



Islamic Development Bank Group

**42 YEARS
IN THE SERVICE OF DEVELOPMENT**

Rajab 1437H (May 2016)

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IDB GROUP ENTITIES: SUMMARY

Islamic Development Bank Group

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

Islamic Development Bank (IDB)

IDB is an international financial institution established in 1395H (1975) in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in 1393H (1973). The main objective of IDB is to foster economic development and social progress of member countries and Muslim communities in non-member countries in accordance with the principles of the *Shari'ah* (Islamic law).

Islamic Research and Training Institute (IRTI)

IRTI was established in 1401H (1981) as the research and training arm of IDB. It plays an important role in the transformation of IDB Group into a world-class knowledge based organization by leading and sustaining the development of a dynamic and comprehensive Islamic Financial Services Industry (IFSI) to support the socio-economic development of member countries. As a center of excellence, IRTI conducts training, undertakes research, provides advisory services, and enhances capacity building in basic and applied Islamic economics and finance.

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

ICIEC was established in 1415H (1994) to boost intra-trade among OIC member countries by providing exporters, banks, trade financiers and export credit agencies with Shari'ah-compliant export credit insurance and re-insurance facilities. ICIEC also supports and encourages investment flows into member countries by providing investors and financiers of investments with Shari'ah-based political risk insurance policies.

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

ICD was established in 1420H (1999) to promote private sector development in member countries. It provides a wide range of Shari'ah-compliant financial products and services with a view to facilitating access to Islamic capital markets, mobilizing additional financing resources for the private sector, promoting entrepreneurship in member countries and encouraging cross-country investments.

International Islamic Trade Finance Corporation (ITFC)

ITFC was established in 1429H (2008) to advance trade across the Islamic world. The primary focus of ITFC is to encourage intra-trade among Organization of Islamic Cooperation (OIC) member countries. The Corporation helps businesses in Islamic countries gain better access to trade finance and provides them with the necessary trade related capacity building tools to help compete successfully in the global market.

ABBREVIATIONS

AfTIAS	: Aid for Trade Initiative for Arab States
APIF	: Awqaf Properties Investment Fund
CIBAFI	: Council of Islamic Banks and Financial Institutions
E4C	: Education for Competitiveness
GCC	: Gulf Cooperation Council
ICD	: Islamic Corporation for the Development of the Private Sector
ICIEC	: Islamic Corporation for the Insurance of Investment and Export Credit
ID	: Islamic Dinar (equivalent to one Special Drawing Right of IMF)
IDB	: Islamic Development Bank
IDBG	: Islamic Development Bank Group
IFC	: Implementation Facilitation Committee
IIRA	: Islamic International Rating Agency
IRTI	: Islamic Research and Training Institute
ISFD	: Islamic Solidarity Fund for Development
ITAP	: Investment Promotion Technical Assistance Program
ITFC	: International Islamic Trade Finance Corporation
IWAH	: International Waqf Advisory House
LDMCs	: Least Developed Member Countries
LLF	: Lives & Livelihoods Fund
MCs	: Member Countries of the Islamic Development Bank
MDBs	: Multilateral Development Banks
MENA	: Middle East and North Africa
MoUs	: Memorandum of Understandings
OCR	: Ordinary Capital Resources of IDB
OECD	: Organisation for Economic Cooperation and Development
OIC	: Organisation of the Islamic Cooperation
PPP	: Public-Private Partnership
SMEs	: Small and Medium Enterprises
TCP	: Technical Cooperation Program
TCPP	: Trade Promotion and Cooperation Program
TVET	: Technical Vocational Education and Training
UIF	: Unit Investment Fund
UNCTAD	: United Nations Conference on Trade and Development
WIEF	: World Islamic Economic Forum
WWqF	: World Waqf Foundation
YFV	: Yellow Fever Vaccine

CORPORATE PROFILE OF THE ISLAMIC DEVELOPMENT BANK

Establishment

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

Vision

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

Mission

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

Membership

The IDB has 56 member countries across various regions. The prime conditions for membership are that the prospective country should be a member of the Organization of the Islamic Cooperation (OIC), that it pays the first instalment of its minimum subscription to the Capital Stock of IDB, and that it accepts any terms and conditions that may be decided upon by the Board of Governors.

Capital

At its 38th Annual Meeting, the IDB's Board of Governors approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the Subscribed Capital (available for subscription) was increased to ID50 billion. By the same Resolution, the Board of Governors agreed to the calling in of the callable (in cash) portion of the 4th General Capital Increase. As at the end of 1436H, the subscribed capital of the IDB stood at ID49.92 billion.

Islamic Development Bank Group

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

Head Office, Regional and Country Offices

Headquartered in Jeddah, the Kingdom of Saudi Arabia, the IDB has four regional offices in Rabat, Morocco; Kuala Lumpur, Malaysia; Almaty, Kazakhstan; and in Dakar, Senegal and Country Gateway offices in Turkey (Ankara and Istanbul), Indonesia, and Nigeria.

Financial Year

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

Accounting Unit

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

Language

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

Table 01: Approvals by Entities and Modes of Financing (1396H-1436H)¹
(Islamic Dinar - ID million)

	1432H	1433H	1434H	1435H	1436H	1396H-1436H
A. IDB OCR						
Loan	249.3	244.4	260.5	227.6	228.0	5,215.0
Equity	44.0	203.5	50.1	60.3	70.1	1,032.4
Leasing	618.4	407.6	518.3	1,150.7	423.6	7,431.8
Instalment Sale	142.4	610.0	118.9	273.1	251.9	3,726.9
Combined Lines of Financing	50.0	0.0	0.0	32.5	0.0	458.0
Profit Sharing/Musharaka	62.0	33.3	0.0	0.0	0.0	223.8
Istisna'a	1,334.1	1,305.5	1,582.2	1,581.5	2,041.5	13,166.9
Mudaraba	0.0	0.0	292.8	0.0	412.3	705.1
Technical Assistance	25.4	13.7	11.9	18.1	6.9	302.0
Sub-Total	2,525.6	2,817.9	2,834.7	3,343.9	3,434.4	32,261.7
B. ICD						
Equity	78.3	91.7	130.4	48.7	114.2	819.9
Leasing	0.0	52.4	6.5	29.1	51.7	356.4
Instalment Sale	0.0	0.0	0.0	0.0	0.0	85.3
Istisnava	3.2	0.0	0.0	13.5	0.0	18.6
Murabaha	86.7	59.7	146.2	119.8	306.5	920.8
Sub-Total	168.3	203.8	283.2	211.0	472.5	2,200.9
C. ITFC						
Murabaha	1,777.3	2,786.5	3,226.7	3,343.4	4,518.1	19,751.8
D. Others						
UIF	22.2	23.6	65.1	44.1	19.6	1,612.8
APIF	21.5	28.0	54.6	43.0	63.1	295.2
Special Assistance Operations	9.6	5.3	4.7	4.5	4.1	568.6
Pre-ITFC trade (EFS, IBP, ITFO)	0.0	0.0	0.0	0.0	0.0	21,809.3
Sub-Total	53.3	56.9	124.5	91.5	86.8	24,285.9
Grand Total	4,524.5	5,865.1	6,469.2	6,989.9	8,511.7	78,500.3
Memo:						
E. ICIEC Operation for the last five years and total since inception (ID million)						
	1432H	1433H	1434H	1435H	1436H	1417H-1436H
New Commitments	2,122.1	1,510.9	1,468.3	2,394.5	2,710.2	18,357.5
Business Insured	2,016.5	2,008.8	2,195.8	2,909.6	3,744.4	18,337.9
OCR-IDB Resources and Finance (at year's end)						
	1432H	1433H	1434H	1435H	1436H	
Total Assets	10,351.2	11,446.7	13,429.4	15,075.3	16,097.4	
Gross Income	375.9	467.8	498.1	540.6	575.7	
Net Income	109.0	130.2	170.4	165.0	157.7	
General Reserves	1,769.8	1,858.5	1,858.2	2,224.2	2,322.4	
Fair Value Reserves	377.1	433.8	416.2	477.9	429.5	
Subscribed Capital	17,782.6	17,782.6	17,803.8	49,865.7	49,918.4	
Approved Administrative budget*	88.80	98.38	105.10	107.5	107.5	
Actual Administrative budget*	81.30	88.94	96.98	103.2	107.1	
* include Trust Funds (i.e Al-Quds and Al-Aqsa Funds)						
¹ Cut-off date for data reported in this table was 30 Dhul-Hijja 1436H (13 October 2015).						
Source: IDB Data Resources and Statistics Division, ERPD						
The conversion rates for the various years are as follows:						
1432H IID = \$1.55621 1433H IID = \$1.52623 1434H IID = \$1.53128 1435H IID = \$1.48509						
1436H IID = \$1.41162 1396H-1436H IID = \$1.44741 (approximation only)						

Table 02: Approvals by Entities and Modes of Financing (1396H-1436H)'¹ (\$ million)						
	1432H	1433H	1434H	1435H	1436H	1396H-1436H
A. IDB OCR						
Loan	383.2	375.9	396.5	346.8	330.9	7,343.4
Equity	68.1	313.7	76.0	90.0	97.3	1,500.8
Leasing	982.7	621.2	783.2	1,770.0	610.3	10,999.3
Instalment Sale	220.7	927.1	182.0	416.1	357.4	5,385.4
Combined Lines of Financing	75.0	0.0	0.0	50.0	0.0	653.0
Profit Sharing/Musharaka	100.0	50.0	0.0	0.0	0.0	332.6
Istisna'a	2,078.1	2,007.1	2,388.8	2,415.5	2,902.9	19,770.5
Mudaraba	0.0	0.0	440.0	0.0	600.0	1,040.0
Technical Assistance	39.1	21.0	18.3	27.9	10.7	429.9
Sub-Total	3,946.7	4,316.0	4,284.8	5,116.4	4,909.5	47,454.9
B. ICD						
Equity	121.9	139.9	199.8	72.4	161.2	1,234.0
Leasing	0.0	80.0	10.0	43.2	73.0	527.5
Instalment Sale	0.0	0.0	0.0	0.0	0.0	125.2
Istisna'a	5.0	0.0	0.0	20.0	0.0	27.7
Murabaha	135.0	91.1	224.0	177.9	432.7	1,371.7
Sub-Total	261.9	311.0	433.8	313.4	666.9	3,286.2
C. ITFC						
Murabaha	2,788.4	4,286.4	4,901.0	5,136.4	6,396.8	29,832.0
D. Others						
UIF	34.5	36.1	99.7	65.5	27.8	2,314.9
APIF	33.5	42.8	83.7	63.8	89.1	441.6
Special Assistance Operations	15.1	8.1	7.2	6.9	5.8	743.4
Pre-ITFC trade (EFS, IBP, ITFO)	0.0	0.0	0.0	0.0	0.0	29,549.0
Sub-Total	83.1	86.9	190.6	136.2	122.7	33,048.8
Grand Total	7,080.1	9,000.2	9,810.2	10,702.4	12,095.9	113,622.0
Memo:						
E. ICIEC Operation for the last five years and total since inception (\$ million)						
	1432H	1433H	1434H	1435H	1436H	1417H-1436H
New Commitments	3,310.5	2,311.7	2,248.4	3,556.0	3,825.8	27,602.0
Business Insured	3,145.8	3,073.5	3,362.5	4,321.0	5,285.6	27,469.7
¹ Cut-off date for data reported in this table was 30 Dhul-Hijja 1436H (13 October 2015). Source: IDB Data Resources and Statistics Division, ERPD.						

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I. INTRODUCTION

The Islamic Development Bank (IDB) is a South-South development finance institution established in 1975 with the aim of fostering economic development and social progress of its member countries as well as Muslim communities in non-member countries.

It operates in accordance with the principles of *Shari'ah* (Islamic law). Over the past forty-two years, the IDB has contributed to the socio-economic development of its member countries.

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

During the last 42 years, the IDB has grown remarkably in membership, capital, and operations as well as having undergone significant transformation with a view to serving its mandate better.

The membership of IDB has increased more than twofold from 22 countries at its inception in 1395H to 56 countries in 1436H, spanning four continents (Africa, Asia, Europe and Latin America). The IDB Group has evolved from a single entity into a group comprising of five entities: Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI), Islamic Corporation for the Development of the Private Sector (ICD), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and International Islamic Trade Finance Corporation (ITFC). Together, they are called IDB Group (the Group).

The IDB's capital comes from the contributions paid by member countries. IDB's authorized capital has increased from ID2 billion in 1395H (1975) to ID100 billion in 1436H (2015). The issued capital was ID50 billion with 98.6 percent of this amount subscribed by member countries so far.

II. MAJOR INITIATIVES OF THE IDB GROUP IN 1436H

In line with its 10-year strategy and in order to increase effectiveness, the IDB Group in 1436H launched and implemented major initiatives including President Advisory Panel, Presidential Delivery Unit, Deep Dive, and Lives and Livelihood Fund.

- **President Advisory Panel:** This high-level Advisory Panel of 13 eminent personalities was established to provide external, independent and objective perspectives on the key development challenges facing member countries

and their implications on IDB Group strategies and operations. The Panel, with members appointed for a term of three years, was inaugurated on 19 March 2015 during which it deliberated on the implementation of the IDB Group 10-Year Strategy Framework focusing on short, medium and long-term plans.

- **President Delivery Unit (PDU):** Established in December 2014, the Unit is responsible for following up and monitoring the progress of implementation of various institutional strategic initiatives embarked upon by the Bank, thereby helping the top management to focus on critical issues and ensuring accountability for the delivery of results. It is currently monitoring and coordinating the activities of key strategic programs including the 10-Year Strategy Framework, the President's 5-Year Program, the 3-Year Rolling Plan as well as the deliverables of the Strategic Partnership Framework between IDB Group and the World Bank Group.
- **Deep Dive Initiative:** This initiative gave rise to a historic strategic partnership framework (SPF) agreement between IDB Group and the World Bank Group (WBG). The SPF was launched in October 2015 in Washington, D.C. to significantly scale-up joint work and investment across all common member countries in Africa, Asia, Middle East, Europe and Latin America. Over 2016-2018, the SPF will support the development of infrastructure services, regional integration and cross-border trade facilitation, water and food security, education and employment, and Islamic finance. Both institutions also agreed to join forces to support private sector development and entrepreneurship and to expand joint work in fragile and conflict-affected member countries.
- **Financial Year Adjustment:** The Board of Governors of IDB passed a resolution approving a change in the financial year of IDB Group to a Solar Hijri calendar (abbreviated as SH) whilst maintaining the Lunar Hijri as its official calendar. Its implementation will commence in 2016 and as a result the financial statements of the Bank for 2016 will be prepared for approximately 14.5 months period ending 11 Jada of the Solar Hijri calendar corresponding to 2 Rabi' Thani 1438H (31st December 2016).
- **Lives and Livelihoods Fund:** This Fund is a \$500 million grant facility launched by IDB and the Bill & Melinda Gates Foundation to address poverty and health-related challenges in IDB member countries. Both IDB and BMGF will provide \$100 million each to the Fund while the remaining \$300 million will be sourced from donors.

- **Resource mobilization:** Four series of Trust certificates (*sukuk*) under its updated and upsized \$25 billion Medium Term Note (MTN) program were issued, of which one series was via a benchmark public issuance for \$1 billion with the remaining three series issued through private placements. The IDB's *sukuk*, in addition to being listed on the London Stock Exchange, are also listed on the member country securities exchange including Bursa Malaysia (Exempt Regime), Nasdaq Dubai and Borsa Istanbul.
- **Credit Ratings:** The top three international rating agencies – Standard & Poor's, Moody's and Fitch Ratings --- have rated members of IDB Group (IDB, ICIEC and ICD). IDB has maintained "AAA" credit ratings since 2002 from Standard & Poor's, Moody's and Fitch Ratings while, ICIEC has been assigned an Aa3 rating by Moody's since June 2008 which is the highest rating assigned to major insurers of credit and political risk globally. For ICD, Moody's in April 2015, assigned it a first-time long-term issuer rating of "Aa3" and a short-term issuer rating of "P-1" with a "Stable" outlook while has an "AA" rating by Fitch since 2014 with a "Stable" outlook.
- **Member Country Partnership Strategy (MCPS):** Nine new MCPSs were initiated -- three were second generation (Indonesia, Turkey, and Senegal) and six were first generation (Afghanistan, Cameroon, Kyrgyz Republic, Nigeria, Sudan, and Yemen). In addition, three MCPSs – for Egypt, Iran, and Uzbekistan, which started last year, are all at various stages of preparation. The "End-Term Review of MCPS for Indonesia" was conducted while the second MCPS for Indonesia for the period 2016-2020 is being prepared.

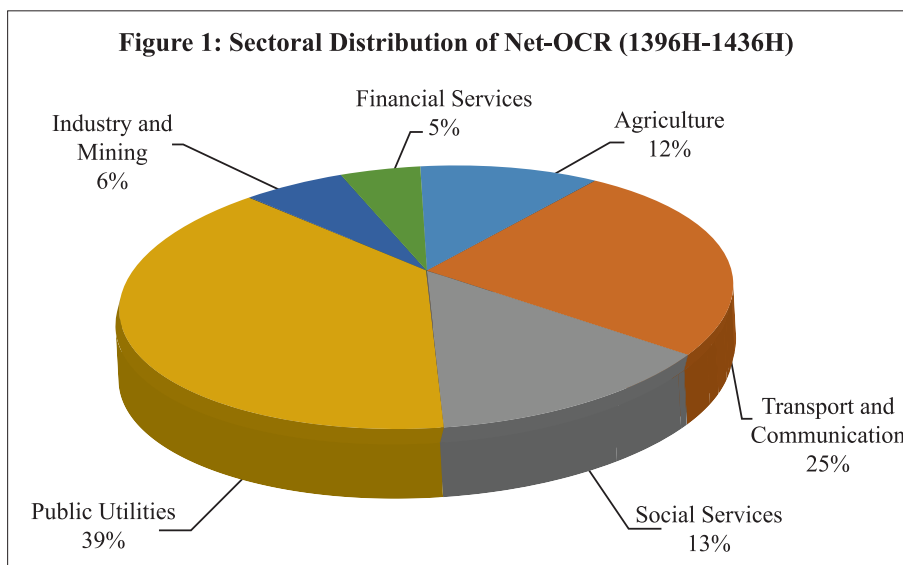
III. DEVELOPMENT ACHIEVEMENTS

1. Scaling up Financing

Since inception, IDB has been proactively engaged in fostering economic development and social progress of its member countries as well as Muslim communities in non-member countries.

The IDB's commitment to fostering economic development in member countries is evident from the growth in the IDB-OCR net approvals over 1396-1436H grown at 12% on average. Between 1396H and 1436H, the IDB Group net approvals totaled 7907 projects and operations for ID 78.5 billion (\$113.6 billion). This amount excludes ICIEC's insurance commitments of ID 18.4 billion (\$27.6 billion) and business insurance operations of ID 18.3 billion (\$27.5 billion). The total distribution of cumulative project and TA financing

from the OCR during the 1396H-1436H period showed that the largest share of the funding was devoted to public utilities (39 percent), transport and communication (25 percent), and social services (13 percent) (Figure 1).

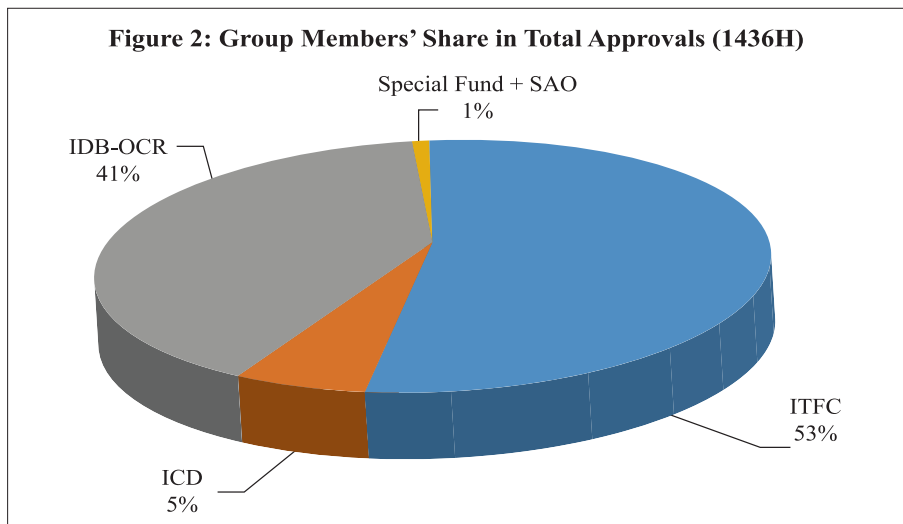


In terms of the Group members' share in the total approvals, ITFC activities were the largest in 1436H at 52.9 percent (ID 4.5 billion or \$6.4 billion), followed by IDB's Ordinary Capital Resources (IDB-OCR) at 40.6 percent (ID 3.4 billion or \$4.9 billion), and ICD at 5.5 percent (ID 472.5 million or \$666.9 million) with special funds (APIF and UIF) and Special Assistance Operations (SAO) accounting for 0.9 percent and 0.1 percent respectively (Figure 2).

With respect to growth in net approvals in 1436H, ICD registered the highest at 112.8 percent, with APIF at 39.6 percent and ITFC at 24.5 percent. IDB-OCR and UIF recorded decreases of 4 percent and 57.5 percent respectively.

Regionally, the Middle East and North Africa received the largest share of IDB Group net approvals in 1436H at 44.3 percent (ID 3.8 billion or \$5.4 billion), followed by Sub-Saharan Africa at 29.7 percent (ID 2.6 billion or \$3.6 billion), Asia at 20.8 percent (ID 1.8 billion or \$2.5 billion), and the Commonwealth of Independent States at 3.2 percent (ID 264.2 million or \$382.8 million).

By country, the top five recipients of IDB Group financing in 1436H were Egypt at 16.6 percent, Turkey at 16.2 percent, Bangladesh at 9.8 percent, Pakistan at 9 percent and Senegal at 3.9 percent.



2. Promoting Inclusive Social Development

Since its inception, the Bank has given priority in its strategy to promoting the quality of life of people in its member countries by investing substantially in education, health, and food security. The Bank also launched a number of funds with the objectives of addressing poverty and promoting solidarity.

2.1 Education

The Bank continues to focus its interventions on education sector in key areas: (i) basic education particularly bilingual and madrasah education to help the beneficiary member countries attain quality universal basic education, (ii) science and mathematics education for technological advancement; (iii) science and technology, (iv) vocational training and technical education to enhance youth employability (E4C); and (v) non-formal education and functional literacy through vocational literacy programs (VOLIP) for skills acquisition and productive engagement.

In 1436H, the Bank approved 17 operations in education sector for an amount of ID 239.4 million (\$339.2 million), an increase of 75 percent over the previous year's approval of ID126.1 million (\$194 million). Cumulatively, IDB's investment in the education sector in member countries reached \$3.5 billion targeting 529 operations, which benefited all education levels and sub-sectors.

The stellar growth recoded in 1436H was largely due to the Higher Education Development Project in Benin. This alone accounted for 45 percent of the

year's total approval. In terms of volume of the interventions, higher education accounted for 46 percent of the 1436H approvals, followed by TVET and secondary education with 23 percent and 18 percent respectively while basic education accounted for 13 percent of approvals.



2.2 Health

The Bank's interventions in the health sector in 1436H focused on two thematic areas: (i) prevention and control of both communicable and non-communicable diseases; and (ii) health system strengthening to improve access to and quality of healthcare services. As a result, in 1436H, the Bank approved twelve operations in health sector, of which 6 projects including 2 TA grants cover areas of prevention and control of communicable diseases and health-systems strengthening (HSS) for ID138.6 million (\$198.3 million). The IDB's total approvals in health sector since inception reached 258 operations totaling ID1.6 billion (\$2.4 billion).

During 1436H, the Bank focused on disease control in response to global strategic directive to strengthen health security by enhancing observance of the International Health Regulations (2005) (IHR). The approved projects targeted prevention of yellow fever and polio eradication as the main epidemic diseases still emerging in some member countries besides Ebola Virus Disease (EVD).



2.3 Agriculture and Food Security

The agriculture sector is the backbone of the economies of many member countries, contributing significantly to employment generation and achieving food security, which is why the Bank gives special attention to the sector. To date, the Bank has invested in agricultural production, natural resource management and development, water availability and security, rural SMEs and job creation, commercialization of smallholder farmers, building resilience, institutional strengthening and inclusive financial services.

In 1436H, the Bank approved 31 projects in agriculture sector for ID290 million (\$419 million) covering member countries in Asia, Africa and the MENA regions. The overall portfolio of the agriculture and rural development sector since the Bank's inception reached ID5.0 billion (\$7.4 billion).

Jeddah Declaration for Food Security: Since the completion of the approval phase of the Jeddah Declaration initiative, the Bank has made extensive efforts to improve the implementation of the approved operations through operationalization of the 'crash program' which was initiated in 1435H. Under the three tracks of the crash program, which focuses on intensifying implementation support and increased face-time with clients; improving project implementation readiness; and portfolio cleaning, the Bank has conducted 43 supervision missions, organized 14 reverse supervisions, and undertook portfolio review in four countries. In addition, four start-up workshops were organized for new projects, while two capacity building workshops for PMUs were conducted in Jeddah.



Livestock and Horticulture Development: The Bank has increased its support for the development of the livestock sector in member countries, focusing on the value-chain and the sustainable management of the livestock and rangeland resources. It has partnered with Liptako Gourma Region Integrated Development Authority (LGA) to support the development of livestock resources in three Sahel states: Burkina Faso, Niger, and Mali. In 1436H, a project for integrated development of animal resources, including livestock, was approved for Mali for Euro 19.6 million. The project will improve food security and reduce poverty in the country by directly targeting the poor Western Sahel regions of Kaye, Segou and Koulikoro. The intervention, which targets red meat value chain development, will invest in basic infrastructure development and human capital development while supporting and promoting Islamic micro-finance.

Water Resource and Irrigation Development: The Bank's financing in the water sector focused on climate-smart irrigation development, rural water supply, sustainable management of water resources, and multipurpose dams. The projects have tended to focus on not only infrastructure development but also the promotion of efficient and sustainable water management practices and modern technologies to improve water use efficiency.

In 1436H, the Bank approved three projects for rural portable water supply: (i) Rural water supply in the governorate of Bizerte, Tunisia; (ii) Rural water supply in 8 regions of Cameroon, and (iii) Almaty region water supply improvement project. The cumulative financing under the IDB's Water

Supply and Sanitation Project was \$33.5 million. This includes the provision of potable water to half a million people in 60 villages in rural Cameroon and increased access to drinking water supply to 95 percent from only 40 percent in 31 rural communities in Kazakhstan. The Bank is partnering with UNDP and ICBA in the implementation of these projects.

2.4 Special Programs to Promote Solidarity

The Islamic Solidarity Fund for Development (ISFD): The Islamic Solidarity Fund for Development (ISFD) was established in 2005 as a Special Fund in the form of a Waqf¹, with a principal target capital of \$10 billion. The Fund is dedicated to reducing poverty in the OIC member countries, particularly the LDMCs, by providing concessionary loans and grants to promote pro-poor growth and human development with a special focus on health care and education.

Cumulative ISFD approvals by the end of 1436H reached ID293.8million (\$442.4 million) with disbursements totaling \$97.3 million. The LDMCs received about 80 percent of the total approvals. The ISFD has developed new flagship programs such as the Urban Poverty Reduction Program, the Renewable Energy for Poverty Reduction Program, and Save the Mothers Program. It contributed \$100 million on a grant basis towards a new program called “Lives and Livelihoods Fund (LLF),” which is a buy-down facility that has been established by the Bank and the Gates Foundation. Its contribution to the LLF will not only help in addressing extreme poverty in the LDMCs, but will also generate estimated concessional resources of \$500 million for the member countries.

Awqaf Properties Investment Fund (APIF): This Fund was established by the Bank in 2001 to address the development needs of the Awqaf sector. The Bank acts as a Mudarib for the Fund whose objective is to develop idle Waqf lands and renovate existing Waqf buildings, thereby transforming them into income-generating assets.

In 1436H, eleven projects at a cost of ID 63 million (\$89 million) were approved. These projects involved financing the construction of residential or commercial/office buildings in Jordan, Mauritania, Maldives, Malawi, Sudan and the USA as well as the purchase of existing office buildings in Kenya and Saudi Arabia. APIF also signed Memorandum of Understandings (MoUs) with two organizations aiming at mutual cooperation in developing the Waqf sector and supporting their philanthropic activities.

¹The concept of *Waqf* (Islamic Endowment/Trust) implies that only the income which will be made from the investments of the Fund’s resources will be available to finance its operations.

World Waqf Foundation (WWqF): Since its inception, the WWqF has been collaborating with International Advisory Houses, consulting specialists in Awqaf, private sectors and focusing on three initiatives –Investment, development and knowledge. In the area of investment, the WWqF is currently finalizing the registration of an Investment Fund called Awqaf Capital (ACAP) with the Central Bank of Bahrain.

In the development of Awqaf projects, the WWqF is at Phase 2 of implementation of activating the role of individual and institutional philanthropists to contribute to the establishment of Awqaf specialized projects that support education, health and social programs, alleviate poverty, and effectively disburse Awqaf proceeds in collaboration with civil society institutions.

Special Assistance Program: Muslim communities in non-member countries generally lag behind others in education and access to health services. Against this backdrop and in its global development outreach strategy, the IDB through its Special Assistance activities enhance the human capital of Muslim communities living in non-member countries. Since its inception, the activities have focused on developing and strengthening institutions in education, social and health care services, and the development of human capital. Diverse projects have been implemented in more than 81 countries in non-member countries covering Asia and Oceania, Africa, South and Central America, North America and Europe.

Broadly speaking, the Bank’s special assistance activities cover relief assistance in member and non-member countries, support to education and health services in non-member countries, and capacity building initiatives through training programmes. During the year 2015, the Bank approved 36 special assistance operations in seven member countries and twenty-nine non-member countries for an amount of \$14.4 million. Of these operations, ten were for relief assistance in seven member countries and three non-member countries for \$6 million. The majority of the operations were for the provision of access to basic services in the education and health sectors.

Trust Funds (Bringing Inclusive Social Development): Up till 1421H, the Bank had only two trust funds (Al-Aqsa Fund and Al Quds Fund), which were established pursuant to the Arab Summit decision to provide immediate response to the needs of occupied Palestinian people. With the IDB’s increased intervention in Palestine and other fragility states in the member countries, the number of trust funds has increased in recent years with the establishment of GCC Fund in 1427H, and the joining of other Arab funds thereafter.

Over the years, trust funds have been substantially expanded in providing financial assistance for development projects, emergency response, recovery and capacity-building. Apart from Palestine, new beneficiaries of the IDB's trust funds were Somalia, Niger, Comoros and the minority Rohingya community in Myanmar. The most recent mandate was an SR1 billion trust fund for developing 75 mobile clinics in Afghanistan, Bangladesh, India, Kyrgyzstan, Pakistan, Uzbekistan and Yemen.

The Saudi Arabian Project for the Utilization of Hajj Meat: This project is managed by the Bank for the Government of Saudi Arabia and lies outside its normal operations. The project serves the pilgrims by performing the ritual (nusuk) and related services on their behalf. The Bank oversees the utilization of the Hajj meat and then distributes to the needy and the poor in the member countries and to Muslim communities in non-member countries.

Gelatin Project: The gelatin in the markets, whether for pharmaceutical or food Grades, is porcine in origin. Therefore, there is a need to produce halal gelatin for the Muslim population. To this end, the United Company of Gelatin and Organic Material Production was established with a Chinese contractors to produce 600 ton of Halal gelatin (extracted from skin & bones) and one billion hard gelatin capsules as the primary packaging material for pharmaceutical companies products of different sizes.

Hajj Meat Distribution: In 1435H, the number of carcasses was 874,667 sheep and 1,464 cows and camels. Out of these, 683,167 sheep were distributed among the poor and needy people in the Haram area in Makkah Al- Mukarrama and charities inside the Kingdom, as well as, all cows and camels. The remaining 191,500 sheep were distributed outside the Kingdom of Saudi Arabia.

3. Fostering Islamic Finance Development

As leading institution fostering Islamic finance development, the Bank has been involved in many initiatives, including developing the requisite enabling environment for Islamic finance, establishing and supporting Islamic financial institutions, developing Islamic microfinance sector from the financial sector perspective and enhancing awareness about Islamic finance through organization and participation in awareness raising events. In such endeavors, the Bank aims to forge strong partnerships with governments, private sector institutions, multilateral development banks and donor institutions. Furthermore, the Bank also works for the development of the Awqaf sector for charitable purposes. Key activities of Bank in promoting Islamic finance during the year are presented below:

3.1 Activities by Islamic Research and Training Institute (IRTI)

IRTI was established in 1401H (1981) to be the knowledge hub of the IDB Group to conduct research, training, advisory and knowledge dissemination activities aimed at bringing the financial services in member countries in line with Islamic injunctions.

Apart from publishing books, journals, research papers and other publications, IRTI also undertakes a variety of programs designed to promote knowledge in Islamic finance. These include the IDB Prize for Islamic Economics, Banking and Finance; IRTI Scholarships and Research Grants Programs; as well as collection and publication of data on Islamic financial institutions.

IRTI also collaborates with like-minded institutions globally, including universities and regulatory authorities, towards advancing knowledge in Islamic Finance through policy dialogues, workshops, seminars, lectures, etc. In 1436H, IRTI signed an agreement with EdX, an online learning platform founded by the Massachusetts Institute of Technology (MIT) and Harvard University, to deliver the first-of-its-kind Islamic banking and Finance Massive Open Online Courses (MOOCs).

During the year 1436H, IRTI produced 30 new publications in Arabic, English, French and Portuguese languages covering different areas of Islamic Economics and Finance; and conducted 25 training programs on various aspects of Islamic Economics and Finance, both under the Member Country Assistance Training (MCAT) program and its fee-based training program targeting the private sector;

3.2 Technical Support Program

The Bank provides technical assistance (TA) for creating an enabling environment for Islamic finance development. Such TAs facilitate developing legislation, regulations, *Sharia*'h governance mechanism, and supervisory framework for Islamic banks, *Sukuk* and *Takaful*. In addition, the TAs are also useful in creating a high-level strategy for Islamic finance sector development in the TA recipient countries.

In 1436H, the Bank approved five technical assistance projects to both new and existing Islamic finance jurisdictions to enhance the infrastructure support and also build their capacity. In addition to the new TA approvals, the Bank was actively involved in the implementation of previously approved TA projects that were at various stages of completion.

3.3 Islamic Financial Architecture Development

The Bank acknowledges the importance of having a strong architecture and framework to harness the development of the Islamic finance industry globally. In this regard, as in the past, it continues to support the activities of the Islamic Infrastructure Institutions (IIIs) such as AAOIFI, CIBAFI, IFSB, IICRA, IIFM, and IIRA in various ways, including providing technical assistance, financing the development and implementation of standards and documentations, and participating on their Board, Council, Technical Committee meetings, as well as in other activities and events. As a co-founding member, the IDB has been engaging with these IIIs in exploring ways and means to find the optimum mechanisms to enhance the effectiveness of IIIs in promoting the adoption of their output by IDB member and non-member countries.

3.4 IDB Microfinance Development Program (IDB-MDP)

The main objective of the IDB-MDP is to provide an avenue for the underprivileged, especially the poor, to access Islamic finance facilities. To this end, the Bank provides TAs to develop the Islamic microfinance sector, establish Islamic Microfinance Institutions and formulate regulations for improving the enabling environment for Islamic microfinance. Since this program began, eight countries (Bangladesh, Indonesia, Sudan, Senegal, Tunisia, Egypt, Pakistan and Tajikistan) have been beneficiaries. Some of the projects in these countries have been completed and many others are in progress.



In 1436H, the Bank focused its interventions on the implementation of the findings and recommendations arising from the feasibility studies associated with the projects. It is at the advanced stage of finalizing the partnership with identified local partners to create Islamic Microfinance institutions (IMFIs) for Bangladesh, Indonesia, Senegal, and Tunisia. Meanwhile, for Egypt, Pakistan and Tajikistan, the Bank is actively engaging with stakeholders in finding suitable local partners.

3.5 Support for SMEs, Rural Finance and Islamic Financial Services

The IDB's microfinance investment program is aimed at building inclusive microfinance facility for men and women in order to provide access to integrated financial and business support services for farmers and non-farm households in rural areas. Under the program, the Bank has financed rural microfinance programs, capacity building, and policy dialogue in its member countries.

In 1436H, the Bank approved \$100 million for two investment lending projects (\$50 million each): Entrepreneurship Development Project in Morocco, and Phase-II of the Integrated Microfinance Support Program in Benin. These projects aim to improve technical and financial capacity of partnering financial institutions in providing access to economic empowerment package for the vulnerable populations (poor households, women, and youth). The Bank also approved several other Integrated Agricultural Development projects under the program that incorporated financial access as a key component. These include Pensa-Liptougou Agricultural Development Project in Burkina Faso, Rehabilitation of Chokwe Irrigation Project Phase-II in Mozambique, and Mont Mbapit Rural Development Project Phase-II in Cameroon.

3.6 IDB Prize in Islamic Economics and Islamic Banking & Finance

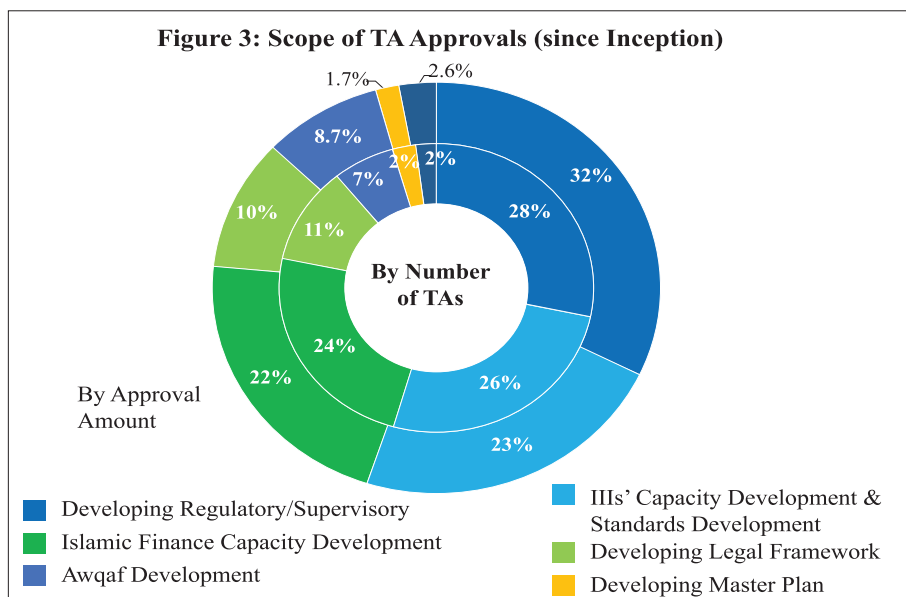
The annual IDB international awards were instituted in 1408H (1988) to recognize outstanding efforts in the fields of Islamic Economics, Banking and Finance. It is a cash reward of 30,000 Islamic Dinars (about \$45,000). To date, there have been a total of 36 recipients, comprising 32 scholars (economists, bankers and jurists) and four institutions (research centers and financial institutions) from different parts of the world. In 1436H, the IDB Prize in Islamic Economics was awarded to Dr. Seif Eldin Tag Edin.

3.7 Islamic Finance Awareness Enhancement

Under this initiative, the Bank contributes to spurring the development of the Islamic financial services industry by either organizing and/or participating

in seminars and fora at international events. In 1436H, the Bank organized two side events during the 40th IDB Annual Meetings held in Maputo, Mozambique. These were the 10th IDB Global Forum on “Islamic Finance: Exploring Innovative Solutions for Affordable Microfinance in Africa” and ‘The Role of Islamic Finance in Enhancing Shared Prosperity’. The Bank also participated in two major United Nations events related to UN Sustainable Development Goals: The Third International Conference on Financing for Development (FfD) in July 2015 in Addis Ababa, Ethiopia; and the UN Summit for Sustainable Development in September 2015 in New York, United States of America. At these two major events, the Bank organized side events on ‘The Role of Islamic Finance in Achieving Sustainable Development Goals’. In addition, the Bank’s senior staff participated as speakers in various international forums, seminars and roundtable discussion such as the World Islamic Economic Forum Foundation and B20 where they contributed to raising awareness about Islamic finance.

Since its inception, the Bank has initiated a number of activities expected to lead to better infrastructure and capacity building of the Islamic financial services industry as shown in Figure 3.



3.8 Islamic Financial Engineering Laboratory

The Bank and the Mohammad V University (Agdal, Rabat, Morocco) have established the first-of-its-kind Islamic Financial Engineering Lab (IFE Lab) at the Mohmmadia School of Engineering. The Lab will apply agent-

based simulation (ABS) to develop, evaluate and test new Islamic financial instruments and products, in order to assist the economic development of member countries and the Islamic financial industry. After signing the Memorandum of Understanding on Jumada II 1434H (April 2013), the Lab was officially launched in Muharram 1435H (November 2013).

Since its establishment, the IFE Lab organized more than nine specialized courses delivered by reputable international professors and specialists as well as 23 seminars and workshops in the various areas of Islamic finance. Students of the IFE Lab successfully submitted academic papers and communiqués (brief reports) about their research in various professional outlets.

3.9 Award for Best Application of Agent-based Simulation in Islamic Finance

In collaboration with the SABIC Chair of Islamic Financial Markets Studies and the Islamic Financial Engineering Lab, the Financial Product Development Center of IDB announced the first-of-its-kind Award for the Best Application of Agent-based Simulation (ABS) in Islamic Finance. The Award aims at inspiring young researchers across the world to use and apply Agent-based Simulation (ABS) to various aspects of Islamic economics and finance. ABS is a valuable tool for studying complex phenomena and developing practical solutions. Platforms such as ABS proved to be effective in understanding multi-agent behavior in complex systems. Over the past 25 years, ABS has been increasingly applied in a variety of fields of knowledge such as science, management, economics and finance, among others.

4. Private Sector Development

Since its inception, the IDB Group has been supporting the private sector development in member countries through investment and advisory services. Indeed, many of the Group's financial and non-financial instruments are directed to the private sector. The importance of private sector as an engine of growth and its key role in eradicating poverty and fostering an inclusive society has led to the establishment of some of the major IDB Group entities (such as ICD, ICIEC, ITFC) and to the development of dedicated programs and initiatives (such as PPP and THIQA).

4.1 The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

The ICIEC commenced operations in July 1995 to facilitate the flow of foreign direct investment in member countries by providing Shariah compliant

insurance and risk mitigation facilities. The objectives of the ICIEC are to provide: (i) export credit insurance and reinsurance to cover non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks and (ii) investment insurance and reinsurance against country risk, mainly the risk of exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract. The corporation conducts its activities in conformity with the Shari'ah principles.

In 1436H, ICIEC's business insured increased by 22.3 percent to ID3.7 billion (\$5.3 billion) from ID2.9 billion (\$4.3 billion) in 1435H while its new commitments totaled ID2.7 billion (\$3.8 billion) in 1436H representing a growth of 7.6 percent over last year's figure of ID2.4 billion (\$3.5 billion). Since its inception up to 1436H, ICIEC's commitments reached ID18.4 billion (\$27.6 billion), while its total business insured reached ID18.3 billion (\$27.5 billion).

4.2 The Islamic Corporation for the Development of the Private Sector (ICD)

The ICD focusses on the private sector in the Islamic world. The mission of the ICD is to complement the role played by the Islamic Development Bank through the development and promotion of the private sector as a vehicle for economic growth and prosperity. The ICD focuses on: (i) identifying opportunities in the private sector that could function as engine of growth, (ii) providing a wide range of Shari'ah compatible financial products and services, (iii) expanding access to Islamic capital markets by private companies in IDB member countries. In practice, this takes the form of offering long-term and short term financing and advisory/arrangement services, including offering leveraged finance to partners to extend their capabilities, establishing partnerships at the strategic level, targeting direct financing of the private sector, and injecting selective equity and debt products into projects that demonstrate strong potential to develop the private sector.

The ICD made a remarkable progress in implementing its ambitious business plan for 1436H by approving a total of ID472.5 million (\$666.9 million) of operations and disbursing \$289.5 million with a disbursement/approval ratio of 43.4 percent.

In creating new channels of operation in member countries, ICD approved \$379 million for Line of Financing (LOF) and institutional equity projects, which exceeded the annual target. Its disbursement for financial institutions totaled \$163 million in 1436H. On the real sector side, \$192.4 million of

financing was approved with \$46.4 million disbursed. The majority of the approved new projects were in high-impact sectors such as agribusiness, energy, industrial and infrastructure.

4.3 The International Islamic Trade Finance Corporation (ITFC)

The ITFC was established in 2005 with the mission to consolidate the trade finance business that was formerly undertaken by various windows within the IDB Group. To fulfill its purpose, ITFC is involved in the following activities (a) finance trade, alone or in cooperation with other sources of finance; (b) encourage and facilitate intra-trade and international trade of member countries; (c) assist member countries and institutions (public and private), to have access to domestic and foreign funds; (d) assist in the development of investment opportunities conducive to the flow of domestic and foreign funds into investments member countries; (e) develop and diversify financial instruments and products for trade financing; (f) provide technical assistance and training to banks and private and public institutions involved in trade finance; (g) carry out any other activity or function that may be relevant or conducive to the attainment of its purpose.

Over the past eight years, it has recorded robust growth in its operations with approvals almost tripling to ID4.5 billion (\$6.4 billion) in 1436H from ID1.3 billion (\$2.2 billion) in 1429H. Its disbursements more than quadrupled to ID3.1 billion (\$4.5 billion) in 1436H from ID0.7 billion (\$1 billion) in 1429H. The stellar growth in approvals in 1436H means that ITFC needs to mobilize resources from external partners in order to fund higher level of trade financing. As such, funds mobilized from partner banks and financial institutions in the international markets were \$4.2 billion in 1436H.

4.4 The Public-Private Partnership

The **PPP** was introduced in 2006 (1426-1427H) as financing model to support infrastructure development in member countries. Since then, PPP has accounted for almost a quarter of all IDB infrastructure financing. The Bank's PPP portfolio targets in particular non-sovereign infrastructure projects that promote economic development, job creation, regional integration, and the transfer of skills and expertise to promote sustainable growth in its member countries.

In 1436H, the Bank more than doubled its PPP annual financing by approving ID505 million (\$740 million) worth of new projects compared to ID220 million (\$336 million) in the previous year.

The Bank's PPP portfolio accounts for almost a quarter of all recent IDB infrastructure financing, with total investment reaching \$3.9 billion. Going forward, the PPP portfolio is expected to expand and diversify into untapped soft infrastructure sectors in healthcare, education and agriculture as substantial resources are being allocated to develop them.

4.5 Group Business Forum (THIQAH)

THIQAH is the leading business platform of the IDB Group serving the private sector in member countries. Through facilitation and catalyst roles, THIQAH aims at: (i) Insuring investments and export credit, (ii) Guaranteeing conditions needed for successful investment, (iii) Providing investment opportunities, (iv) Monitoring investment climates in member countries, (v) Building and sharing businessmen/businesswomen databases covering all member countries, and (vi) Transferring successful models and best practices in investment projects among member countries.

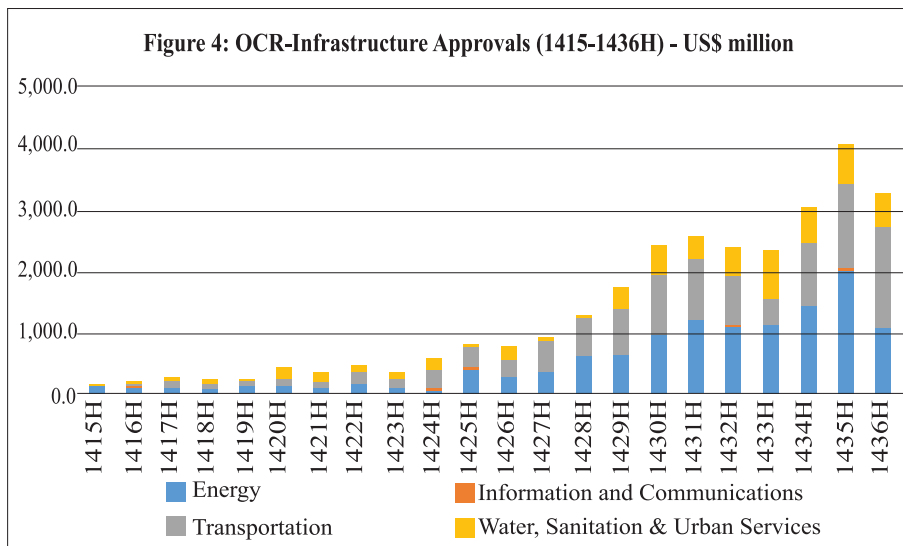
In 1436H, *THIQAH* co-ordinated the participation of the IDB Group in several international and regional conferences and forums, organized and/or assisted in the promotion of various events including the World Forum for Foreign Direct Investment, Global Islamic Investment Gateway (GIIG 2015), 11th World Islamic Economic Forum (WIEF), 8th Astana Economic Forum, Kazan Summit 2015, 17th Private Sector Meeting for the OIC Member States themed "Explore Opportunities in Textile & Garment Industry", Seminar on Arab Trade Financing Program, Maldives Investment Forum, IDB Group AUC Joint Private Sector Forum, Egypt Economic Development Conference, 2015 Annual Investment Meeting (AIM), Euromoney Conference, Saudi Arabia Institutional Investor Forum, Turkmenistan International Investment Forum, 15th Industrial Gulf Conference, for GCC, Investment Development Conference in Srebrenica, and Sarajevo Business Forum.

5. Infrastructure Development

Infrastructure development has traditionally been a key strength of IDBG and the Group has gone farther than most peer MDBs in prioritizing this area. Almost 80 percent of requests for IDB financing from member countries are in infrastructure sectors - energy, water, transport and telecommunication. This is reflective of the significant infrastructure financing gap that exists in member countries and the increasing realization that infrastructure development is vital for reducing poverty and improving people's lives.

Since its inception, the Bank has accorded priority to financing infrastructure sector in its member countries reaching ID21.3 billion (\$31.6 billion)

infrastructure financing, of which 80 percent (ID16.6 billion or \$25.2 billion) has been provided in the last ten years (1427H-1436H); a significant increase in direct response to the increasing infrastructure needs of member countries (figure 4).



Within infrastructure financing, the transport sector accounted for the largest allocation at 46 percent in 1436H, followed by energy (29 percent), water and sanitation and urban development (10 percent), industry (4 percent).

5.1 Energy

Energy plays a critical role in modernization, industrialization and poverty reduction. Since inception in 1339H, the IDB has financed over US\$ 12.6 billion, worth of energy projects in member countries.

Increased concern for the environment and the ecosystem has increased interest in developing indigenous renewable energy (RE) resources as well as promoting energy efficiency enhancement (EEE) initiatives. Therefore, supporting environmentally friendly and self-sustainable energy projects is a key priority for the Bank.

The Bank has developed its energy sector policy to provide a firm basis for future intervention in the sector, in line with the main thrusts and priorities set in its 1440H Vision and the 10-Year Strategy Framework. The Bank energy policy is anchored on four main pillars, namely: (i) Maximizing access to modern energy, (ii) Increasing access to renewable energy, (iii) Enhancing Energy Efficiency, and (iv) Improving Knowledge services.



In addition, the Bank promotes Regional Integration of Energy Systems and gives priority to Private Sector Development in the energy sector.

In 1436H, the Bank approved 20 operations totaling ID770 million (\$1.1 billion) in 12 member countries (Djibouti, Egypt, Guinea, Kyrgyz Republic, Mozambique, Pakistan, Senegal, Tajikistan, Togo, Tunisia, Uganda, and Yemen). Special focus is being given to the development of energy projects in Africa to enhance accessibility and reduce energy poverty.

5.2 Transportation

Transport sector, as an indispensable catalyst of accelerated growth and economic development, continues to remain one of the highest priorities of member countries. Therefore, Bank-approved projects in this sector effectively contribute to the economic prosperity and social well-being of its member countries and play a strategic role in the opening up landlocked countries. Alleviating poverty and accelerating transport infrastructure development in member countries remain a strategic priority for IDB in 1436H.

Transport is a strategic area of investment for Governments, and transport sector projects (including but not limited to Road Transport, Sea Transport, Air Transport and Rail Transport) have all played a major role in facilitating mobility, accessibility and supply of transport services. The aim is to promote regional integration among neighboring countries and as such the overall transport sector projects approved in 1436H reached 19 projects for ID1.2

billion (\$1.6 billion) in 12 member countries. This brings the total approval to transportation sector since inception to US\$ 11.7 billion.



5.3 Urban Development

Urban areas are emerging as centres of culture as well as social, political and economic innovation. Increased migration from rural areas to urban areas generates difficulties in providing affordable housing, adequate municipal services, well-connected transport infrastructure, employment, and opportunities to the growing urban population. In this context, to foster urban development, the Bank approved US\$ 6 billion between 1339H-1436H.

The Bank is strongly committed to contributing to efficient urban development in its member countries by directly improving the living environment and social and economic conditions of the urban population through a multi-sectoral approach.

In 1436H, the Bank continued its efforts by approving six operations for an amount of \$368 million for Bangladesh, Burkina Faso, Senegal, and Uzbekistan. It also mobilized \$474 million from partner institutions, including the African Development Bank, the Arab Bank for Economic Development in Africa, the European Investment Bank, the French Development Agency, the OPEC Fund for International Development, and the World Bank.

The approved operations focused on (i) more access to better water supply and sanitation services for the urban population; (ii) boosting the treatment of waste water and solid waste in urban areas; (iii) providing sustainable and affordable housing to low-income urban communities; and (iv) ensuring

capacity-building for municipalities and raising awareness among the local population.

6. Enhancing Economic Cooperation between MCs

The principle of promoting cooperation between MCs is deeply rooted in IDB's operations. Strengthening economic ties through enhancing intra-OIC trade, promoting foreign direct investment and competitiveness, and other forms of cooperation between MCs is at the core of IDBG's mandate.

6.1 Investment Promotion Technical Assistance Program (ITAP)

This program is aimed at building the capacity of investment promotion agencies (IPAs) of member countries and in improving their investment climate as well as in identifying and promoting promising investment opportunities.

In 1436H, ITAP conducted three capacity-building programs for IPAs in member countries: (i) Malaysia program on "Malaysian Investment Promotion Model", held in November 2014 in collaboration with Malaysian Investment Development Authority (MIDA), (ii) Morocco program, organized in partnership with the United Nations Conference on Trade and Development (UNCTAD) in January 2015, which focused on International Investment Agreements, and (iii) Turkey program, held in October 2015, which included two components -- the first was attending OECD-G20 Global Forum on International Investment; and the second was Turkey's experience-sharing program on investment climate reform.

6.2 Technical Cooperation Program (TCP)

This program focuses on the transfer and exchange of skills, knowledge and know-how among member countries. It is a tripartite scheme involving a technical donor, a beneficiary, and the IDB as a facilitator. It organizes seminars, on-the-job training courses and recruits experts to assist beneficiary member countries for capacity-building purposes, and to augment skills and enrich the experience of technical and professional staff.

In 1436H, 67 operations were approved under the TCP and implemented for a cumulative amount of \$1.7 million, of which 15 were for recruitment of experts, 13 for on-the-job training and 39 were for seminars/conferences/meetings. Most of these operations were initiated by the IDB's Country Gateway Office in Turkey. This office has become an important hub for identifying new capacity-building projects, building partnerships, raising funds, as well as supporting project implementation.

6.3 IDB WTO-related Program

This program was launched in 1997 to help member countries to ascend to WTO by strengthening their negotiation skills and negotiations within the framework of the Doha Work Program. In 1436H, under the program, the following activities were undertaken:

- IDB Advisory Mission to Sudan on accession to WTO, 26 October-3 November 2014, Khartoum, Sudan.
- IDB/NDP/League of Arab States Regional Workshop on “Technical Model of Cross-Border Operations for better Connectivity”, 26-27 January 2015, Amman, Jordan.
- Seminar on “Promoting Africa intra-regional trade through Value Chains” 2-4 March 2015, Dakar, Senegal.
- Seminar on “Trade Preferential System among OIC Member Countries (TPS-OIC) and its protocols for ECO member countries, 7-9 April 2015, Istanbul, Turkey.
- Seminar on “Aid for Trade for Arab Countries”, 21-23 April 2015, Amman, Jordan.
- Seminar on “Trade Facilitation for GCC Countries”, 12-14 May 2015 Dubai, U.A.E.
- Workshop on “the New Generation of Free Trade Agreements (FTAs), the feasibility of signing them and their impact on Intra-OIC trade” 4-6 May, 2015, Casablanca, Morocco and 25-27 May 2015, Istanbul, Turkey.
- Regional Meeting of the IDB African member countries in preparation of the 10th WTO Ministerial Conference 14-16 September 2015, Abidjan, Cote D’Ivoire.

6.4 Reverse Linkage (RL) Program

The Bank’s Reverse Linkage initiative is a South-South co-operation mechanism whereby member countries agree to exchange expertise, knowledge and technology with the Bank serving as a connector and catalyst. The initiative promotes solidarity and partnerships among IDB member countries with different development levels and needs.

In 1436H, the Bank initiated ten new Reverse Linkage projects, of which three were approved: (i) the Reverse Linkage project between Senegal and Indonesia in Flood Disaster Risk Management; (ii) the Reverse Linkage project between Djibouti and Morocco in monitoring and surveillance of high-risk pregnancy

and childbirth; and (iii) the Reverse Linkage project between the Republic of Suriname and Malaysia in the area of rice production.

6.5 IDB Group Special Program for Central Asia (SPCA)

The IDB Group has initiated a new regional flagship program called the Special Program for Central Asia (SPCA), which is developed under the framework of the “OIC Plan of Action for Cooperation with Central Asia”. Its main objective is to enhance economic co-operation among member countries within the region (i.e. Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan), and beyond. The focus areas of the program are: (i) transport; (ii) energy; (iii) trade and trade facilitation; and (iv) food security and agriculture development with cross-cutting themes of private sector development, and knowledge sharing.

7. Leveraging Development Partnerships

Building and strengthening partnerships with development organizations is vital in facing collective development challenges. Indeed, development work is getting increasingly complex and the international donor community is often confronted with new challenges such as the Ebola outbreak in West Africa, the weakening global economic recovery, conflict situations and civil unrest, and the increased frequency and intensity of extreme weather events. Depth and breadth of challenges facing the international community requires further strengthening of wide range of cooperation and partnerships among major international organizations.

The IDB participates in a number of collaborative global initiatives aimed at promoting economic development in member countries. Collaboration with development partners includes diverse activities such as co-financing, capacity building, technical assistance and advisory services towards making development more sustainable.

Co-financing arrangements

In 1436H, 24 projects in 18 member countries were co-financed with other development partners. The total cost of the projects was \$13.8 billion, of which IDB contributed \$1.8 billion (or 13 percent), other co-financiers \$5.3 billion (or 39 percent) of which about \$558 million (4 percent of the total cost of projects) originated from members of the Coordination Group² and \$4.7

² The Coordination Group currently consists of ten institutions, four of which are national institutions including the Abu Dhabi Fund for Development, the Kuwait Fund for Arab Economic Development, the Qatar Development Fund, the Saudi Fund for Development, and six regional organizations consisting of the Arab Fund for Economic and Social Development, Islamic Development Bank, OPEC Fund for International Development, the Arab Bank for Economic Development in

billion (34 percent) from multilateral development banks and international institutions (ADB, BOAD, EIB, World Bank, and EU/EU-AITF) and bilateral funding agencies (AFD, CIDA, KFW, JICA and JBIC) with the remaining coming from the beneficiary countries. In terms of financing volume, co-financed projects represented about 36 percent of the IDB's total approvals for development projects.

Most of the co-financing activities targeted the infrastructure sector, particularly projects in the power sector and, to a lesser degree, the transport and water sectors, which together attracted 80 percent of co-financing (49 percent in the power sector, 28 percent for projects in the transport sector and 3 percent for water, sanitation and urban development sector). The remaining 20 percent targeted education (13 percent), industry and mining (6 percent) and health sectors.

Strengthening collaboration with other development partners

Strengthening partnerships with other funding agencies is vital as it enables the IDB to leverage additional development assistance to its member countries. The IDB maintains a close working relationship with specialised bodies of the UN and partner with many global and regional institutions, including the Asian Development Bank, World Bank, IMF, African Development Bank, and the European Investment Bank.

Moreover, the IDB is currently working with the OECD-DAC and the Global Partnership for Effective Cooperation on improving aid effectiveness through, *inter alia*, greater inter-agency coordination, data-sharing and information-sharing, capacity building and stronger focus on development results. Similarly, the IDB is developing strategic partnerships with the UN and other specialized agencies with strong diagnostic and implementation capabilities, in order to enhance the design and delivery of well-targeted assistance, especially in conflict and fragile situations.

IV. CONCLUSION

For the last 42 years, the IDB Group has contributed to advance development efforts in its member countries by more than US \$ 113 billion. The IDB has been extending development assistance, to not only its member countries, but also Muslim communities in non-member countries. The services offered by the IDB Group are wide-ranging in terms of knowledge work, human and infrastructure development activities. The new 10-Year strategy of the IDB Group adds new elements to their operations and will allow the Group to

Africa, the Arab Gulf Program for Development and Arab Monetary Fund.

respond with greater efficiency to growing social and economic needs of member countries.

As one of its strategic thrusts, the Group's continues its effort to promote the Islamic Banking and Finance Industry through establishing enabling environments, investments in equity of Islamic financial institutions, research, and training by connecting with Islamic infrastructure institutions.

The last 42 years have seen remarkable progress in the development landscape of many member countries and Muslim communities in non-member countries. All this is made possible by the leadership and continuing support of the Board of Governors and the Board of Executive Directors and member governments.

In striving to enhance social progress and economic advancement of all member countries, the IDB Group will continue to cooperate with all multilateral, bilateral, regional development partners, the United Nations agencies, and civil society organizations.

Annex-I: Major Islamic Finance Instruments used by the IDB

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

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

the manufacturer agrees to provide the buyer with goods identified by description after they have been manufactured in conformity with this description within a certain time and for an agreed price. This new mode will enable the Bank to finance working capital and thus contribute to the enhancement of productive capacity in member countries.

- **Murabaha:** This mode of financing is used in the financing of foreign trade, both imports and exports. The Bank purchases the commodity requested and re-sells it to the beneficiary. In the case of import financing, the period of financing is up to 30 months, while, in case of export financing, it may extend up to 120 months.

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

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



Annex-II: Contact Details

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