



itfc

International
Islamic Trade
Finance Corporation

Annual Report
1429H



Member of Islamic
Development Bank Group



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

The International Islamic Trade Finance Corporation
ITFC
1429H Annual Report

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Chairman's Message



In the Name of Allah the most Merciful and most Beneficent

Honorable members of the General Assembly of the ITFC

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

Since the establishment of the IDB in 1395H (1975), one of its main objectives has been the strengthening of economic and trade cooperation between its member countries in order to achieve economic integration that contributes to a sustainable economic and human development through programs which support intra-trade.

The ITFC was established within the IDB in order to facilitate intra-trade among OIC member countries pursuant to the IDB's Board of Governors resolution adopted at the thirtieth annual meeting held in Putrajaya, Malaysia on 17/5/1429H (24/06/2005). The ITFC's Articles of Agreement stipulate that all trade finance activities within IDB Group shall be consolidated under the umbrella of the Corporation for the purpose of encouraging and facilitating intra-trade and international trade of member countries of the OIC and assisting in the development of investment opportunities conducive to the flow of private and public resources, domestic and foreign, into investments in the member countries of the OIC to enable them to enhance their international trade capabilities.

The Corporation has successfully completed its first year of operations with total approvals exceeding US\$ 2.5 billion from its own resources, resources made available to the Corporation by the IDB and resources mobilized from international financial markets despite the current global financial crisis. In addition, trade cooperation and promotion programs implemented by the Corporation during this year have greatly contributed to trade facilitation as well as capacity building for many trade development centers and institutions in OIC member countries.



Surat Al Baqarah 2:148

Each one has a goal toward which he turns;
so vie with one another in good works.
Wherever you may be, Allah will bring you
all together. Allah is over all things, powerful.

On behalf of the Board of Directors of the ITFC, it gives me great pleasure to present to the General Assembly, in accordance with the Articles of Agreement of the Corporation, the first annual report which covers the period from 01/01/1429H to 30/12/1429H (10/01/2008 – 28/12/2008). The report includes an overview of all the ITFC's activities as well as its audited financial statements. It reflects the Corporation's efforts to achieve its stated objectives and fulfill the expectations of its participants.

I pray to Allah Almighty that the Corporation may continue its efforts to achieve its noble goals.

Dr. Ahmad Mohamed Ali
Chairman of the Board of Directors
President, IDB Group

CEO's Message



In the Name of Allah the most Merciful and most Beneficent

Every human endeavor is anchored in our inherent abilities or comes as a result of our judicious pursuit of policies that will give us greater wealth and prosperity. Attaining a higher standard of living, improving lives have been and continue to be an ongoing quest for the Muslim Ummah. It is this pursuit to improve our livelihood and the well-being of the Ummah that underpinned the establishment of the International Islamic Trade Finance Corporation (ITFC).

Our core strategy is to pull for development, push for profit and aim at enhancing the development of strategic sectors that are critical to the economies of our member countries. This drive is consistent and in line with the targets set out under the Makkah Declaration to achieve 20% intra-OIC trade volumes by 2015. In this regard, we at the ITFC are using our five Business Lines of Trade Finance, Trade Promotion, Trade Facilitation, Capacity Building, and the Development of Strategic Commodities to attain this objective.

ITFC formally commenced its operations on 1st Muharram, 1429H (January 10, 2008G). During our first year of business operations, we established a solid foundation in our efforts to contribute to the development of trade among OIC member countries on one hand, and with the rest of the world on the other. With a thirty year heritage in trade finance and trade promotion our transition was a lot smoother.

This performance is commendable especially against the financial turbulence that the world experienced during the latter half of 2008. Our major safeguard against these adversities is the very foundation upon which Islamic modes of finance are based, i.e. tangible and real transactions without any speculative elements.



Surat Al-Noor 24:37

People who are not distracted by business or trade from commemorating GOD; they observe Prayers(Salat) and give the obligatory charity(Zakat) and they are conscious of The Day when the hearts and the eyes will be dazed.

Our commitment to intra-OIC trade financing is paramount as is evident by the 83% of all trade finance approvals that were directed towards intra-OIC trade. Assisting Small and Medium Enterprises (SMEs) in our member countries is essential, given the export and employment opportunities that it represents. Similarly, our support for Least Developed Member Countries (LDMCs) provides greater employment opportunities especially in rural areas and agro based communities.

The high level of market confidence in ITFC was manifested during the year in many ways, not least the amount of funds that the corporation mobilized from other financial institutions worldwide to fund our trade operations. In accordance with the ITFC mandate, we will work with select member countries to establish dedicated funds and manage them for the benefit of other member countries. These strategic alliances will extend to include bilateral and multilateral institutions where common objectives are shared.

The ITFC Trade Cooperation and Promotion Program (TCPP) will continue to be a key delivery channel and this will be complemented with the strategic partnerships that are being developed with Trade Promotion Organizations (TPOs) in member countries, training institutions, specialized OIC institutions and other training organizations.

The years ahead will give us the opportunity to consolidate our gains and employ our resources in expanding the reach of ITFC with the establishment of an optimal branch network to bring us closer to our member countries and make our services accessible to many more. To ensure that the ITFC objectives are met, we will invest in developing our most valuable resource, our people.

I remain confident that with the support of our member countries and the dedication of our staff, ITFC will live up to the expectations of the Ummah.

Dr. Waleed A. Al-Wohaib
Chief Executive officer

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The International Islamic Trade Finance Corporation





The International Islamic Trade Finance Corporation

The International Islamic Trade Finance Corporation (ITFC) is the culmination of a 30-year pioneering commitment by the Islamic Development Bank (IDB) to develop and expand intra-trade between member countries of the Organization of the Islamic Conference (OIC). This commitment began with the inauguration of the IDB in 1395H (1975G) and evolved over three decades to include a number of programs, schemes and operations that were launched over time to address critical development sectors. Included among those programs were the Import Trade Finance Operation (ITFO), the Export Financing Scheme (EFS), the Islamic Bank's Portfolio for Investment & Development (IBP), the Unit Investment Fund (UIF), the Islamic Corporation for Private Sector Development (ICD) and the Awqaf Properties Investment Fund (APIF). These multiple programs and operations were set up to facilitate and support various aspects of IDB's intra-trade operations. As the IDB's trade finance portfolio evolved and expanded over three decades it became necessary to consolidate its trade finance operations under a single umbrella in order to eliminate any overlap, bring greater efficiency and better resource allocation and optimization. By the end of 1428H, the various trade programs had financed 2,109 intra-trade operations in member countries amounting to US\$ 29.6 billion.

The ITFC was established in response to calls for an increase and acceleration of intra-trade first expressed by the Custodian of the Two Holy Mosques King Abdullah Bin Abdel Aziz Al Saud (during his tenure as Crown Prince) during the 10th OIC Summit held in Putrajaya, Malaysia in 1424H (2003G).

The creation of the ITFC was approved in Jumada Al-Awal 1426H (2005G) by the IDB Group Board of Governors at its 30th annual meeting in Malaysia. The corporation's articles of agreement were signed the following year in Kuwait. The ITFC was conceived as a market-driven corporation operating autonomously under the IDB Group umbrella. The authorized capital of US\$ 3 billion and subscribed capital amounting to US\$ 750 million. The ITFC's Corporate Identity was formally unveiled on the 29th of Jumada Al-Awal 1429H (June 3, 2008G) at the IDB's 33rd Annual Board of Governors Meeting held in Jeddah, Saudi Arabia.



The ITFC has grouped the 56 OIC member countries into three regions for trade finance operations. Sub-Saharan Africa is comprised of 22 member countries, most of which are classified as Least Developed Member Countries (LDMCs). The Middle East & North Africa (MENA) covers 21 member countries, including the Gulf States, the North African countries and the two Arab countries of Sudan and Mauritania. Asia consists of 17 countries, including Turkey and Iran, and the members of the Commonwealth of Independent States (CIS).

The ITFC trade finance arm emphasizes trade partnerships and increased intra-trade. Moreover it has been set up to advance trade by contributing to the development of markets and trading capacities of all member countries, aiming at increasing OIC intra-trade and international trade with the rest of the world. The ITFC aims to identify and nurture trade complementarities, by introducing new Shariah-compliant products to the trading process.

The ITFC's trade promotion and development arm, the Trade Cooperation and Promotion Program (TCPP), focused on the integration of Trade Promotion Organisations (TPOs) in Islamic countries through skills and knowledge transfers that lead to genuine capacity building.

The paramount concern of the Islamic Development Bank has been to improve the lives of ordinary people throughout the Islamic world, particularly in least developed countries, through economic development and trade. This objective has been at the core of the ITFC's formation.

By providing funds for and facilitating trade, the ITFC assist in fostering the economic and social development of its member countries. By financing trade operations that preserve jobs and create new employment opportunities, the ITFC contributes to the alleviation of poverty. By transferring skills through training, the ITFC contributes to capacity building and the working environment of member countries.

Executive Summary





Executive Summary

The ITFC formally began its trade operations on 1st of Muharram, 1429H (January 10, 2008G). In a year of unprecedented economic highs and lows, the ITFC's first year as an independent organization within the IDB Group, saw it initiate and approve 70 trade finance operations (including 3 under BADEA¹) in 22 OIC member countries amounting to US\$ 2.505 billion. During its first year of business, its operations were carried out in three regions: Asia & CIS, MENA and Sub-Saharan-Africa,.

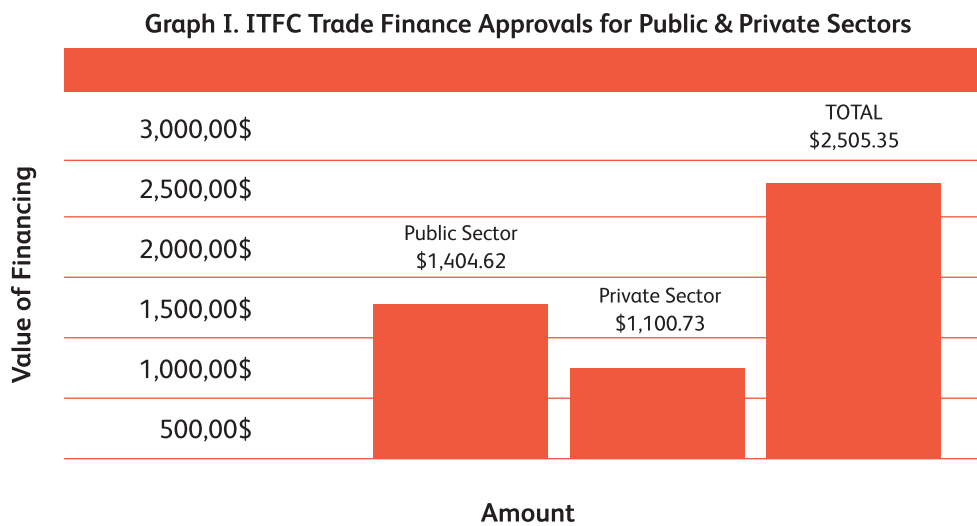
Although the impact of the global economic downturn has been felt in Asian OIC member countries due to the reduced demand for exports from other neighbouring countries, the ITFC's trade finance operations registered a healthy upward trend, however, the actual value of ITFC trade finance operations should not be purely measured based on quantitative data namely the number of transactions and the net value of overall regional trade financing. The impact of ITFC trade finance should rather be measured according to the impact each operation has upon the social and economic landscape of individual countries. The overall trade finance operations for the year under review were valued at US\$ 1,280.75 million of which 27% or US\$ 346.5 million was from externally mobilized resources.

In the Middle East and North Africa (MENA) region, GDP held up well through 1429H (2008G). By the end of the year however, the global downturn had impacted major growth sectors, yet the ITFC trade finance operations registered not only US\$ 878.5 million in trade finance operations with high impact on value added areas such as the pharmaceutical sector in Jordan and the cotton sector in Sudan. Its externally mobilized resources was 43.7% (US\$ 384 million) of the total value of the trade finance operations (US\$ 989.5 million), representing the highest mobilized resources from all the regions.

In Sub-Saharan Africa the achievements were no less notable, given that many of its OIC member countries were affected by the rise in the price of fuel, food and fertilizer, with negative impact on its agro-based economies. The ITFC trade finance operations for the region amounted to US\$ 235.11 million of which more than 55% (US 130.11 million) was for the strategic cotton sectors in Burkina Faso and Côte d'Ivoire, where cotton is a major foreign currency earner.



The ITFC's support not only helps a vital sector grow in order to help alleviate poverty in the rural areas, but also increase intra-trade through the import of agricultural inputs such as fertilizer from Arab countries. Moreover, US\$ 137 million (58%) of the total value of trade finance operations came from externally mobilized resources which are the highest percentage of the total value of trade finance operations from all the regions.



"44% of trade finance approvals went to the private sector; this reflects the ITFC's commitment to actively participate in the growth of the private sector through competitive financing"

The ITFC Observations & Response to the Global Financial Crisis





According to the WTO, “The market currently estimates the liquidity gap in trade finance at about \$25 billion”². Hence, the need for economic integration and increased intra-trade among IDB Group member countries through trade finance which has never been more important than it is today.

Although the abovementioned crisis represents a serious challenge to global trade in general and intra-trade financing in particular, it has also given the ITFC an opportunity to closely examine two main issues: the importance of working towards fostering greater trade and economic co-operation among Muslim countries and the need to employ and further develop an Islamic financial and banking model. As the engine of growth will be in emerging economies, the ITFC through trade financing and promoting intra-trade, will work fervently to minimize the impact of the current recession by reducing the risk associated with the expected high demand of the member countries' imports; given that trade financing forms one of the most secure areas of the whole financial sector, in addition to its benefits which are magnified across the entire economy as a whole given the multiplier effect trade has.

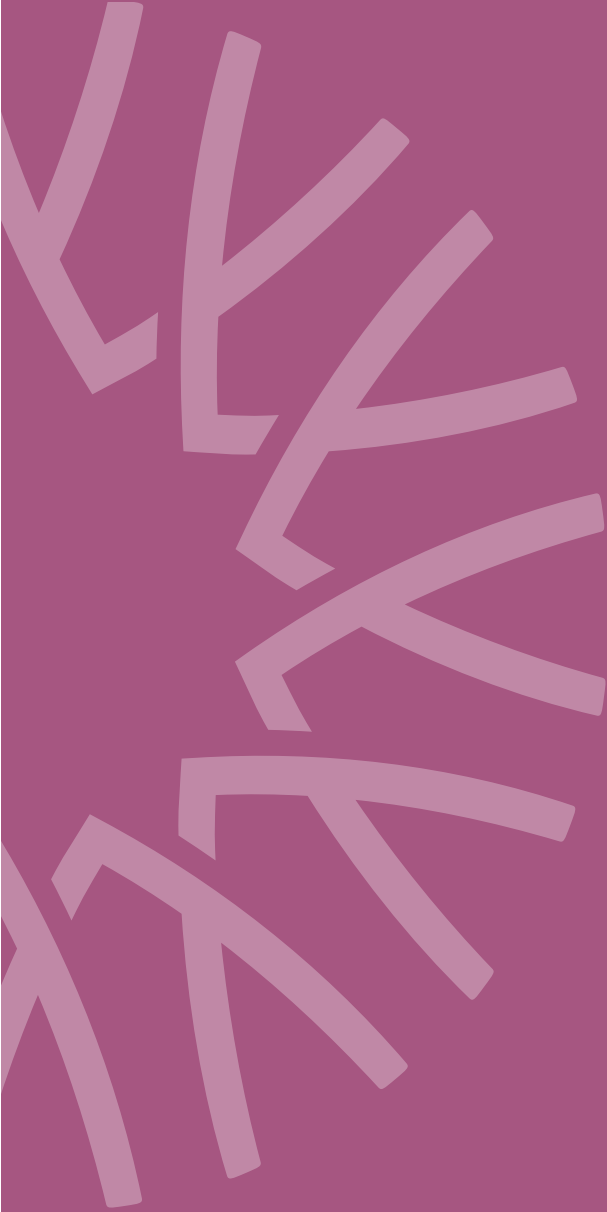
Moreover, in order to mitigate the negative effects the current crisis might have on its trade financing operations, the ITFC has undertaken a thorough analysis of the potential impact of the global financial crisis and instituted a number of precautionary measures. Internally, the ITFC has been undertaking a thorough review of the organization's outstanding trade finance portfolio to assess the quality of the operations which have already been approved in 1429H (2008) or are scheduled for approval in 1430H (2009G).

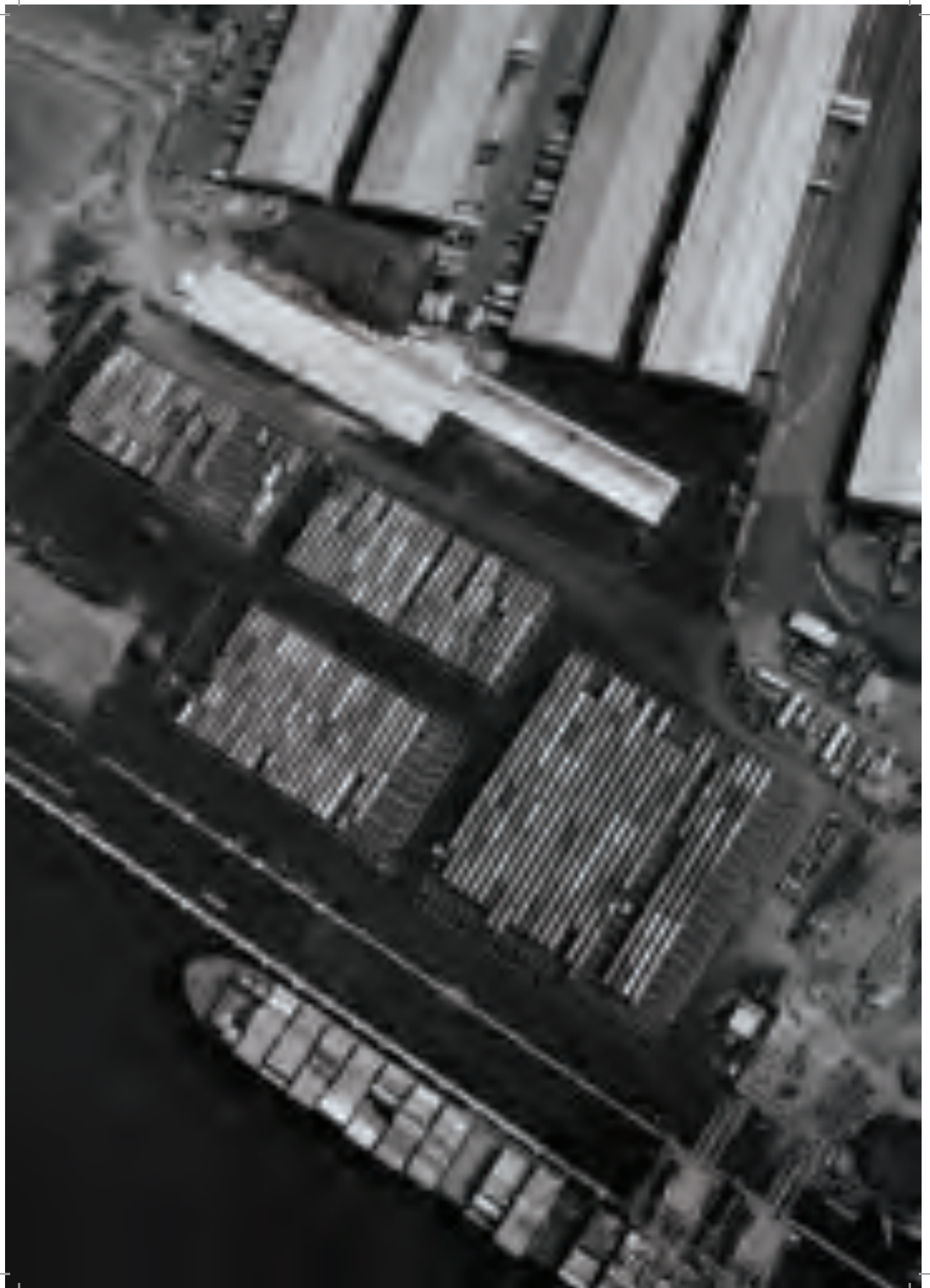
The ITFC has also set up a task force to monitor all operations under disbursement and adopted a more rigorous process for evaluating credit and managing risk. Furthermore, the ITFC also reviewed its pricing mechanisms as well as the credit policies and guidelines to take into account the changes adopted in the financial markets. Notwithstanding these precautions, the ITFC will maintain the same commitment and explore possibility of scaling up to support and facilitate financing for all eligible beneficiaries.

Furthermore the ITFC has actively contributed to the task force that was established to monitor and assess the impact of the crisis on IDB Group. On the external front the ITFC has vigorously participated in several international and regional forums, meetings and conferences arranged by various international financial institutions and trade-related organizations such as the WTO, World Bank and IMF in order to address the serious challenges associated with the current crisis, how best to alleviate its negative effects in addition to forging common ground on the best solutions to be adopted in the face of this financial downturn.

² WTO (2008) “Experts discuss problems of trade finance”, Available from: <www.wto.org/english/news_e/news08_e/trade_finance_12nov08_e.htm>

Enhancing Intra-Trade





Enhancing Intra-Trade



COMCEC
Road to greater
Intra-Trade.



As the IDB Group is the prime enabler of intra-trade, the primary objective is to support and drive the ITFC intra-trade agenda through promoting and enhancing trade and trade cooperation among member countries, with a special focus on the least developed member countries. The positive growth of intra-trade is critical to reinforce economic and financial solidarity throughout the Muslim world.

The advancement of intra-trade impacts on the livelihood of millions of ordinary people in the Islamic world, alleviating poverty and building human capacities. ITFC intra-trade operations contribute to the development of human capital through skills transfers, specialized training programs and other technical assistance initiatives. The facilitation of new business ventures creates additional jobs which complements the efforts of the trade finance operations that support key economic sectors and contribute to job preservation/creation.

The ITFC's Trade Finance arm is responsible for providing shariah-compliant trade financing for OIC member countries, with a particular focus on financing intra-trade between member countries. The ITFC provides direct financing or cooperates with other fund providers through its Resource Mobilization arm in order to provide more funding for its trade finance operations that support OIC intra-trade. The ITFC's Trade Finance Operations cover a range of goods, commodities and services, including capital goods, crude oil, oil products and petrochemicals, fertilizers, jute products, cement, gypsum, industrial raw materials, cash crops, strategic commodities, cooking oils, chemicals and industrial intermediate goods.

As such, the ITFC's intra-trade finance arm serves as a catalyst for trade development by establishing new trade links with member countries, creating an environment that is conducive to on-going, direct trade relationships, and strengthens corresponding banking networks among member countries. Moreover, the ITFC is able to streamline the trade financing process by issuing an Irrevocable Commitment to Reimburse (ICR) on Letters of Credit issued under the ITFC approved trade finance.

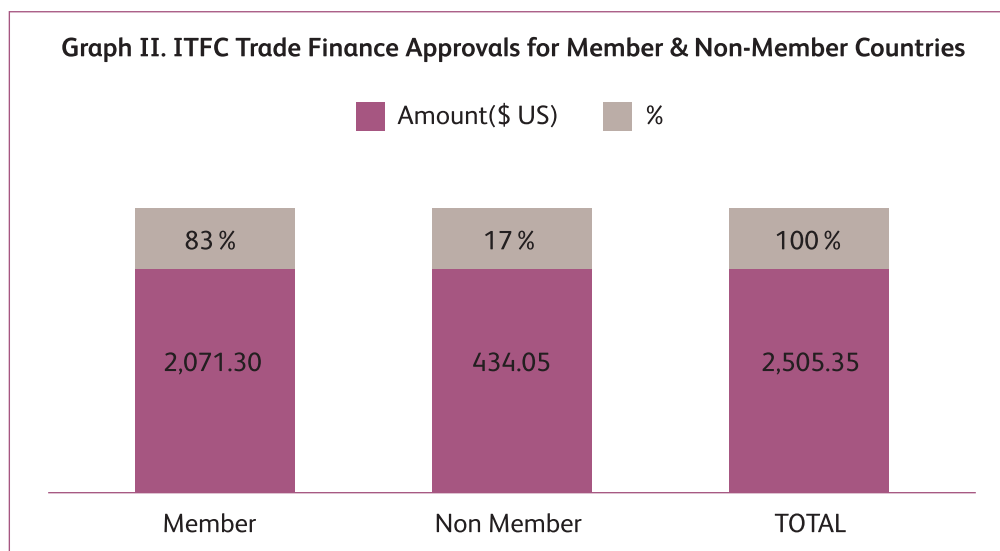


MUSIAD
The exports of
construction equipment
of member countries.



One of the important initiatives ITFC has undertaken during the first year of establishment is the organization of an Experts Group Meeting (EGM) initiated by ITFC, thus bringing together experts from international organizations in addition to those from OIC member countries, institutions and other international organizations. The EGM produced a landmark Roadmap for enhancing intra-trade. This Roadmap addresses the ITFC's five business lines of Trade Finance, Trade Promotion, Trade Facilitation, Capacity Building, and the Development of Strategic Commodities. Moreover, the Intra-Trade Roadmap also proposes ways to achieve the 20% intra-OIC trade volume target set by the OIC's Ten-Year Program of Action while deploying a monitoring mechanism to track the overall progress of enhancing intra-trade. The Roadmap was subsequently adopted by the 24th COMCEC Ministerial Meeting in Istanbul in October 2008.

The ITFC brings a thirty-year heritage of success in trade finance into an efficient, market-driven corporation committed to building commercial cross-border trade that supports human development and economic and social welfare in the Muslim world.



"More than \$ 2 billion or 83% of our trade finance approvals went to member countries, this shows the ITFC's keenness to develop the export potential and trade relations of our member countries with the world"

Trade Finance





Trade Finance



In a year of unprecedented economic highs and lows, primary commodity prices surged to record levels by the summer of 2008 and the sub-prime mortgage crisis triggered a global economic downturn that has spilled out across the world. By the end of the year, the world was facing a global recession, falling demand and tightening credit which slowed down the region's economic growth.

The global credit crunch will almost certainly increase existing poverty levels in the developing world. According to the World Bank, the number of malnourished people worldwide rose by 44 million in 2008, with the total number of malnourished people reaching nearly one billion. Twenty-six out of fifty of the world's least developed countries are OIC member states.

Moreover, the global economic crisis had impacted on Asian economies. Credit ratings for most banks were affected with drastic cut-backs in lending. Those loans that were extended were for smaller amounts with restricted payment terms resulting in a decline in industrial productivity and economic growth. The financial sector is now faced with reduced-term debt scheduled to mature during 2009.

Moreover in Sub-Saharan Africa the effect of the economic crisis was multi-facted, remittances from Africans working abroad, which keep millions of families from poverty, showed considerable decline, foreign aid, upon which so many African governments are dependent, will also be affected. Tightening credit has reduced the availability of capital and trade financing from commercial institutions. Moreover, lower demand for exports has also forced commodity prices down resulting in decreased trade. This in turn may have a bearing on fiscal and external accounts for Sub-Saharan Africa countries thus impacting the region's development programs.

On the other hand, oil-based economies in this region were buoyant for the first three quarters of the year as a result of high oil prices, however, with reduced global oil consumption in the 4th quarter, diversifying their economies away from oil dependency where it can account to up to 80% of foreign exchange revenues for some countries has become a pressing matter.,



Table I. Total ITFC Trade Finance Operations

No.	Country	No. of Operations	Amount	%
1	Bangladesh	12	775.00	31%
2	Benin	1	15.00	1%
3	Burkina Faso	2	102.72	4%
4	Cote D'Ivoire	1	27.39	1%
5	Egypt	1	100.00	4%
6	Gambia	3	24.00	1%
7	Iran	9	148.98	6%
8	Jordan	3	48.50	2%
9	Kenya	1	13.00	1%
10	Kuwait	1	107.00	4%
11	Lebanon	1	7.00	0%
12	Maldives	1	25.00	1%
13	Malaysia	1	15.00	1%
14	Mauritania	1	43.00	2%
15	Morocco	2	270.00	11%
16	Niger	1	5.00	0%
17	Nigeria	3	43.00	2%
18	Pakistan	3	200.00	8%
19	Saudi Arabia	7	335.00	13%
20	Sudan	2	50.00	2%
21	Seychelles	1	5.00	0%
22	Tajikistan	1	14.00	1%
23	Tunisia	2	29.00	1%
24	Turkey	10	102.75	4%
	TOTAL	70	2,505.34	100%

"70 trade finance operations valued at over \$2.5 billion in 24 member countries from Morocco in North West Africa to the Seychelles in the Indian Ocean"



➤ ITFC signing with Turkish banks.



➤ Trade Finance Operation agreement with Mauritania.

Asia & CIS

During 1429H (2008G), the ITFC approved 37 operations in 7 countries amounting to US\$ 1,280.75 million. Many of the ITFC's trade financing operations in the region were in response to the global food and economic crises.

Financing approvals for Asia represented 51 % of ITFC financing with 44 % of these approvals extended to the private sector. The ITFC was active in the agricultural, textiles, oil and banking sectors in Asia.

On the whole, the value of trade finance for the Asia Region has shown an overall upward trend

Table II. ITFC Trade Finance Operations/Impact - Asia & Regions

Country	No. of Operations	Total Approved Operations (US\$ millions)	Impact
Bangladesh	12	775.00	Helped the country meet its fuel requirements, powered up its economy through competitive financing for the import of crude oil and petroleum products from Saudi Arabia (ARAMCO) and Abu Dhabi (ADNOC)
Iran	9	148.98	Support for Iran's industrial manufacturing sector
Malaysia	1	15.00	Provided a consumer food manufacturer, a major employer and an OIC intra-trader with financing for imports
Maldives	1	25.00	Provided financing for the import of refined petroleum products
Pakistan	3	200.00	Helped the country meet its fuel requirements, powered up its economy through competitive financing for the import of crude oil
Tajikistan	1	14.00	Supporting the cotton sector, a strategic cash crop and foreign currency earner
Turkey	10	102.75	Supporting the Islamic banking industry and SMEs as well as meeting the country's needs in terms of raw materials and intermediate industrial goods
Grand Total	37	1,280.73	



➤ H.E. President Abdullah Gul of Turkey, H.E. Dr. Ali, IDB Group President and ITFC CEO, Dr. Al-Wohaib, having an animated conversation in Istanbul, Turkey.

High Impact Operation – Tajikistan

In 1429H (2008G), the ITFC approved the first but vital trade finance operation in Tajikistan to help support the country's cotton sector, which would help Tajikistan earn needed foreign currency thus helping Tajikistan restore food security in the country following two years of adversities that included a drought in the spring and summer of 1428H (2007G), compounded by a cold wave in winter 1429H (2008G), record-high temperatures in summer, a locust infestation and increased fuel prices which caused the price of food to soar.

In response to this situation and to extend support to of Tajikistan's agriculture, the ITFC extended a US\$ 14 million facility through Credit Invest to fund the import of fertilizer to support Tajikistan's strategic cotton sector. As such, this was a landmark operation for the ITFC during the year under review.

High Impact Operations – Turkey

In 1429H (2008G), the ITFC approved a total of ten trade finance operations for private sector entities and Islamic banks with a total value of US\$ 102.75 million. The approvals included Two-Step Murabaha financing provided to four Islamic banks (Al Baraka Turk Bank, Kuwait Turkish Bank, Bank Asya and Turkiye Finans) with a total value of US\$ 60 million in order to boost SMEs financing, which are the economic backbone of the country. By bringing together four Islamic banks for trade financing operations, the ITFC was able to help promote the Islamic banking sector in Turkey. The ITFC financing allowed Turkey's SME and strategic industrial sectors to support its import requirements, especially raw materials and intermediate industrial goods for further manufacturing.

MENA

During 1429H (2008G), the ITFC approved 20 trade financing operations in the MENA region. Four countries – Saudi Arabia, Morocco, Kuwait and Egypt – received the lion's share of the financing which totalled US\$ 812 million (i.e. 82%). However, the trade financing operations that had the most impact were for agricultural inputs for Sudan (US\$ 50 million) and for the pharmaceutical and consumer products manufacturing sector in Jordan (US\$ 48.5 million).

Table III. ITFC Trade Finance Operations/Impact - MENA Region

Country	No. of Operations	Total Approved Operations (US\$ millions)	Impact
Egypt	1	100.00	Supported the import of Liquefied Natural Gas (LNG) from Algeria for refining products thus contributing to increasing intra-OIC trade
Jordan	3	48.50	Supporting some strategic sectors in Jordan as well as capacity building, job creation and development in rural Jordan Approval for a trade finance operation for Capital Bank of Jordan, amounting to US\$ 3.5 million to support and provide critical financing for the bank's SME customers.
Kuwait	1	107.00	Helped the country expand its most productive private sector industry
Lebanon	1	7.00	Supported SME's import needs and the Islamic Banking sector
Mauritania	1	43.00	For the purchase of much needed foodstuff
Morocco	2	270.00	Helped the country meet its fuel requirements, powered up its economy through competitive financing for the import of crude oil and helped expand its refining capacity.
Saudi Arabia	7	335.00	Supporting the Saudi construction sector, one of the largest and a major vehicle for economic growth
Sudan	2	50.00	Supporting the agricultural sector in Sudan and increasing intra-trade between Member countries.
Tunisia	2	29.00	Increasing Tunisia's export potentials in the steel and paper industries
Grand Total	20	989.50	



> Dr. Al-Wohaib, CEO of ITFC, during a manufacturing facility visit in Jordan.

High Impact Operations - Jordan

In 1429H (2008G), the ITFC approved 3 trade finance operations in Jordan with the aim of supporting the industrial manufacturing and pharmaceutical sectors.

A direct Murabaha operation amounting to US\$ 40 Million was approved for Middle East Complex for Engineering, Electronics & Heavy Industries PLC (MEC), one of Jordan's leading manufacturers, to finance the import of industrial inputs and components for the manufacturing of home appliances.

The ITFC also approved a direct Murabaha operation amounting to US\$ 5 Million, to Jordan Pharma, to finance the import of pharmaceutical raw materials and manufacturing supplies and the local purchase of packaging materials. The funds approved cover nearly half of Jordan Pharma's requirements for a 12 month period.

Jordan Pharma has built a strong OIC intra-trade portfolio exporting to Algeria, Bosnia, UAE, Yemen, Lebanon, Sudan, Turkey and Kazakhstan in addition to having distribution agreements with affiliates in Mozambique, Eritrea, Tunisia and Egypt. This trade finance operation represents the first time the ITFC has ventured into Jordan's pharmaceutical industry. By financing Jordan Pharma, the ITFC is supporting a critical knowledge-based sector with tremendous growth opportunity across the Muslim world.

High Impact Operations - Sudan

In 1429H (2008G), the ITFC financed two direct Murabaha operations amounting to US\$ 25 million each totalling US\$ 50 million for the purchase of fertilizers for Sudan's cotton and corn crops in Al Jazeera region, which is the largest artificially irrigated region in the world. Its size is more than 2.2 million acres, contributing approximately 65% of Sudan's cotton production and a sizeable quantity of its wheat and corn production. It is the most important agricultural project in Sudan, supporting approximately 15,000 male and female farmers.

The ITFC trade financing operation dramatically improved the efficiency of each hectare of land under cultivation, increasing the corn yield by 40% from 600,000 tons to 1 million tons and the cotton yield by 30% from 42,250 tons to 65,000 tons. As a result of this single operation, corn sale revenue improved significantly.

More than 66% of the overall value of both trade finance operations was mobilised from external banks. The fertilisers that were imported were from Saudi Arabia, contributing to increased intra-trade between Sudan and Saudi Arabia.

Table IV. ITFC Trade Finance Operations – Least Developed Member Countries

Country	No. of Operations	US\$ Million
BANGLADESH	12	775.00
BENIN	1	15.00
BURKINA FASO	2	102.72
GAMBIA	4	24.50
COTE D'IVOIRE	1	27.39
MALDIVES	1	25.00
MAURITANIA	1	43.00
NIGER	1	5.00
SUDAN	2	50.00
TAJIKISTAN	1	14.00
Total Approvals for LDMCs	26	1,081.61
1429H Total Approvals	2,505.35	
Percentage	43%	

"43% of our trade finance operations was utilized by our least developed member countries, this is an unwavering commitment from the ITFC to build their trade capacities and advance their development through trade"

Sub-Saharan Africa

In 1429H (2008G), the ITFC approved 12 trade finance operations in eight countries in Sub-Saharan Africa and African countries, amounting to US\$ 235.11 million of which over 58% was mobilized from external sources. This figure represents the highest percentage of mobilized funding for all the regions, a testament to the financial strength reflected in the Group's high credit standing.

Table V. ITFC Trade Finance Operations – Sub-Saharan Africa & African Countries

Country	No. of Operations	Total Approved Operations (US\$ millions)	Impact
Benin	1	15	Import of refined petroleum products, which are critical in carrying out all the country's economic activities
Burkina Faso	2	102.72	A two-part syndicated Murabaha Supply Chain Finance facility in order to enhance and fund the purchase of agricultural inputs and provide post-harvest finance for cotton growers
Côte d'Ivoire	1	27.39	A landmark structured trade finance supply chain operation in support of the country's strategic cotton sector – The ITFC won a prestigious accolade the Euromoney Trade Finance 'Deal of the Year'
Gambia	3	24.00	Helped address the country's acute need for refined petroleum products, heavy fuel and diesel
Kenya	1	13.00	For oil imports, which underpins the country's economic growth
Niger	1	5.00	Supporting Niger's Banque Islamique du Niger pour le Commerce et l'Investissement (BINCI), for the importation of essential commodities
Nigeria	3	43.00	Supported the import of a range of products including refined petroleum products, fertilizer and raw materials.
Seychelles	1	5.00	Supported a number of commodities including Cement, Bitumen as well as the Health Sector
Grand Total	13	235.11	

In countries such as Burkina Faso and Côte d'Ivoire, where cotton is a major foreign currency earner, supporting the growth of the cotton industry through agricultural inputs such as fertilizer imported from Arab countries, has had a vital impact on GDP and helped to alleviate poverty in the rural areas, where farmers are engaged in this sector.

The ITFC undertook an innovative operational approach to trade financing called "Supply Chain Trade Financing", which enabled the ITFC to carry out its developmental mandate of supporting strategic economic sectors and be involved in the entire agricultural cycle, overseeing all aspects of the process, from planting right through to export. In this way, the ITFC has been able to ensure a successful outcome and secure its investment, while reducing risk and providing more disposable income to the farmers. This mode of trade financing was recently utilized for the cotton sectors of Côte d'Ivoire and Burkina Faso, which were revived as a result of the ITFC's efforts and were among the first operations that linked the application of Islamic financial instruments with a close monitoring and control system to mitigate risks related to the entire cotton production cycle.

Overall, the trade finance operations covered funding for fertilizers, petroleum products, sulphur and foodstuffs imported from member countries, thereby enhancing intra-trade.



> Cotton harvest in Burkina Faso.

High Impact Operations - Burkina Faso

To enhance Burkina Faso's agricultural sector the ITFC set up a two-part syndicated Murabaha Supply Chain Finance facility to Société Burkinabé des Fibres (SOFITEX), valued at US\$ 102.720 million, which funded agricultural inputs and provided post-harvest finance for cotton growers.

Established in 1979, as a public sector limited liability company, SOFITEX is one of the largest cotton companies in West Africa. The supply chain finance funding amounted to US\$ 102.720, divided into two tranches. The first tranche covering agricultural inputs amounted to US\$ 31.72 million. The second tranche, covering post harvest de-linting and seed production, amounted to US\$ 71 million.

The ITFC' supported a strategic sector of the economy that supports millions of people. By providing funds to support the annual cotton crop, the ITFC makes a direct contribution to poverty alleviation, creates economic opportunities and advances the ITFC's developmental outlook for Burkina Faso.



> Cotton collection process en route to warehousing in Côte d'Ivoire.

High Impact Operations - Côte d'Ivoire

The ITFC approved Supply Chain Trade Finance syndication constitutes a landmark structured trade finance operation. A syndicated Murabaha financing operation valued at €23 million (\$27.39 million) it provided funds for farmers to purchase fertilizers, urea, pesticides, and other agricultural inputs vital for Côte D'Ivoire's strategic cotton crop which helped revive the country's cotton production and was instrumental in the employment of 150,000 cotton farmers. Moreover, the as a cash crop the cotton sector provides direct and indirect income to some 3.5 million Ivoirians

The Murabaha financing operation was extended to Yebe Wognon, an umbrella organization combining several cooperatives of cotton growers, through Compagnie Ivoirienne pour le Développement des Textiles (CIDT), the distribution channel for the trade financing funds. This trade finance operation helped enhance the country's economic welfare by providing it with needed funds, which in turn helped make a significant improvement to the livelihood of the country's cotton farmers. Moreover, this operation helped to alleviate the poverty level in the rural areas through its developmentally focused trade finance operations.

Other unique features of the ITFC Murabaha syndication were also noticeable. It was one of the unique operations that linked the application of Islamic financial instruments with a close risk management system pertaining to the entire cotton farming cycle. The ITFC made use of collateral control through the appointment of a collateral manager and a facility agent in order to monitor the provisions of the export contracts as well as the oversight of the cotton harvest and its warehousing for ultimate export.

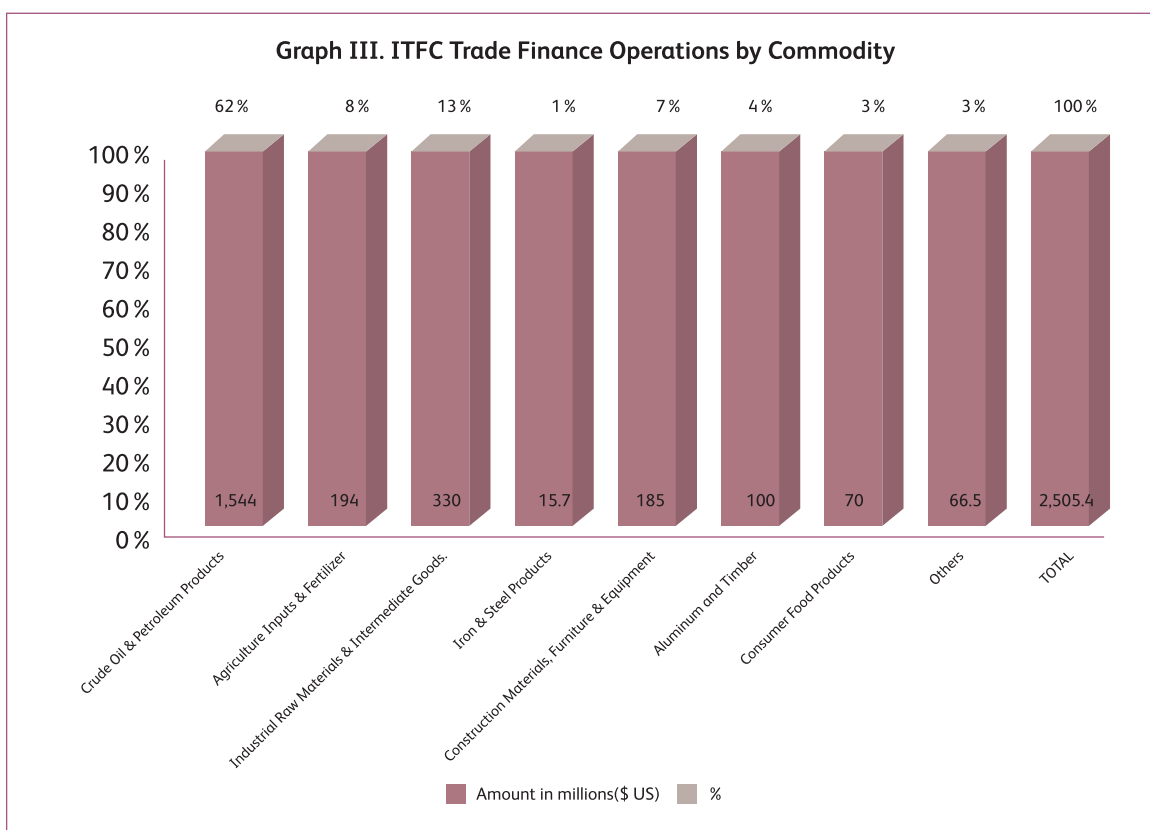


BADEA Export Financing Scheme (BEFS)

The BADEA Export Financing Scheme (BEFS) is a special program managed by ITFC, with funds provided by the Arab Bank for Economic Development in Africa (BADEA), which is headquartered in Khartoum, Republic of the Sudan. The scheme was initially introduced in 1419H (1998G), under a Memorandum of Understanding between BADEA and IDB. The portfolio was subsequently transferred to ITFC, under a renewed MoU between ITFC and BADEA signed on 17th Rabi Al-Thani 1429H (April 23, 2008).

The objective of the BADEA scheme is to promote Arab exports through extending trade financing facilities to beneficiaries in African countries that are not members of the Arab League. Eligibility for non-member African countries applies to those countries that import goods and commodities from Arab League member countries.

Under the scheme, a total of 5 operations, amounting to US\$ 38.00 million, were approved in 1429H (2008G) against a target of US\$ 40.00 million. These approvals included 3 co-financing operations between ITFC and other lending institutions for the Gambia and Côte d'Ivoire.



"More than 30% of our trade finance operations were utilized for the agricultural, construction and industrial sectors while more than 60% was utilized to fuel those sectors and to power up the economies of our member countries"

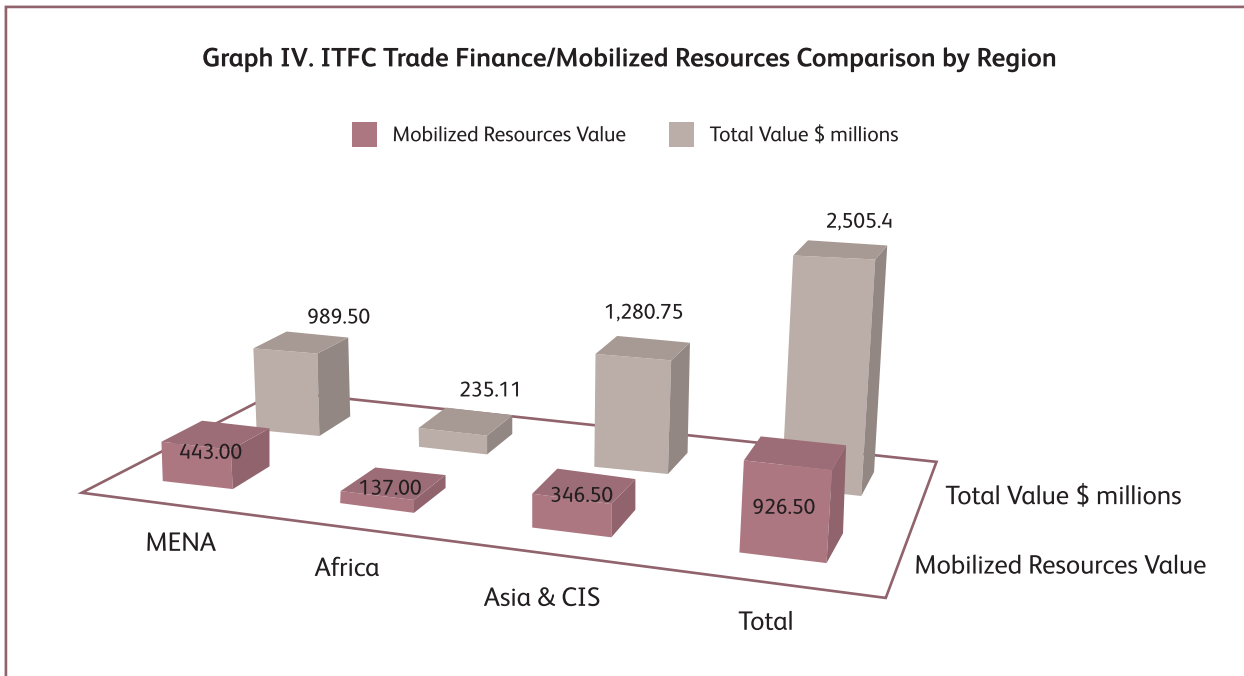
Resource Mobilization

The Resource Mobilization arm of the IDB was launched in 1419H (1999G) to complement IDB's own resources and help provide additional financial resources to meet the growing sizes of operations driven by higher demand of trade financing in member countries.

During the first year of the ITFC's operation, the resource mobilization arm became an integral part of its trade finance activities, demonstrating both its importance and reach. The total value of the ITFC's approved trade finance operations for the Asia & CIS region was US\$ 1,280.73 million, of which 27% (US\$ 346.5 million) was through resource mobilization. Similarly, in the MENA Region, the total amount of mobilized resources was US\$ 384 million or 43.7% of the total trade approvals of US\$ 878.5 million, representing the highest mobilized resources from all regions. On the other hand, the total value of trade finance operations for Sub Saharan Africa region was \$ 235.11 million of which 58% (\$ 137 million) being utilized through resource mobilization.

In addition to securing funds for its trade finance operations, the activities of resource mobilization include establishing new and maintaining a wide network of relationships with major international, regional and local financial institutions and banks. Moreover, given its pioneering role in raising and leading Islamic syndicated trade finance operations, the legal model and documentation that governs the implementation of these syndicated operations has become a basis upon which other financial institutions and banks operating in the Islamic finance industry structure their trade finance operations.

This allows ITFC, in addition to fund mobilization, to exchange information and experience with these institutions that helps to guide ITFC's other functions such as the Marketing, for example, in reviewing its pricing mechanisms, assessment of its clients, and monitor closely the challenges and developments in the financial markets that would have impacts on ITFC's operations. With a downward trend in the market rates in 2008, the resource mobilization function induced ITFC to introduce fee, associated with its financing operations, as an additional income source for ITFC. At the wake of the global crisis, ITFC has implemented certain measures by introducing new initiative for establishing trade finance funds in cooperation with other international financial institutions, such as IFC and AfDB, to address the issue of shortage of liquidity.



"The ITFC's ability to mobilize resources through the unparalleled strength and influence of the IDB Group was demonstrated in the Africa, MENA and Asia & CIS regions; close to 60%, more than 44% and 27% of their respective trade financing came from externally mobilized resources"

Trade Finance Products & Services

ITFC may consider all Shari'ah modes of financing for Trade Operations. The following modes of financing are, for time being, used:

Murabahah: Under this mode, ITFC will purchase the commodities from the supplier and then sell them to the beneficiary with deferred payment arrangement. The difference between the purchase price and the sale price is a reasonable markup added to the purchase price.

Installment Sale: Under this mode, ITFC will purchase the commodities on behalf of the beneficiary and transfer the ownership immediately upon delivery to the beneficiary who will purchase the commodities at a sales price which will consist of the purchase price and a mark-up pre-agreed with the beneficiary. The sales price will usually be paid in installments.

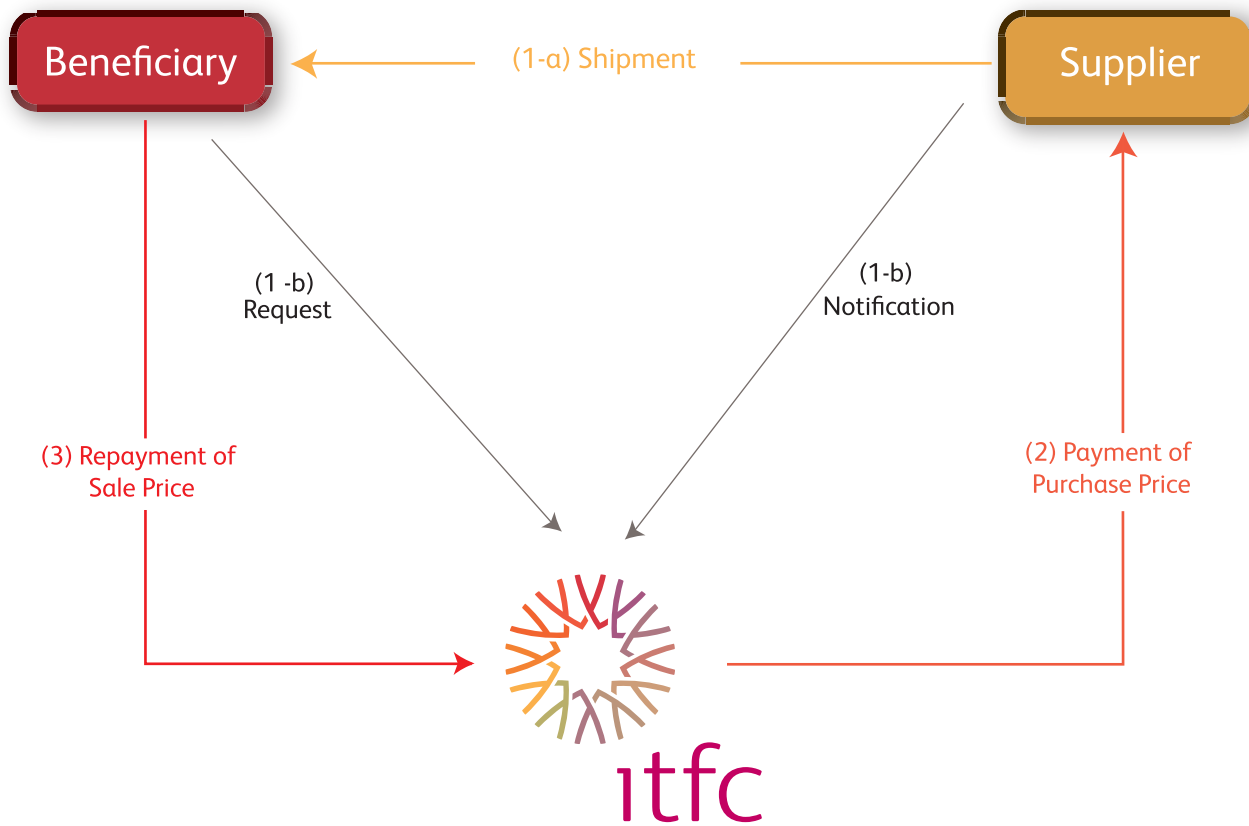
Istisna'a: This is a mode for trade financing for the promotion of trade in capital goods and enhancement of the production capacity. It is a contract for manufacturing goods and other assets in the which the manufacturer (under mandate of ITFC, as financier) agrees to provide the buyer with goods identified by description after they have been manufactured in conformity with the description within a certain time and pre-determined agreed price. This mode will enable the ITFC to finance working capital, which will contribute to the enhancement of production capacity in member countries.

In addition to these modes, ITFC will consider employing more modes of financing in the future such as Leasing, Bay Salam as well as Wakalah, Ja'ala for the financing of services.

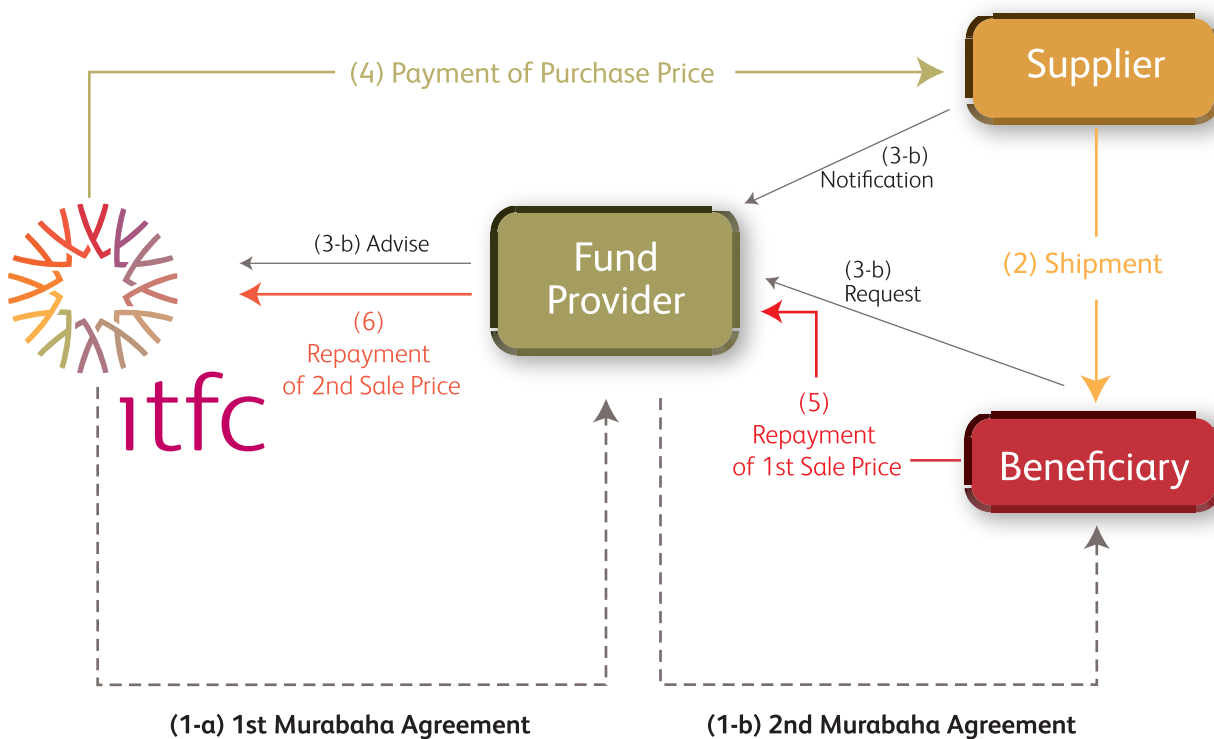
Financing Mechanism

Direct Financing: The applicants are extended a financing facility directly through the Murabaha Agreement between ITFC and the applicant, as follows:

- A Murabaha financing agreement to be signed between ITFC and the beneficiary; where other parties may co-sign the agreement.
- ITFC shall make the payment of Purchase Price directly to the Supplier.
- The beneficiary shall repay the Sale Price directly to ITFC.
- ITFC takes the direct credit risk of the beneficiary.

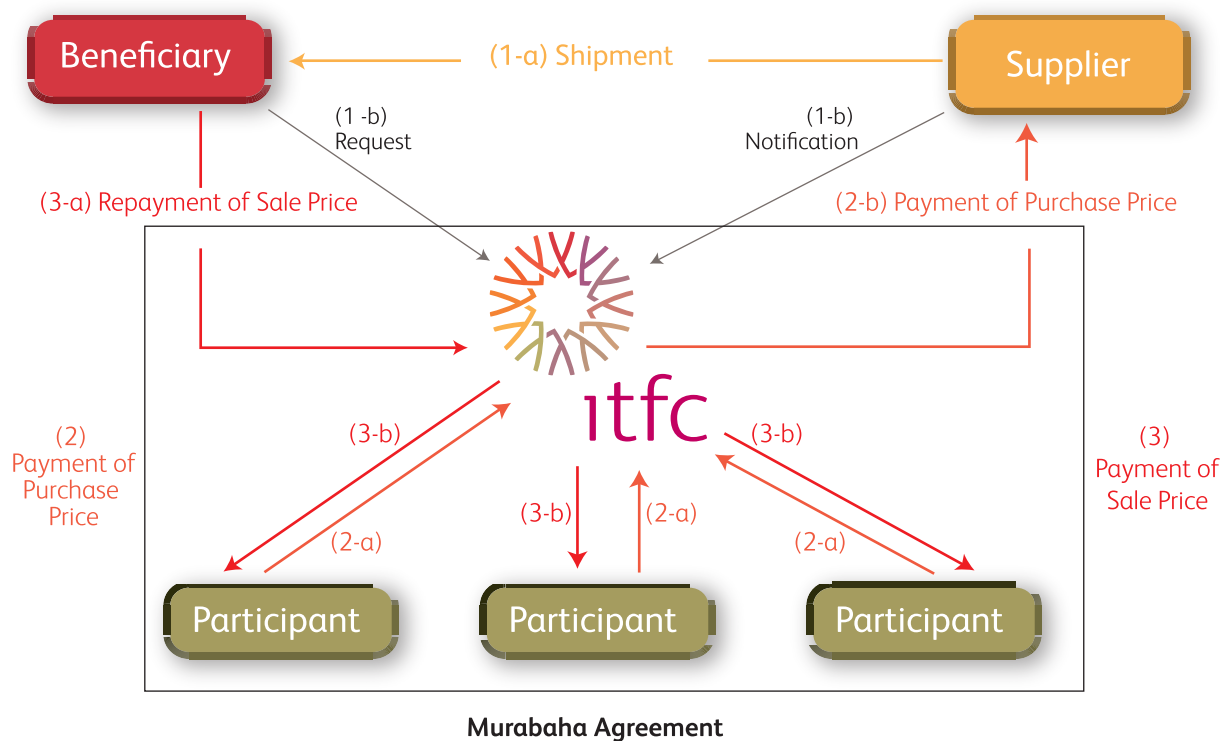


- **Line Financing:** ITFC provides lines of financing to local financial institutions which act as Intermediary between ITFC and the end recipients for the Trade Operations after signing the Line Master Agreement. The Lines Agents will finance the local small and medium-size enterprises in a manner compatible with the provision of the Islamic principles of Shari’ah.
- **Two-Step Murabaha Financing (2SMF):** In order to reach a large number of Small & Medium Enterprises (SMEs) in member countries, ITFC provides Two-Step Murabaha Financing to local financial institutions or commercial banks to be made available to SMEs.
 - A Murabaha Agreement is signed first between ITFC (as Fund Provider/1st seller) and a financial institution or bank (as purchaser);
 - Then, another Murabaha Agreement is signed between a financial institution or bank (as 2nd seller) and its beneficiary;
 - The beneficiary shall submit effectiveness documents to ITFC;
 - Upon the notification by the supplier and the request of the beneficiary, the financial institution or bank will advise ITFC to make the payment of Purchase Price directly to the Supplier;
 - The beneficiary shall repay the 1st Sale Price directly to the financial institution or bank which in turns will be repay the 2nd Sale Price to ITFC;
 - This mechanism transfers the direct credit risk of beneficiary to the financial institution or bank which will be the obligor to ITFC;
 - A reverse arrangement is implemented in case a financial institution or bank provides the fund to ITFC (which will be the financial institution or bank’s agent) to reach the ultimate SMEs beneficiaries in member countries.



Co-financing or Syndication: For large operations, ITFC may opt for co-financing or syndication in which ITFC, acting as a lead arranger or co-arranger, invites one or more financial institutions and commercial banks to participate in the financing. ITFC may also participate in syndications arranged by other institutions as follows:

- In accordance with Shari’ah, a Mudaraba Agreement to be signed first between ITFC and the participating financial institutions and banks
- ITFC will act as a Mudarib on behalf of the participants;
- ITFC will be the Arranger/Manager and responsible for and distribution for the repayment (Sale Price) among the participants;
- Then, a Murabaha Agreement to be signed between ITFC and the beneficiary;
- The beneficiary shall submit effectiveness documents to ITFC;
- Upon the notification by the supplier and the request of the beneficiary, ITFC will advise other participants (according to their contributions) to make the payment of Purchase Price directly to the Supplier;
- The beneficiary shall repay the Sale Price directly to ITFC, which in turns distributes the Sale Price to the participants (according to their contributions);
- ITFC and the participants share the credit risk of the beneficiaries up to the extent of the contributions by each participant;
- ITFC and the participants share the credit risk of the beneficiary up to the extent of the contribution by each participant;
- Each participant has to make their investigation and evaluation of the creditworthiness of the beneficiary before the decision to participate in the syndicated operation



The Trade Cooperation and Promotion Program





The Trade Cooperation and Promotion Program



MUSIAD

Visitors to ITFC wing at exhibition in Istanbul, Turkey.



The Trade Cooperation and Promotion Program (TCPP) is the trade promotion arm within the ITFC that aims to promote and enhance intra-trade and trade cooperation among OIC member countries through four key business lines: Trade Promotion; Trade Facilitation; Capacity Building; and the Development of Strategic Commodities that can increase a country's export potential.

As a facilitator, catalyst and network builder, TCPP brings member countries closer together through knowledge sharing, technical cooperation, capacity building and through commercial networking opportunities.

During 1429H (2008G), TCPP organized and/or supported 27 activities and projects under the four business lines. A total of 36 member countries participated in these activities and/or received financial support from TCPP. Details on selected activities undertaken are outlined below, while a full list of activities can be found in Annex's II.



Trade Promotion

ITFC promotes trade by initiating, and reinforcing contacts between commercial organisations, financial institutions and private sector corporations in member countries to determine trade complementarities and stimulate trade cooperation. To this end, the ITFC, through the TCPP, was able to bring national trade promotion organisations (TPOs) together for the purpose of advancing intra-trade. By networking together TPOs, through ITFC sponsorship of regional and international conferences, a wide range of intra-trade issues were addressed and intra-trade development accelerated.

As a catalyst for intra-trade, ITFC sponsored and participated in direct meetings between buyers and sellers. TCPP organised and participated in general and sector-specific trade and joint catalogue exhibitions where TPOs, private sector organizations and government agencies came together in a single trade event exhibiting export offerings and opportunities. ITFC also provides funding for foreign trade bridging programs. Additionally, business meetings and business matchmaking activities were organized. These activities stimulated intra-trade and trade cooperation but helped member countries to access and benefit from the global trade market.

Trade Promotion - Three Activities of Note

1. TCPP contributed financial support and participated in the Turkey-Africa Foreign Bridge III in Istanbul, Turkey from May 13-17, 2008G. Its overall objective was to promote and enhance intra-OIC trade and trade cooperation between Turkey and African member countries. The event also opened new avenues of trade and cooperation. Around 2,000 businessmen, ministers and senior officials from related government as well as trade institutions in Turkey and various African countries participated. It is estimated that business meetings held during the program generated new business worth US\$ 2 billion and laid the foundation for much higher trade figures in the coming years.

2. TCPP contributed financial support and participated in the Third Trans-Saharan Trade Fair of Niamey, Niger from September 4-15, 2008G. The objective of the Fair was to promote Trans-Saharan Countries' economies as well as regional and inter-regional trade partnerships between the Trans-Saharan countries. The event was a South-South Trade Cooperation Project with participation from TPOs in Benin, Togo, Mali, Burkina Faso and Côte D'Ivoire.

3. TCPP participated in the 12th MUSIAD International Trade Fair & 12th International Business Forum (IBF) in Istanbul, Turkey from November 22-26, 2008G. MUSIAD is a premiere trade fair which gathers businessmen and government officials from OIC member countries to present their products and exchange views on how to improve trade and cooperation between IDB members. Almost 500 companies presented their products to the Turkish market. There were business-matching meetings during the fair, where new business contacts were established. The TCPP provided TPOs from Lebanon, Syria, Kyrgyzstan, Jordan and Tunisia with exhibition space and underwrote travel, living and shipping expenses for representatives. In total, 2,200 businessmen from 67 different countries participated.

Trade Facilitation

TCPP facilitates trade that leads to greater economic integration by bringing together international, regional and national trade organisations to identify the needs of each member country for trade facilitation support and formulate best practice to meet these needs.

TCPP commissions a range of needs assessment studies on various issues that affect intra-trade, such as studies to develop logistics and transportation sectors that identify infrastructure investment needs.



➤ ITFC organized Trade Promotion and Facilitation Programs contribute to greater intra OIC trade relations.

Trade Facilitation - Two Activities of Note

1. The IDB Group, including TCPP, sponsored the International Investment Conference, which took place at the Korston Complex Kazan, Tatarstan from June 9-15, 2008G. The aim was to present the Republic of Tatarstan and to open a discussion with the business communities of member countries on possible areas for cooperation on various investment projects. There were more than 100 representatives of leading companies, banks and investment funds from 23 member countries. New business partnerships were established in various sectors, including agricultural, pharmaceutical and tourism. By supporting these types of conferences, the ITFC facilitates business development between companies and provides opportunities for partnerships to be created.

2. TCPP organized and provided financial support for a meeting on Trade Information in Tunis, Tunisia from June 9-10, 2008G (H). The purpose of the meeting was to identify priorities related to the sources, categories and accessibility of trade information in member countries. Another objective was to establish a trade information facilitation platform and the preparation of a proposal was mandated.

Capacity Building

The process of enhancing intra-trade is underpinned by the process of building knowledge and capabilities in the field. Human and institutional development is the basis of trade and development. The ITFC places great emphasis on capacity building activities that support the needs of least developed member countries, and allocates more than one fourth of the TCPP annual budget for capacity building activities.

Through its capacity building programs, TCPP aims to improve the trade support capabilities of institutions in member countries involved in trade promotion and facilitation to build indigenous and sustainable resources that strengthen private sector competitiveness in the international market. TCPP has also planned and implemented training courses for SMEs on exports and marketing, as well as focused on-the-job training programs for TPOs and chambers of commerce in member countries.

On-the-job training programs provide excellent platforms for trainees to upgrade managerial and technical skills and to expand and update their knowledge on the international trade environment and the latest developments in international trade regulations. Trainees have the opportunity to familiarize themselves with services and products offered by trade-related regional and international organizations, and to share and exchange knowledge and experience from best practice examples. The outcome is an increase of productive networking and knowledge transfers.

TCPP implemented a total of 11 capacity building activities in Egypt, Turkey, Tunis, Kazakhstan, Malaysia and Morocco, with the participation of representatives from over 30 member countries.

In 1429H (2008G), TCPP launched an initiative in cooperation with the International Trade Centre (ITC) to develop existing training departments of selected TPOs in member countries. The selected TPO training departments will serve as regional training centres for member countries, offering scheduled on-the-job and specialized training programs.

Capacity Building - Two Activities of Note

1. TCPP organized a training course on Export Strategies and International Marketing for Arabic Speaking member countries in Cairo, Egypt in collaboration with the Foreign Trade Training Centre (FTTC) from May 4-8, 2008G. This course covered international business development, export marketing, international trade regulations and standards, and customs issues. The purpose of the course was to prepare a new generation of professionals as qualified export marketing specialists, providing them with the latest knowledge in marketing research, trade information and emphasizing the role of international agreements. Trainees were nominated to attend by TPOs and were sent by exporting SMEs from Kuwait, Syria and U.A.E. The overriding objective of this kind of training is to enhance trade development and competitiveness of member countries.

2. TCPP organized a meeting on Capacity Building in collaboration with the Tunisian Agency for Technical Cooperation in Tunis, Tunisia from June 12-13, 2008G. The objective was to develop the TCPP's capacity building programs for the benefit of member countries and to strengthen relations between the ITFC, the International Trade Centre (ITC) and training organizations. This helped to identify the specific training needs of member countries, as well as methods and resources to assist in meeting these needs. Participants included representatives from ICDT, ICCI, WTO, ITC, Trade related organizations, chambers of commerce and TPOs from Malaysia, Turkey, Egypt, Tunisia, Morocco, Saudi Arabia, Kuwait and Pakistan. One result of this fact-finding session was that the ITFC was able to initiate the aforementioned technical assistance projects that aimed at strengthening TPO training capabilities.

Development of Strategic Commodities

An essential part of the process of building intra-trade between member countries involves the expansion of export potentials through the development of strategic commodities. Strategic commodities are products that underpin a nation's economic welfare and provide sustenance and livelihoods to a significant proportion of the population. TCPP supports efforts to help member countries identify new commodities that could be exported and to introduce and develop production capacities for existing products that will increase output, raise profitability and maximize return on investment.



> IDB Board of Governors meeting - Expanding strategic ties, alliances and intra-trade was top of the agenda.

When the commodity has deteriorated, the TCPP works with other specialized organizations to identify the cause and propose solutions that improve production, export potentials and regulatory reforms. The TCPP has opened channels of communication with the Food Agriculture Organization (FAO) and Common Fund Commodities (CFC) in order to identify areas of cooperation. Cooperation between the ITFC, FAO and CFC aims to enhance agricultural trade and strengthen food security in the most vulnerable of least developed member countries. This is accomplished by improving crop yields through the introduction of advanced but appropriate farming practices and technologies. Building sustainable commodity development is another priority for the ITFC and its partners.

TCPP also collaborates with international organizations in undertaking technical studies that will help member countries develop their export capacity through the identification of strategic commodities and potential growth sectors. One such meeting between the ITFC, FAO and CFC took place in Rome, Italy from 3-7 November 2008. The mission was organized to enable participants to exchange views and ideas on modalities, scope and content of prospective meetings on rice, wheat, food and the agricultural sector for the benefits of OIC member countries in 1430H (2009G).

Necessary actions were also discussed to assist member countries in developing their trade capacities, not only in terms of financing, but also through studies that can be used as road maps that lead to increased competitiveness for economic sectors that have potential advantages.

Important MoU's

To strengthen all its key intra-trade promotion activities, the ITFC has formed an alliance with the ITC, the joint technical cooperation agency of the United Nations and the World Trade Organisation, through a Memorandum of Understanding (MoU) signed in 1429H (2008G). The purpose of the MoU is “to provide for ways and means of ensuring close cooperation and coordination of efforts between ITFC and ITC in the planning and implementation of the ITFC’s trade related technical assistance programs in an efficient and cost effective manner”. The ITFC-ITC MoU also focuses on “trade capacity building, especially for the private and public sector export capacities and international competitiveness for SMEs; creating and managing a database to gather trade information; market analysis and development; trade support services; trade promotion among OIC member countries, including buyer-seller meetings; and feasibility studies on enhancing and promoting trade and trade cooperation among OIC member countries”.

To further enhance capacity building the ITFC signed a memorandum of understanding in 1429H (2008G) with the Foreign Trade Training Centre, Egypt (FTTC), aimed at developing and implementing joint training courses to address the needs of the participants of the IDB Group member countries involved in export marketing and export development.

Corporate Governance



Corporate Governance

The issue of effective corporate governance was at the heart of the ITFC's pre-operational setup, with its esteemed board members playing a key role in setting up the mechanism that led to the formation of the various systems and processes by which proper oversight, accountability and integrity are established and the ITFC is properly managed.

The ITFC internal governance structure spells out the rules and procedures for making decisions on corporate affairs leading to enhanced competitiveness. It also provides the structure through which the ITFC's objectives are set, as well as the means of attaining and monitoring the performance of those objectives.

The ITFC's governance system was established to monitor the operational performance against the agreed strategy and objectives to enhance ITFC's long-term value, as well as ensure the timely provision of good quality information to make informed decisions at the corporate level. The esteemed members of the Board of Directors took the responsibility to help develop the directional policy in setting up its corporate governance structure, in addition to ensuring the ultimate accountability and transparency of the ITFC to the IDB Groups Board of Governors.

Board of Directors



Hon. Dr. Ahmad Mohamed Ali



Hon. Br. Ali Hamdan Ahmed



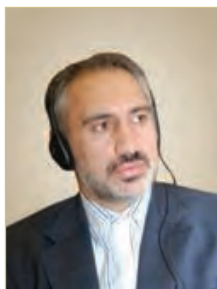
Hon. Br. Tan Sri Izzuddin Bin Dali



Hon. Sheikh Saleh Abdullah Kamel



Hon. Br. Ibrahim Bin Mohamed Al Mofleh



Hon. Dr. Sayed Hamid Pourmohammadi



Hon. Br. Mohammad Azzaroog Rajab



Hon. Br. Adama Sall



Hon. Br. Sami Bin A. Aziz Al Yusef



Hon. Br. Zeinhom Zahran



Hon. Br. Faisal Abdul Aziz Al Zamil

Management Team



Dr. Waleed A. Al-Wohaib
Chief Executive Officer



Mr. Mohamed Hebsi
GM Trade Cooperation & Promotion
Program



Eng. Hani Salem Sonbol
Deputy Chief Executive Officer



Mr. Nazeem Noordali
Acting GM Marketing Department



Mr. Mohammad Iqbal Azad
GM Operations Department



Mr. Ali Sulais
GM Credit Department



Mr. Mohanna Sobaih
GM Treasury Department



Mr. Ahmad J. Sabbagh
Acting GM Human Resources &
Corporate Services



Mr. Mubarak El-Tayeb El-Amin
GM Finance Department

Awards & Accolades

The ITFC's emphasis on development with its overriding aim to enhance the economic well-being of the people in our member countries was given global recognition in our very first year of operations with the 2008 Trade Finance **"Deal of the Year" Award** from Euromoney.

The award was for its innovative €23 million Murabaha cotton trade finance operation for Côte d'Ivoire, a transaction with a significant socio-economic impact, directly and indirectly (positively) affecting the livelihood of 3.5 million Ivoirians.

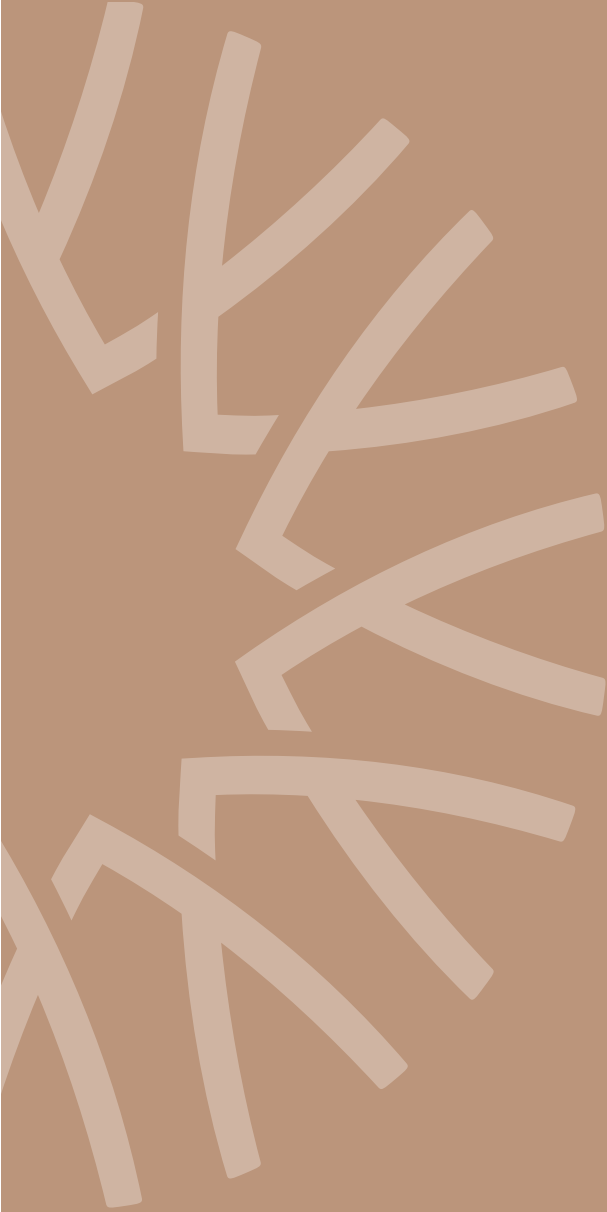


Creating Abundance, Improving Lives



> The ITFC Team "Gets Connected" during the Internal Brand Launch.

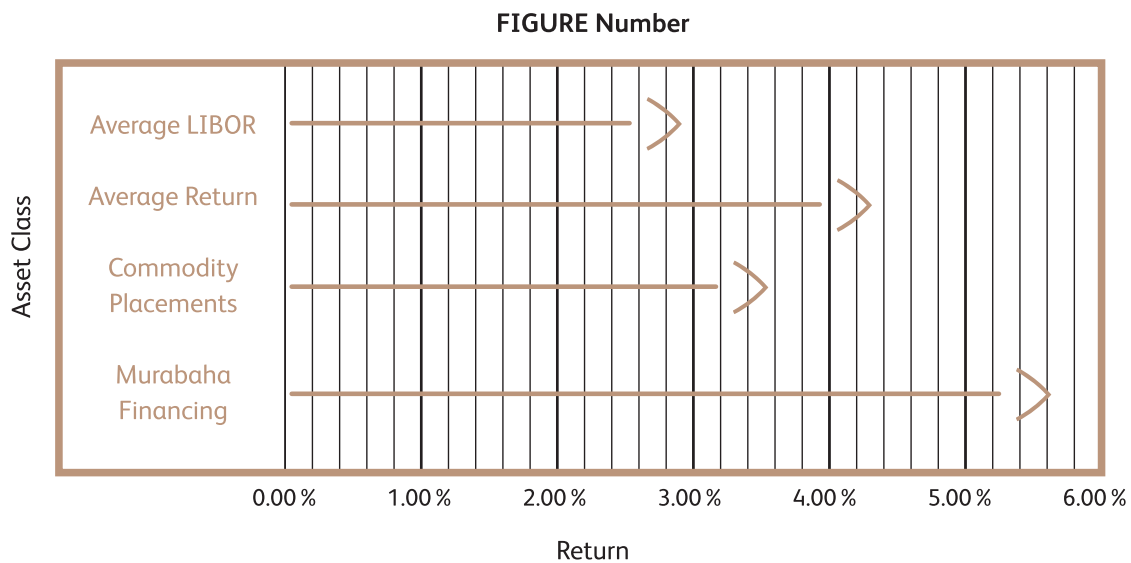
Statutory Reports and Accounts





Earnings Overview

The Corporation ended its first year of operations with a net income of US\$ 18 million representing a return on average equity of 3.34% which is considered reasonable given the sharp drop in LIBOR that has averaged around 2.9% for the year. The Corporation’s investments have fetched a return of 4.3% outperforming average LIBOR by 1.4%. This represents close to 50% increase over average LIBOR. For the return on individual classes of assets, the average return on Commodities is 3.5% whereas the average return on Murabaha Financing (Trade Financing) is 5.7%. This relatively high return is due partly to a change in ITFC’s pricing policy and partly to the transfer of the net asset of the Export Finance Scheme (EFS) where some of related assets were invested at a time when LIBOR was higher than the average for 1429H (2008G). The chart below shows the return on the various asset classes of the Corporation compared to average LIBOR for the year:



Fee income recognized during the year amounted to US\$2.42 million. This represents the fee income on managed funds and on syndicated operations. Administrative expenses for the year have totaled US\$9.97 million of which 55% is staff cost with the remaining 45% representing other administrative expenses.

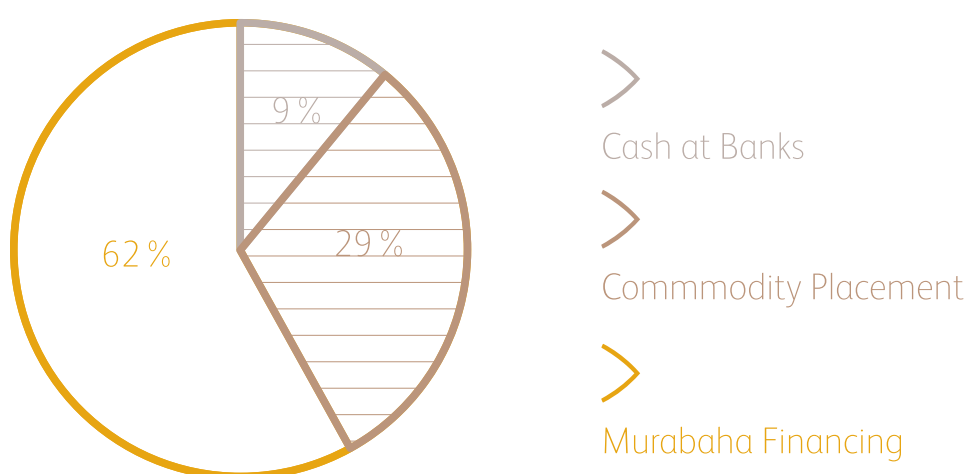
The asset-mix of the Corporation is heavily weighted towards Murabaha Financing that represents 62% of the total assets of the Corporation. This is found quite commendable given the fact that this is the first year of operation where the Corporation has started the year with no Murabaha financing investments, save for the small portfolio transferred from the EFS. The table below shows the Corporation’s asset mix at the end of 1429H (2008G).

TABLE IV + ITFC Asset Brakdown

Particular	Amount US\$'000	Percent of Total
Cash at Banks	65,833	9%
Commodity Placement with Bank	203,737	29%
Murabaha Financing	437,353	62%
Accrued Income and other Assets	868	0%
Total Assets	707,791	100%

The chart below shows a graphical representation of the Corporation's asset mix at the end of 1429H (2008G).

FIGURE NB



Asset Mix at the End of 1429H

The financial resources of the Corporation comprised of its paid-up capital and reserves amounting to US\$ 595.49 in addition to funds under management amounting to US \$1,075 million and resources mobilized from the market for syndicated Murabaha Financing operations.

Annual Report 1429H

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the General Assembly
The International Islamic Trade Finance Corporation

We have audited the accompanying statement of financial position of The International Islamic Trade Finance Corporation (the "Corporation") as of 30 Dhul Hijjah 1429H (28 December 2008) and the related statements of income, cash flows and changes in members' equity for the period from 1 Muharram 1429H ("commencement of operations") to 30 Dhul Hijjah 1429H. These financial statements and the Corporation's undertaking to operate in accordance with Islamic Shari'ah are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The International Islamic Trade Finance Corporation as of 30 Dhul Hijjah 1429H (28 December 2008), and the results of its operations and its cash flows for the period from 1 Muharram 1429H ("commencement of operations") to 30 Dhul Hijjah 1429H in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Corporation.

PricewaterhouseCoopers Al Juraid



By: _____
Omar M. Al Sagga
License Number 369

May 20, 2009

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF FINANCIAL POSITION
As of 30 Dhul Hijjah 1429H (28 December 2008)

(All amounts in United States Dollars thousands unless otherwise stated)

	Notes	1429H
<u>ASSETS</u>		
Cash at banks	3	64,491
Commodity placements with banks	4	203,737
Murabaha financing	5	437,353
Accrued income and other assets	6	868
		706,449
Property and operating equipment	7	95
TOTAL ASSETS		706,544
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
<u>LIABILITIES</u>		
Accruals and other liabilities	8	5,762
Payable to Islamic Development Bank - ordinary capital resources	9	87,823
Total liabilities		93,585
<u>MEMBERS' EQUITY</u>		
Paid-up capital	10	531,943
General reserve	11	63,546
Net income for the period		17,470
Total members' equity		612,959
TOTAL LIABILITIES AND MEMBERS' EQUITY		706,544
UNDISBURSED COMMITMENTS	12	

The accompanying notes on pages 6 to 14 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF INCOME
For the Period Ended 30 Dhul Hijjah 1429H (28 December 2008)

(All amounts in United States Dollars thousands unless otherwise stated)

	Notes	1429H
Income from:		
Commodity placements with banks	4	13,289
Murabaha financing	5	12,361
Mudarib fees and others		2,422
		28,072
Administrative expenses:		
Staff costs		(6,055)
Other		(4,533)
		(10,588)
Depreciation	7	(14)
Net income for the period		17,470

The accompanying notes on pages 6 to 14 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION

STATEMENT OF CASH FLOWS

For the Period Ended 30 Dhul Hijjah 1429H (28 December 2008)

(All amounts in United States Dollars thousands unless otherwise stated)

	<u>Notes</u>	<u>1429H</u>
CASH FLOWS FROM OPERATIONS		
Net income for the period		17,470
Adjustment to reconcile net income to net cash from operating activities:		
Depreciation	7	14
Provision for impairment	5	3,541
Changes in operating assets and liabilities:		
Murabaha financing	5	(391,447)
Accrued income and other assets	6	(868)
Accruals and other liabilities	8	5,762
Payable to Islamic Development Bank - ordinary capital resources	9	101,922
		<hr/>
Net cash generated by operating activities		(263,606)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and operating equipment	7	(109)
		<hr/>
Net cash used in investing activities		(109)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution	10	531,943
		<hr/>
Net cash generated from financing activities		531,943
		<hr/>
Net Increase in cash and cash equivalents		268,228
Cash and cash equivalents at the beginning of the period		-
		<hr/>
Cash and cash equivalents at the end of the period	3	268,228
		<hr/> <hr/>
<u>Supplemental non-cash information</u>		
General reserve transferred	1	63,546
		<hr/>
Murabaha financing transferred	1	49,447
		<hr/>
Transferred from the Islamic Development Bank - ordinary capital resources	1	14,099
		<hr/> <hr/>

The accompanying notes on pages 6 to 14 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Period Ended 30 Dhul Hijjah 1429H (28 December 2008)

(All amounts in United States Dollars thousands unless otherwise stated)

	Note	Paid-up capital	General reserve	Net income for the period	Total
Balance at 01 Muharrum 1429H		-	-	-	-
Capital contributed	1,10	531,943	-	-	531,943
General reserve transferred	1,11	-	63,546	-	63,546
Net income for the period		-	-	17,470	17,470
Balance at end of Dhul Hijjah 1429H		531,943	63,546	17,470	612,959

The accompanying notes on pages 6 to 14 form an integral part of these financial statements.

THE INTERNATIONAL ISLAMIC TRADE FINANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
For the Period Ended 30 Dhul Hijjah 1429H (28 December 2008)

(All amounts in United States Dollars thousands unless otherwise stated)

1. INCORPORATION, ACTIVITIES AND OTHER

The International Islamic Trade Finance Corporation (the "Corporation") was established, pursuant to the decision taken by the Board of Governors ("BG") of the Islamic Development Bank ("IDB" or the "Bank") in their 30th meeting held on 17 Jamad Awaal 1426H (24 June 2005). The Corporation is governed by the terms of the Articles of Agreement of the Corporation. The Corporation is an international organization and derives its legal personality from public international law. As a result, it is able to enter into contracts, acquire and dispose of property, and take legal action. As an international institution, the Corporation is not subject to an external regulatory authority.

The purpose of the Corporation is to promote trade of member countries of the Organization of the Islamic Conference through providing trade finance and engaging in activities that facilitate intra-trade and international trade. All of the Corporation's operational assets are considered sovereign debts made to or guaranteed by the respective member countries or investments in member countries, which are guaranteed in a manner acceptable to the Corporation.

The Corporation carries out its business activities through the Bank's headquarter's in Jeddah, Saudi Arabia. The financial statements of the Corporation are expressed in thousands of US Dollars (USD) and the financial period of the Corporation is the lunar Hijri year.

The Corporation's equity at 01 Muharam 1429 ("commencement of operations") is comprised of capital contributions made by its members including IDB. Included in members contributions is USD 374,439 paid by IDB upon liquidation of the Export Finance Scheme (the Scheme). The Scheme was liquidated via BG resolution BG/1-427 meeting held on 7 Rabi Awwal 1427H (5 April 2006). Also, included in member contributions is USD 72,461 paid by the former members of the Islamic Banking Portfolio, ("IBP"), who agreed to join the Corporation, as per the Board of Executive Directors' ("BED") meeting BED/25/10/426(234)/283, held on 24 Shawal 1426H (25 November 2005). Also, see note 10.

The Corporations net assets at 30 Dhul Hijah, 1429H also include net assets transferred from the Scheme to the Corporation as follows:

Cash at banks	64
Murabaha financing - net	49,447
Payable to IDB	(22,647)

It was also stated in BG resolution BG/1-427 meeting held on 7 Rabi Awwal 1427H (5 April 2006) that any income accruing to the Scheme after 7 Rabi Awwal 1427 (5 April 2006) up to commencement of operations of the Corporation was to be transferred to the general reserve of the Corporation. The total amount of income transferred to general reserve was USD 63,546, which includes exchange gains of USD 26,864.

The financial statements were authorized for issue by the Corporation's Board of Executive Directors on 10 Rabi ul Awwal 1430H (7 March 2009).

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

The accompanying financial statements are prepared under historic cost convention.

b) Critical accounting judgments and estimates

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

i) Provision for impairment of assets:

The Corporation exercises judgement in the estimation of provision for impairment of financial assets. The methodology for the estimation of the provision is provided in notes 2(h).

c) Translation of currencies

Transactions in currencies other than USD are recorded at the exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies are translated to USD on the basis of the rates prevailing on the date of the statement of financial position. Foreign currency exchange gains and losses are credited or charged to the statement of income.

d) Revenue recognition

Income from commodity placements with Islamic banks is recognized on a time apportionment basis over the period from the actual disbursement of funds to the date of maturity.

Any income from cash and cash equivalents and other investments, which is considered by management as forbidden by Shari'ah, is not included in the Corporation's statement of income. Such income is included in accrued liabilities until the board of directors takes a decision where to transfer such income.

Income from Murabaha financing is accrued on a time apportionment basis over the period from the date of the actual disbursement of funds to the scheduled repayment date of installments.

Mudarib fee income is recognized on an accrual basis when the service has been provided.

e) Murabaha financing

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

Amounts receivable from Murabaha financing are stated at the cost of goods sold or disbursements made to the beneficiaries plus profit recognized by the Corporation up to the date of the statement of financial position, less repayments received.

Unearned income represents the unamortized portion of total murabaha financing income committed at the time of actual disbursement of funds.

f) Cash and cash equivalents

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

g) Commodity placement

Commodity placements are made with Islamic banks and are utilized for the purpose of the purchase and sale of commodities at profit. The buying and selling of commodities is limited by the terms of agreement between the Corporation and the Islamic banks. Commodity placements are initially recorded at cost including acquisition charges associated with the placements and subsequently measured at cost less any amounts written off (if any).

h) Impairment of financial assets

Operational assets:

An assessment is made at each statement of financial position date to determine whether there is evidence that a financial asset or group of financial assets may be impaired. Accordingly, the Corporation determines the provision for impairment losses based on an assessment of incurred losses. This involves a review of the financial assets on the balance sheet date in order to determine if there are any indications of impairment in their value individually; and also the losses that the Corporation suffers as a result of rescheduling the dues from certain countries and from settlement plans mutually agreed with the beneficiaries. The loss results from the difference between the carrying amount of the asset and the net present value of expected future cash flows discounted at the implicit rate of return of the financial asset mentioned in the agreement. The impairment provision is periodically adjusted based on a review of the prevailing circumstances. In addition, a portfolio provision is created for losses where there is objective evidence that unidentified losses are present in the portfolio at the balance sheet date. These are estimated based on country risk ratings, the current economic conditions and the default pattern that are embedded in the components of the portfolio.

Adjustments to the provision are recorded as a charge or addition to the statement of income. In determining the adequacy of the provision, the Corporation takes into account the net present value of expected future cash flows discounted at the financial instruments' implicit rate of return.

Other financial assets:

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired. The amount of the impairment losses for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and its estimated fair value.

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

i) Property and operating equipment

Property and operating equipment are recorded at cost, less accumulated depreciation. Depreciation is charged to the statement of income, using the straight line method, to allocate their cost to their residual values over the following estimated useful lives:

Office and Computer equipment	4 years
Motor vehicles	5 years

Maintenance and repair costs which do not materially extend the estimated useful life of an asset are expensed and charged to the statement of income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

j) Provisions

Provisions are recognized when; the Corporation has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required to settle the obligation; and the amount can be reliably measured.

3. CASH AT BANKS

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

	1429H
	<hr/>
Current accounts	64,491
	<hr/>
Total	64,491
	<hr/> <hr/>

Cash and cash equivalents include the following for the purpose of the statement cash flows:

	1429H
	<hr/>
Cash at banks	64,491
Commodity placements with banks	203,737
	<hr/>
Total	268,228
	<hr/> <hr/>

4. COMMODITY PLACEMENTS WITH BANKS

Commodity placements with banks at the end of Dhul Hijjah comprise the following:

	1429H
	<hr/>
Placements with Islamic banks	203,737
	<hr/> <hr/>

Placements with Islamic banks are utilized in the purchase and sale of commodities. Trading is conducted by Islamic banks on behalf of the Corporation. The discretion of Islamic banks over buying and selling is limited by the terms of the agreements between the Corporation and the Islamic banks.

5. MURABAHA FINANCING

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

	1429H
	<hr/>
Gross amounts receivable	1,124,828
Less: share of syndicate members	(660,183)
Less: unearned income	(23,751)
	<hr/>
	440,894
Less: Provision for impairment	(3,541)
	<hr/>
Murabaha financing, net	437,353
	<hr/> <hr/>

All goods purchased for resale under murabaha financing are made on the basis of specific purchase for resale to a specific customer. The promise of the customer is considered to be binding. Consequently, any loss suffered by the Corporation as a result of default by the customer prior to the sale of goods would be made good by the customer. The Corporation also participates in syndicated murabaha financing.

6. ACCRUED INCOME AND OTHER ASSETS

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

	1429H
	<hr/>
Accrued income from commodity placements	421
Accrued mudarib fees	170
Prepayments and other assets	277
	<hr/>
Total	868
	<hr/> <hr/>

7. PROPERTY AND OPERATING EQUIPMENT

Property and operating equipment at the end of Dhul Hijjah comprise the following:

	Motor Vehicles	Office and Computer Equipment	Total
<u>Cost</u>			
At 1 Muharram 1429H	-	-	-
Additions during the period	105	4	109
	<hr/>	<hr/>	<hr/>
At end of Dhul Hijjah 1429H	105	4	109
	<hr/>	<hr/>	<hr/>
<u>Accumulated depreciation</u>			
At 1 Muharram 1429H	-	-	-
Charge for the period	14	-	14
	<hr/>	<hr/>	<hr/>
At end of Dhul Hijjah 1429H	14	-	14
	<hr/>	<hr/>	<hr/>
<u>Net book value:</u>			
At end of Dhul Hijjah 1429H	91	4	95
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

8. ACCRUALS AND OTHER LIABILITIES

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

	1429H
	<hr/>
Accrued and other expenses	1,959
Excess capital receipts	2,890
Others	913
	<hr/>
Total	5,762
	<hr/> <hr/>

Excess capital receipts represent amounts received from members in respect of paid up capital that is not due.

9. RELATED PARTY BALANCES

In the ordinary course of its activities, the Corporation transacts business with related parties. The terms of these transactions are approved by the Corporation's management. The balance due to IDB at the end of Dhul Hijjah 1429H is USD 88 million which is commission free and has no repayment terms.

10. PAID-UP CAPITAL

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

	1429H
	<hr/>
Authorized 300,000 shares of US\$ 10,000 each	3,000,000
	<hr/> <hr/>
Issued: 75,000 shares of US\$ 10,000 each	750,000
Issued shares not subscribed	(76,390)
	<hr/>
Subscribed capital	673,610
Share capital not yet called	(79,167)
	<hr/>
Called-up capital	594,443
Installments due, not yet paid	(62,500)
	<hr/>
Paid-up capital	531,943
	<hr/> <hr/>

Paid-up capital includes USD 446.9 million contributed by the members of the Scheme and IBP. The Capital of the Corporation is held by its members that include 37 countries and 19 financial institutions. Also see Note 1.

11. GENERAL RESERVE

In accordance with chapter 6 of Article 27 of the Articles of Agreement of the Corporation, the annual net income of the Corporation is required to be transferred to the general reserve, when approved by the Board of Directors, until this reserve equals 25% of the Corporation subscribed capital. Any excess of the net income over the above limit is available for distribution to the member countries.

As per resolution BED/01/05/427/(238)/44 all income accruing to the Scheme after 1426H is to be transferred to the general reserve of the Corporation. The amount transferred totaled 63.5 million, see Note 1.

12. UNDISBURSED COMMITMENTS

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

	1429H
	<hr/>
Murabaha financing	199,732
	<hr/> <hr/>

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

	End of Dhul Hijjah 1429H						
	Maturity period determined					Maturity Period not Determined	Total
	Less than 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years			
Cash at banks	64,491	-	-	-	-	64,491	
Commodity placements	203,737	-	-	-	-	203,737	
Murabaha financing	231,117	133,876	62,140	-	10,220	437,353	
Accrued income and other assets	421	447	-	-	-	868	
Property and operating equipment	-	-	95	-	-	95	
Total assets	499,766	134,323	62,235	-	10,220	706,544	

	End of Dhul Hijjah 1429H						
	Maturity period determined					Maturity Period not Determined	Total
	Less than 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years			
Accruals and other liabilities	-	5,762	-	-	-	5,762	
Payable to IDB	-	87,823	-	-	-	87,823	
Total liabilities	-	93,585	-	-	-	93,585	

14. CONCENTRATION OF ASSETS

The geographical locations of assets are as follows:

	End of Dhul Hijjah 1429H					Total
	Cash at banks	Commodity placements with banks	Murabaha financing	Accrued income and other assets	Property and operating equipment	
Saudi Arabia	63,442	121,121	100,466	868	95	285,992
Bahrain	1,049	82,616	-	-	-	83,665
Bangladesh	-	-	158,801	-	-	158,801
Egypt	-	-	8,818	-	-	8,818
Gambia	-	-	6,087	-	-	6,087
Iran	-	-	15,189	-	-	15,189
Ivory Coast	-	-	5,671	-	-	5,671
Jordan	-	-	2,363	-	-	2,363
Kuwait	-	-	15,061	-	-	15,061
Malaysia	-	-	4,312	-	-	4,312
Morocco	-	-	83,872	-	-	83,872
Nigeria	-	-	3,720	-	-	3,720
Sudan	-	-	10,890	-	-	10,890
Tajikistan	-	-	1,587	-	-	1,587
Tunisia	-	-	8,968	-	-	8,968
Burkina Faso	-	-	11,548	-	-	11,548
TOTAL	64,491	203,737	437,353	868	95	706,544

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

15. ZAKAT AND TAX TREATMENT

Any liability for zakat and income tax is the responsibility of the individual members.

16. RISK MANAGEMENT

The Corporation has a Risk Management Department (“RMD”) fully independent from all business departments as well as other entities of the Corporation. The RMD is responsible for dealing with all risk policies, guidelines and procedures with a view to achieving sound, safe and sustainable low risk profile for the Corporation through the identification, measurement and monitoring of all types of risks inherent in its activities. The Corporation has also established a Risk Management Committee which is responsible for reviewing the risk management policies, procedures, guidelines and defining the Corporation’s risk management framework and appetite, with a view to ensuring that there are appropriate controls on all major risks resulting from the Corporation’s financial transactions.

a) Credit Risk

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

The Corporation’s credit risk arises mainly from its operating assets.

For all classes of financial assets held by the Corporation, the maximum credit risk exposure to the Corporation is their carrying value as disclosed in the statement of financial position. The assets which subject the Corporation to credit risk principally consist of commodity placements and Murabaha financing which are mainly covered by sovereign guarantees and commercial banks guarantees acceptable to the IDB, in accordance with specific eligibility criteria and credit risk assessments. Murabaha financing is covered, in most cases, by sovereign guarantees from Member Countries, or commercial bank guarantees from Corporations whose ratings are acceptable to the Corporation per its policies, or sovereign guarantees from Member Countries. The Corporation benefits from preferred creditor status on murabaha financing, which

gives it priority over other creditors in the event of default thus constituting a strong protection against credit losses.

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

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

An important element tool of credit risk management is the established exposure limits for single beneficiary or an obligor and group of connected obligors. In this respect, Corporation has a well developed limit structure, which is based on the credit strength of the beneficiary, the obligor.

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

Country risk refers to the risks associated with the economic, social and political environments of the beneficiary's home country. Guidelines were developed for monitoring country exposure to safeguard the Corporation against undue risk. The country exposure limits are determined and periodically reviewed and updated taking into consideration the recent macro-economic, financial, and other developments in the member countries, the status of their business relationship with Corporation.

b) Market risks

The Corporation is exposed to following market risks:

i) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Corporation does not hedge its currency exposure by means of hedging instruments. Exposure to exchange risk is limited. Most of the Corporation's financing operations are USD-denominated, the same currency in which the Corporation resources - i.e., equity are denominated. The Corporation does not trade in currencies. Therefore, it is not exposed to currency trading risk.. The Corporation has a conservative policy whereby the currency composition of the portfolio is monitored and adjusted regularly.

ii) Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its net funding requirements. To guard against this risk, the Corporation adopts a conservative approach by maintaining high liquidity levels invested in cash, cash equivalents, commodity placements and Murabaha financing with short-term maturity of three to twelve months. The liquidity profile of the Corporation's assets and liabilities has been presented in note 13.

iii) Mark-up risk

Mark-up risk arises from the possibility that changes in Mark-up will affect the value of the financial instruments. The Corporation is exposed to Mark-up on its investments in commodity placements, Murabaha financing. In respect of the financial assets, the Corporation's returns are based on a benchmark and hence vary according to the market conditions.

The sensitivity analysis have been determined based on the exposure to profit rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the

reporting period. A 50 basis point change is used when reporting profit rate risk internally to key management personnel and represents management's assessment of the possible change in profit rates.

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

c) Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair values of operational assets are not significantly different from the carrying values included in the financial statements.



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Shareholder Information



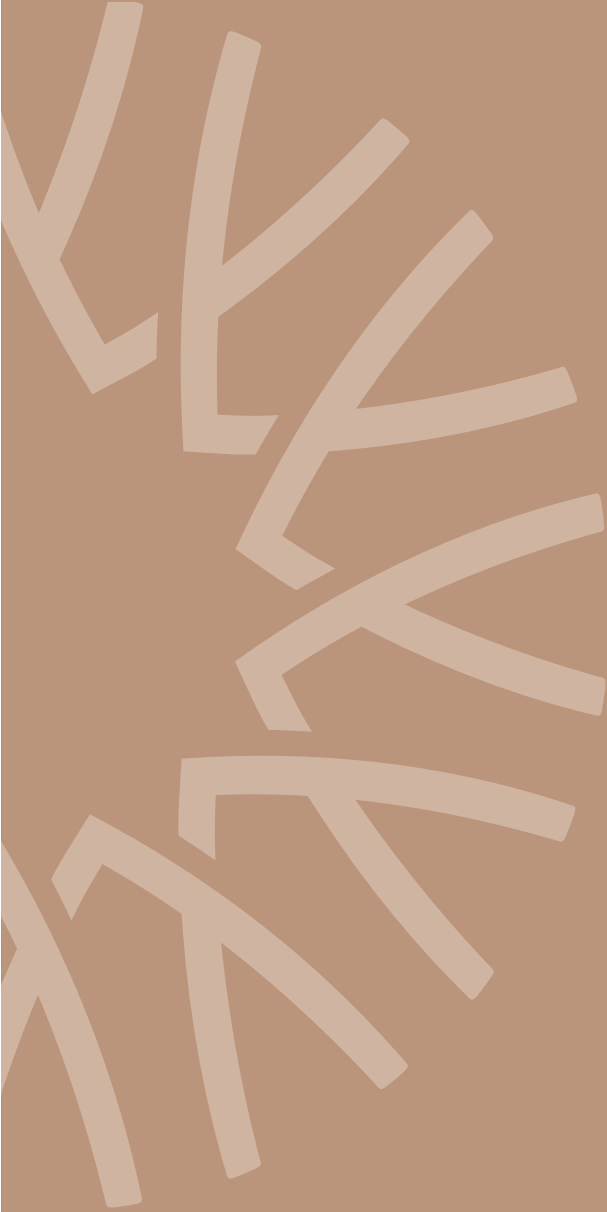
Shareholder Information

Statistics of Shareholder

No.	Member	Current Capital (US\$ 750,000,000)				
		Subscribed Shares	Subscribed Amount	%	Paid Shares	Paid Amount
1	Islamic Development Bank	26,637	266,370,000	39.5 %	26,637	266,370,000
2	Algeria	608	6,080,000	0.9 %	608	6,080,000
3	Bahrain	185	1,850,000	0.3 %	185	1,850,000
4	Bangladesh	202	2,020,000	0.3 %	202	2,020,000
5	Brunei Darussalam	582	5,820,000	0.9 %	582	5,820,000
6	Cameroon	2	20,000	0.0 %	2	20,000
7	Egypt	1,273	12,730,000	1.9 %	1,273	12,730,000
8	Gabon	22	220,000	0.0 %	22	220,000
9	Indonesia	206	2,060,000	0.3 %	206	2,060,000
10	Iran	192	1,920,000	0.3 %	192	1,920,000
11	Jordan	130	1,300,000	0.2 %	130	1,300,000
12	Kuwait	653	6,530,000	1.0 %	653	6,530,000
13	Lebanon	61	610,000	0.1 %	61	610,000
14	Libya	139	1,390,000	0.2 %	139	1,390,000
15	Malaysia	2,898	28,980,000	4.3 %	2,898	28,980,000
16	Morocco	510	5,100,000	0.8 %	510	5,100,000
17	Pakistan	843	8,430,000	1.3 %	843	8,430,000
18	Palestine	184	1,840,000	0.3 %	184	1,840,000
19	Saudi Arabia	12,000	120,000,000	17.8 %	6,203	62,030,000
20	Senegal	48	480,000	0.1 %	48	480,000
21	Somalia	72	720,000	0.1 %	72	720,000
22	Sudan	77	770,000	0.1 %	77	770,000
23	Syria	185	1,850,000	0.3 %	185	1,850,000
24	Tunisia	560	5,600,000	0.8 %	560	5,600,000
25	Turkey	2,915	29,150,000	4.3 %	2,915	29,150,000
26	UAE	184	1,840,000	0.3 %	184	1,840,000
27	Uganda	49	490,000	0.1 %	49	490,000
28	Albaraka Investment Company, London	161	1,610,000	0.2 %	161	1,610,000
29	Albaraka Islamic Bank, Bahrain	818	8,180,000	1.2 %	818	8,180,000
30	Albaraka Turkish Finance House, Turkey	69	690,000	0.1 %	69	690,000
31	Beit Ettamweel Saudi Tunsii (BEST), Tunisia	53	530,000	0.1 %	53	530,000
32	Faisal Islamic Bank of Egypt, Egypt	592	5,920,000	0.9 %	592	5,920,000
33	Islamic Cooperative Development Bank, Sudan	26	260,000	0.0 %	26	260,000
34	Jordan Islamic Bank for Finance & Investment, Jordan	118	1,180,000	0.2 %	118	1,180,000
35	Sudanese Islamic Bank, Sudan	26	260,000	0.0 %	26	260,000
36	Tadamon Islamic Bank, Sudan	26	260,000	0.0 %	26	260,000
37	Benin	50	500,000	0.1 %	18	182,346
38	Burkina Faso	75	750,000	0.1 %	29	289,968
39	Djibouti	50	500,000	0.1 %	-	-
40	Gambia	50	500,000	0.1 %	50	500,000
41	Iraq	1,000	10,000,000	1.5 %	-	-
42	Cote D'Ivoire	70	700,000	0.1 %	23	233,929
43	Mauritania	100	1,000,000	0.1 %	-	-
44	Mozambique	60	600,000	0.1 %	20	199,990
45	Niger	50	500,000	0.1 %	-	-
46	Qatar	1,000	10,000,000	1.5 %	667	6,666,667
47	Yemen	100	1,000,000	0.1 %	67	665,196
48	Export Development Bank, Iran	2,500	25,000,000	3.7 %	1,654	16,543,259
49	EN Bank, Iran	100	1,000,000	0.1 %	33	330,930
50	Bank Mellat, Iran	500	5,000,000	0.7 %	333	3,333,334
51	Bank of Industry and Mine, Iran	100	1,000,000	0.1 %	100	999,408
52	Bank Keshavarzi, Iran	100	1,000,000	0.1 %	-	-
53	Bank Melli, Iran	100	1,000,000	0.1 %	100	999,999
54	Bank Tejarat, Iran	50	500,000	0.1 %	33	333,334
55	Saudi Fund for Development, Saudi Arabia	5,000	50,000,000	7.4 %	1,667	16,666,667
56	Public Investments Fund, Saudi Arabia	3,000	30,000,000	4.5 %	1,000	10,000,000
	TOTAL	67,361	673,610,000	100 %	53,304	533,035,026

* Updated as of: 26 Jumad Al Awal 1430H corresponding to May 20, 2009

ANNEX I



The Role of ITFC in Implementing the EGM Road-Map

A. Trade Financing

Recommended Action	Realization	Activities	Partners
1.1 Develop and introduce new mechanisms/tools aimed at increasing financing for SMEs and LDMCs	<ul style="list-style-type: none"> • Already Approved Lines of Financing in Turkey, Kazakhstan and Azerbaijan. • Introduce new lines of Financing in other countries in 1430H (2009G); • Similar Lines of Financing are already available in some MCs - Senegal, Niger, Lebanon. 	<ol style="list-style-type: none"> 1. Meeting for Financial Institutions on Resources Mobilization. 2009G. 	
1.2 Enhance ITFC field presence	<ul style="list-style-type: none"> • Working on the establishment of the first ITFC Branch in Dubai; • Other Branch network presence in MCs will follow; • ITFC 'Focal Points' will be nominated in the existing IDB Regional Offices; • ITFC 'Customer Days' will be organized in some MCs. 	<ol style="list-style-type: none"> 2. Meeting/Brainstorming to discuss creation of Specialized Funds. 2009G. 3. Workshop on ITFC's Lines of Finance; Challenges and Opportunities. 2009G. 4. Meeting for Trade Finance and Insurance of Credit Institutions. 2009G. 	ITFC, ICIEC
1.3 Introduce new trade finance products	<ul style="list-style-type: none"> • To introduce L/C Opening and other related services; • Structured Trade Finance is gradually being introduced. 		

B. Trade Facilitation

Recommended Action	Activities	Partners
2.1 Expedite the ratification of PRETAS by the MCs	NA	
2.2 Conduct annual meetings on specific infrastructure issues which will have a direct impact on trade facilitation	NA	
2.3 Enhance partnership with TPOs in MCs	<ol style="list-style-type: none"> 1. 1st Annual Meeting of the Export Promotion Centre of the French speaking Member Countries - Conakry, Guinea. 2009G (1430H). 	ICDT.
2.4 Continue to conduct annual meetings for TPOs in MCs	<ol style="list-style-type: none"> 2. OIC TPOs Meeting, Kuala Lumpur. 2009G. 	MATRADE, MCs TPOs
2.5 MCs to ease visa processes for member country businessmen	NA	
2.6 Mutual Recognition Agreements (MRAs) for certification and testing bodies	NA	
Additional Activities		
• Establishment of Trade Information Facilitation System. 2009G.		ITC
• Meeting on Aid-for-Trade for ESCWA Region. 2009G.		WTO,ESCWA
• Expert Meeting on Aid-for-Trade Road Map for SPECA Region. 2009G.		WTO,UNDP, Azerbaijan Gov.
• Ministerial Meeting on Aid-for-Trade Road Map for SPECA Region. 2009G.		

C. Capacity Building

Recommended Action	Activities	Partners
3.1 Organize more training programs for MCs/enterprises in trade related areas	<ol style="list-style-type: none"> 1. Training Course for Staff of Chambers of Commerce in CIS MCs. Almaty, Kazakhstan. 14-17 Oct. 2008G. 2. Training Course on Export Strategies and Commercial intelligence for French Speaking MCs, Casablanca, Morocco. 24-28 Nov 2008G. 3. Training Course for staff from Trade Information Center in Sudan, Kuala Lumpur. 24-28 Nov 2008G. 4. Training Course on Export Strategies and Int'l Marketing. Cairo. 2009G. 	ITC, ICDT, ICCI, FTTC, MCs TPOs, Chambers of Commerce, TUSKON,
3.2 Organize seminars on 'best practices' for MCs	<ol style="list-style-type: none"> 1. On Job Training (OJT) for Top Officials of Export Promotion Centers of English Speaking MCs, Kuala Lumpur, Malaysia. 10-14 Oct 2008G. 2. OJT for Officials of Chambers of Commerce of French Speaking MCs, Casablanca, Morocco. 20-24 Oct 2008G. 3. OJT for Top Official of TPOs in Arabic and English Speaking MCs, Istanbul, Turkey. 22-26 Dec 2008G. 4. OJT for Export Promotion Centers French speaking MCs, Casablanca. 20-24 Oct. 2008G. 5. OJT for staff of TPO of MCs on Foreign Trade Bridges. Istanbul. 2009G. 6. OJT for Officials and Staff of Chamber of Commerce of the AMCs. Jeddah. 2009G. 7. OJT for Trade Mapping. Cairo. 2009G. 	ITC, ICDT, ICCI, FTTC, MCs TPOs, Chambers of Commerce, TUSKON,
3.3 Cost sharing schemes for marketing and enhancing of exports	Not Clear	
Additional Activities		
• Develop the High Trade School of Tunisia. 2009G.		ITC, MCs TPOs,
• Training Seminar on Doha Development Round. 2009G.		
• Develop the Training Department of IGEME – Turkey. 2009G.		
• Develop the Training Department of MATRADE – Malaysia. 2009G.		

D. Trade Promotion

Recommended Action	Activities	Partners
4.1 Strengthen brand awareness and promote products made in OIC MCs	1. 3rd TransSaharan Trade Fair of Niamey. 4-15 Sep 2008G.	
4.2 TPOs to encourage and facilitate annual buyers-sellers meetings (business-matching, trade bridging)	2. 12th MUSIAD International Trade Fair & 12th IBF. Istanbul. 22-26 Nov. 2008.	
4.3 Encourage MCs to increase participation in trade fairs and activities organized by ICDT	3. Overseas Study Tours for Kazakhstan's Entrepreneurs. Dec. 2008G.	MUSIAD, ICDT,
	4. 1st National Seminar on Export in Yemen. Sana'a. 24-25 Nov. 2008.	KASEH DIA, TUSKON,
	5. Specialized exhibition and supply/demand workshop on agribusiness products. 2009G.	MATRADE, MCs TPOs,
	6. World Halal Forum 2009. Kuala Lumpur. 2009G.	
	7. Turkey-Africa Foreign Trade Bridge. Istanbul. 2009G.	
	8. In-trade Malaysia 2009. Kuala Lumpur. 2009G.	
	9. 12th Trade Fair of Islamic Countries. Cairo. 2009G	
4.4 Encourage MCs to utilize the existing platform within the OIC organs such as ICDT's trade network (TINIC)	• Meeting on trade information and E-commerce. 2009G.	ICDT
Additional Activities		
	• Implementation of Primary study and action plan to assist non-exporting Kuwaiti factories. 2009G.	ITC, Kuwait TPO

E. Development of Strategic Commodities

Recommended Action	Activities	Partners
5.1 Create funds for investment in agriculture and other strategic commodities	1. Gulf Cooperation Council Food Security Initiative (Promoting Intra Investment by private sector and the role of IDB Group) . 2009G.	ICDT, ITAP.
	2. Summit on International Food Crisis and its Effect on OIC MCs. 2009G.	
5.2 Expedite the implementation of Action Plan in cotton development and develop new action plans for the development of other strategic commodities	1. Trade and investment cooperation opportunities among the OIC MCs in the Cotton Industry. 2009G.	ITC, FAO, CFC,
	2. Forum on development of investment & trade in the field of basic food commodities. 2009G.	ICDT, ITAP,
	3. Revitalization of the groundnut sector in selected Sub-Saharan countries (Senegal, Gambia and Guinea Bissau). 2009G.	MCs Gov.
	4. Forum on Ways and Means to enhance Trade and Investment in Food in Africa. Bamako, Mali. 2009G.	

ANNEX II



1429H TCPP Implemented Activities

Trade Promotion

01	1st Annual Meeting of Export Promotion Centers of English Speaking Member Countries. Kuala Lumpur, Malaysia. May 5-7, 2008.
02	World Halal Forum. Kuala Lumpur, Malaysia. May 12-13, 2008.
03	Turkey –Africa Foreign Bridge III. Istanbul, Turkey. May 13-17, 2008.
04	3rd Trans Saharan Trade Fair of Niamey. Niamey, Niger. Sep 4-15, 2008.
05	12th MUSIAD International Trade Fair & 12th IBF.
06	Overseas Study Tours for Kazakhstan's Entrepreneurs. Istanbul, Turkey. Nov 22-26, 2008.
07	Export Strategy for Gulf Cooperation Council – GCC. Riyadh, Saudi Arabia. Oct 28-29, 2008.
08	1st Coordination Business Visit to FAO. Rome, Italy. Nov 3-9, 2008.
09	1st National Seminar on Export in Yemen. Sana'a, Yemen. Nov 24-25, 2008.

Trade Facilitation

10	4th World Islamic Economic Forum. Kuwait, Kuwait. Apr 29- May 1, 2008.
11	International Investment Conference in Kazan. Kazan, Tatarstan. June 9-15, 2008.
12	Meeting on Trade Information. Tunis, Tunisia. June 9-10, 2008.
13	Expert group Meeting to enhance Trade in OIC member countries. Istanbul, Turkey. Jul 5-6, 2008.
14	Arab Consumer and Brand Protection Forum. Jeddah, Saudi Arabia. Oct 19-20, 2008.
15	Seminar on Free Trade (Agadir Agreement). Tunis, Tunisia. Dec 17-18, 2008.

Capacity Building

16	Training course on Export Strategies and Int'l Marketing for Arabic Speaking MCs (AMCs). Cairo, Egypt. May 4-8, 2008.
17	Training course on Export Strategies and Int'l Marketing for Kazakhstan's SME Almaty, Kazakhstan. May 10-14, 2008.
18	Meeting on capacity Building. Tunis-Tunisia. June 12-13, 2008.
19	On Job Training for Export Promotion Centers of English Speaking MCs (EMCs). Kuala Lumpur, Malaysia. Oct 10-14, 2008.
20	Training Course for Staff of Chambers of Commerce in CIS MCs. Almaty, Kazakhstan. Oct 14-17, 2008.
21	On-Job Training for Officials of Chambers of Commerce of French Speaking MCs (FMCs). Casablanca, Morocco Oct. 20-24, 2008.
22	On Job Training course for Export Promotion Centers French speaking MCs (FMCs). Casablanca, Morocco. Oct 20-24, 2008.
23	Training Course on Export Strategies and Commercial intelligence for French Speaking MCs (FMCs). Casablanca, Morocco. Nov 24-28, 2008.
24	On Job Training for Top Official of TPOs in Arabic Speaking MCs (AMCs). Istanbul, Turkey. Dec 22-26, 2008.
25	On Job Training for Top Official of TPOs in English Speaking MCs (EMCs). Istanbul, Turkey. Dec 22-26, 2008.
26	Training Course for staff from Trade Information Center in Sudan. Kuala Lumpur, Malaysia. Nov 24-28, 2008.



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P.O. Box 55335, Jeddah 21534, Kingdom of Saudi Arabia
T +966 2 636 1400, F +966 2 637 1064, itfc@isdb.org

Member of
Islamic Development Bank Group