



ISLAMIC DEVELOPMENT BANK

Islamic Development Bank Group in Brief



المعهد الإسلامي للبحوث والتدريب
Islamic Research & Training Institute



المؤسسة الإسلامية لتمويل التجارة والاستثمار والتجارة
The Islamic Corporation for the Development of Finance and Trade
Société Islamique d'Assurance des Banques et des Commerces et d'Éducation



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Islamic Development Bank
SOCIÉTÉ ISLAMIQUE POUR LE DÉVELOPPEMENT DU SECTEUR PRIVÉ



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ISLAMIC DEVELOPMENT BANK

ISLAMIC DEVELOPMENT BANK GROUP
IN BRIEF

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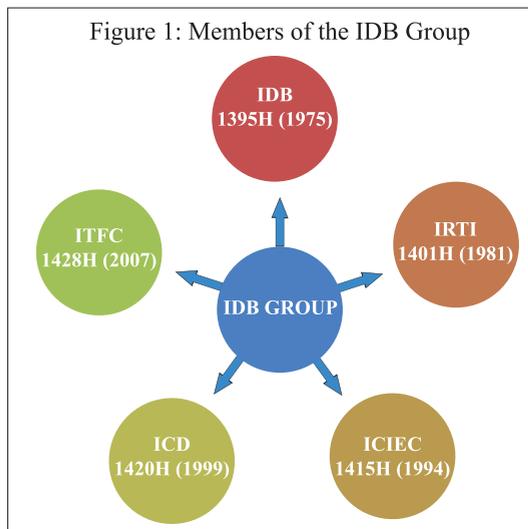
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I. INTRODUCTION

The Islamic Development Bank Group (IDB Group) is a south-south multilateral development financing institution comprising of five entities. They are: (i) Islamic Development Bank; (ii) Islamic Research and Training Institute; (iii) Islamic Corporation for the Insurance of Investment and Export Credit; (iv) Islamic Corporation for the Development of the Private Sector; and (v) International Islamic Trade Finance Corporation (Figure 1).

The IDB Group is engaged in a wide range of specialized and integrated activities, such as:

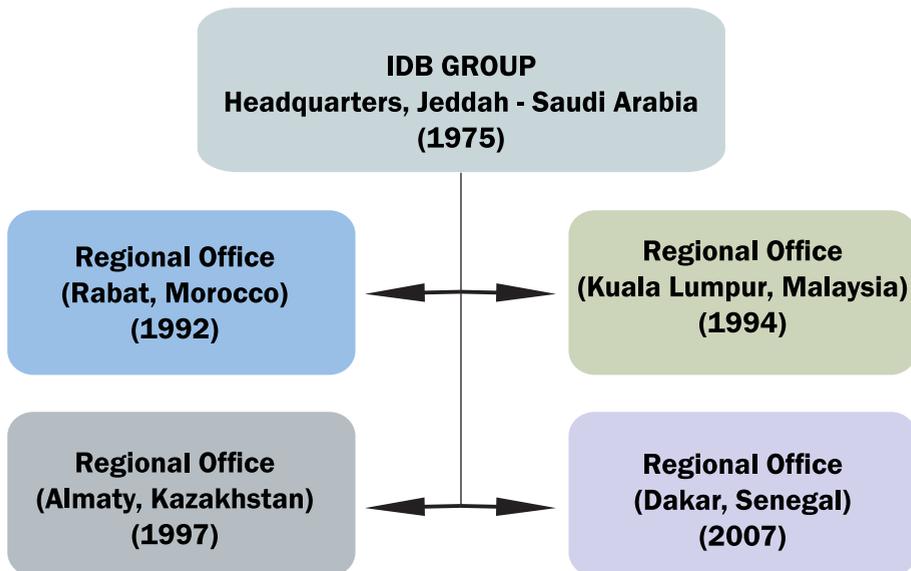


- Development assistance;
 - Resource mobilization;
 - Public and private sector financing;
 - Investment;
 - Trade financing;
 - Insurance services;
 - Information services;
 - Research and training in Islamic economics and banking;
 - Technical assistance for capacity-building;
 - Technical cooperation among member countries;
- Scholarships for students in member countries and Muslim communities in non-member countries;
 - Debt relief; and
 - Emergency relief.

IDB Group Offices

The IDB Group has its headquarters in Jeddah, Saudi Arabia. It also has four regional offices in Malaysia, Morocco, Kazakhstan and Senegal.

In addition, the Group maintains a number of field representatives in selected member countries.



Capital Structure

The capital structure of the IDB Group is shown in Table 1.

| Table 1: IDB Group Capital Structure | | | | | |
|---|---------------------|---------------------|---------------------|-----------------------|----------------------|
| Amount in (million) | | | | | |
| | | <i>IDB (ID)</i> | <i>ICD (\$)</i> | <i>ICIEC (ID)</i> | <i>ITFC (\$)</i> |
| Authorized Capital | 1430H | 30,000 | 2,000 | 150 | 3,000 |
| | <i>At inception</i> | <i>2,000</i> | <i>1,000</i> | <i>100</i> | <i>3,000</i> |
| Subscribed Capital | 1430H | 15,864 | 728.4 | 148.5 | 750 |
| | <i>At inception</i> | <i>750</i> | <i>350</i> | <i>68.8</i> | <i>500</i> |
| Paid-in Capital | 1430H | 3,640 | 401.6 | 73.3 | 659.2 |
| | <i>At inception</i> | <i>280</i> | <i>88.1</i> | <i>63.8</i> | <i>446.1</i> |
| Note: ID = Islamic Dinar which is equivalent to one unit of SDR \$=US Dollar | | | | | |

II. ENTITIES IN THE IDB GROUP



(a) Islamic Development Bank (IDB)

The IDB was established in 1395H (1975).

Membership:

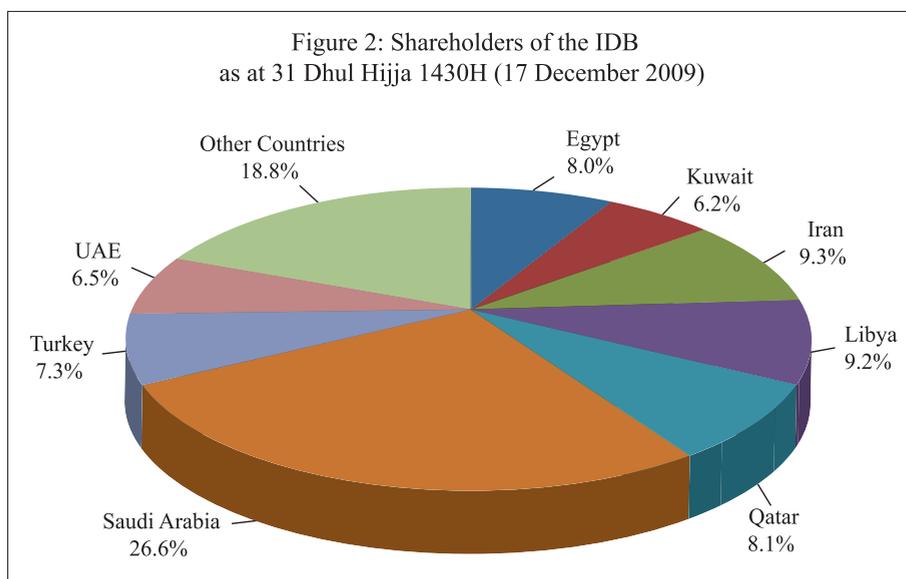
The Bank's membership is composed of 56 developing countries spanning over four continents- Africa, Asia, Europe and Latin America. To become a member, a country must fulfil certain criteria. First, the aspirant must belong to the Organization of the Islamic Conference (OIC); second, it should pay the first instalment of its minimum subscription to the capital stock of the IDB; third, it is obliged to accept the terms and conditions that may be decided upon by the Board of Governors of IDB.

Its objective is to:

To foster the economic development and social progress of its member countries and Muslim communities in non-member countries in accordance with the principles of Shari'ah (Islamic law).

Shareholders:

As of end 1430H (17 December 2009), the major shareholders of IDB are shown in Figure 2.





(b) Islamic Research and Training Institute (IRTI)

The IRTI was established in 1401H (1981).

Its objectives are to:

- (i) undertake research, training and knowledge-generation activities on Islamic economics, banking and finance;
- (ii) organize seminars and conferences on various subjects in collaboration with national, regional and international institutions; and
- (iii) undertake information management activities, such as development of information systems for use in the field of Islamic economics, banking and finance, and maintaining databases on experts, and trade information and promotion.

Research output:

This comprises research papers, background and discussion papers, seminar proceedings, lectures, and articles published in the IRTI journal “Islamic Economic Studies” (a bi-annual journal published in Arabic, English, and French).



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

The ICIEC was established in 1415H (August 1994).

Its objective is to:

Enhance trade transactions and flow of investments among member countries.

The ICIEC provides following services:

- export credit insurance and reinsurance to cover non-payment of export receivables resulting from commercial (buyer) and non-commercial (country) risks; and
- investment insurance and reinsurance against country risk, emanating mainly from foreign exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government.

As of end 1430H, the total insurance commitments of ICIEC reached \$7.9 billion and the total business insured amounted to \$6 billion.

ICIEC also manages the IDB Group Investment Technical Assistance Programme (ITAP), which was set up in 1426H (2005). The objective of ITAP is to develop the capacity of member countries so that they are able to attract foreign direct investment and support their efforts to improve investment and business climate.



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

The ICD was established in 1420H (November 1999).

Its objectives are to:

- support economic development of its member countries through provision of finance aimed at promoting private sector development in accordance with principles of the Shari'a; and
- provide advice to governments and private organizations to encourage the establishment, expansion and modernization of private enterprises.

Between 1420H and 1430H, ICD's net cumulative approvals reached 184 projects, totalling \$1.6 billion in 32 countries. The bulk of the financing targeted the industrial sector (32 percent); financial sector (28 percent); real estate (13 percent); and transportation sector (7 percent).

In order to consolidate the activities of the private sector under a single entity, the ICD took over the management of the Unit Investment Fund (UIF) in 1429H. UIF mobilizes resources through the securitization of its leases and instalment sales to assets. It also complements IDB's financing of projects and trade financing operations.

As of end 1430H, UIF financed 244 operations amounting to \$2.3 billion.



(e) International Islamic Trade Finance Corporation (ITFC)

The ITFC was established in 1426H (June 2005) and commenced operations on 1st Muharram 1429H (10 January 2008).

Its objectives are to:

- foster OIC member countries' trade and trade integration;
- provide innovative Sharia compliant solutions; and
- deliver fair returns for the shareholders.

Activities:

- Trade Finance;
- Trade Promotion and Facilitation;
- Capacity Building; and
- Development of Strategic Commodities

Since its inception in 1429H, the ITFC approved 146 trade finance operations in 31 OIC member countries for an amount of \$5.2 billion.

III. SPECIALIZED FUNDS/PROGRAMMES

(a) Waqf Fund

The Waqf Fund was established in 1399H (1979).

It is a trust fund aimed at catering to the needs of the Muslim communities and organizations in non-member countries and least developed member countries (LDMCs) with particular emphasis on social sector development.

(b) Awqaf Properties Investment Fund

The APIF was established in 1421H (February 2001).

Its capital stood at \$60.9 million as at end of 1430H with access a further to \$100 million IDB line of financing and a technical assistance pool of \$250,000 to be utilized for supporting the expansion of APIF activities.

In 1430H, the Fund approved 8 operations, amounting to \$156 million. Between 1421H and 1430H (February 2001 to December 2009), the APIF approved 37 operations, amounting to \$759.5 million.

(c) World Waqf Foundation

The Foundation was established in 1422H (September 2001).

Its objectives are to:

- promote and activate Awqaf with the view to contributing to the cultural, social and economic development of member countries and Muslim communities in non-member countries;
- alleviate hardship among the poor, as well as to sponsor and support Waqf organizations;
- support organizations, projects, programmes and activities in the educational, health, social, and cultural fields;
- provide support in the conduct of studies and scientific research in the field of Waqf; and
- assist countries and organizations in drafting Waqf legislations.

(d) IDB Infrastructure Fund

The Fund was established in 1422H (2001) with a focus on infrastructure development in member countries.

Its objectives are to:

- seek long-term capital appreciation by making equity and equity-related investments in infrastructure projects and infrastructure-related industries in IDB member countries; and
- promote the use of Islamic finance for such projects.

(e) Islamic Solidarity Fund for Development

Islamic Solidarity Fund for Development (ISFD) was established in 2006, and commenced its operations in Muharram 1429H (January 2008).

Its objectives are to:

- help combat poverty;
- address institutional and productive capacity bottlenecks; and
- eradicate illiteracy, diseases and epidemics in member countries, particularly in Africa.

By the end 1430H, the ISFD has financed 47 projects, amounting to \$548.9 million in various sectors in 27 member countries. The Fund has also launched two thematic programmes under Vocational and Literacy Programme for Poverty Reduction and Microfinance Programme for member countries in Africa.

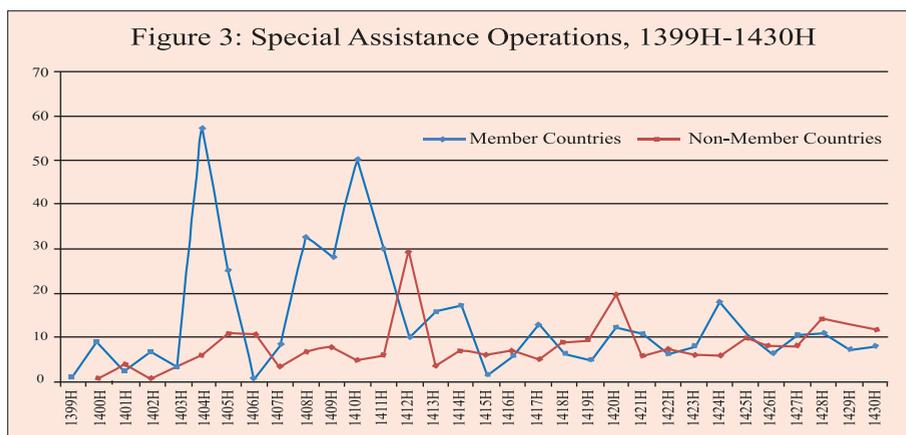
(f) Special Assistance Programme

This programme was launched in 1400H.

Its objectives are to:

- assist Muslim communities in non-member countries;
- help in developing and strengthening institutions involved in social services (education and health) aimed at improving wellbeing of the masses and preserve their Islamic and cultural identity; and
- alleviate the suffering of communities affected by natural disasters or conflicts in both member and non-member countries.

Up to the end 1430H, the Programme financed 1,315 operations, amounting to ID533.6 million (\$689.4 million). Of these, 492 operations amounting to ID345.9 million (\$437.7 million) were for member countries and 823 operations amounting to ID187.7 million (\$251.7 million) were for Muslim communities and organizations in non-member countries (Figure 3).



(g) Scholarship Programme

The IDB has three scholarship programmes. They are:

- (i) IDB Scholarship Programme for Muslim Communities (SPMC);
- (ii) Merit Scholarship Programme for High Technology (MSP); and
- (iii) M.Sc. Programme for Science and Technology (MPST).

Cumulatively, the total number of graduates under the three programmes has exceeded 6,000 from both the member and non-member countries.

IV. AFFILIATED INSTITUTIONS/SPECIAL PROJECTS

(a) Saudi Arabian Project for the Utilization of Hajj Meat

This project was established in 1403H (1983) when the Government of Saudi Arabia entrusted the management of the Programme to the IDB.

Its objective is to:

Assist pilgrims in performing the ritual in an organized, hygienic and orderly manner. The project serves pilgrims by performing, on their behalf, the slaughtering of animals and related services. The IDB oversees the utilization of the sacrificial meat in accordance with Shari'ah requirements. The meat is distributed to the poor and the needy in Saudi Arabia and member countries, and Muslim communities in non-member countries.

In 1430H, meat from an estimated 873,255 sacrificial animals (sheep, cows and camels) was distributed to the needy in the Haram area in Makkah Al-Mukarrama and to countries around the world.

(b) International Centre for Biosaline Agriculture

The U.A.E. based Centre was established in 1420H (1999) as a non-profit international applied research and development centre to promote agricultural development in arid and semi-arid areas affected by salinity.

Its objective is to:

Conduct applied research in agricultural development in member countries facing water shortages, aridity, and harsh climatic conditions.

The Centre presently engages in various projects, including:

- (i) a national project to develop a comprehensive strategy to use municipal and industrial waste waters;
- (ii) a national strategy to combat salinity and protect water resources from pollution and salinity in Oman; and

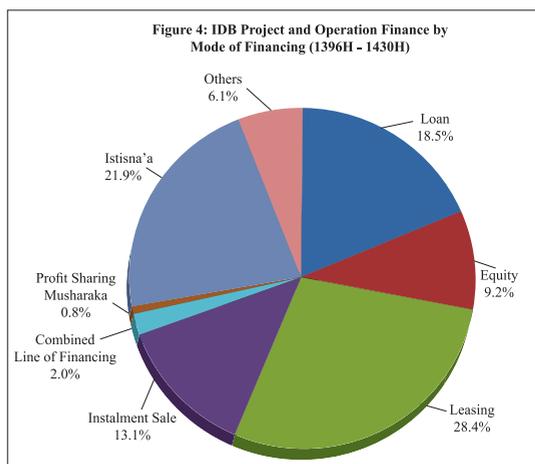
- (iii) a project on developing methodologies to improve irrigation management for salinity control and crop varieties for salt-affected areas in Iraq in collaboration with the International Centre for Agricultural Research in the Dry Areas (ICARDA), the International Water Management Institute (IWMI) and Iraqi partners.

V. OPERATIONAL ACTIVITIES AND MAJOR ACHIEVEMENTS OF THE IDB GROUP

(a) Operational Activities of the IDB Group

In 1430H, the IDB Group financed 457 operations for ID4,720 million (\$7,253.8 million) in both member and non-member countries, an increase of 29 percent from 1429H. Cumulatively, IDB Group’s net financing operations at the end of 1430H reached ID45.5 billion (\$63.9 billion) for 6,507 operations. The IDB Group financing activities are dominated by trade financing, which accounts for more than 54 percent of total financing, followed by project financing (44 percent), and technical, and special assistance (1 percent each).

Regarding the modes of project financing in the IDB Group, leasing, cumulatively, was the predominant mode representing (28.4 percent), followed by Istisna’a (21.9 percent), Loan (18.5 percent), Instalment Sale (13.1 percent), Equity (9.2 percent) and other modes (6.1 percent).

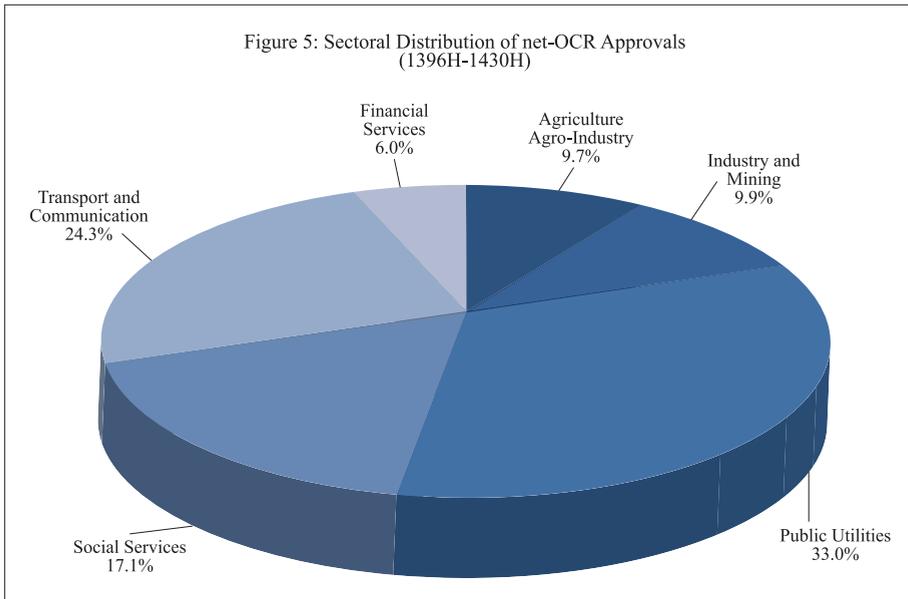


(Figure 4).

At the IDB level, sectoral distribution of the OCR financing since inception, in terms of value, shows that public utilities accounted for 33 percent, followed by transport and communication (24.3 percent), social services (17.1 percent), industry and mining (9.9 percent), agriculture (9.7 percent) and financial sector (6 percent). (Figure 5).

(b) Special Programme for the Development of Africa

The SPDA was launched in 1429H as an offshoot of the Ouagadougou Declaration. It is a five-year programme (2008-2012) with an allocation of \$4 billion for the benefit of African member countries in areas of agriculture and food security, water and sanitation, energy, transport, infrastructure, education system, health, and the fight against communicable disease.



Its objectives are to:

- contribute effectively to poverty alleviation; and
- promote sustainable economic growth and support regional integration.

Cumulative approval for this programme (1429H-1430) amounted to \$1.49 billion for 162 operations, representing 37 percent of the SPDA's allocation.

(c) Jeddah Declaration

During 1429H, the IDB adopted the Jeddah Declaration in response to the global food crisis, which severely affected most IDB member countries. In the Declaration, the Bank committed \$1.5 billion over five years to assist affected member countries strengthen their food security and revitalize their agriculture sector. Under the Initiative, the IDB Group chalked up the following plans:

- Loan of \$70 million annually for five years, and Ordinary Financing of \$90 million per annum with a 20 percent yearly increase for five years, making a total contribution of \$1.05 billion from the Ordinary Capital Resources (OCR) of the IDB;
- ITFC is to contribute \$50 million annually (a total of \$250 over five years) to finance import of food items, animal feeds, seeds, fertilizers and pesticides;
- ICD is to contribute \$40 million annually (\$200 million in total for the entire period of the programme); and
- ICIEC is to support the projects through insurance and investment promotion in the agriculture sector.

As of end 1430H, the IDB Group approved a total of \$357.454 million, representing 24 percent of the targeted amount.

(d) Other Major Achievements of IDB Group

(i) Maintaining Highest Rating

In 1430H, the Standard & Poor's gave its highest ratings for the seventh consecutive year to the IDB; "AAA" for long-term and "A-1+" for short-term with "stable" outlook. The Bank has also maintained the Moody's Investors Services highest rating of "AAA" for long-term and "P-1" for the short-term foreign currency issuer with a "stable" outlook for the fourth consecutive year. In addition, the IDB maintained the highest ratings assigned by Fitch Ratings "AAA" for the long-term and "F1+" for the short-term foreign currency issuer with a "stable" outlook. These ratings confirm, inter alia, the financial soundness of the IDB, which underscores IDB's prudent financial policies and very low risk profile.

(ii) Contribution to the Establishment of Islamic Financial Architecture

The IDB Group has assisted in establishing the following institutions: Accounting and Auditing Organization for Islamic Financial Institutions; Islamic Financial Services Board; General Council of Islamic Banks and Financial Institutions; Islamic International Rating Agency; Liquidity Management Centre; International Islamic Financial Market; and International Islamic Centre for Reconciliation and Commercial Arbitration.

(iii) IDB Group Reform

The Bank has successfully completed Phase-I of its reform agenda and is currently implementing Phase-II. Phase I covered: (i) Medium-term IDB Group Strategy; (ii) Organizational Structure; and (iii) Staff Renewal., Phase II will cover: (i) Operations Policies; (ii) Human Resource Development Policies (People and Skills); (iii) Business Processes; and (iv) Knowledge Management.

The main objective of the reform is to reposition the Group so that it remains relevant and is able to respond effectively and efficiently to the developmental challenges arising from the environment in which it operates and those from member countries and Muslim communities worldwide.

(iv) IDB Group Strategic Focus

The IDB Group has developed a medium-term strategy (1431H-1433H), which focuses on four priority areas: (i) comprehensive human development and poverty reduction; (ii) infrastructure development; (iii) economic cooperation and regional integration; and (iv) Islamic financial services, and two cross-cutting themes, private sector development and capacity building. The purpose of the new strategy is to optimize the Group synergy and partnerships to leverage the resources, and the impact of its operations in member countries.

| APPENDIX: Country Membership of IDB Group | | |
|--|-----------------------------------|---|
| Entity | Number of Member Countries | Names of Member Countries |
| IDB | 56 | Afghanistan, Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen. |
| ICD | 48 | Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Chad, Djibouti, Egypt, Gambia, Guinea, Guinea-Bissau, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Mozambique, Niger, Nigeria, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen. |
| ICIEC | 37 | Algeria, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Chad, Djibouti, Egypt, Gabon, Gambia, Guinea, Indonesia, Iran, Jordan, Kazakhstan, Kuwait, Lebanon, Libya, Malaysia, Mali, Mauritania, Morocco, Niger, Nigeria, Pakistan, Qatar, Saudi Arabia, Senegal, Sudan, Syria, Tunisia, Turkey, Uganda, United Arab Emirates and Yemen. |
| ITFC | 37 | Algeria, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Cote D'Ivoire, Djibouti, Egypt, Gambia, Gabon, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Malaysia, Mauritania, Morocco, Mozambique, Niger, Nigeria, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Somalia, Sudan, Syria, Tunisia, Turkey, U.A.E., Uganda, and Yemen. |

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