**(27,746)**	(14,928)
Provision for impairment of financial assets	13	**20,728**	34,767
Investment fair value losses/(gains) on Sukuk	6	**18,670**	(8,397)
Amortization of deferred grant income		**(567)**	(567)
Foreign exchange losses/(gains)		**7,545**	(6,941)
Gain in dispoal of investment in equity capital		**(372)**	-
Changes in operating assets and liabilities:			
Murabaha financing		**(18,317)**	6,196
Accrued income and other assets		**183,276**	(32,556)
Istisna›a assets		**(645,820)**	(462,536)
Installment financing receivables		**(149,225)**	(20,323)
Ijarah Muntahia Bittamleek		**(348,226)**	(229,836)
Loans		**(58,682)**	(33,485)
Accruals and other liabilities		**(55,558)**	(29,641)
Net cash utilized in operating activities		**(753,301)**	(513,307)
CASH FLOWS FROM INVESTING ACTIVITIES			
Commodity placements through banks		(1,110,805)	(701,746)
Investments in Sukuk	6	**(549,230)**	(156,241)
Proceeds from disposal/redemption of investments in Sukuk	6	**319,479**	47,831
Investments in equity capital	14	**(35,733)**	(4,099)
Proceeds from disposal of investment in equity capital	14	**1,432**	908
Additions to other investments	16	**(18,681)**	(2,127)
Proceeds from disposal of other investments	16	**9,723**	18,653
Investment in associates, net	15	**(22,342)**	(37,331)
Additions to fixed assets	17	**(6,763)**	(5,563)
Net cash utilized in investing activities		**(1,412,920)**	(839,715)

(Continued) ....

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in Thousands of Islamic Dinars unless otherwise stated)

	Note	1434H	1433H Restated
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in paid-up capital		**209,552**	216,435
Technical assistance and scholarship program grants		**(11,029)**	(7,714)
Contribution to the principal amount of Islamic Solidarity Fund for Development (ISFD)		**(66,124)**	(64,803)
Payment of Islamic Corporation for the Development of the Private Sector (ICD) capital on behalf of Member Countries		**-**	(8,167)
Proceeds from issuance of Sukuk		**1,171,626**	1,288,953
Redemption of Sukuk		**(64,310)**	(89,001)
Commodity purchase liabilities		**666,992**	(466,683)
Net cash generated from financing activities		**1,906,707**	869,020
Net decrease in cash and cash equivalents		**(259,514)**	(484,002)
Cash and cash equivalents at beginning of the year		**469,972**	953,974
Cash and cash equivalents at end of the year	4	**210,458**	469,972

The accompanying notes from 1 to 35 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in thousands of Islamic Dinars unless otherwise stated)

	Note	Paid-up Capital	Reserves: General reserve	Reserves: Fair value & other reserve	Reserves: Pension and medical obligation	Reserves: Total	Retained earnings	Total
Balance at 29 Dhul Hijjah 1432H, as previously stated		4,373,804	1,769,766	377,116	-	2,146,882	109,000	6,629,686
Regrouping the reserve accounts	21	-	58,153	-	(58,153)	-	-	-
Prior period adjustments	32	-	68,396	(30,410)	-	37,986	-	37,986
Balance at 29 Dhul Hijjah 1432H, as restates		4,373,804	1,896,315	346,706	(58,153)	2,184,868	109,000	6,667,672
Impact of equity accounting on reserves		-	1,343	3,918	-	5,261		5,261
Increase in paid-up capital	22	216,435	-	-	-	-	-	216,435
Net unrealized gains from investment in equity capital other investments	14,16	-	-	83,198	-	83,198	-	83,198
Increase in the actuarial losses relating to retirement pension and medical plans	21	-	-	-	(9,313)	(9,313)	-	(9,313)
Payment of ICD share capital on behalf of Member Countries		-	(8,167)	-	-	(8,167)	-	(8,167)
Contribution to the principal amount of ISFD	25	-	(64,803)	-	-	(64,803)	-	(64,803)
Net income for the year ended 29 Dhul Hijjah 1433H		-	-	-	-	-	130,247	130,247
Transfer to general reserve	23	-	109,000	-	-	109,000	(109,000)	-
Allocation for grants	23	-	(7,714)	-	-	(7,714)	-	(7,714)
Balance at 29 Dhul Hijjah 1433H		4,590,239	1,925,974	433,822	(67,466)	2,292,330	130,247	7,012,816
Increase in paid-up capital	22	209,552	-	-	-	-	-	209,552
Net unrealized losses from investments in equity capital and other investments	14,16	-	-	(43,188)	-	(43,188)	-	(43,188)
Reversal of impairment on investment in equity capital		-	9,218	-	-	9,218	-	9,218
Increase in the actuarial losses relating to retirement pension and medical plans	21	-	-	-	(23,714)	(23,714)	-	(23,714)
Contribution to the principal amount of ISFD	25	-	(66,124)	-	-	(66,124)	-	(66,124)
Share in associates' reserve movement		-	(311)	(12,983)	-	(13,294)	-	(13,294)
Net income for the year ended 29 Dhul Hijjah 1434H		-	-	-	-	-	179,441	179,441
Transfer to general reserve	23	-	130,247	-	-	130,247	(130,247)	-
Allocation for grants	23	-	(11,029)	-	-	(11,029)	-	(11,029)
Balance at 29 Dhul Hijjah 1434H		4,799,791	1,987,975	377,651	(91,180)	2,274,446	179,441	7,253,678

The accompanying notes from 1 to 35 form an integral part of these financial statements.

Annex 2

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
(IDB – WAQF FUND)

FINANCIAL STATEMENTS
29 Dhul Hijjah 1434H (3 November 2013)

with

INDEPENDENT JOINT AUDITORS' REPORT

pwc
PricewaterhouseCoopers
P.O. Box 16415
Jeddah 21464
Kingdom of Saudi Arabia

KPMG **Al Fozan & Al Sadhan**
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

INDEPENDENT JOINT AUDITORS' SPECIAL PURPOSE REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank
Jeddah
Kingdom of Saudi Arabia

We have audited the accompanying statement of financial position of the Islamic Development Bank - Special Account Resources Waqf Fund (the "Fund") as of 29 Dhul Hijjah 1434H (3 November 2013) and the related statements of activities, changes in net assets and cash flows for the year then ended and the attached notes from 1 to 32 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and to operate in accordance with Islamic Shari'ah rules and principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 issued by the AAOIFI and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 29 Dhul Hijjah 1434H (3 November 2013), and the results of its activities, changes in net assets and cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Fund.

PricewaterhouseCoopers

Ali A. Alotaibi
Certified Public Accountant
Registration No. 379

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshan
Certified Public Accountant
Registration No. 382

كي بي إم جي الفوزان والسدحان
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

16 Rajab 1435H
15 May 2014
Jeddah

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF FINANCIAL POSITION
As of 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in Thousands of Islamic Dinars unless otherwise stated)

	Notes	1434H	1433H (Restated)
ASSETS			
Cash and cash equivalents	4	**93,236**	29,716
Commodity placements through banks	5	**104,077**	384,104
Investments in syndicated Murabaha	6	**15,148**	-
Due from related parties	7	**77,804**	67,644
Investments in units	8	**7,308**	78,410
Investments in Sukuk	9	**50,254**	73,156
Investments in equity capital	10	**16,868**	19,324
Investments in associates	11	**96,248**	95,270
Instalment financing receivables	12	**-**	1,417
Investment in syndicated Ijarah	13	**19,143**	18,665
Qurood	14	**181,322**	167,022
Accrued income and other assets		**5,917**	7,236
Other investments	15	**146,779**	164,464
Fixed assets	17	**25,713**	26,581
TOTAL ASSETS		**839,817**	1,133,009
LIABILITIES			
Commodity purchase liabilities	18	**-**	269,949
Due to related parties	7	**9,532**	31,713
Accruals and other liabilities	19	**4,714**	3,418
TOTAL LIABILITIES		**14,246**	305,080
NET ASSETS		**825,571**	827,929
REPRESENTED BY:			
Waqf Fund principal amount		**769,410**	765,123
Special assistance		**(96,115)**	(83,754)
Special account for Least Developed Member Countries (LDMC)		**152,276**	146,560
		825,571	827,929

The accompanying notes from 1 through 32 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in Thousands of Islamic Dinars unless otherwise stated)

		1434H				1433H (Restated)
	Notes	Waqf Fund Principal Amount	Special Assistance	Special Account for LDMC	Total	Total
Statement of Activities						
Income from:						
Commodity placements through banks					**1,605**	6,310
Investments in syndicated Murabaha					**243**	224
Investments in units					**7,802**	2,656
Investments in Sukuk					**1,306**	9,420
Instalment financing receivable					**15**	319
Other investments					**5,573**	11,685
Investment in associates					**1,239**	(3,196)
Other Income					**1,964**	1,895
					19,747	29,313
Foreign currency exchange gains					**1,269**	3,771
Financing costs					**(563)**	(4,418)
					20,453	28,666
Provision for impairment of financial assets	16				**(1,542)**	(13,859)
Attributable net income					**18,911**	14,807
Income attributable to Special Assistance		-	1,964	-	**-**	-
Allocation of attributable net income	21	2,542	11,016	3,389	**-**	-
Share of income transferred from IDB-OCR	22	21	89	28	**138**	312
Contributions from IDB-OCR for technical assistance grants and scholarship program	23	-	11,029	-	**11,029**	7,713
Income before grants and program expenses		**2,563**	**24,098**	**3,417**	**30,078**	22,832
Grants for causes	20	-	(32,361)	-	**(32,361)**	(31,497)
Program expenses	20	-	(11,569)	-	**(11,569)**	(11,787)
Net deficit for the year		**2,563**	**(19,832)**	**3,417**	**(13,852)**	(20,452)
Statement of changes in net assets						
Net assets/(liabilities) at the beginning of the year, as previously reported		763,291	(91,691)	144,118	**815,718**	846,405
Prior period adjustments	29	1,832	7,937	2,442	**12,211**	19,108
Net assets/(liabilities) at the beginning of the year, as restated		765,123	(83,754)	146,560	**827,929**	865,513
Net surplus (deficit) for the year		2,563	(19,832)	3,417	**(13,852)**	(20,452)
Fair value and other reserves		1,724	7,471	2,299	**11,494**	(3,622)
Movement in general reserve	9	-	-	-	-	(13,510)
Net assets/(liabilities) at the end of the year		**769,410**	**(96,115)**	**152,276**	**825,571**	**827,929**

The attached notes from 1 through 32 form an integral part of these financial statements.

ISLAMIC DEVELOPMENT BANK
SPECIAL ACCOUNT RESOURCES WAQF FUND
STATEMENT OF CASH FLOWS
For the Year Ended 29 Dhul Hijjah 1434H (3 November 2013)
(All amounts in Thousands of Islamic Dinars unless otherwise stated)

	Note	1434H	1433H (Restated)
CASH FLOWS FROM OPERATIONS:			
Net deficit for the year		**13,852**	(20,452)
Adjustments to reconcile net deficit to net cash used in operating activities:			
Depreciation	17	**1,150**	903
Provision for impairment	16	**1,542**	13,859
Share of (income)/loss in associates, net	11	**(1,239)**	3,196
Investments fair value losses	9	**1,928**	765
Gains on sale of units		**(5,421)**	-
Gain on sale of investment in equity capital		**(1,690)**	-
Foreign exchange loss/(gain)		**6,106**	(6,385)
Change in operating assets and liabilities:			
Investment in syndicated Murabaha		**(15,148)**	221
Instalment financing receivable		**1,417**	363
Istisna'a assets		**-**	756
Qurood		**(14,300)**	(10,302)
Accrued income and other assets		**1,319**	1,287
Due from related parties		**(10,160)**	35,599
Due to related parties		**(22,181)**	9,384
Accruals and other liabilities		**1,296**	(3,332)
Net cash (used in)/provided by operations		**(69,233)**	25,862
Cash flows from investing activities:			
Commodity placements through banks		**280,027**	30,951
Investments in associates	11	**-**	(13,019)
Additions to investments in equity capital	10	**(8,423)**	-
Disposal of equity investment	10	**14,183**	-
Disposal of investments in units		**76,523**	-
Investments in Sukuk	9	**(3,594)**	(16,131)
Redemption of Sukuk	9	**24,091**	18,139
Additions to other investments	15	**(17,439)**	(4,683)
Disposal of other investments	15	**37,616**	33,642
Specific deposit from IDB - Unit Investment Fund		**-**	(9,505)
Additions to fixed assets	17	**(282)**	(3,497)
Net cash provided by investing activities		**402,702**	35,897
Cash flows from financing activities:			
Commodity purchase liabilities		**(269,949)**	(91,347)
Net cash used in financing activities		**(269,949)**	(91,347)
Net change in cash and cash equivalents		**63,520**	(29,588)
Cash and cash equivalents at the beginning of the year		**29,716**	59,304
Cash and cash equivalents at end of the year	4	**93,236**	29,716

The attached notes from 1 through 32 form an integral part of these financial statements.

	Annex 3; Status of Voting Power of Executive Directors As at 29/12/1434H (3 November 2013)					
No.	**Name**	**Countries Represented**	**Votes**	**%**	**Total**	**%**
1.	Hon. Tan Sri Dr. Mohd Irwan Serigar Bin Abdullah (Malaysia)	Brunei Darussalam	4,024	0.29		
		Indonesia	33,152	2.38		
		Malaysia	23,097	1.66		
		Suriname	1,210	0.09	61,483	4.41
2.	Hon. Sékou Ba (Burkina Faso)	Burkina Faso	2,963	0.21		
		Gambia	1,210	0.09		
		Mali	1,915	0.14		
		Niger	3,510	0.25		
		Senegal	3,985	0.29		
		Togo	996	0.07	14,579	1.05
3.	Hon. António Fernando Laice (Mozambique)	Chad	1,452	0.10		
		Comoros	664	0.05		
		Djibouti	909	0.07		
		Gabon	4,492	0.32		
		Mozambique	1,213	0.09		
		Somalia	996	0.07		
		Uganda	2,672	0.19	12,397	0.89
4.	Hon. Kanvaly Diomande (Côte d'Ivoire)	Benin	1,983	0.14		
		Cameroon	3,977	0.29		
		Côte d'Ivoire	859	0.06		
		Guinea	3,639	0.26		
		Guinea-Bissau	967	0.07		
		Sierra Leone	940	0.07	12,366	0.89
5.	Hon. Noureddine Kaabi (Tunisia)	Algeria	35,735	2.56		
		Mauritania	1,429	0.10		
		Morocco	7,548	0.54		
		Tunisia	2,448	0.18	47,160	3.38
6.	Hon. Ibrahim Halil Canakci (Turkey)	Turkey	90,105	6.47	90,105	6.47
7.	Hon. Mohamed Jawad Bin Hassan Suleman (Oman)	Bahrain	2,489	0.18		
		Oman	4,414	0.32		
		Sudan	6,025	0.43		
		Yemen	7,595	0.55	20,523	1.47
8.	Hon. Mohamed Ahmed Abu Awad (Palestine)	Iraq	4,208	0.30		
		Jordan	6,670	0.48		
		Lebanon	1,477	0.11		
		Palestine	1,981	0.14		
		Syria	1,921	0.14	16,256	1.17
9.	Hon. Bader Abdullah Abuaziza (Libya)	Libya	129,706	9.31	129,706	9.31
10.	Hon. Yerlan Alimzhanuly Baidaulet (Kazakhstan)	Albania	1,210	0.09		
		Azerbaijan	1,898	0.14		
		Kazakhstan	1,982	0.14		
		Kyrgyz	1,210	0.09		
		Tajikistan	996	0.07		
		Turkmenistan	996	0.07		
		Uzbekistan	872	0.06	9,164	0.66
11.	Hon. Mohammad Parizi (Iran)	Iran	116,000	8.33	116,000	8.33
12.	Hon. Bader Mishari Al Hammad (Kuwait)	Kuwait	99,088	7.11	99,088	7.11
13.	Hon. Dr.Hamad Bin Suleiman Al Bazai (Saudi Arabia)	Saudi Arabia	334,132	23.98	334,132	23.98
14.	Hon. Abul Kalam Azad (Bangladesh)	Afghanistan	1,373	0.10		
		Bangladesh	14,499	1.04		
		Maldives	1,210	0.09		
		Pakistan	34,937	2.51	52,019	3.73
15.	Hon. Zeinhom Zahran (Egypt)	Egypt	98,776	7.09	98,776	7.09
16.	Hon. Ali Hamdan Ahmed (United Arab Emirates)	U.A.E	100,260	7.20	100,260	7.20
17.	Hon. Ismail Omar Al DAFA (Qatar)	Qatar	97,060	6.97	97,060	6.97
18.	Hon. Mohammed Gambo Shuaibu (Nigeria)	Nigeria	82,133	5.90	82,133	5.90
		Total	**1,393,209**	**100.00**	**1,393,209**	**100.00**

Annex 4: Statement of IDB Share Capital Subscription & Voting Power
As at 29/12/1434H (3 November 2013)

(Amounts in ID Million)

Country	Consolidated Position of Subscribed Share Capital								Voting Power	
	No. of Shares	Amount in ID Million			% of Total	Breakdown of Called-up Capital (ID million)			No. of Votes	% Voting
		Called-up	Callable	Total		Paid-up	Overdue	Not Yet Due		
Afghanistan	993	5.00	4.93	9.93	0.06	3.80	*	1.20	1,373	0.10
Albania	923	4.63	4.60	9.23	0.05	2.50	0.00	2.13	1,210	0.09
Algeria	45,922	230.53	228.69	459.22	2.55	123.66	0.60	106.27	35,735	2.56
Azerbaijan	1,819	9.13	9.06	18.19	0.10	4.92	0.00	4.21	1,898	0.14
Bahrain	2,588	12.99	12.89	25.88	0.14	7.00	*	5.99	2,489	0.18
Bangladesh	18,216	91.44	90.72	182.16	1.01	49.27	0.02	42.15	14,499	1.04
Benin	2,080	10.45	10.35	20.80	0.12	4.48	1.48	4.49	1,983	0.14
Brunei	4,585	23.02	22.83	45.85	0.25	12.41	0.00	10.61	4,024	0.29
Burkina Faso	2,463	12.41	12.22	24.63	0.14	12.41	0.00	0.00	2,963	0.21
Cameroon	4,585	23.02	22.83	45.85	0.25	11.94	0.47	10.61	3,977	0.29
Chad	977	4.92	4.85	9.77	0.05	4.67	0.25	0.00	1,452	0.10
Comoros	465	3.57	1.08	4.65	0.03	0.56	1.94	1.07	664	0.05
Côte d'Ivoire	465	3.57	1.08	4.65	0.03	2.51	*	1.06	859	0.06
Djibouti	496	2.50	2.46	4.96	0.03	1.63	0.88	0.00	909	0.07
Egypt	127,867	641.91	636.76	1278.67	7.10	346.00	0.00	295.91	98,776	7.09
Gabon	5,458	27.40	27.18	54.58	0.30	12.74	2.03	12.63	4,492	0.32
Gambia	923	4.63	4.60	9.23	0.05	2.50	*	2.13	1,210	0.09
Guinea	4,585	23.02	22.83	45.85	0.25	8.56	3.85	10.61	3,639	0.26
Guinea Bissau	496	2.50	2.46	4.96	0.03	2.21	0.29	0.00	967	0.07
Indonesia	40,648	204.16	202.32	406.48	2.26	124.20	0.06	79.90	33,152	2.38
Iran	149,120	749.48	741.72	1491.20	8.28	413.28	13.96	322.24	116,000	8.33
Iraq	4,824	24.21	24.03	48.24	0.27	13.05	*	11.16	4,208	0.30
Jordan	7,850	39.45	39.05	78.50	0.44	22.65	0.00	16.81	6,670	0.48
Kazakhstan	1,929	9.76	9.53	19.29	0.11	5.29	*	4.47	1,982	0.14
Kuwait	98,588	496.64	489.24	985.88	5.48	496.64	0.00	0.00	99,088	7.11
Kyrgyz	923	4.63	4.60	9.23	0.05	2.50	*	2.13	1,210	0.09
Lebanon	977	4.92	4.85	9.77	0.05	4.92	*	0.00	1,477	0.11
Libya	170,446	856.66	847.80	1704.46	9.47	444.26	0.00	412.40	129,706	9.31
Malaysia	29,401	147.60	146.41	294.01	1.63	79.56	0.00	68.04	23,097	1.66
Maldives	923	4.63	4.60	9.23	0.05	2.50	*	2.13	1,210	0.09
Mali	1,819	9.13	9.06	18.19	0.10	5.09	0.00	4.04	1,915	0.14
Mauritania	977	4.92	4.85	9.77	0.05	4.44	0.48	0.00	1,429	0.10
Morocco	9,169	46.03	45.66	91.69	0.51	24.82	*	21.21	7,548	0.54
Mozambique	923	4.63	4.60	9.23	0.05	2.53	*	2.10	1,213	0.09
Niger	4,585	23.02	22.83	45.85	0.25	7.27	5.14	10.61	3,510	0.25
Nigeria	138,400	695.59	688.41	1384.00	7.69	127.92	11.11	556.56	82,133	5.90
Oman	5,092	25.56	25.36	50.92	0.28	13.78	*	11.78	4,414	0.32
Pakistan	45,922	230.54	228.68	459.22	2.55	115.69	8.57	106.28	34,937	2.51
Palestine	1,955	9.85	9.70	19.55	0.11	5.11	4.74	0.00	1,981	0.14
Qatar	129,750	653.04	644.46	1297.50	7.21	321.14	*	331.90	97,060	6.97
Saudi Arabia	424,960	2135.85	2113.75	4249.60	23.61	1,222.57	0.00	913.28	334,132	23.98
Senegal	5,280	26.54	26.26	52.80	0.29	8.59	6.54	11.41	3,985	0.29
Sierra Leone	496	2.50	2.46	4.96	0.03	1.94	0.56	0.00	940	0.07
Somalia	496	2.50	2.46	4.96	0.03	2.50	*	0.00	996	0.07
Sudan	8,321	41.82	41.39	83.21	0.46	13.86	10.00	17.96	6,025	0.43
Suriname	923	4.63	4.60	9.23	0.05	2.50	*	2.13	1,210	0.09
Syria	1,849	9.28	9.21	18.49	0.10	5.00	*	4.28	1,921	0.14
Tajikistan	496	2.50	2.46	4.96	0.03	2.50	*	0.00	996	0.07
Togo	496	2.50	2.46	4.96	0.03	2.50	*	0.00	996	0.07
Tunisia	1,955	9.85	9.70	19.55	0.11	9.78	0.07	(0.00)	2,448	0.18
Turkey	116,586	585.28	580.58	1165.86	6.48	315.47	*	269.81	90,105	6.47
Turkmenistan	496	2.50	2.46	4.96	0.03	2.50	*	0.00	996	0.07
U.A.E.	135,720	682.12	675.08	1357.20	7.54	322.52	0.00	359.60	100,260	7.20
Uganda	2,463	12.41	12.22	24.63	0.14	9.50	2.92	0.00	2,672	0.19
Uzbekistan	480	3.73	1.07	4.80	0.03	2.65	*	1.08	872	0.06
Yemen	9,238	46.19	46.19	92.38	0.51	24.76	0.05	21.38	7,595	0.55
Shortfall/ Overpayment)	.	-0.059	*	-0.059	*	0.236	(0.382)	0.087	*	*
Sub-Total	**1,780,376**	**8,951.23**	**8,852.53**	**17,803.76**	**98.91**	**4,799.80**	**75.60**	**4,075.84**	**1,393,209**	**100.00**
Uncommitted	**19,624**	**28.58**	**167.66**	**196.24**	**1.09**	*	*	*	*	*
Grand Total	**1,800,000**	**8,979.81**	**9,020.19**	**18,000.00**	**100.00**	**4,799.80**	**75.60**	**4,075.84**	**1,393,209**	**100.00**

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