

# Annual Report 2016

## DIGEST

AN ESSENTIAL GUIDE TO  
THE 2016 ANNUAL REPORT



ISLAMIC DEVELOPMENT BANK

TOGETHER WE BUILD A BETTER FUTURE



## Corporate profile of the Islamic Development Bank

### ESTABLISHMENT

The Islamic Development Bank (IDB) is an international financial institution established pursuant to Articles of Agreement done at the city of Jeddah, Kingdom of Saudi Arabia, on 21st Rajab 1394H corresponding to 12 August 1974. The Inaugural Meeting of the Board of Governors took place in Rajab 1395H (July 1975) and the IDB formally began operations on 15 Shawwal 1395H (20 October 1975).

### VISION

By the year 1440H, the Islamic Development Bank will 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 IDB has 57 member countries across various regions. The prime conditions for membership are that the prospective country should be a member of the Organization of the Islamic Cooperation (OIC), that it pays the first instalment of its minimum subscription to the Capital Stock of IDB, and that it accepts any terms and conditions that may be decided upon by the Board of Governors.

### CAPITAL

At its 38th Annual Meeting, the IDB's Board of Governors approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the Subscribed Capital (available for subscription) was increased to ID50 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. As at the end of 2016, the subscribed capital of the IDB stood at ID50.1 billion.

### 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, REGIONAL AND COUNTRY 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 and Country Gateway offices in Turkey (Ankara and Istanbul), Indonesia, and Nigeria.

### FINANCIAL YEAR

The IDB's financial year used to be the lunar Hijra Year (H). However, from 1 January 2016, the financial year changed to the Solar Hijra year which starts from the 11th of Capricorn, (corresponding to 1 January) and ends on the 10th Capricorn (corresponding to 31 December of every year).

### 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 also used as working languages.



# Message from the President

In the fourth quarter of 2016, and with a great sense of responsibility and humility, I have assumed my duties as President of this esteemed unique development organization. I took over from my predecessor Dr. Ahmad Mohamed Ali, whose exceptional and well renowned leadership over the years has brought the IDB Group to the league of the most recognized international development organizations, serving our 57 Member Countries. To him, and on behalf of all the staff, I express my profound gratitude and appreciation.

This past year (2016) has witnessed significant milestones for international development. It marked the first year of the implementation of the universally endorsed 2030 Agenda and the Sustainable Development Goals (SDGs). It has also witnessed the rapid ratification of the Paris climate change agreement, which is unprecedented in the history of international treaties. The positive cooperation and persistent support of the international community has been instrumental in achieving this success, despite the challenge of rising austerity measures and potential populist trends across the world that could potentially hinder progress.

In today's world, and despite the reduction in the number of poor globally, our member countries and other developing countries are still facing diverse and increasing challenges. To name a few, these challenges include the rise in inequality, weak inclusive growth, proliferation of conflicts and fragility, terrorism, youth unemployment, and unpredictable commodity prices. A serious paradigm shift towards innovative and collaborative approaches is required to deal with these enormous challenges. For instance, oil-dependent countries are dealing with the shocks of volatile oil prices by diversifying their sources of income away from one commodity, enhancing competitiveness, and building strong institutions to reduce leakages and promote transparency and accountability. Several of our member countries, including our host country, have embarked on ambitious national development plans. These transformational plans, employing creative and practical ways and means, have become essential to providing adaptive and effective solutions to the current developmental challenges.

As you will see in this year's report, IDB has increased its volume of delivery to the member countries and was able to achieve a solid financial performance. The IDB Group continued to promote the Islamic Finance industry and forge partnerships with governments, private sector, philanthropists and development organizations of all types. Of course, the IDB Group will continuously strive to ensure its financial stability, widen its partnerships and enhance its efforts for resource mobilization in order to be able to meet the expectations of the member countries and help

them in achieving their development objectives.

Building on the success and accumulated experiences so far, I intend to move forward with an adaptive approach to enable the IDB Group to ultimately go to the next level in terms of its effectiveness in achieving its mandate. I would like for the IDB Group to be more proactive, pioneering and agile.

I have formulated a new roadmap with the key objective of becoming more client-centric and better capable of delivering in the most effective and efficient manner.

The roadmap envisages this goal to be achieved by empowering the staff and enhancing the field presence (through decentralization), enhancing connectivity (through shifting to a networked organization and ensuring effective communication), supporting innovativeness (through developing new and inclusive funding and implementation mechanisms) and fostering a delivery-oriented culture (through focusing on development effectiveness and enhanced accountability). Actually, I have taken concrete steps to ensure building the bases and securing the needed capacities for such a transformation. I have designated several teams to work on new proposals for operations, finance and human resources as well as established a new communications office and a new dedicated unit for strategic initiatives. After due studies and consultations, the road map will be operationalized in this year (2017).

I assure all stakeholders and development partners that the IDB Group will continue to thrive and will always be able to adapt to the ever changing development needs of our member countries. With the support of our member countries and the involvement of all development actors and beneficiaries, I am confident of the success of the IDB Group for a long time to come.



A handwritten signature in black ink, enclosed within a hand-drawn oval shape. The signature is stylized and appears to be the name of the president.

**H.E. Dr. Bandar M. H. Hajjar**  
President, Islamic Development Bank and  
Chairman, Board of Executive Directors

# 2016 Annual Report is composed of three Chapters



## Chapter 1: IDB Group in Focus

This chapter highlights the IDB Group's operational performance, major initiatives, and the achievements of Group members as well as the Special Funds managed by the Bank.



## Chapter 2: Fostering Inclusive and Sustainable Development

This chapter analyses the activities of the Bank related to its ordinary capital resources, its capacity-building programs, co-financing, partnership, co-operation arrangements and contribution to Islamic financial services industry. The chapter also covers activities related to women's empowerment, IDB prizes, and solidarity program.



## Chapter 3: Strengthening Institutional Effectiveness

This chapter highlights the key activities of the IDB Board of Governors and the Board of Executive Directors. It also presents the progress of the President's Advisory Panel and Delivery Unit, Member Country Partnership Strategy, Bank Group's credit ratings, evaluation, risk management, internal audit and integrity functions. The chapter also provides an update on the IDB Group Ten-Year Strategy, Group Business Enhancements and System Transformation Program (GBEST), knowledge management and innovation activities, and changes and improvements made in human resources to hire and retain staff as well as to improve the work environment.

# IDB Group in Numbers

DURING 2016+<sup>1</sup>, THE IDB GROUP APPROVED

# 255

OPERATIONS TO THE VALUE OF

# \$12.2 BILLION.

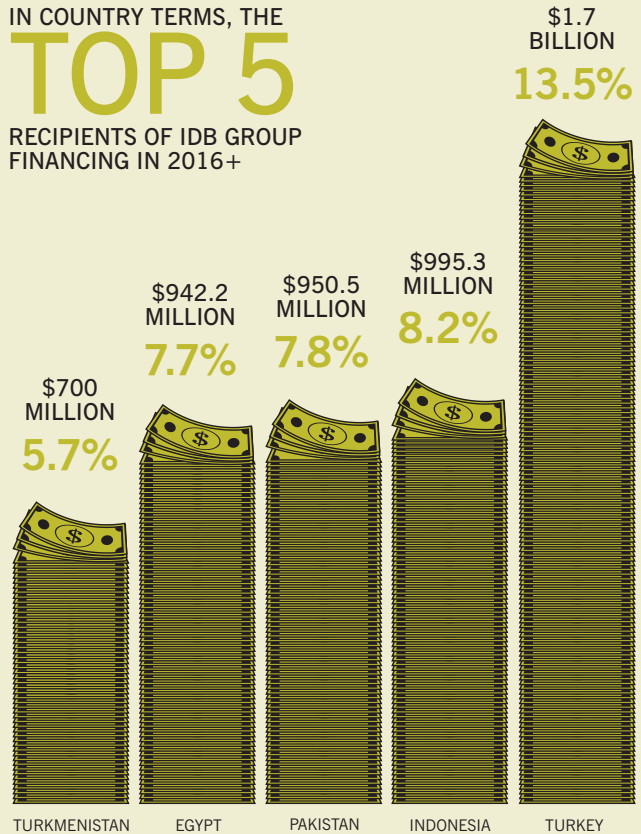
HOWEVER, EXCLUDING THE TRANSITION PERIOD<sup>2</sup>, THE GROUP APPROVALS TOTALED

# \$10.5 BILLION.

IN 2016 COMPARED TO \$11.8 BILLION APPROVED A YEAR EARLIER (1436H), REPRESENTING A DECREASE OF 10.7% ATTRIBUTED TO LOWER APPROVALS BY ITFC.

IN COUNTRY TERMS, THE  
**TOP 5**

RECIPIENTS OF IDB GROUP FINANCING IN 2016+



<sup>1</sup> The figure covers 14.5 months (i.e. 14 October 2015 to 31 December 2016) due to change in the beginning and the end of the financial year of the Bank.

<sup>2</sup> Covers the period 14 October 2015 to 31 December 2015

<sup>3</sup> Refers to Ordinary Capital Resources

<sup>4</sup> New Commitments

Islamic Development Bank (IDB) <sup>3</sup>	Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) <sup>4</sup>	Islamic Corporation for the Development of the Private Sector (ICD)	International Islamic Trade Finance Corporation (ITFC)	Others (APIF, UIF, Special Assistance Operations)
---	--	---	--	---



**\$5.8**  
BILLION



**\$4.8**  
BILLION



**\$754**  
MILLION



**\$3.9**  
BILLION

**\$102.1**  
MILLION



# Major Initiatives

## NEW MEMBERSHIP

THE COOPERATIVE REPUBLIC OF GUYANA BECAME THE

# 57<sup>TH</sup>

MEMBER OF THE ISLAMIC DEVELOPMENT BANK IN MAY 2016



VENEZUELA

BRAZIL

SURINAME

GUYANA

During the 41st Annual Meeting in Jakarta (Indonesia), a flag procession ceremony was held to mark the accession of Cooperative Republic of Guyana to the membership of the Bank.

## DEEP DIVE INITIATIVE

Joint project financing

Knowledge sharing and policy dialogue

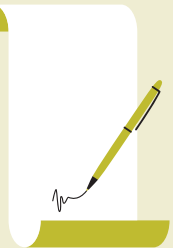
Modalities of working across institutions

Others including staff exchange

Strengthen collaboration with the World Bank to achieve common development objectives in mutual member countries

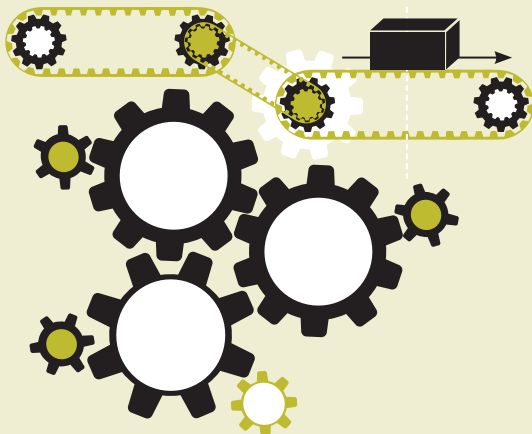
## RESOURCE MOBILIZATION

The IDB issued four series of trust certificates (sukuk) under its existing \$25 billion MTN program, of which two series were issued via benchmark issuances totaling \$2.75 billion, while the remaining issuance was through private placement



The ICD also issued its debut five-year Sukuk for \$300 million in April 2016.

## SPECIAL PROGRAM FOR CENTRAL ASIA



The Program supports the cooperation efforts of the IDB Group's member countries in Central Asia (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) to enhance competitiveness, increase trade and promote economic growth.

# SPCA

WILL SUPPORT THE TRANSMISSION INFRASTRUCTURE NEEDED TO MOVE AND TRADE ENERGY ACROSS BORDERS



## LIVES AND LIVELIHOODS FUND

THIS IS THE LARGEST DEVELOPMENT INITIATIVE OF ITS KIND BASED IN THE MIDDLE EAST PRIMARILY TARGETING THE LEAST DEVELOPED MEMBER COUNTRIES, WHERE THE MAJORITY OF THE POOR LIVE.

# \$363

MILLION

APPROVED FOR PROJECTS IN HEALTH AND AGRICULTURE DEVELOPMENT.

# 2016+ in Numbers

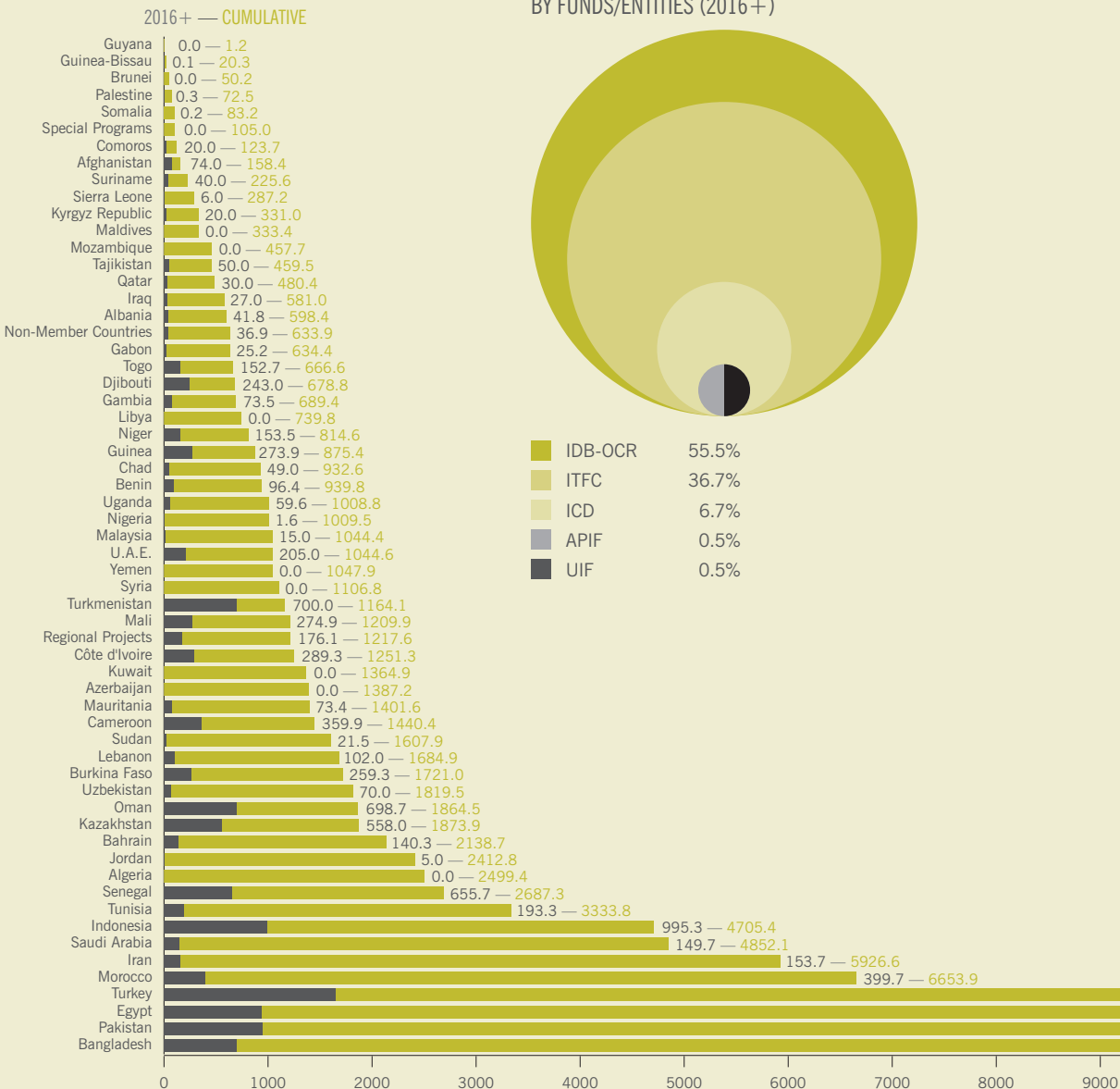
TOTAL IDB GROUP NET APPROVALS (2016+)

**\$12.2** BILLION

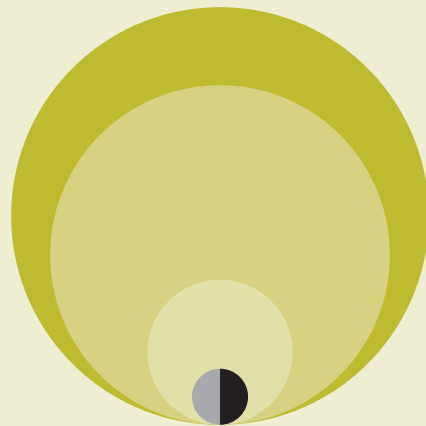
CUMULATIVE IDB GROUP NET APPROVALS (1976-2016+)

**\$124.3** BILLION

IDB GROUP NET APPROVALS



DISTRIBUTION OF THE TOTAL APPROVALS BY FUNDS/ENTITIES (2016+)



IDB-OCR	55.5%
ITFC	36.7%
ICD	6.7%
APIF	0.5%
UIF	0.5%



THE PRESENT MEMBERSHIP  
OF THE BANK CONSISTS OF

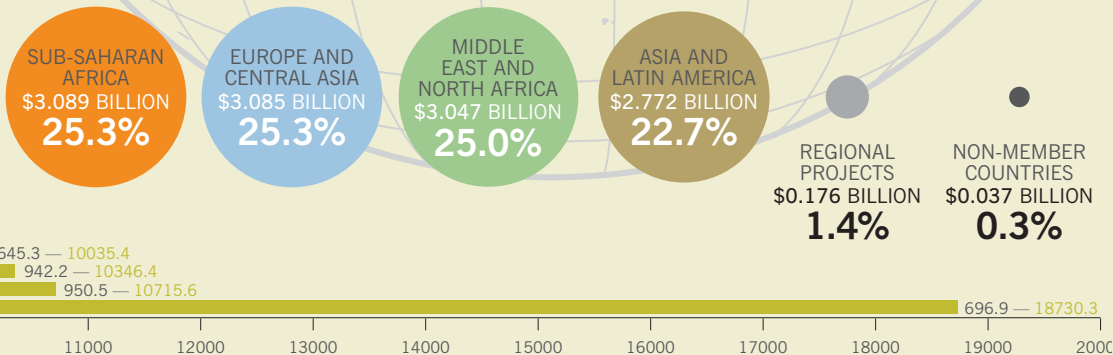
57

COUNTRIES WHICH FALL WITHIN  
FOUR IDB REGIONAL GROUPINGS

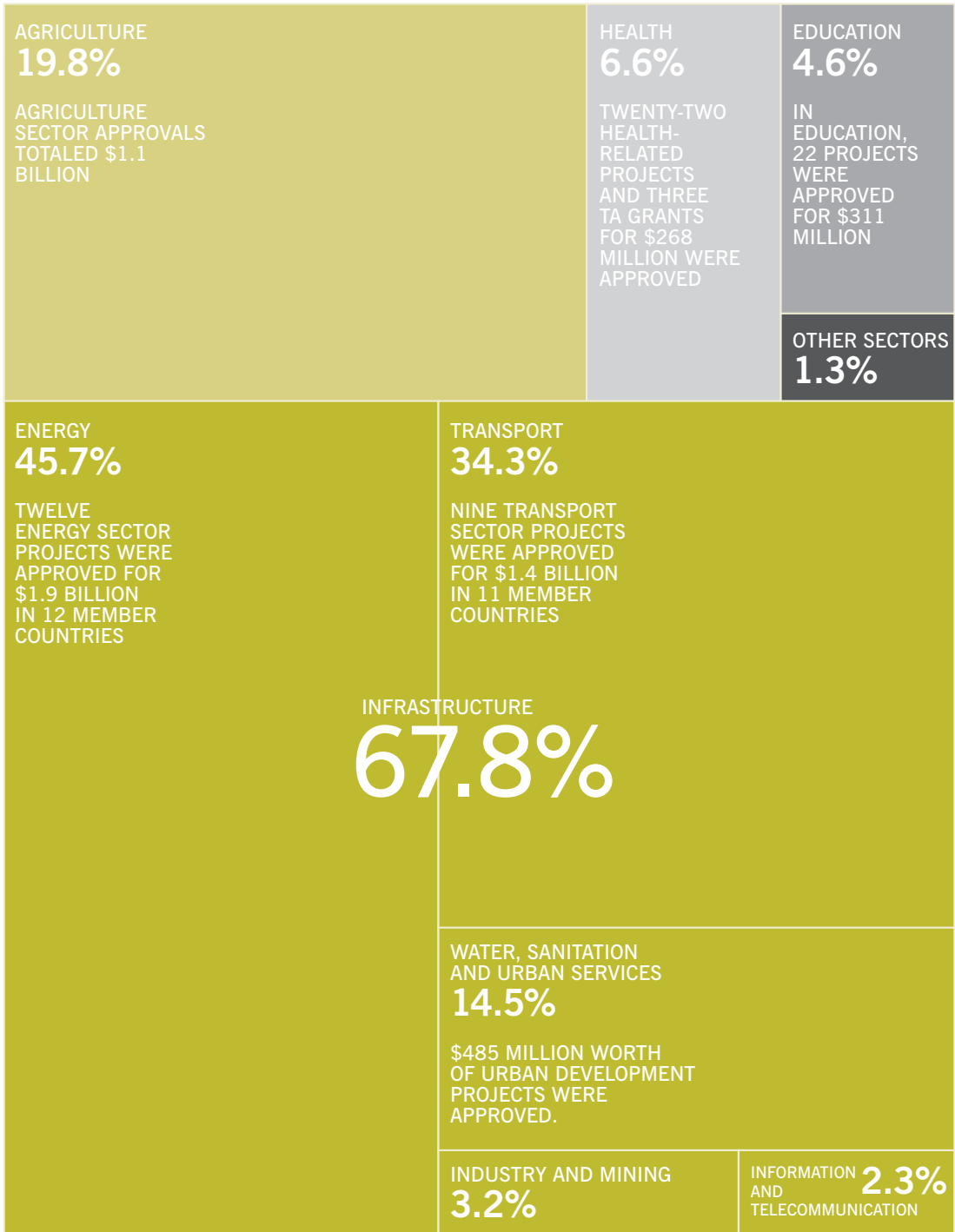
- MENA
- Asia and Latin America
- SSA
- Europe and Central Asia



REGIONAL LEVEL ALLOCATION IN 2016+



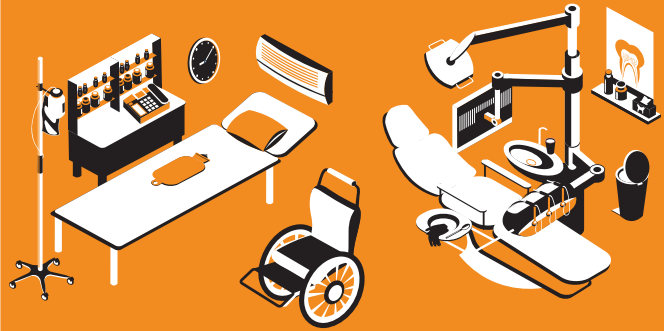
“Infrastructure continued to be the primary focus of the Bank’s developmental financing. This renewed focus on infrastructure was in response to the significant demand from member countries to address infrastructure deficits by building new assets and enhance resilience of existing infrastructure.”



# Sectoral allocation of IDB-OCR financing in 2016

IN 2016, 22 OPERATIONS WERE APPROVED FOR THE EDUCATION SECTOR FOR

**\$311.4**  
MILLION



IN 2016, THE BANK APPROVED 22 HEALTH-RELATED PROJECTS AND THREE TA GRANTS FOR A TOTAL AMOUNT OF

**\$268** MILLION

IN 2016, THE IDB APPROVED

**\$1.1** BILLION

FOR THE AGRICULTURE SECTOR COMPARED WITH \$535.9 MILLION IN THE PREVIOUS YEAR.



IN 2016, THE BANK APPROVED 12 ENERGY SECTOR PROJECTS FOR

**\$1.9** BILLION

IN 12 MEMBER COUNTRIES





“The Islamic Solidarity Fund for Development (ISFD is dedicated to reducing poverty in the OIC member countries, particularly the LDMCs.”



**\$10**

**BILLION**

SET ASIDE FOR THE ISLAMIC SOLIDARITY FUND FOR DEVELOPMENT (ISFD) WHICH PROVIDES CONCESSIONARY LOANS AND GRANTS TO PROMOTE PRO-POOR GROWTH AND HUMAN DEVELOPMENT

**\$664.8**

**MILLION**

APPROVED FOR 106 OPERATIONS SINCE INCEPTION OF ISFD

**33**

**COUNTRIES**

HAVE BENEFITED, OF WHICH 73% ARE LDMCS

## 2016 PRIZE WINNERS OF IDB PRIZES FOR SCIENCE & TECHNOLOGY

### Category 1: Kuwait Institute for Scientific Research, Kuwait

The Kuwait Institute for Scientific Research (KISR) was selected for its scientific and technological contributions and accomplishment, which had a positive impact on the socio-economic development of Kuwait and other IDB Member Countries.

KISR was established in 1967 in a region endowed with oil resources but with scarce water resources. Its research and scientific achievements are centered on enhanced oil exploration, innovative desalination, wastewater treatment, and zero liquid discharge. KISR developed technologies in these fields that are now being used within its region and around the world. KISR has had a long-standing tradition of fostering young talent and promoting innovative scientific research.

### Category 2: Nanomagnetic Instruments, Turkey

Nanomagnetic Instruments was selected for its high quality of research, and its commercial application in applied nanomagnetics.

Nanomagnetic Instruments was established in 1999 as a pioneering Turkish company working in the development of sensing, measurements, characterization and manipulation of nanosystems. It innovates, develops, manufactures and sells nanosystems to large and reputable institutions and universities globally.

### Category 3: Bangladesh Institute of Nuclear Agriculture, Bangladesh

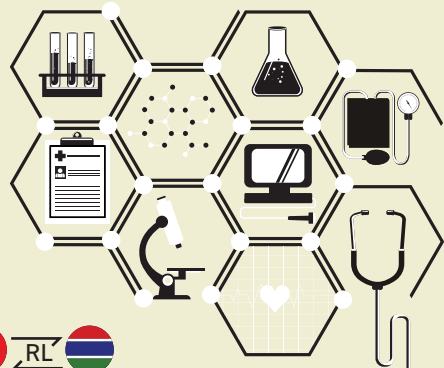
The Bangladesh Institute of Nuclear Agriculture was selected under Category 3 of the prize, which rewards noted scientific research institutions in IDB Least Developed Member Countries (LDMCs)

The Bangladesh Institute of Nuclear Agriculture was established in 1961 to develop friendly nuclear technologies to enhance the performance of the agriculture sector, one of the major economic sectors in Bangladesh. It has a team of 170 scientists and researchers. Its research efforts in the biotechnology and crop management is well acknowledged in the country, with a research output that includes approximately 297 scientific research papers. Its reputation is affirmed by several national and international awards.

It has successfully commercialized some of its technologies, with nearly 40 products on the market and has close collaboration with many scientific institutions globally.

# 4

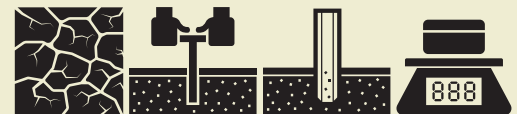
## REVERSE LINKAGE PROJECTS APPROVED FOR \$887,000



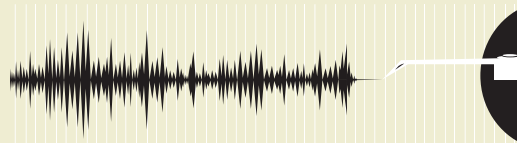
STRENGTHENING THE CAPACITY OF THE SCHOOL OF MEDICINE AND ALLIED HEALTH SCIENCES OF THE UNIVERSITY OF GAMBIA



DEVELOPING CAPACITY IN SOLAR ENERGY FOR RURAL ELECTRIFICATION









MAPPING SOIL FERTILITY



EARTHQUAKE SEISMOLOGICAL RESEARCH

## INDICATIVE PERFORMANCE OF IDB GROUP IN 2016

Performance Area	Key Achievements 2016	Rating	Challenges
<b>Operational Efficiency</b>	Enhanced procurement process SAP Operational and Finance Modules Operational 2 new CGOs		Level of disbursements Concept to 1st disbursement
<b>Results Based Management</b>	8 MCPS initiated MCPS viewed positively by clients MfDR being institutionalized in IDBG Core Sector indicators		Mainstreaming value added and knowledge activities in Operations Launching credible client satisfaction surveys More intensive country diagnostics Quality & alignment of data (MCS, IDB)
<b>Resource Mobilization</b>	Resources mobilized through co-financing 1.8:1 Sukuk issuance of \$1.45 Billion \$400m LLF Deep Dive initiated with World Bank		Off Balance Sheet resource mobilisation Concessional Resources ISFD
<b>People Management</b>	66% Professionals ( as % of total work force) 55.4% Client facing professionals ( as of total work force) 7% Staff in field offices ( as of total work force)		Definition of client facing Reallocation of staffing Filling of key positions
<b>Financial Performance</b>	\$4.1B approval 15% Disbursement ratio 2.1 % Return on Equity Equity portfolio performance 7.8% ID2OM gain from partial exit		CUC Implementation of 10VFS
<b>Group Synergy</b>	MCPS as engagement tool CGOs functioning as group representatives		HR harmonization Operational overlap

## MCPS ACHIEVEMENT RATES (AS OF END-DECEMBER 2016)<sup>1</sup>

MCPS Under Implementation	Indicative Financing Envelope (\$ million)	Net Approvals by IDB Group (\$ million)	Achievement Rates <sup>2</sup>
<b>MCPSs Implementation Completed</b>			
1 Turkey (2010-13)	2000	2438	121.9
2 Uganda (2011-13)	500	901	180.24
3 Indonesia (2011-14)	2500	2771	57
4 Mauritania (2011-15)	650	685	105.4
5 Mali (2011-14)	500	486	97.2
6 Pakistan (2012-14)	2500	3436	137.5
7 Senegal (2012-14)	760	944	124.2
8 Tunisia (2013-15)	870	671.1	77.1
9 Niger (2013-15)	600	289.2	48.2
10 (Interim) Suriname (2014-15)	*	136.6	207
11 Malaysia (2012-15)	*	40.1	-
12 Kazakhstan (2012-14)	*	1193	-
13 Kuwait (2012-15)	*	22.2	-
14 (Interim) Somalia (2014-15)	*	5.3	-
<b>MCPSs Under Implementation</b>			
15 Bangladesh (2013-16)	11215	5402.5	48.2
16 Morocco (2013-16)	2200	1690	76.8
17 Chad (2014-16)	450	363	80.7
18 Benin (2014-17)	570	578.8	101.5
19 Indonesia II (2016-2020)	5200	836.5	16

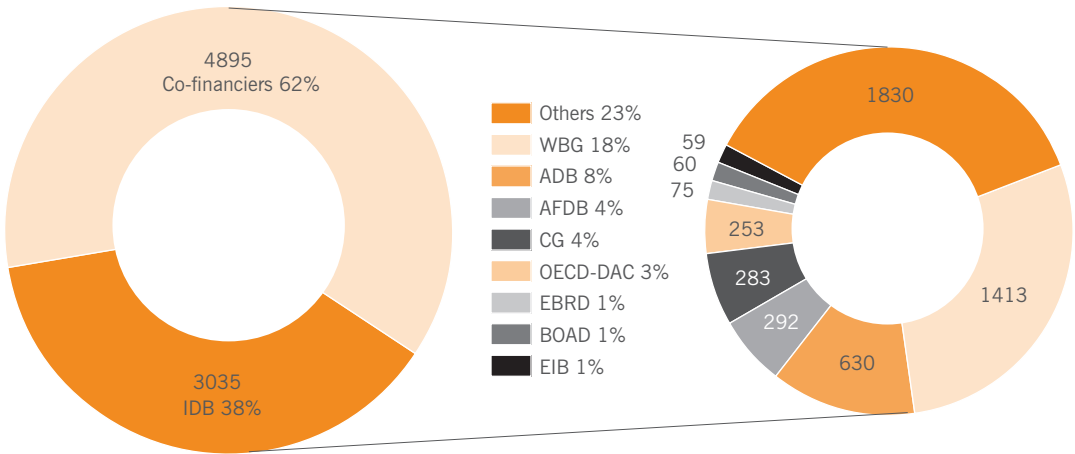
\* Denotes no indicative financing envelope in the MCPS Programs

<sup>1</sup> Country order is based on launching year

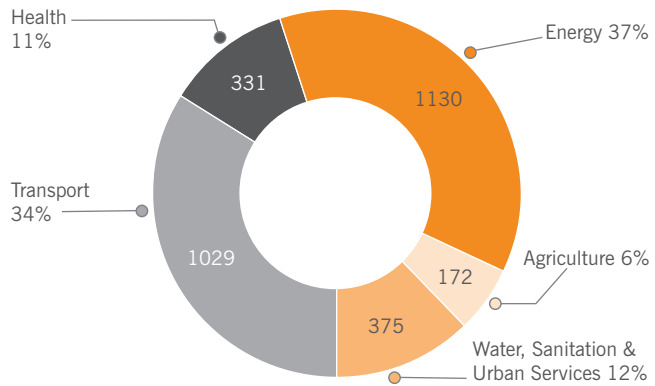
<sup>2</sup> Implementation rate is defined as net approvals as % of indicative financing



## CO-FINANCING IN 2016 (\$M)



## SECTORAL DISTRIBUTION OF IDB CO-FINANCING IN 2016 (\$M)



AT THE END OF 2016 TOTAL STAFF OF IDB GROUP REACHED

**1,210**





**Islamic Development Bank**

8111 King Khaled St  
Al Nuzlah Yamania  
Unit 1 Jeddah 22332-2444  
Kingdom of Saudi Arabia

☎ Tel: (+966-12) 6361400

☎ Fax: (+966-12) 6366871

✉ Email: [ldbarchives@isdb.org](mailto:ldbarchives@isdb.org)

🌐 Website: [www.isdb.org](http://www.isdb.org)



PROVIDING RESOURCES



FIGHTING POVERTY



RESTORING DIGNITY

