



ISLAMIC DEVELOPMENT BANK



39 *Years*
In the Service of Development





Islamic Development Bank Group

**39 YEARS
IN THE SERVICE OF DEVELOPMENT**

Jumada-II 1434H (May 2013)

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“39 YEARS IN THE SERVICE OF DEVELOPMENT”

IDB GROUP ENTITIES: SUMMARY

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

AFFI	: Arab Financing Facility for Infrastructure
AGFUND	: Arab Gulf Program for Development
AIRTS	: Arab Institute for Research and Training in Statistics
AMF	: Arab Monetary Fund
APIF	: <i>Awqaf</i> Properties Investment Fund
BADEA	: Arab Bank for Economic Development in Africa
BOG	: IDB Board of Governors
CG	: Coordination Group
COMCEC	: OIC Standing Committee for Economic and Commercial Cooperation
COMSTECH	: OIC Standing Committee on Scientific and Technological Cooperation
DfID	: Department for International Development
E4E	: Education for Employment
FAO	: Food and Agriculture Organization of the United Nations
FDI	: Foreign Direct Investment
GCC	: Gulf Cooperation Council
IAS	: International Accounting Standards
IBRD	: International Bank for Reconstruction and Development (World Bank)
ICD	: Islamic Corporation for the Development of the Private Sector
ICDT	: Islamic Centre for Development and Trade
ICIEC	: Islamic Corporation for the Insurance of Investment and Export Credit
ICT	: Information and Communication Technology
ID	: Islamic Dinar
IDB	: Islamic Development Bank
IFAD	: International Fund for Agricultural Development
IFC	: International Finance Corporation
IFIs	: Islamic Financial Institutions
IRRA	: International Islamic Rating Agency
IRTI	: Islamic Research and Training Institute
ISFD	: Islamic Solidarity Fund for Development
ITAP	: Investment Technical Assistance Program
ITFC	: International Islamic Trade Finance Corporation

LDMCs	: Least Developed Member Countries
MCPS	: Member Country Partnership Strategy
MDB	: Multilateral Development Bank
MDG	: Millennium Development Goal
MDP	: Microfinance Development Program
MENA	: Middle East and North Africa
MoU	: Memorandum of Understanding
MTN	: IDB Medium Term Note
MSP	: Merit Scholarship Program
NDFIs	: National Development Financing Institutions
NSS	: National Statistical System
OCR	: Ordinary Capital Resources:
OIC	: Organization of Islamic Cooperation
OICC	: Organization of Islamic Capitals and Cities
OFID	: OPEC Fund for International Development
PPP	: Public Private Partnerships
R&D	: Research and Development
RLs	: Reverse Linkages
SAP	: System Analysis and Program Development
SESRIC	: Statistical, Economic and Social Research and Training Centre for OIC
S&T	: Science and Technology
SMEs	: Small & Medium Enterprises
SPDA	: Special Program for the Development of Africa
STATCAP	: Statistical Capacity Building
OIC-StatCom	: OIC Statistical Commission
SVP	: Sustainable Village Program
SAO	: Special Assistance Operations
TA	: Technical Assistance
TCP	: Technical Cooperation Program
TCPP	: Trade Cooperation Promotion Program
TOBB	: Chambers, Commodity Exchanges and Union of Turkey
UNCTAD	: United Nations Conference on Trade and Development
UNIDO	: United Nations Industrial Development Organization
VOLIP	: Vocational Literacy for Poverty Reduction Program
WB	: World Bank

Capital Structure of Entities in IDB Group As at end - 1433H (14 November 2012)- (in million)					
		IDB (ID)*	ICD (US\$)	ICIEC (ID)	ITFC (US\$)
Authorized Capital	1433H	30,000	2,000	150	3,000
	At Inception	2,000	1,000	100	3,000
Subscribed Capital	1433H	17,474.6	806.64	149	750
	At Inception	750	400.03	68.8	500
Paid-In Capital	1433H	4,031.1	565.81	74.5	671.7
	At Inception	280	83	63.8	446.1
*ID = Islamic Dinar is equivalent to one unit of SDR (Special Drawing Rights of the International Monetary Fund) Source: IDB					

Net Approvals of IDB Group 1396H-1433H (1976-14 November 2012)				
Activity	Number of Operations	Amount Approved (in million)		Average Annual Growth rate (1396-1433H)* (%)
		(ID)	(US\$)	
Net Approved Operations	7,571	60,582.6	87,225.6	10.7
Of Which:				12.1
OCR Net Approvals	3,035	22,914.5	33,618.2	
ICD Net Approvals	219	1,283.9	1,950	22.7
Net Trade Finance Approvals - ITFC	299	9,103.6	14,080	21.2
UIF Net Approvals	240	1,475.9	2,138.9	3.6
APIF Net Approvals	37	207.8	317.5	23.2
Treasury Net Approvals	400	3,211.3	4,846.3	18.6
Gross Approved Operations	8,552	67,368	96,581.6	10.6
ICIEC's Operations				
Insurance Commitments*		11,125.1	16,934.9	37.2
Business insured**		9,365.7	14,311.2	58.5
*Growth is based on least square approach. Source: IDB				

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I. INTRODUCTION

1.1 Institutional Development

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 thirty-nine years, the IDB Group has contributed to the socio-economic development of its member countries.

1.1.1 IDB 1440H Vision

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

1.1.2 IDB 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.

1.1.3 Membership

The membership of IDB has increased more than twofold from 22 countries at its inception in 1395H to 56 countries in 1433H, spanning four continents (Africa, Asia, Europe and Latin America). The basic conditions for membership are that the prospective country should be a member of the Organization of Islamic Cooperation (OIC), pays the first instalment of its minimum subscription to the Capital of IDB, and accepts any terms and conditions that may be decided upon by the Board of Governors.

1.1.4 Capital

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 ID30 billion in 1433H (2011) while the subscribed capital rose from ID0.75 billion in 1395H to ID17.5 billion in 1433H. The paid-up capital has also increased from ID0.28 billion in 1396H to ID4.0 billion in 1433H.

1.1.5 Islamic Development Bank Group

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).

1.1.6 Head Office and Regional Offices

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

IDB Group Gateway Offices are being established in Egypt, Turkey, Indonesia, Bangladesh and Nigeria.

1.1.7 Human Resources Composition

At the end of 1433H, the IDB Group had 1,128 staff, of which 877 were in IDB, 113 in ICD, 81 in ITFC and 57 in ICIEC.

II. ACHIEVING INSTITUTIONAL EFFECTIVENESS

The IDB Group Vision Journey is composed of three phases: Medium Term Business Strategy (MTBS 1.0 : 1430H - 1433H) or the Foundation Phase; and the MTBS 2.0 (1434H - 1436H). The Foundation Phase has rapidly changed the business and organizational growth of the IDB. It comprises seven areas of organizational transformation: (1) business strategy, (2) organizational design, (3) HR and people development, (4) Operational policy, (5) business process and IT, (6) knowledge management, and (7) change management.

The IDB Group is aligning its support to member countries with the resolutions of the Fourth Extraordinary Session of the Islamic Summit Conference organized by OIC in 2012, and is committed to achieving an annual growth rate of 10 percent in its project approvals.

The MTBS 2.0 was approved by IDB Board of Directors, in November 2012, with the following salient features:

- **3 by 3 Strategic Framework** - with 3 focus sectors/areas: (i) Comprehensive Human Development and Poverty Alleviation; (ii) Infrastructure Development; and (iii) Islamic Finance, and three cross-cutting themes (a) Economic Cooperation; (b) Capacity Development and (c) Private Sector Development.
- **Results (Vision) Based Management** - in the Effective Delivery stage, the IDB will develop and implement results (Vision)-based reporting of its operations, expanding the focus from internal (input, output) to include external (outcome, impact) levels of reporting and management framework.
- **Resource Mobilization Services for Member Countries** – by mobilizing much needed development financing for member countries using Islamic financial instruments which can be backed by their physical assets.
- **Innovative business and financial models, including models for concessional and grant financing** - exploring the potential for zakat and the halal industry to better serve development in member countries.

The IDB in continuing its reform program has carried out the following reform-related activities in 1433H:

(a) Business Processes

The SAP implementation program, including Treasury Management, Risk Management, Fund Management and Travel Management were launched. In addition, strategy based budgeting was implemented along with the preparation of Concepts for Innovative financing of IDB operations.

(b) Partnership Development

For enhancing the effectiveness of its operations, the Member Country Partnership Strategy (MCPS) remains the primary tool of engagement with member countries. In addition, the IDB is building on partnerships and collaborations with institutions such as Bill and Melinda Gates Foundation and initiating Sustainable Village Program (SVP). The IDB has institutionalized south-south cooperation through Country Based Exchanges or Reverse Linkage (RL). Portfolio Monitoring and Reporting was improved to become more responsive to country needs. Field presence was also enhanced through the opening of new gateway offices and enhancing existing regional offices in order to serve member countries more effectively and efficiently.

(c) Staff Development

The IDB is actively engaged in various staff development projects and initiatives in support of its vision. The implementation of the Staff Performance Management System (SPMS), Career Tracks (which equally values managerial and technical talent); Leadership and Staff Development, along with a revamp of the Young Professionals Program (YPP) has provided a clear approach to the management of staff in the IDB.

In building human capabilities, during 1433H, existing and future Directors and Managers benefitted from the Leadership Development Program (LDP) and the Mid-Term Leadership Development Program (MT-LDP). In addition, a comprehensive Management Development Program (MDP) for all new Directors and Managers was also implemented. The YPP attracts high quality professionals and leadership talent thereby providing the IDB Group with a steady stream of new staff. Currently, twenty percent of IDB's Professional staff comes from this program.

III. DEVELOPMENT ACHIEVEMENTS

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 main activities of IDB and its entities are summarized as follows:

3.1 Promoting Islamic Solidarity and South-South Cooperation

The IDB Group promotes Islamic solidarity and south-south cooperation through trade and project financing, as well as new initiatives designed to make its interventions more effective.

3.1.1 Resource Flows

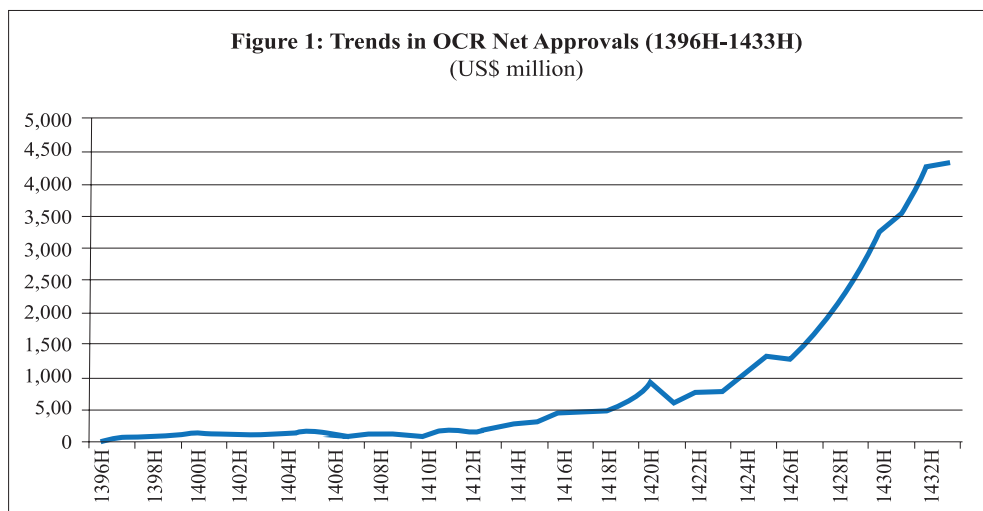
3.1.1.1 IDB Group

By the end of 1433H, total financing approved by the Group amounted to ID60.6 billion (US\$87.2 billion). Of this, trade finance operations constitute more than 50% of all approvals followed closely by project financing from Ordinary Capital Resources (OCR) at 48% (Table 1).

Table 1. IDB Group Net Approvals by Major Categories ¹				
		1396H-1433H		
		No.	ID	US\$
1	Project/Operation Financing from OCR	3,035	22,914.5	33,618.2
	Of which:			
	Technical Assistance	1,223	287.1	405.7
2.	Project/Operation Financing by Funds/ Entities (UIF, IBP, APIF, ICD & Treasury)	764	5,939.0	8,808.3
3.	Total IDB Group Project Financing (1+2)	3,799	28,853.5	42,426.5
4.	Trade Finance Operations	2,332	31,172.7	44,073.4
5.	Special Assistance Operations	1,440	556.4	725.8
Total IDB Group Financing		7,571	60,582.6	87,225.6

¹Cut-off date for the data was 29 Dhul-Hijjah 1433H (14 November 2012). Difference in totals may arise due to rounding.
Source: IDB Group.

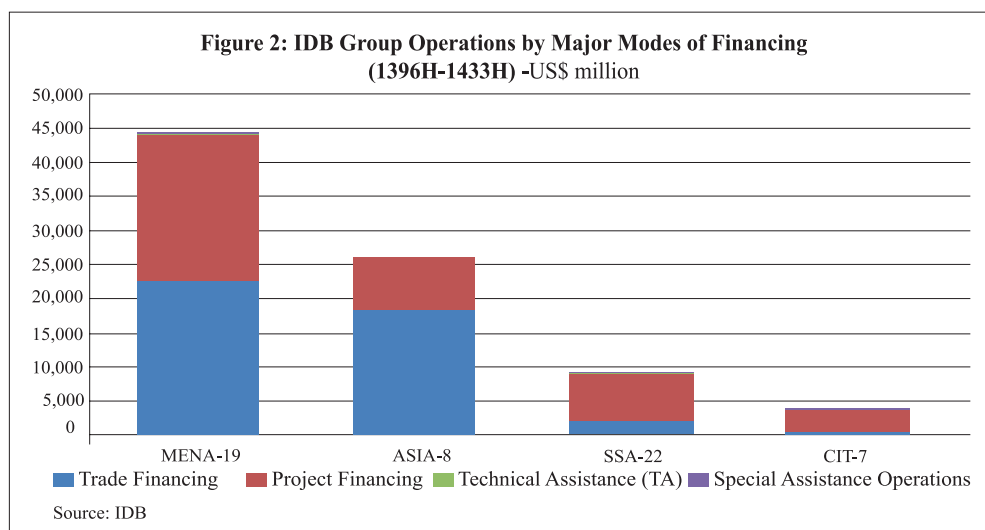
The IDB's commitment to fostering economic growth in member countries is evident from the average annual growth of 12.1% in the IDB-OCR net approvals over 1396-1433H (see Figure 1). Infrastructure is a priority area of IDB's interventions in its member countries. Approvals for this sector under



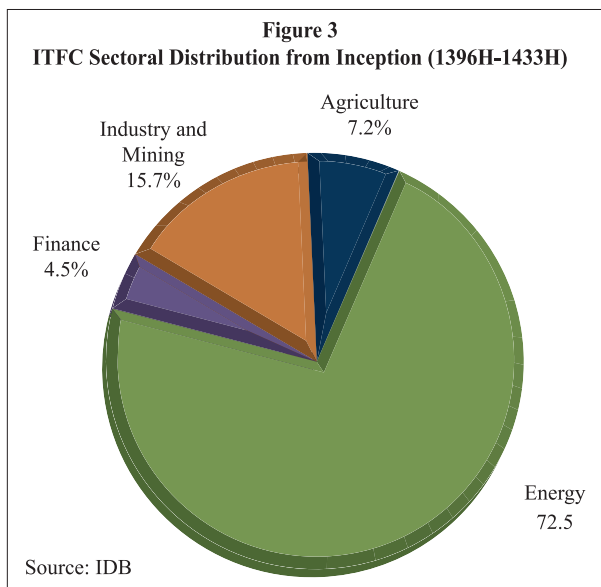
OCR, up to the end of 1433H, reached US\$20.6 billion, which represents 62% of total approvals. The IDB financed the development of electricity generation and transmission, ICT, water and sanitation, housing and transportation infrastructure. Energy received the highest priority (41% of total), followed by transportation (35%).

In terms of IDB Group operations by regions, MENA is the major recipient of trade and project financing, followed by Asia. However, on a relative basis, Asia has received more trade financing than the other regions (Figure 2).

3.1.1.2 Islamic Trade Finance Corporation (ITFC)



The ITFC is actively contributing to the joint efforts of the OIC organs and member countries to increase intra-OIC trade to 20% by 2015 through promotion of economic cooperation between member countries via trade and investment. In this context, between 1396 and 1433H, it approved trade financing of US\$14.1 billion, mainly driven by energy sector accounting for 72% of the total (see Figure 3).



The ITFC has taken the lead to develop comprehensive regional trade development programs within the framework of Aid-for-Trade initiative. In this respect, ITFC is currently working with the Executive Committee on Economic and Social Affairs (ECESA) Cluster Members for International Trade and Aid-for-Trade Initiatives for economies of the Central Asia Region and Arab States. The Initiatives are aimed at strengthening productive capacities and market developments within selected sectors, improving business environment, enhancing regional economic integration and improving institutional capacities in trade related areas. Both initiatives are expected to be launched in 2013 in partnership with the UN Trade and Development Cluster Members. The IDB Group has allocated an amount of US\$2 million for the Aid-for-Trade Initiative for Arab States, and further funds mobilization is actively being pursued.

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

The ICD's new strategy is to expand Islamic financing channels in member countries in order to reach more clients and maximize development impact. In line with its new strategy, ICD approved US\$167 million worth of projects in the Islamic financial sector over 1396-1433H. To promote investment in member countries, the ICD approved 19 new investment projects and 6 capital increases amounting to US\$375 million with disbursements of approximately US\$124 million. This brings the total approvals since inception to US\$2.6 billion with an overall disbursement of US\$1 billion.

As part of its new strategy, ICD's advisory services also gathered momentum in 1433H with successful fund raising for Tunisia and Saudi Arabia SME Funds, and for the Central Asia Renewable Energy Fund. Furthermore, ICD approved the establishment of a Food and Agriculture Fund, Fixed Income Fund, and successfully secured some mandates in Tunisia and Cameroon for capacity building and creation of Islamic windows within conventional banks.

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

ICIEC contributes directly to the promotion of intra-OIC trade through insurance and reinsurance of exports and indirectly through support, advisory and capacity building services to Export Credit Agencies (ECAs) in OIC member countries, and through the IDB Group Investment Promotion Technical Assistance Program (ITAP). In addition, ICIEC provides Political Risk Insurance to facilitate FDI inflows between and among OIC member countries.

New insurance commitments of the ICIEC for 1433H reached ID1.5 billion (US\$2.3 billion), bringing the cumulative commitments since its inception to ID11.1 billion (US\$16.9 billion), while the total business insured over the same period amounted to ID9.3 billion (US\$14.3 billion).

ICIEC is managing the ITAP, launched in 2005, to assist member countries improve their investment climate, and promote FDI flows. The program provides technical assistance for needs assessment studies and sector studies; capacity building for Investment Promotion Agencies (IPAs); and identification of investment opportunities.

Under the framework of ITAP, various Annual Capacity Building Programs on “Foreign Direct Investment and Entrepreneurship Development” and other related training activities were carried out for the benefit of member countries in collaboration with the United Nations Conference on Trade and Development (UNCTAD), the United Nations Industrial Development Organization (UNIDO), World Association of Investment Promotion Agencies (WAIPA), and the Malaysian Investment Development Authority (MIDA).

3.1.2 Reverse Linkage

The IDB Group has been implementing its Reverse Linkage (RL) initiative based on priorities identified under the completed MCPSSs. In this regard, IDB has developed a guiding policy note for the RL Program and is in the process of preparing the financial modalities to finance, implement and monitor mutually beneficial partnerships among member countries such as the transfer of skills/expertise, technology, and know-how; the promotion of cross-border investments and trade and the sharing of country experiences; etc. Under the RL, training programs have commenced on (i) Science, Technology and Innovation Policy and Technology Management for Socio-Economic Transformation; (ii) Technopreneurship; (iii) Training Program in Rice Breeding; and (iv) ITAP - MIDA Capacity Building Program for Investment Promotion for Officials of IDB Member Countries.

Under the initiative of Energy for the Poor, IDB is facilitating the sharing of Turkey’s experience with five African member countries. It is also helping the Government of Mauritania to restructure the agriculture sector based on the experience of Morocco. The IDB has shared its experiences of the “RL Programs” with other development partners and the members of the 2nd post-Busan Building Block meetings on South-South Cooperation, held during 1433H in Brussels and Paris and during the High-Level Meeting “Towards Country-led Knowledge Hubs” held in Bali, Indonesia in July 2012. The IDB has also agreed to collaborate with other development partners to develop and implement RL opportunities in a structured manner by taking into account demand and supply of knowledge products and services across common member countries.

3.1.3 Support for Muslim Communities in Non-Member Countries

Muslim communities in many non-member countries face enormous challenges in terms of access to basic social services and economic opportunities. The

IDB assists these communities to improve the quality of education and health facilities and empowers them through capacity building. It also provides relief assistance to both member and non-member countries in situations of natural and man-made disasters. In addition, it offers opportunities for the academically meritorious and financially needy young Muslim students to pursue higher education, facilitates the cross-fertilization of experiences and knowledge sharing, and enhances co-financing initiatives with donors in non-member countries.

In 1433H, the IDB undertook several activities in non-member countries including providing relief assistance; supporting education and health services; launching capacity building initiatives through micro-financing and training; and the provision of scholarships. During the year, 39 operations were undertaken in Muslim communities in 22 non-member countries amounting to ID5.3 million (US\$8 million). Most of these operations were for the provision of access to basic services (32 for education and 4 for the health sector), with 3 operations for relief assistance (2 in a member country and 1 in a non-member country) amounting to ID0.2 million (US\$0.3 million). Cumulatively, under the Special Assistance Operations program, IDB has disbursed US\$284.5 million, over the period 1399-1433H, for Muslim communities in non-member countries.

3.1.4 Awqaf Properties Investment Fund (APIF)

Awqaf organisations, by mandate, are Islamic charitable entities that carry out a vast array of economic, social, and cultural activities. APIF was established in 1421H with the objective of investing in and developing *Awqaf* real estate properties that are socially, economically, and financially viable in accordance with the principles of Shariah. Its capital amounted to US\$71.8 million at the end of 1433H.

To support the expansion of its activities, APIF also has access to an IDB Line of Financing of US\$100 million, in addition to a Technical Assistance pool of US\$200,000. Over 1421-1433H period under the APIF and the Line of Finance (LoF), 40 projects valued at over US\$850 million have been completed or are on-going in 20 member countries and non-member countries.

In 1433H, five projects worth US\$133.1 million were approved. Three projects involved financing the construction of residential-commercial apartments in Madinah (Saudi Arabia), Sharjah (U.A.E), and Kampala (Uganda). One project entails the development of commercial offices and furnished apartments in favour of the International Union of Muslim Scouts in Jeddah (Saudi Arabia). A line of financing was extended to Bosna Bank International for developing *Awqaf* projects in Bosnia and Herzegovina. Separate MoUs were signed for development of the *Waqf* sector in Niger, Algeria and Libya. Cumulatively, APIF approved 37 operations amounting to US\$317.5 million since inception representing a 23.2% growth on average.

3.2 Promoting Islamic Financial Industry

The Islamic banking industry posted strong growth as global Sukuk issuances reached an all-time high. The IDB Group continued to respond to the challenges facing the Islamic financial sector by creating the enabling environment, financing and participating in equity capital of Islamic financial institutions, developing Islamic microfinance institutions, developing the Awqaf sector, creating awareness in key markets, partnering with international development agencies and institutions and pursuing innovative research and development in Islamic finance.

3.2.1 Development of Enabling Environment and Institutional Development

The enabling environment for Islamic finance comprises the legal, regulatory, Shariah governance, tax, accounting and auditing, and liquidity framework which enables the competitive development of the Islamic financial sector vis-à-vis the conventional financial sector. During the year 1433H, IDB approved 3 Technical Assistance (TA) projects to develop Islamic finance institutions for the International Islamic Rating Agency (IIRA), Bank-e-Milli Afghan, and Libyan Development Bank. The TA to IIRA will be used to develop the Fiduciary Rating System (FRS) methodology which is a customized rating tool tailored for Islamic finance. The TA to Bank-e-Milli Afghan, a state owned bank, will serve to strengthen Islamic finance operations and help develop product programs, policies and procedures relating to the Islamic finance business line. The TA to Libyan Development Bank will help the introduction of Islamic finance operations in a step-by-step manner similar to the TA for Bank-e-Milli Afghan. One TA was approved for developing Islamic finance enabling environment in Indonesia, while another was approved to increase awareness of IFSB standards in emerging Islamic finance markets and facilitate the development of new standards and prudential database.

In addition, IDB approved budgetary allocation, within the year to facilitate the creation of enabling environment for the development of Islamic finance in Kazakhstan, Turkey, Tunisia, Oman, Libya and Bosnia and Herzegovina.

In terms of building partnerships, IDB signed an MoU with the World Bank to forge a strategic partnership for joint development of Islamic finance globally. IDB also signed an MoU with l'Agence Française de Développement (AFD) in January 2012 under which one of the cooperation pillars relates to knowledge sharing on Islamic finance. Another milestone MoU was signed in September 2012, with La Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) - the Central Bank of the eight west African countries comprising Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo - which would cover Islamic finance development in the eight countries primarily through capacity building, training programs, knowledge sharing, and technical assistance for developing the regulatory framework for Islamic banking.

3.2.2 IDB Microfinance Development Program (IDB- MDP)

The aim of the IDB-MDP is to increase the outreach of Islamic microfinance to reduce poverty through the development of the Islamic microfinance industry in IDB member countries. The Program focuses specifically on institutional development of Islamic microfinance institutions and the related enabling environment. Under the program, IDB approved US\$10 million equity participation in Irada Company for Microfinance, Sudan. IDB also approved US\$1.3 million for El Ebdaa' Microfinance Institution in partnership with the AGFUND. A separate MoU was also signed with the AGFUND for strengthening the cooperation between the two institutions for poverty alleviation through Islamic microfinance.

In order to raise awareness about Islamic microfinance, IDB partnered with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), to organize a 'Regional Islamic Microfinance Awareness Symposium' in Jordan. In order to strengthen Islamic microfinance sector in Senegal, IDB signed an MoU with the Government of Senegal, in September 2012, which covers the development of legal framework, capacity building, and expert exchange program for Islamic microfinance in Senegal. The MoU will also pave the way for establishing an Islamic microfinance institution in Senegal once the necessary enabling environment is in place.

3.2.3 Establishment of Islamic Financial Services Architecture

Islamic finance infrastructure institutions form the bedrock of Islamic finance architecture and facilitate an orderly development of the sector by providing various standards, guidelines, best practices, rating framework, dispute resolution framework etc. The IDB played an instrumental role in the establishment of these institutions and continues to closely work with them to further develop the Islamic finance sector. These institutions include: Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), General Council of Islamic Banks and Financial Institutions (CIBAFI), Islamic Financial Services Board (IFSB), International Islamic Centre for Reconciliation and Arbitration (IICRA), International Islamic Financial Market (IIFM), and International Islamic Rating Agency (IIRA).

3.2.4 Equity Investment

The IDB participates in the capital of IsFIs in order to support fledgling institutions and strengthen existing institutions. At the end of 1433H, the IDB had equity investments in 32 IsFIs in over 20 countries, with the approved participation of approximately ID288 million.

During the year 1433H, IDB approved three additional investments amounting to ID46.5 million (US\$71 million) to strengthen investee institutions. The investment in the Mega Islamic Bank would focus mainly on origination of securitizable assets, creation of Shariah-compliant money market instruments and a dedicated market. The IDB increased its shareholding in the Islamic Bank of Guinea and BBI Real Estate Company in Bosnia and Herzegovina.

3.3 Fostering Socio-Economic Development

The IDB Mission 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. To fulfil its Mission, the IDB has been involved in the following areas:

3.3.1 Human Development

The driving force behind IDB interventions in the social sectors is the conviction that an educated, trained and healthy population can play an important role in improving the quality of life, reducing poverty and attaining sustainable economic growth. Interventions in the sector (including health and education sectors), since inception, amounted to US\$4.8 billion funded from Ordinary Capital Resources (OCR).

3.3.1.1 Investing in Education

At the end of 1433H, cumulative approvals of interventions in the education sector were ID1.9 billion (US\$2.8 billion) for 481 operations. The distribution by level (basic, secondary, tertiary & TVET) shows dominance by the tertiary sector. This is largely explained by the use of non-concessional financing modes such as Istisna'a and Installment Sale by middle income member countries like Indonesia for projects in the tertiary sub-sector.

(a) Education for Employment (e4e)

Unemployment is one of the major socioeconomic challenges facing IDB member countries. High level of poverty and other related human development issues are the direct consequences of high unemployment rates in member countries. This stems from the failure of the education systems to produce appropriately skilled manpower to satisfy the requirements of the job market. In this regard, IDB in partnership with the IFC launched a major initiative called Education for Employment (e4e) in the Arab world. The e4e is aimed at providing a road map of action that should be taken to ensure the provision of education that leads to employment prospects for youth. To this effect, a Technical Assistance Grant facility was extended to Egypt to develop a Country Action Plan, and to implement the recommendations and outcomes of the e4e Study while a project has been approved for vocational training to enhance youth employability. The

Vocational Education and Training for Employment project, aims to improve the employability of 19,028 Egyptian youth by providing quality relevant skills and quality vocational training; creating tailored training programs in response to the needs of the labor market.

(b) Vocational Literacy for Poverty Reduction Program (VOLIP)

The aim of the VOLIP is to reduce poverty particularly among women and youth in rural areas through the provision of functional literacy skills and access to micro-finance. VOLIP has an envelope of US\$500 million, with US\$100 million coming from the ISFD and IDB. In 1433H, ID\$30.6 million (US\$48 million) was approved for four countries (Chad, Tajikistan, Tunisia and Yemen) and 37,000 youth are expected to benefit from the initiative. This brings the total beneficiary countries to eleven and total cumulative approvals to ID\$97 million (US\$144.6 million).

Cumulatively, through these interventions, (i) 39,000 out-of-school children will be given a second chance to attend school and complete basic non-formal education; (ii) 18,000 teenagers and young adults will acquire vocational skills that will enable them to access the labour market or setup their own microenterprises; and (iii) 29,000 women workers will be provided with various educational courses (literacy proficiency, vocational training, business skills development, etc.) and microfinance service to develop their income generating activities.

(c) Youth Employment Support (YES)

Approximately 50% of the population in Arab countries are aged below 25 years and the region is plagued with youth unemployment (the highest in the world at 25%). It is estimated that the direct opportunity cost of youth unemployment to the region is US\$40-US\$50 billion annually. Hence, it is critical to address this high level of unemployment given its implications for the socio-economic stability and development of the region. In this regard, the IDB approved US\$250 million for the YES Program to help affected member countries in the Arab region combat chronic youth unemployment, of which a total of US\$200 million was approved for projects in Tunisia, Egypt, Libya and Yemen in 1433H. These projects were undertaken with institutions in the respective countries with a view to generating employment opportunities for the youth. A direct impact of this Program is the creation of approximately one million new jobs for the youth in these countries over a five year period.

3.3.1.2 Investing in Health

As a cornerstone for human development, the health sector is one of the priority focus areas of IDB. IDB's interventions in this sector continue to be driven by regional epidemiological diversity and the wide range of needs of its member

countries focusing on three key thematic areas: (i) prevention and control of both communicable and non-communicable diseases; (ii) strengthening the health system to improve access to and quality of healthcare services; and (iii) alternative health financing to remove, to the extent possible, financial barriers to access, generate/mobilize additional financial resources for health and make better use of available resources.

At the end of 1433H, IDB's cumulative financing for the health sector reached ID1.4 billion (US\$2 billion) for 297 operations. IDB's investment in the sector has increased more than tenfold over the last 21 years. Financing in the health sector continues to be predominantly non-concessional through Istisna'a and Instalment Sale.

(a) Alliance to Fight Avoidable Blindness

The main objectives of the Alliance are to reduce the prevalence of blindness due to cataract and to improve eye care access and quality in the following countries: Benin, Burkina Faso, Cameroon, Chad, Djibouti, Guinea, Mali and Niger. These activities under the Alliance consist of (i) supporting non-governmental organizations and volunteer doctors to conduct blindness control campaigns, (ii) organizing training for existing ophthalmologists and mid-level personnel as well as the non-governmental organizations in charge of conducting the blindness control campaigns and (iii) granting scholarships to medical professionals to specialize in ophthalmology.

The main financial partners involved in the Alliance Program are: the Egyptian Fund for Technical Cooperation with Africa, the OFID, and BADEA. The main technical partners involved in this initiative are: the non-governmental organization Nadi Al Bassar (Tunisia), Prevention of Blindness Union, Al Basar Foundation (Saudi Arabia), Arab Medical Union (Egypt) and the Human Rights Foundation-IHH (Turkey).

During 1433H, the Alliance examined 26,330 patients and carried out 5,135 sight-restoring cataract operations, thereby changing the lives of thousands of children, women and men of all ages who recovered their sight.

Under the Alliance, for the first time, an ophthalmologist was recruited with the objective of strengthening the capacity of the National Program of Blindness Control (NPBC) of Chad. For one year, the recruited expert will be responsible for providing on-the-job training to the paramedical ophthalmic staff in Chad and for supporting the NPBC in organizing cataract campaigns and hence, providing treatment to the population. Half of the expenses concerning this operation are covered by the technical partner of the Arab Medical Union.

(b) Triple-Win Program

In its drive to diversify funding mechanisms and leverage resources with other partners, IDB engaged in an innovative financing initiative in partnership with the Bill and Melinda Gates Foundation (BMGF) to support the Polio Eradication Initiative in Pakistan. This is a triple-win program for IDB, the BMGF and the country.

The approved operations covered a wide spectrum of the health system support including diseases control (including specialized services such as Oncology and Cardiology), the development of secondary and tertiary services and prevention of avoidable blindness. The support was further extended to cover training of health personnel, provision of modern medical equipment and supplies, and the development of healthcare facilities among others.

3.3.1.3 Fighting Poverty

Fighting poverty is the main agenda for the IDB Group. Consequently, IDB has some special programs and activities specifically designed to fulfil its agenda in this area in a more targeted way. The summaries of some of these activities are as follows:

(a) Assistance to Least Developed Member Countries (LDMCs)

Overall, assistance to LDMCs since the inception of the IDB amounted to just over ID15.2 billion (US\$22.1 billion), representing 28.6% of total approvals. LDMCs benefited the most from loan financing which accounted for 71.9% of approvals since inception (Table 2).

(b) Islamic Solidarity Fund for Development (ISFD)

The ISFD was officially launched in 2007 with a principal target capital of US\$10 billion with the objectives of addressing poverty and building the productive capacity of member countries.

ISFD provides concessional financing for IDB's LDMCs with cumulative project approvals from 1429H-1433H (2008-2012) of US\$234 million for 43 operations in member countries, of which US\$89.2 million was approved for 18 operations in 19 member countries. The total cost of these projects is estimated at US\$1.5 billion. During the same period, total disbursements for ISFD projects/programs stood at US\$22 million, representing 9.4% of the total ISFD financing.

By the end of 1433H, the cumulative ISFD capital commitments stood at US\$2.7 billion, with US\$1.7 billion committed by 44 member countries and US\$1 billion by the IDB. In 1433H, new capital commitments amounting to US\$39 million were made by five countries, namely: Egypt (US\$10 million), Bangladesh (US\$12

Table 2. Net approvals for LDMCs¹

	No.	ID	US\$	LDMCs Share
Loan	707	3,229.6	4,563.6	71.9
Equity	39	82.3	111.2	17.6
Leasing	41	814.1	1,230.5	15.4
Instalment Sale	33	170.8	250.6	5.7
Combined lines of financing	4	14.0	19.8	2.7
Profit Sharing/ <i>Musharaka</i>	1	2.8	3.6	1.5
<i>Istisna'a</i>	64	1,179.4	1,812.7	14.6
Technical Assistance Operations	555	145.1	199.7	70.5
Sub-Total	1,444	5,638.2	8,191.8	24.8
Trade Financing (IDB Group)	441	9,338.9	13,608.1	31.1
Special Assistance Operation	274	209.5	257.2	68.0
Grand Total	2,159	15,186.7	22,057.1	28.6

¹ Cut-off date for data reported in this table was 29 Dhul-Hijja 1433H (14 November 2012). Difference in totals may arise due to rounding.

Source: IDB

million), Gabon (US\$2 million), Kazakhstan (US\$10 million), and Tunisia (US\$5 million).

Out of the total commitments, US\$1.7 billion was received by the ISFD including a payment of US\$100 million from the IDB in 1433H. Commitments and received capital payments represent 26.8% and 17.4% respectively of the approved capital amount. However, in addition to the efforts to mobilize the target capital of US\$10 billion, several other initiatives have been undertaken to augment the current resources of the Fund.

The ISFD primarily carried out its development interventions in partnership with the governments of beneficiary countries. However, the Fund has strengthened its policy dialogue by involving a broader range of stakeholders in its work, particularly in the implementation of its main flagship programs. These include, Vocational Literacy Program (VOLIP), Microfinance Support Program (MFSP), and Sustainable Villages Program (SVP).

The SVP which was launched in 1432H is an integrated, innovative, and inclusive model of community-driven development which is geared to empowering rural communities to combat extreme poverty. With the help of new advances in science and technology, experts in various sectors design and implement low cost, sustainable, and community-driven action plans which cater for the villages' needs, with a view to achieving the MDGs by the end of 2015.

Overall, US\$120 million was approved for SVP comprising US\$60 million as loan from IDB/ISFD; US\$1.2 million as an IDB TA grant; US\$58.8 million from recipient countries and development partners. The first two projects were approved in 1432H for Chad and Sudan, while Mozambique and Kyrgyzstan became the second set of beneficiaries in 1433H.

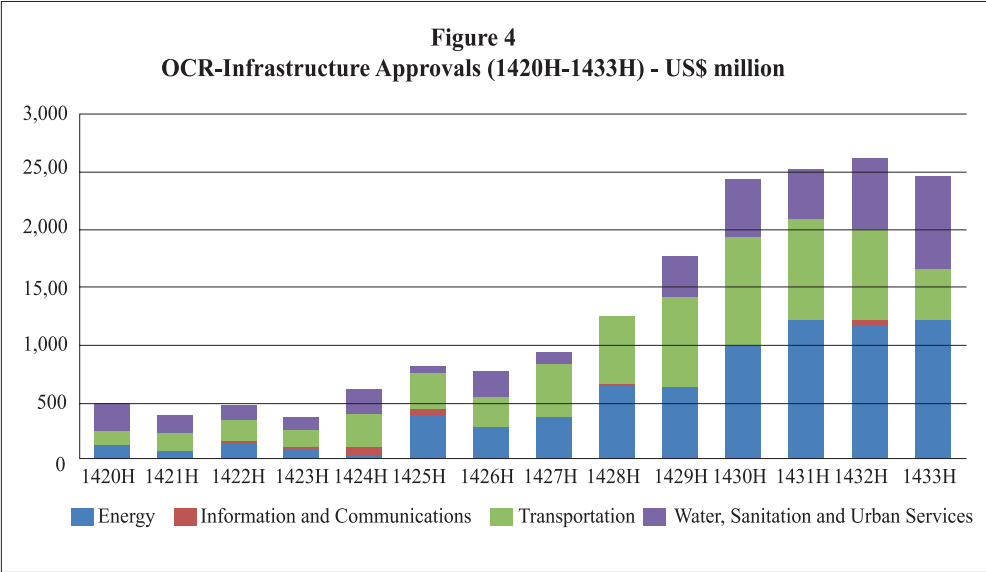
3.3.2 Infrastructure Financing

Infrastructure is one of the priority areas through which IDB supports its member countries. Since inception in 1396H, the IDB has financed over ID15.7 billion (US\$23.1 billion) worth of infrastructure projects in its member countries. At the end of 1433H, IDB’s active infrastructure portfolio comprised 194 operations for ID8.2 billion (US\$12.6 billion), of which ID2.8 billion (36%) has already been disbursed.

The energy sector during 1396-1433H, received the highest allocation (41%) of IDB’s infrastructure financing budget, followed by transportation (35%) and urban development and services (23%). The share of energy sector in the portfolio of IDB has increased more significantly during the last decade as evident in Figure 4.

3.3.2.1 Facilitating Affordable Access to “Renewable” Energy

Among the key priorities of IDB are the development of “green” energy projects and the promotion of indigenous energy efficiency enhancement initiatives. In 1433H, IDB approved a total of fifteen energy sector projects for a cumulative amount of ID802.4 million (US\$1.2 billion), of which ID91.5 million (US\$140 million) supported two PPP renewable energy wind projects in Pakistan. In



particular, IDB worked closely with the Government of Turkey to finalize the first Restricted Mudaraba Infrastructure Investment Facility Agreement to support the development of Renewable Energy and Energy Efficiency Projects in the country. Further, with regard to Renewable Energy for the Poor, a brainstorming session took place in Jeddah in February 2012 and a follow-up technical experts' workshop was organized in Turkey in partnership with the Turkish Cooperation and Coordination Agency.

In 1433H, IDB also provided an additional amount of ID163.7 million (US\$250 million) as a second tranche for the 1,950 MW South Helwan Power Plant Project (Egypt), thus increasing IDB's overall contribution to the project to ID290.2 million (US\$450 million). Once the power plant is completed, it will provide electricity to neighbouring countries through the regional power transmission inter-connections.

3.3.2.2 Sustainable Transportation Networks

Alleviating poverty and accelerating the development of member countries through the financing of efficient, safe and sustainable transport networks remains a strategic priority of the IDB. In 1433H, in line with the IDB Group Infrastructure Strategic Plan 1431H-1433H, new projects for ID281.9 million (US\$437 million) were approved in Kyrgyz Republic, Lebanon, Mauritania, Niger, Turkey and Sierra Leone. Disbursements on the 62 active projects amounted to ID294.6 million (US\$433.7 million). In addition, the IDB is continuing its support to Turkey in modernizing its railway transport sector.

In line with the strategic thrusts of the IDB, regional transport corridors continued to receive high priority in IDB's transport financing activities. The IDB provided financing for the Arlit-Assamaka road project in Niger which is a critical section of the Trans-Sahara highway that runs from the Mediterranean coastline in Algeria to the Atlantic coastline in Nigeria. This 4,500 km highway is close to completion and is expected to unlock trade potential between North and West African countries and provide the landlocked country of Niger with an enhanced access to the sea.

IDB also provided financing for the reconstruction of the Taraz-Talas-Suusamyr Road in Kyrgyz Republic, in line with IDB's priorities under the Central Asia Regional Economic Cooperation (CAREC) trade and transport facilitation strategy. The segment to be reconstructed is a section of the "CAREC Corridor 3" that connects the Iran-Turkmenistan border in Turkmenistan to the Kazakhstan-Russian Federation border in Kazakhstan, through landlocked Kyrgyzstan, Uzbekistan and Tajikistan.

Transport projects with important social impacts are also given high priority by the IDB. The blended ID13.2 million (US\$20.4 million) Istisna'a- Loan

financing of the Nema-Bassikounou road in Mauritania, for example, will revive and enhance the economic, commercial and social activities in one of the poorest areas of the country. By financing this US\$149.5 million project, IDB also mobilized financing from members of the Arab Coordination Group. In Sierra Leone, the Pendembu-Kailahun road project, financed by a soft loan of ID9.7 million (US\$15 million), will contribute to poverty alleviation in the country through the provision of better access to the agricultural areas in the south eastern provinces, the creation of new employment opportunities and improvement of local population livelihood.

3.3.2.3 Urban Development

The IDB is scaling up its financing in urban development sector in line with the key strategic thrusts of IDB's Vision 1440H. In 1433H, twelve new projects amounting to ID521.6 million (US\$809.3 million) were approved which represents an increase of more than 30% over its 1432H level. Approximately 29% of IDB's total urban development financing in 1433H went to facilitate the development of the Tehran sanitation project in Iran. The project will support the Government of Iran's efforts to establish an effective and sustainable system for the improvement of wastewater collection and treatment in the country's capital and most populous city. The project will connect 307,500 new households by 2016, ensure sustainable water supply to irrigate approximately 9,000 hectares and create approximately 4,000 direct and indirect jobs.

IDB also approved ID125 million (US\$200.1 million) to support the US\$1.3 billion National Water Supply and Sanitation Project (NWSSP) in Azerbaijan. The NWSSP initiative is also co-financed by the World Bank, JICA, KfW, AsDB, and the SFD. The NWSSP will provide access to clean and safe drinking water and sewerage connections for the 320,267 inhabitants (including refugees and Internally Displaced Persons) of six regions (Astara, Dashkasen, Gadabey, Gazakh, Samukh and Tartar), at an affordable price and have significant social and financial impacts on those populations and local economies. The NWSSP will improve the water coverage from 10% in 2010 to 95% in 2014 and sewerage coverage from 0% in 2010 to 100% in 2014.

In addition, the IDB approved ID91.6 million (US\$140.3 million) for water and municipal infrastructure development projects in Bahrain and Lebanon while ID61.6 million (US\$94.8 million) was approved for the development of social housing and water projects in Africa (Mali and Nigeria). The social housing project in Mali will provide access to decent and affordable houses as well as basic infrastructure and utilities (water, sanitation, electricity) to a thousand low income households in Bamako, by the end of 2014.

3.3.3 Agriculture Development

Achieving food security is a complex task involving many actors and a host of factors. Water is considered to be at the core of the food security challenge. The gap between the needs and available resources is ever increasing and requires greater and sustained intervention by development institutions. The IDB acknowledges this fundamental challenge and remains committed to its thematic strategy of reducing poverty and ensuring food security, as mentioned in IDB Vision 1440H.

Cumulatively, approvals for agriculture amounted to ID2.7 billion (US\$4 billion), bearing testimony to IDB's commitment to fostering food security and developing agriculture in its member countries.

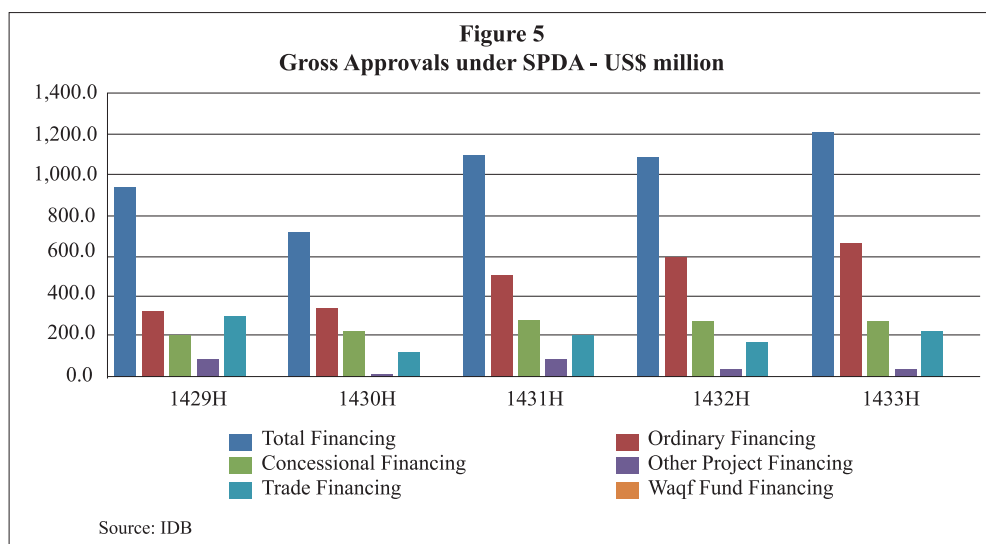
3.3.3.1 International Center for Bio-saline Agriculture (ICBA)

ICBA was established by the IDB in 1992 with the objective of enhancing the usage of saline water more productively. Members of its Board of Directors are appointed by the IDB and the Centre's host country is United Arab Emirates. In 1433H, ICBA focused its R&D activities on plant management, water management, soil management and socio-economic management. Over 17 externally-funded projects and 28 on-farm experiments were conducted across various geographic regions.

One of the key impacts of ICBA projects is that over 200 farmers were trained on using marginal water, improving water productivity (Crop per Drop), and using state of the art agricultural technologies. Research was also undertaken in order to support policy development. An example of this would be the development of 'Oman Salinity Strategy' in collaboration with the Ministry of Agriculture and Fisheries in Oman, to combat salinity and protect water resources from pollution and salinity.

Among the major R&D projects are the "Crop per Drop" (improving water productivity), Marginal Land Resources Project in Central Asia, Green Forge Seed Harvesting, Abu Dhabi Farmer's Service Center Crop Diversification Project, Water Policy and Governance, SSA Project for Integrated Crop and Seed Production System under Water and Irrigation Management, Use of Moisture and Salinity Sensors for Irrigation Management and Sandy Soils, and Sub-surface Irrigation Technology.

ICBA also finalized and presented the OIC's Water Vision to the 57 member countries. The OIC's Water Vision charts a common vision for its members and promotes enhanced collaboration and cooperation in this key resource area.



3.3.3.2 Special Program for the Development of Africa (SPDA)

The strategic thrust of the SPDA remains the provision of support to help relax the binding constraints to economic growth in many African member countries.

In this context, the IDB Group channelled almost US\$7 billion worth of development support towards its African member countries over the last seven

Table 3: SPDA Approvals (Amount in ID/US\$ million)- 1429H-1433H

		No.	ID	US\$
I.	OCR Project Financing	382	2,405.7	3,720.4
	Concessional Financing (Loan & TA)	284	836.8	1,287.7
	Ordinary Financing	98	1,568.9	2,432.6
II.	Other Project Financing (Funds & Financing)	31	185.5	286.2
	UIF	1	3.2	5.0
	APIF	8	52.7	81.1
	ICD	21	128.3	198.1
	Treasury Operations	1	1.3	2.0
III.	Trade Financing	59	663.0	1,036.0
	UIF	6	19.9	30.5
	ICD	0	0.0	0.0
	Treasury Operations	0	0.0	0.0
	ITFC	53	643.2	1,005.5
IV.	Waqf Fund Financing	13	3.5	5.3
	SAO	13	3.5	5.3
	Total	485	3,257.7	5,047.9

Cut-off date for data reported in this table was 29 Dhul-Hijja 1433H (14 November 2012).

Source: IDB

years, through the Ouagadougou Declaration (2003-2007) and the SPDA I- (2008-2012). It is against this background that the IDB Group is formulating a second SPDA (SPDA-II) which will draw lessons from, build upon and deepen the achievements of SPDA-I to support African member countries in addressing their development challenges.

SPDA I was allocated a budget of US\$12 billion for a five-year period (2008-2012). Out of this amount, the IDB Group (IDB, ICD, ITFC and ISFD) was to contribute US\$4 billion with the remaining US\$8 billion leveraged from other development partners. Since inception in 1429H (2008), 485 operations amounting US\$5 billion have been approved (Figure 5). This exceeded the IDB Group target of US\$4 billion by 25% and comprised US\$3.7 billion from OCR; US\$286.2 million from other IDB Group financing and US\$1 billion on trade operations (Table 3).

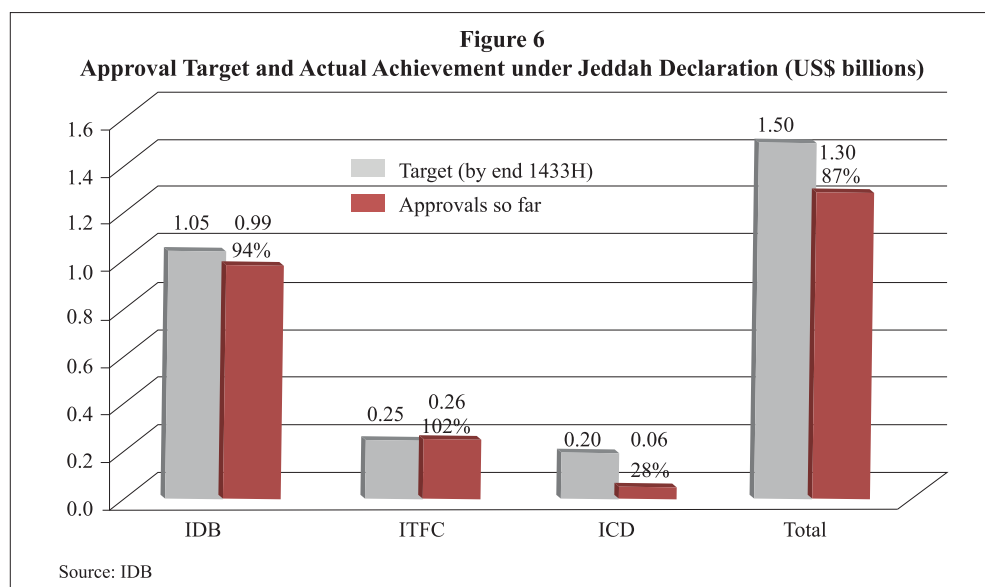
3.3.3.3 Jeddah Declaration for Food Security

IDB approved US\$1.5 billion in May 2008 to be utilized over a period of five years under the Jeddah Declaration Initiative. The Initiative aims to support IDB member countries in strengthening the agriculture sector and ensuring food security in response to the prevailing food crisis. Although priority is given to LDMCs, other member countries affected by the food crisis may also benefit from the Initiative.

The first phase of the short term assistance was launched in 2008 and consisted of grants totaling US\$20 million for 25 LDMCs. The grants are mainly to provide agricultural inputs to small farmers for improving local production. The IDB is also working in close collaboration with other MDBs and international organizations, including Coordination Group Institutions, the AfDB, the World Bank, FAO and IFAD, on the medium- to long-term assistance to increase overall productivity and improve the livelihood of vulnerable population through enhanced access to agricultural inputs and services, improved agricultural infrastructure and strengthened agricultural institutions.

At the end of 1433H, total approvals under the Jeddah Declaration amounted to US\$1.3 billion (Figure 6). Despite the relatively high level of approvals, only US\$267.6 million (20.6%) was disbursed. The low disbursement for medium- and long-term projects is mainly due to projects not signed (19%), projects not effective (23%) and projects non-disbursing (22%). However, for short-term projects, the disbursement rate is 78%. Implementation of projects in LDMCs is affected by the weakness of the Executing Agencies. IDB is taking appropriate measures in collaboration with the Executing Agencies to address these issues.

One major project under Jeddah Declaration is Rainwater Harvesting in White Nile, Darfur and Sinnar states project in Sudan which was designed to harness the potential from torrential and seasonal rains in areas of severe water



shortages and address the food insecurity and conflict between the farmers and nomads. The project aims to improve the living conditions of the Internally Displaced Persons (IDPs) in the regions of White Nile, South Kordofan, Sinnar and Darfur States by securing water for human and livestock consumption, and promoting sustainable peace among farmers and nomads.

The project is focused on the infrastructure element through the construction of 70 water storage ponds to collect water during the short rainy season of three months and utilize during the rest of year for human and livestock consumption. The total project cost is US\$22.5 million with IDB approved financing of ID12.8 million (US\$20.3 million). The project will contribute not only to the welfare and wellbeing of the people and the peace process by settling 52,000 IDPs in the states of Darfur, South Kordofan, White Nile and Sinnar, but also to the country's overall stability. Among the other major operations was IDB's approval of Sarney Dam and Water Supply Project in Iran. The dam will have a storage capacity of 61 mcm of water, and will supply water to the city of Bandar Abbas and surrounding villages. It will cost a total of €107.64 million to construct the main dam, spillway and a water treatment plant. IDB will contribute ID74.8 million (€87 million) towards the project which is expected to be completed in four years.

3.3.3.4 Regional Food Security and Agricultural Development Flagship Programs

The IDB acknowledges the fundamental challenge of food security faced by member countries, especially in SSA region, and remains committed to its thematic strategy of reducing poverty and ensuring food security, as mentioned

in IDB Vision 1440H. In this context, IDB has initiated some regional food security programs as follows:

(a) Smallholder Agricultural Productivity Enhancement Program (SAPEPE)

The objective of the SAPEPE is to increase the productivity of rain-fed and irrigated agricultural production systems, targeting smallholders in Benin, Burkina Faso, Cameroon, Mali and Niger. When implemented, the SAPEPE is expected to increase the average yields of staple crops, including cereals by at least seventy percent and the income of participating smallholders by at least twenty percent. The SAPEPE will address the key factors that constrain farm productivity including: (i) soil health, (ii) seed availability and accessibility, and (iii) access to market and finance. The total cost of the program is estimated at US\$157.8 million. IDB will contribute ID\$45.7 million (US\$68.5 million) while partners including beneficiary countries, AGRA and IFDC will provide US\$5.6 million, US\$73 million and US\$11.5 million respectively.

(b) Building Resilience to Recurring Food Insecurity in the Sahel

The objective of the Program is to assist the most drought-prone member countries in the Sahel region of West Africa to strengthen their institutional and agricultural production capacities to better respond to drought and climate variability that affects agricultural production and productivity. The beneficiaries of the program are those countries affected by the 2012 drought in West Africa and include: Burkina Faso, Chad, The Gambia, Mali, Mauritania, Niger and Senegal. The program will (i) provide emergency food and animal feed (short-term); (ii) rehabilitate and preserve rural livelihoods (support to pastoralists, agro-pastoralists and farmers); (iii) develop post-harvest, storage and water harvesting infrastructure; and (iv) support the dissemination of food security-information, early-warning systems and coordination. The total cost of the program is estimated at US\$351 million, of which IDB and ITFC will finance ID\$115.3 million (US\$176 million), and US\$140 million respectively, and beneficiary countries will provide US\$35 million.

(c) East Africa Regional Dry Lands Program (EARDP)

The program, which targets Djibouti, Somalia and Uganda, aims at reducing vulnerability and building the resilience of populations living in the pastoral regions in the program areas. The program will implement interventions to strengthen livelihood assets and improve community access to basic services by: (i) increasing household income and assets of target pastoralists; (ii) increasing the primary education enrolment rate; (iii) improving community access and use of health services; (iv) improving community understanding and practice of good use of natural resources; and (v) improving community

business capacities and participation in the market. The total cost of the program is estimated at US\$71 million with IDB and ISFD contributing ID13.1 million (US\$20 million) and US\$15 million respectively, while the beneficiary countries and other partners including MDG Center will provide US\$36 million.

3.4 Capacity Building and Development

Capacity development has always been given a special attention by IDB, particularly for the benefit of the least developed member countries. This attention is reflected in the fact that several organizational units and programs in the IDB provide financing for some sort of capacity development.

3.4.1 Technical Cooperation Program (TCP)

The TCP, a tripartite scheme consisting of a technical donor, a beneficiary and IDB as a facilitator, is one of the main tools of IDB for human resource development in member countries. It is a South-South cooperation/RL program focusing on transfer and exchange of skills, knowledge and know-how among member countries.

In 1433H, a total of 68 operations amounting to approximately US\$1.6 million were approved under the TCP. These operations benefitted 31 member countries directly. However, it must be recognized that through the 28 regional activities organized, many more member countries received IDB's support.

Under the TCP, 12 operations related to recruitment of experts were approved in 1433H for US\$341,500. These experts provided technical services in various sectors such as agriculture, health and science and technology for member countries. In 1433H, the TCP also financed 28 training courses amounting to US\$553,500. Further contributions were made to human capital development in member countries through the organisation of 28 seminars, workshops and conferences amounting to US\$689,500.

3.4.2 Research and Training in Islamic Economics and Banking

The Islamic Research and Training Institute (IRTI) undertakes varieties of activities with a view to creating and disseminating knowledge in Islamic economics, banking and finance, building capacity and developing human capital for the promotion of Islamic financial services industry. In order to promote outstanding Islamic finance achievement, IRTI continues to award the IDB Prize for Islamic banking and finance.

In carrying out its activities during the year, IRTI focused on socio-economic re-engineering in the light of Maqasid Al-Shariah. Key activities undertaken by IRTI during 1433H were Conferences, Seminars and Workshops on Islamic Capital Markets, Islamic Banking and Finance, Risk Management, and Islamic

Economics. Its other activities include publishing research papers on various topics in Islamic finance, and organizing training activities for Member Country Assistance Training Program, and training courses for the benefit of IDB staff, as well as courses for the benefit of external private sector. In addition, IRTI offers a Master's Degree Program in Islamic Banking and Finance via e-learning as well as lecture series through distance learning in partnership with a network of Islamic universities across member countries.

In addition, its Islamic Banking and Finance Information System collected and published data on 156 Islamic Financial Institutions in 1433H (125 banks in 1432H). Also the IRTI portal publishing revised information on Awqaf Database System and on the management of IRTI customer relationships.

3.4.3 Human Development (Scholarships)

The IDB Scholarship Programs aim to build science-based human capital in member countries and Muslim communities in non-member countries. There are three types of scholarship programs:

(a) The Scholarship Program for Muslim Communities in Non-Member Countries (SPMC)

This program was launched in 1404H. By the end of 1433H, 466 students from 38 Muslim communities in non-member countries and 6 member countries received scholarships. Cumulatively, 12,168 students have benefitted from the program at the end of 1433H.

(b) The M.Sc. Program in Science and Technology (M. Sc) for the LDMCs

In 1433H, 54 scholarships were granted bringing the cumulative number of beneficiaries since the inception of the program in 1419H (1998) to 458 students.

(c) The Merit Scholarship Program for High Technology (MSP) for Member Countries

Under this program, the IDB signed MoUs with several universities including the Universities of Cambridge, Oxford, Nottingham and Birmingham in UK and Paris Tech Group in France. As of 1433H, a total of 86 scholars have attended these institutions within the framework of the MoUs. In 1433H, 100 scholars were awarded scholarships thus bringing the number of scholarship awarded since the inception of the program in 1413H (1992) to 860.

In addition, there is a Community Development Program launched in 1408H as a support to the scholarship programs. Cumulatively, the number of graduates under the three scholarship programs has exceeded 8000 students from both non-member and member countries. Ninety eight percent of graduates from

non-member countries are in gainful employment. Seventy percent of the M. Sc. graduates are engaged in employment in their countries, filling the intermediate level human resources needs in the science and technology sectors. Ninety percent of MSP graduates returned to their respective countries to join their home institutions. By the end of 1433H, an amount of US\$133.7 million has been spent on the Program for a total number of 13,127 students/scholars.

3.4.4 Science and Technology Program

The Science and Technology (S&T) program focuses on cooperation for knowledge and technology transfer and partnership in scientific research among member countries. It promotes and encourages the acquisition and dissemination of knowledge through activities such as short-term assignments of experts, exchange of scientists, networking amongst associations of scientists and organization of conferences and on-the-job training.

In 1433H, 17 operations amounting to US\$750,000 were approved resulting in a cumulative approval of US\$10.3 million for 197 operations since 1425H. A major achievement this year was collaborating with one of the winners of the IDB Prizes for Science & Technology (MARDI of Malaysia) to design a project. For the first time, the expertise of an S&T Prize winner was utilized for the benefit of another member country. Indeed, it is envisaged that a new methodology and approach in rice breeding will be transferred to qualified personnel of the Adekunle Ajasin University and the Department of Agriculture in Nigeria. The project will contribute directly to the enhancement of cooperation and knowledge transfer among the member countries under the Reverse Linkage's framework.

3.4.5 Statistical Capacity Building Initiative (IDB-STATCAP)

The IDB-STATCAP initiative, established in 1428H, has continued to make progress in many areas. Indeed, it is one of the few STATCAPs in the world which provides scholarship for statistics-related studies. Focusing on least developed countries, the IDB STATCAP is aimed at strengthening capacity development of national statistical offices in member countries especially those with weak national statistical system. Under the IDB-STATCAP, 14 scholarships were awarded in the fields of statistics, demography and other related fields.

In terms of supporting human capital, the IDB-STATCAP, in 1433H, provided a scholarship in the area of statistics for a student in Uganda. It is also working closely with SESRIC to introduce professional accreditation programs for statisticians in member countries. The main aim of this program is to improve the statistical capacity of OIC member countries as well as the professional competencies of statisticians working in the National Statistical Offices (NSOs).

In November 2009, the IDB-STATCAP got a boost of £2 million which was provided by the United Kingdom's Department for International Development

(DfID) through an MoU signed between IDB and DfID. The MoU required the IDB to manage the fund over three years to finance statistical projects for Palestine, Yemen, Iraq and cover regional statistical activities of the MENA region. As at the end of 1433H, the fund has financed (i) Palestine's Agriculture Census which was successfully completed in 2011, (ii) two regional training workshops on "In- Depth Demographic Analysis" and "Population Projection Techniques", (iii) WHO project on "Data Reconciliation and Harmonisation in MENA Countries" and (iv) hiring of consultants to identify priority statistical projects and develop project documents for Yemen's Central Statistics Organisation (CSO) and Iraq's Central Organization for Statistics and Information Technology (COSIT). With regard to preparing project documents for COSIT and CSO, progress has been slow due to delay in identifying suitable consultants.

3.5 Resource Mobilization

Finding new sources of funds either through market or co-financing with development partners has become inevitable and a pre-requisite to scale-up the IDB operations given the ever-increasing development needs of member countries. Highlights of the activities undertaken by IDB in this area are presented below.

3.5.1 Mobilizing Resources using *Sukuk*

Initially, the IDB's financing operations were funded primarily from its shareholders' equity. However, with the increase in demand for resources to finance projects from member countries, IDB turned to resources from the market by issuing Sukuk to complement its shareholders' equity. Apart from complementing its internal resources, Sukuk issuance is also aimed at promoting the development of Sukuk industry in the global capital market. IDB developed its first resource mobilization by issuing the maiden Sukuk in 2003.

In 2005, IDB established a US\$1 billion Medium Term Note (MTN) Program to tap the global capital market resources in more regular and organized basis. The program allows IDB to issue Sukuk in various currency denominations. It could be issued via public issuance which is normally in US\$ on a fixed or floating rate basis or via private placement, specifically designed to the investors' preference in terms of currency, tenor or fixed/floating rates.

The Sukuk program was scaled up from US\$1 billion to US\$3.5 billion in September 2010 and further scaled up to US\$6.5 billion on June 2012 in tandem with the funding requirements of IDB to support its operational growth. Under the MTN program, up to November 2012, IDB issued 13 series of Sukuk of which 5 series were issued in 1433H via 4 private placements and one public Sukuk.

3.5.2 Co-financing with Development Partners

During 1426-1433H, 176 operations in 126 countries were co-financed with other institutions which give 22 operations in 6 member countries per year on average. The total cost of these projects was US\$43.7 billion, of which IDB contributed US\$8.1 billion (18.6%), while the contribution of other financiers totaled US\$22 billion (50%) - around one-third of this amount was contributed by members of the Coordination Group and the rest mainly from multilateral financing sources. In financing volume terms, co-financed operations represented around 35% of the total amount approved by IDB (US\$23.2 billion) for project financing and technical assistance operations over 1426-1433H (Table 4 and Figure 7).

(a) Co-financing with the Coordination Group

As a member of the Coordination Group, the IDB has developed close working relationship with this Group along with its national and regional members. In 1433H, 10 of the 31 operations co-financed were with members of the Coordination Group, which collectively, provided financing of US\$1.2 billion. This represents 36% of the total cost of those co-financed projects of which IDB contributed US\$690 million (21%).

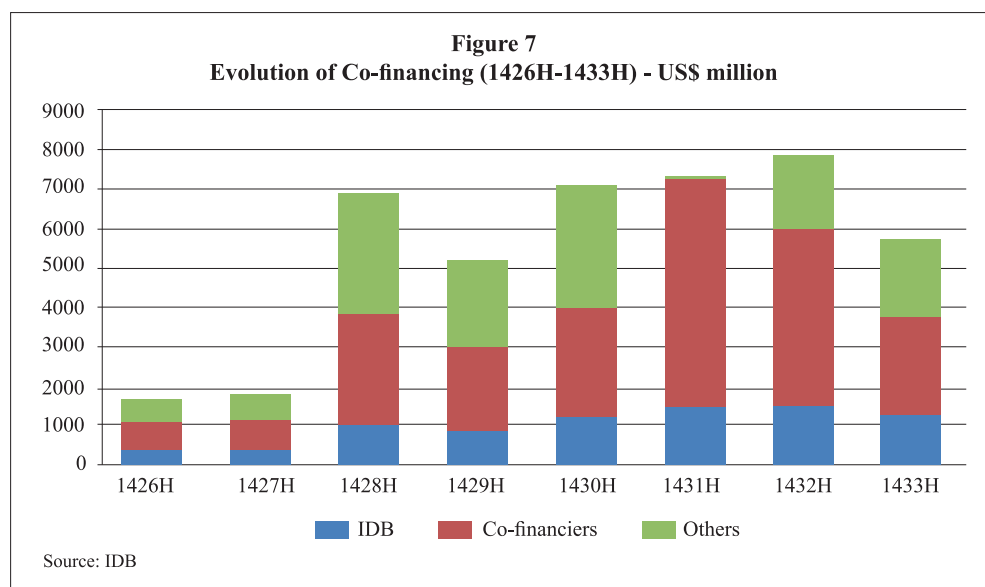
(b) IDB and Abu Dhabi Fund for Development

Cumulatively, co-financing between IDB and Abu Dhabi Fund covered 33 projects worth US\$14.8 billion in 19 countries in Africa, MENA and, more recently, Central Asia. Co-financing focused mainly on infrastructure projects, with IDB

Table 4
Trends in Co-financing (1426H-1433H)

Year	OCR Approvals (US\$ million)	Co-financing US\$ million (% OCR)	Number of Operations	Number of MCs	Co-financiers (US\$ million)	of which Coordination Group (US\$ million)	Projects' Cost (US\$ million)
1433	4,168	1,286 (31%)	31	20	2,474	1,180	5,733
1432	4,270	1,518 (36%)	21	16	4,468	1,421	7,863
1431	3,702	1,495 (40%)	26	17	5,806	862	7,302
1430	3,359	1,213 (37%)	23	16	2,766	1,479	7,133
1429	2,498	856 (34%)	21	18	2,151	540	5,218
1428	2,087	1,014 (49%)	31	20	2,818	786	6,925
1427	1,652	368 (22%)	8	7	793	437	1,802
1426	1,464	368 (25%)	15	12	745	311	1,688
Cumulative	23,200	8,118 (35%)	176	126	22,021	7,016	43,664

Source: IDB.



providing around US\$1.8 billion and Abu Dhabi Fund US\$1.2 billion. Recent co-financed operations focused mainly on the energy and transport sectors in Central Asia and MENA. In 1433H, IDB and Abu Dhabi Fund co-financed two transport projects in Mauritania and Niger providing US\$35 million and US\$30 million, respectively.

(c) IDB and the Arab Fund for Economic and Social Development

As multilateral institutions, IDB and Arab Fund have been cooperating very closely for over 35 years, during which they co-financed 83 operations worth around US\$25.6 billion in Arab member countries. Co-financed projects focused mainly on energy, water and transport sectors, with IDB providing approximately US\$3.3 billion and Arab Fund US\$5.2 billion. About 60% of co-financed volume was achieved in the last five years and targeted projects in the energy, transport and, to a lesser degree, the water sector. In 1433H, the two institutions co-financed 4 projects, including 2 water projects in Bahrain and Mauritania, an energy project in Egypt and a transport project in Mauritania. IDB's co-financing share in these 4 projects totaled US\$438 million, while the Arab Fund contributed US\$415 million.

(d) IDB and the Arab Bank for Economic Development in Africa (BADEA)

Cumulatively, co-financing between IDB and BADEA covered 59 operations for US\$4.8 billion in African countries. Co-financing focused mainly on transport, agriculture and rural development, with IDB and BADEA providing around US\$857 million and US\$622 million, respectively. Co-financing in recent years focused on agriculture and rural development, transport and water.

(e) IDB and the Kuwait Fund

By the end of 1433H, combined co-financing between IDB and Kuwait Fund reached approximately US\$6.3 billion, which was equally shared. This co-financing covered 92 operations worth US\$26 billion in IDB member countries in Africa, Asia and MENA. Co-financing in the last five years has largely focused on transport, energy and water sectors—these three sectors accounted for more than 80% of co-financing volume—mainly in Africa and MENA.

(f) IDB and OPEC Fund for International Development (OFID)

By the end of 1433H, total co-financing between IDB and OFID reached US\$3.4 billion, with IDB contributing US\$2.4 billion and OFID US\$1 billion. This co-financing covered 107 operations valued at US\$15.7 billion predominantly in LDMCs. Co-financing focused primarily on energy, transport, health sectors, agriculture and rural development. Recent co-financed operations targeted transport, agriculture and energy in Africa, Central Asia and MENA.

(g) IDB and Saudi Fund for Development

Cumulatively, IDB and the Saudi Fund co-financed 90 operations valued at US\$21.7 billion in IDB member countries in Africa, Asia and MENA. These operations focused mainly on infrastructure, agriculture and rural development, health and education, with IDB providing about US\$2.7 billion and Saudi Fund US\$2.5 billion. Co-financing in the last five years has focused mainly on transport and, to a lesser degree on energy, water and agriculture in Africa, Asia and MENA.

3.6 Policy Dialogue

In order to catalyze strategic engagements with member countries, IDB launched MCPS initiative in 1431H. MCPS is the foundation of the IDB Group's dialogue with member countries and is envisaged to achieve four key outcomes: (i) Government ownership; (ii) selectivity of interventions focused on client needs and impact; (iii) leveraging internal IDB Group synergies; and (iv) harmonization of the IDB Group's programs with other development partners.

3.6.1 MCPS Preparation

Up to the end of 1433H, the IDB has initiated seventeen MCPSs, which are at various stages of completion and implementation. Of these, eight MCPSs (Indonesia, Kazakhstan, Malaysia, Mali, Mauritania, Pakistan, Turkey, and Uganda) are under active implementation, while six MCPSs namely those for Bangladesh, Chad, Kuwait, Morocco, Niger, and Senegal have either been completed or nearly completed but are yet to be actually implemented. IDB has launched interim MCPSs in member countries undergoing socio-political transformation namely Egypt, Sudan, and Tunisia (Table 5).

Table 5
Status of MCPS Preparation

	Completed and Under Implementation	Nearing Completion	Ongoing
1.	Indonesia	Bangladesh	Egypt
2.	Kazakhstan	Chad	Sudan
3.	Malaysia	Kuwait	Tunisia
4.	Mali	Morocco	
5.	Mauritania	Niger	
6.	Turkey	Senegal	
7.	Uganda		
8.	Pakistan		

Source: IDB

3.6.2 MCPS Implementation

Currently, eight MCPSs are under active implementation and have recorded satisfactory achievements in terms of approval rates ranging from 25% to 65% of the planned financing envelope. For example, Turkey MCPS (2010-2013) has achieved an implementation rate of 65%, Mauritania MCPS (2011-2015) 52%; Indonesia MCPS (2011-2014) 35-40%; Pakistan MCPS (2012-2015) 37-45%; Uganda MCPS (2011-2015) 29%; and Mali MCPS (2011-2014) 23%. The MCPS for Malaysia and Kazakhstan (without specified financing envelop) also achieved a satisfactory implementation rate (Table 6).

The MCPS for Turkey has completed its second year of implementation. IDB Group approvals recorded unprecedented amount of operations totaling US\$1.3 billion (65% of overall financing envelop of US\$2 billion) during the period of 2010- 2012, which represents 22% of total IDB Group approvals since inception. In terms of OCR, MCPS approvals amounted to US\$713 million within two years, representing more than 40% of total approvals since inception, reorienting the IDB Group portfolio from trade finance to more project finance operations. In 2011, Turkey became member of ICD which already approved 2 operations for total amount of US\$90 million, while the ITFC provided more than US\$502 million of trade finance facilities to the private sector. Finally, ICIEC has already exceeded its MCPS target, insuring more than US\$573 million of transactions (both investment insurance and export credit).

Under the MCPS for Indonesia, total IDB approvals amounted to US\$468 million, mainly in the education and transport sectors as well as for PPP projects. ITFC had a trade financing volume of US\$354 million and ICD approvals stood at US\$55 million. In addition, ICIEC insured business amounted to US\$213 million.

With regard to the MCPS for Mauritania, the IDB Group approved a total amount of US\$362 million, (IDB US\$221 million, ITFC US\$141 million) representing

Table 6		
MCPS Achievement		
	Under Implementation	Achievement Rate of the Planned Financing Target
Turkey	65%	2010-2013
Indonesia	35-40%	2011-2014
Mali	23%	2011-2014
Kazakhstan	*	2012-2014
Mauritania	52%	2011-2015
Uganda	29%	2011-2015
Pakistan	37-45%	2012-2015
Malaysia	*	2012-2015
¹ As at 29 Dhul Hijjah 1433H (14 November 2012)		
* There are no financing envelop specified for Kazakhstan and Malaysia		
Source: IDB		

52% of the MCPS financing envelop of US\$700 million. Further, through RL, the Government of Mauritania has received assistance from Morocco to design and restructure its agricultural sector. In addition, a project for establishing a dry port is being processed in collaboration with Mali, consistent with the cross-border initiatives envisaged in the MCPS.

The implementation rate of Uganda MCPS stood at 29% with IDB financing of US\$87 million (out of a total MCPS envelop of US\$300 million), mostly for public sector projects. An ITAP-supported Gulf Cooperation Council (GCC) - Uganda Investment Forum held on 28-30 May 2012 in Kampala during which 119 letters of intent worth US\$500 million were signed, besides PPP projects. Four main sectors are being targeted namely: (i) Agriculture (cotton, fruits and vegetables); (ii) Livestock (dairy, meat); (iii) Tourism/Hospitality Industry; and (iv) Energy. Moreover, a tripartite Reverse Linkage activity (IDB-Malaysia-Uganda) to address Uganda's weak public sector management and administration as well as national planning capacity is under formulation.

Under the MCPS for Mali, IDB-funded projects amounted to US\$115 million (23% of financing envelope of US\$500 million). The major projects approved are in agriculture (Markala Sugar Project; Smallholders Agricultural Productivity Enhancement Program for Sub-Saharan Africa; and the Kita Integrated Rural Development Project - Phase-II) and Energy sectors (Balingue II Power Plant Project).

In the case of the MCPS for Pakistan, total IDB Group (IDB and ITFC) financing of US\$1.12 billion (37-45% of MCPS financing envelop of US\$2.5 – US\$3.0 billion) was approved. The IDB approved project financing amounted to US\$815 million. This includes the US\$227 million approved in coordination with the Bill and Melinda Gates Foundation, to support the Polio Eradication Program of the

Country and fully cover the financing gap of the Program till 2015. Moreover, the first Project under ISFD flagship of “Basic Education for the Poor” was approved for US\$10.5 million. Total trade financing approvals stood at US\$306 million and the total commitments of ICIEC amounted to US\$447 million.

The MCPS for Malaysia, completed in May 2012, has no financial commitment. Instead, a score card was prepared by all IDB Group Entities and Departments involved in the MCPS process. This will be used as a tool to monitor the implementation of the MCPS under two Pillars namely Private Sector Development and RL. A number of programs have so far been conceived or prepared under the RL initiative. Examples of such programs are the cooperation between Malaysia and Sierra Leone (value-addition in palm oil industry); Malaysia-Mauritania (oil sector, Islamic banking and finance industry); Malaysia- Uganda (public administration and financial management, national planning, and enhanced public services delivery); and Malaysia-Turkey to assist in the launching and issuance of Sukuk for Turkey, Indonesia, Nigeria, Niger, and Senegal. Since the launch of MCPS for Kazakhstan, the IDB Group has been fully engaged in implementing different initiatives, particularly related to regional integration, establishment of OIC Food Security Office/mechanism and promoting Astana as a capital of innovation. In addition, IDB currently considers providing the Technical Assistance to National Bank of Kazakhstan to enhance Islamic Banking and Finance, especially with regard to the regulatory framework.

3.7 Financial Soundness

Despite the continuing effects of the global economic crisis and political uncertainties in several member countries, the IDB’s financial performance remained robust. Net income increased by 4.8% from ID109 million in 1432H to ID114 million in 1433H.

The IDB has a comprehensive risk management framework to address all types of credit, market and operational risks, with special attention on country and liquidity risk. To minimize its exposure, risk management policies, guidelines and practices are designed to manage credit risk arising from financing public and private sector clients, and minimize operational and market risk exposures, within approved limits. Monitoring portfolio quality is a key focus area of IDB’s risk management function, and is reflected in the regular assessment of the credit worthiness and repayment abilities of its member countries and other counterparts. Furthermore, adherence to risk management guidelines was closely monitored and the follow-up of project implementation was enhanced as part of an early warning system to preserve portfolio quality.

The IDB continues to maintain the highest credit ratings of “AAA” from Standard & Poor’s, Moody’s and Fitch Ratings, reflecting the strong support of its member

countries, its financial soundness and the conservative financial and risk management policies adopted. The Basel Committee on Banking Supervision has designated IDB as a 'Zero-Risk Weighted' Multilateral Development Bank (MDB). The Commission of the European Communities also designated IDB as an MDB eligible to benefit from a 'Zero-Risk Weight', as laid down in the relevant instruments of the European Union.

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

3.8 Special Programs/Funds

3.8.1 The Saudi Arabian Project for the Utilization of Hajj Sacrificial Meat (ADAH)

The IDB has been successfully managing the responsibility of ADAHI entrusted to it by the Government of Saudi Arabia since 1403H. The project serves Pilgrims during the Hajj period especially by performing, on their behalf, the rites of animal sacrifice. IDB oversees the utilization of meat in accordance with established religious norms. The meat is then distributed to the needy and poor in member countries. The pilgrims were able to buy their offerings online and the system enables the buyer to have the information on cell phones about the timing of their animal sacrifice. By the end of 1433H, the meat from nearly 16 million heads of livestock was distributed to more than 22 countries.

3.8.2 IDB Group Business Forum, "THIQAH"

IDB Group officially launched its Business Forum *THIQAH* in 1430H (2009). *Thiqah* means 'trust' in Arabic. *Thiqah* seeks to be a leading forum for business leaders committed to collaborating in investment opportunities. The forum promotes dialogue, inclusive cooperation, partnership and enhances interaction between IDB Group and the private sector.

The objectives of the *THIQAH* are as follows:

- Facilitate communication between IDB Group and the private sector in member countries;
- Encourage the private sector to participate in investments introduced by members of IDB Group and their partners;

- Leverage IDB Group competencies including knowledge, reputation, research, economic products and services, insurance and credit for exports in the promotion of investment in member countries; and
- Work closely with ITAP (Investment Promotion Technical Assistance Program) to promote new investment opportunities for investors in member countries.

In 1433H, *THIQAH* organized a number of events including: IDB Group Nigeria Business Forum; Invest in North Cyprus Forum; Malaysia IDB Group Investment Forum; Sarajevo Business Forum; International Investment Conference – Albania; Al-Baha Investment Forum – Saudi Arabia; IDB Group Private Sector Clients Day – Sudan; IDB Group Private Sector Day – Jordan; and IDB Group Private Sector Day – Cameroon.

3.8.3 Trust Funds Program

There were two (2) trust funds, namely Al-Aqsa Fund and Al Quds Fund established in 2000, as per an Arab Summit decision, with the aim of providing immediate response to the needs of occupied Palestinian people. With the IDB's increased intervention in emergency situations in the member countries, the Palestine-related trust funds together with the other fragility trust funds have subsequently been managed and supervised by a dedicated department known as Trust Funds department (TRF) since 2009.

As of first quarter of 1434H, the value of almost 300 approved programs and projects from the trust funds was more than USD1.8 billion, of which, over 95% was mainly allocated for various sectors of developmental projects in Palestine, and the remaining for re-development projects and sponsoring orphans in Banda Aceh, Indonesia.

For emergency relief caused by natural and man-made disasters, the implementation of the IDB assistance covered some West African countries (Benin, Burkina Faso, Niger, Senegal and Sierra Leone), Indonesia, Kyrgyzstan, Libya, Pakistan, Tajikistan, Kyrgyzstan, Libya and Syria.

3.9 Leveraging partnership

Given the mammoth challenges faced by IDB member countries, it has become increasingly important to strengthen and expand partnerships, especially among the donor community, to collectively address these daunting challenges. In this context, the IDB has been very active in leveraging partnership with the international organizations and Multilateral Development Banks.

3.9.1 Strengthening Cooperation with Multilateral Development Banks

(a) IDB and the World Bank

Cooperation between IDB and the World Bank began in earnest when IDB commenced operations. Cumulatively, co-financing targeted over 75 operations in 26 common member countries in Africa, MENA and Asia, in which the two institutions collectively provided over US\$4.1 billion of assistance, 20% of which was provided by IDB.

(b) IDB and the Asian Development Bank (AsDB)

Cumulatively, the two institutions have co-financed 28 operations worth over US\$10 billion in 9 common member countries with IDB and the AsDB contributing US\$1.1 billion and US\$2.7 billion, respectively.

(c) IDB and the African Development Bank (AfDB)

Collectively, the two institutions have supported 54 projects valued at over US\$21 billion in 15 common member countries, with IDB and AfDB providing US\$1.6 billion and US\$3.5 billion, respectively.

(d) IDB and the European Investment Bank (EIB)

The EIB is considered as one of IDB's earliest co-financing partners, given that it co-financed IDB's very first operation, Cameroun's Song-Loulou hydropower scheme, which was approved in 1396H (1976). Together, IDB and the European Investment Bank have supported 24 projects worth around US\$19 billion in 12 countries in Africa and Asia, and provided US\$1.7 billion and US\$3 billion, respectively.

3.9.2 Strengthening Partnership with the UN System

Cooperation between IDB and the UN System dates back to the inception of IDB. Since then this strategic partnership has grown steadily, as reflected by the numerous cooperation arrangements and MoUs concluded and implemented with several UN agencies, including FAO, IFAD, UNIDO, WHO, UNDP, UNESCWA, UNECA, UNESCAP, UNCTAD and WTO, to name a few. In 2007, IDB was granted observer status at the UN General Assembly.

3.9.3 Partnership with Other International Organizations/Bodies

G8 Deauville Partnership:

Following the 2011 political events in several Arab countries, the G8 requested the World Bank, African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB) and IDB to articulate a collective response to address the new challenges facing these

countries. The “MDB Action Plan” was subsequently submitted and endorsed by the G8 Summit held in May 2011 in Deauville, France. The G8 also initiated a long-term Partnership (which became known as the Deauville Partnership) to support historical changes in the Arab World through (i) a political pillar to support the democratic transition; and (ii) an economic pillar to support home-grown strategies for sustainable and inclusive growth.

The Deauville Partnership is basically a compact between the G8, regional partners (Kuwait, Qatar, Saudi Arabia, Turkey and UAE) and 10 IFIs (AfDB, Arab Fund, AMF, EBRD, EIB, IDB, IFC, IMF, OFID and World Bank) to support Arab countries in transition (presently, Egypt, Jordan, Libya, Morocco, Tunisia and Yemen). At a follow-up meeting of Deauville Partnership Finance Ministers held in September 2011 in Marseille, France the 10 IFIs endorsed the economic framework of the Deauville Partnership, which focuses on country-led programs in the following areas: (i) governance, transparency and accountability of economic activities; (ii) social and economic inclusion; (iii) economic modernisation and job creation; (iv) private sector-led growth; and (v) regional and global integration. In doing so, these IFIs decided to set-up a Coordination Platform, which also includes the OECD, to further leverage their collective resources and coordinate support to Arab countries in transition.

After consultation with the G8 Chair (US), IFIs selected IDB as host of the IFI Coordination Platform Secretariat as from September 2012. The Secretariat was officially taken over by the IDB Group on 12 September 2012 for a period of one year. The Secretariat led the IFI preparatory process and reporting to two major G8 Deauville Partnership events, namely, the G8 Deauville Partnership Foreign Affairs Meeting held on 28 September 2012 in New York during UN General Assembly, and the G8 Deauville Partnership Finance Ministers Meeting held on 12 October 2012 in Tokyo during the Annual Meetings of the IMF and World Bank Group, where the IDB presented an update and progress report on behalf of IFIs.

3.10 Promoting Excellence

In supporting research and development in various fields conducted by scholars in member countries and Muslim communities in non-member countries, IDB has been awarding prizes as follows.

3.10.1 IDB Prize for Women’s Contribution to Development

Since its inception, the IDB has been financing operations that have directly or indirectly benefited women. These operations cover various projects such as those aimed at providing women access to finance with a view to generating gainful productive activities that will improve their living conditions; education programs that can help correct the gender disparity in school enrolment; as

well as health programs that contribute to improving women's health and their ability to provide necessary basic health care to their children.

The seventh edition of the Prize for Women's Contribution to Development, which was devoted to "Promoting Women's Role in Finance and Economy" was awarded in 1433H. This Prize aims to recognize, encourage, inspire and reward women's participation in the socio-economic development process.

Additionally, the IDB intensified its efforts on mainstreaming gender into IDB's policies and programs. For this purpose, two experts from the African Development Bank were invited to deliver a training and knowledge sharing session on their institutional experience in mainstreaming gender into the operational activities. In this respect, it is also worth stressing that IDB approved, in 1433H, the inclusion of gender-disaggregated data in all its project documents for a better follow-up on the impact of the operations on women and men.

3.10.2 IDB Prize for Science and Technology

In 1433H, the tenth round of the IDB Prizes for Science and Technology was awarded. Three prizes are awarded on an annual basis to reward achievements in the following three categories: (1) outstanding science and technology contribution to social and economic development; (2) excellence in a given scientific specialty; and (3) best performing S&T centre in a least developed member country. The amount of each prize is US\$100,000.

The prize winners for 1433H (2012) were:

Category-1: Forest Research Institute Malaysia for its outstanding work in research and development of the forestry sector in Malaysia mainly in forestry and environment, forest biodiversity, forest products, forestry biotechnology and natural products.

Category-2: University of Agriculture Faisalabad Pakistan for excellence in scientific research in the area of agriculture. It is also one of the largest agricultural universities in Pakistan, and

Category-3: Senegalese Institute of Agricultural Research for making available a number of technological innovations in agriculture to farmers and helping to formulate economic and agricultural policies at national and sub-regional levels.

3.10.3 IDB Prize for Islamic Economics/Islamic Banking and Finance

The IDB Prize was established in 1408H (1988) and is awarded annually, alternating between Islamic Economics and Islamic Banking and Finance. In 1433H, IRTI awarded 6 new Scholarships for students doing MA and PhD studies and 2 Research Grants to non-student researchers. These were awarded

along with textbooks grants for university professors to produce university textbooks.

The IDB Prize in Islamic banking and finance for the year 1433H (2012) went to H. E. Tan Sri Dr. Zeti Akhtar Aziz, Governor, Bank Negara Malaysia, in consideration of her significant contributions, dedication and leadership in the development of Islamic banking & finance industry, Takaful sector and Shariah governance framework in Malaysia as well as globally; and in recognition of her very invaluable services in supporting Islamic Financial Services Board (IFSB), creating INCEIF and ISRA, setting up of Malaysia International Islamic Financial Centre (MIFC), and lately founding International Islamic Liquidity Management Corporation (IILM).

IV. CONCLUSION

Guided by its Vision and Mission, the IDB Group has over the past 39 years impacted positively the development efforts and interventions of its member countries and consequently the condition and wellbeing of the citizens of these member countries. The multitude of projects – past and present, implemented and on-going and supported by a quantum of resources - undertaken by the Group in member countries is a glowing testimony to the IDB Group's commitment to fulfilling its responsibility to its member countries.

Similarly, the importance of the Group's continuous efforts to promote Islamic Solidarity coupled with its relentless efforts to promote and internationalise the Islamic Banking and Finance Industry (through mutually beneficial linkages and partnerships with other international Financial Institutions and development partners) cannot be over-emphasised.

Suffice it to say that the last 39 years have witnessed remarkable interventions and progress in the development landscape of many, if not all, member countries and Muslim communities in non-member countries. This is all made possible by the continued guidance and support of the Board of Governors and the leadership and support provided by the Board of Directors and governments of member countries.

Annex-I: IDB Modes of Financing

Leasing (Ijara): This is a medium-to long-term mode of financing introduced in 1397H (1978), involving purchasing and subsequently transferring of the right of use of the equipment and machinery to the beneficiary for a specific period of time against payment of fixed periodic lease rentals, during which IDB retains the ownership of the asset.

Instalment Sale: Under this mode of financing, introduced in 1405H (1984), IDB purchases assets (machinery and equipment) and then sells them to the beneficiary at a higher price, the repayment being in instalments. Unlike leasing, ownership of the asset is transferred to the purchaser on delivery.

Loan: This mode, introduced in 1396H (1976), is a long-term financing for implementation of development projects, mainly in agriculture and infrastructure. It is concessionary in nature and different from that of other MFIs, extended to member countries for financing projects. It carries only a service fee intended to cover the actual cost of administering the loan.

Istisna'a: This is a medium-term mode of financing, introduced in 1416H (1996). It is a contract for production (including manufacturing, construction, assembling or packaging process) whereby the manufacturer (seller) agrees to provide the buyer with the goods identified by description, after they have been produced, in conformity with agreed specifications, within a set time-frame and for an agreed price.

Technical Assistance: This is the provision of technical expertise to assist in the preparation or implementation of a project or a policy. It can also help in the development of institutions or human resources. TA can relate directly to a project e.g. feasibility study, detailed design, supervision of implementation, pilot projects, etc. or be advisory in nature e.g. definition of policies, preparation of sectoral plans, institution-building, research, etc.

Equity Participation: Through this mode of financing, introduced in 1396H (1976), IDB participates in the share capital of various companies. However, the level of IDBs participation does not normally exceed one-third of the equity capital of the project.

Lines of Financing: IDB extends lines of financing to National Development Financing Institutions (NDFIs)/Islamic Banks, in member countries to promote the growth and development of small and medium scale enterprises in agriculture, industry, and manufacturing sector and infrastructure projects (except for the hotel and tourism industry and housing projects which may be objectionable from the Shariah point of view). The lines extended comprised: (a) Line of Leasing, (b) Line of Instalment Sale, (c) Line of Istisna'a, (d) Line of Equity, and (e) Combination of (a) to (d).

Mudaraba: In this form of partnership, one party provides the funds and the other provides the expertise and management. Any profits accruing are shared between the two parties on a pre-agreed ratio, while the capital loss is borne by the fund provider.

Murabaha: This is a sale contract between a buyer and a seller in which a seller purchases the goods needed by a buyer and sells the goods to the buyer on a cost-plus basis. Both the profit (mark-up) and the time of repayment (usually in instalments) are specified in an initial contract.

Annex-II: Contact Details				
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