



ISLAMIC DEVELOPMENT BANK GROUP *in Brief*

Information Brochure

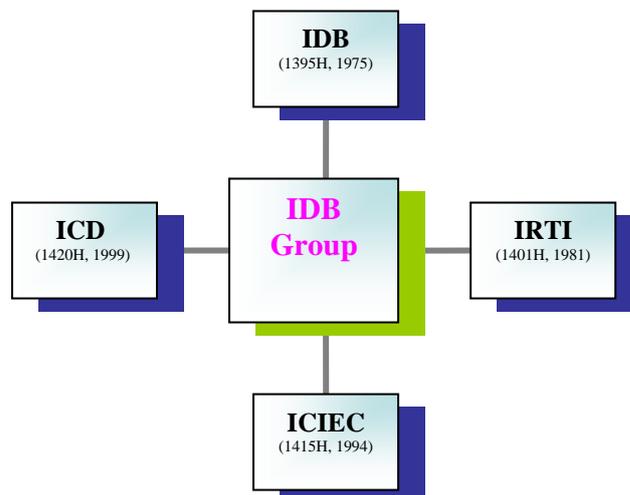
1425H (2004)

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1. INTRODUCTION

The Islamic Development Bank (IDB) Group is a multilateral development financing institution comprising four different entities: the Islamic Development Bank (**IDB**), the Islamic Research and Training Institute (**IRTI**), the Islamic Corporation for the Development of the Private Sector (**ICD**), and the Islamic Corporation for the Insurance of Investment and Export Credit (**ICIEC**). The four entities, with IDB as the flagship, were established at different times in the history of the Group, each with its establishing instrument, objectives and operational modalities but sharing a common vision and mission statements.



IDB Group's Vision and Mission Statements

Vision

To be the leader in fostering socio-economic development in member countries and Muslim Communities in conformity with *Shari'ah* (Islamic law).

Mission

Committed to alleviating poverty, promoting human development, science and technology, Islamic economics, banking and finance, and enhancing cooperation amongst member countries with our development partners.

The purpose of the IDB is to foster the economic development and social progress of its member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of *Shari'ah*. However, as a result of expansion and growth over the years, the IDB evolved into a Group engaging in a wide range of specialized and integrated activities such as:

☞	Resource mobilization
☞	Public and private sector financing
☞	Investment
☞	Trade (and intra-trade) financing
☞	Insurance services
☞	Physical and Social sector financing
☞	Research and training in Islamic economics and banking
☞	Technical assistance support for capacity building
☞	Technical co-operation among member countries
☞	Scholarships for member countries and Muslim communities
☞	Emergency Relief

The IDB Group is headquartered in Jeddah (Saudi Arabia) with three regional offices in member countries: Almaty (Kazakhstan), Kuala Lumpur (Malaysia), and Rabat (Morocco). It also has field representatives in eight member countries: Guinea, Indonesia, Iran, Kazakhstan, Libya, Pakistan, Senegal and Sudan.

Any country interested in the membership of the entity of the IDB Group is required to fulfil three conditions namely, membership of the Organization of the Islamic Conference (OIC), payment of its contribution to the capital of the entity, and acceptance of the terms and conditions that may be decided upon by the entity's Board of Governors. (See Appendix for countries in the membership of the IDB Group)

As at the end of 1424H (21 February, 2004), the IDB Group had a total number of 881 staff members comprising 408 professionals, 65 special category, 328 general category and 79 manual category employees.

2. ENTITIES IN THE IDB GROUP

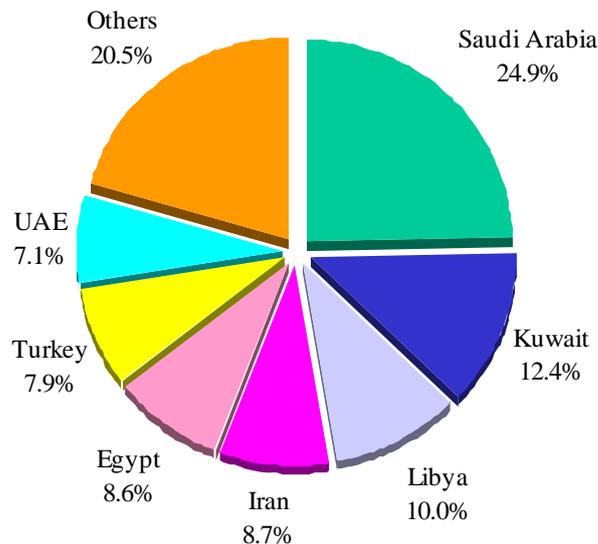
2.1 ISLAMIC DEVELOPMENT BANK (IDB)

The IDB is the flagship of the Group and was established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Qa'adah 1393H (December 1973). In Rajab 1395H (July 1975), the Inaugural Meeting of the Board of Governors of the IDB took place and on 15 Shawwal 1395H (20 October 1975) the IDB formally commenced operations.

The purpose of the IDB is stated on page 1. Its functions, however, are to participate in equity capital and grant loans for productive projects and enterprises besides providing financial assistance to member countries in other forms for economic and social development. The IDB is also required to establish and operate special funds for specific purposes including a fund for assistance to the Muslim communities in non-member countries, in addition to setting up trust funds which are detailed in Section 5.

In the Board of its Executive Directors, there are seven permanent members from countries shown in the chart below.

Major Shareholders of the IDB



2.2 ISLAMIC RESEARCH AND TRAINING INSTITUTE (IRTI)

Established in 1981 (1401H), the IRTI undertakes research, training and information activities on economic, financial and banking issues. It organizes seminars and conferences on various subjects in collaboration with national, regional and international institutions. It also undertakes information activities such as development of information systems for use in the field of Islamic economics, banking and finance; maintain a database on experts, trade information and promotion system.

The research activities of IRTI include organizing and conducting basic and applied research with a view to developing models and methods for the application of *Shari'ah* in the fields of economics, banking and finance. IRTI also develops the capabilities of personnel in Islamic economics to meet the research and training needs of *Shari'ah* observing institutions in member countries. Its research output takes various forms, such as in-house research papers, background and discussion papers, seminar proceedings, books of readings, lectures, translations and articles published in the IRTI journal "*Islamic Economic Studies*" which is a refereed bi-annual journal published in Arabic, English and French.

2.3 ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (ICIEC)

The ICIEC was established on 24 Safar 1415H (1st August 1994) to enlarge the scope of trade transactions and the flow of investments among member countries. In pursuit of this objective, the ICIEC provides, in accordance with the principles of *Shari'ah*, export credit insurance and reinsurance to cover the non-payment of export receivables resulting from commercial (buyer) and non-commercial (country) risks. It also provides 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.

INSURANCE FACILITIES OF ICIEC

a. Export Credit Insurance Services

- Comprehensive Short-Term Policy
- Supplemental Medium Term Policy
- Bank Master Policy
- Documentary Credit Insurance Policy
- Single Transaction Policy

b. Investment Insurance Services

- Investment Insurance Policy (IIP)

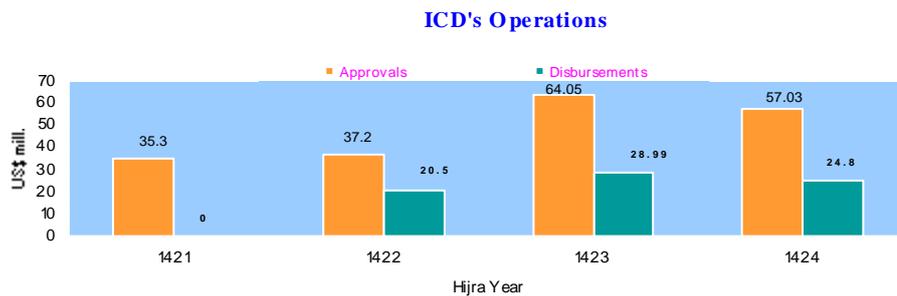
c. Reinsurance Facility

The shareholders of ICIEC comprised 34 IDB member countries and the IDB itself alone contributing 50% of the capital. ICIEC commenced business in 1416H (1995) with three types of insurance policy, since then it has introduced new products, services, and facilities.



2.4 ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR (ICD)

Founded in Rajab 1420H (November 1999), the ICD promotes the development of the private sector in member countries. Its objectives are to identify opportunities in the private sector that could function as engines of growth; provide a wide range of productive financial products and services; mobilize additional resources for the private sector in member countries, and encourage the development of Islamic financing and capital markets.



The breakdown of the authorized capital of ICD is as follows: Islamic Development Bank (50%), member countries (30%), and public financial institutions of member countries (20%). As of end-1424H (21 Feb. 2004), the membership of the ICD comprised 42 member countries, the IDB, and 5 public financial institutions. In addition, seven (7) IDB member countries have already signed the Articles of Agreement but are yet to ratify them.

ICD's FINANCIAL PRODUCTS & SERVICES

- a. Direct Financing
- b. Lines of financing
- c. Asset Management
- d. Structured Finance
- e. Advisory Services

3. SALIENT CHARACTERISTICS

The IDB Group is a unique multilateral financial institution in the sense that:

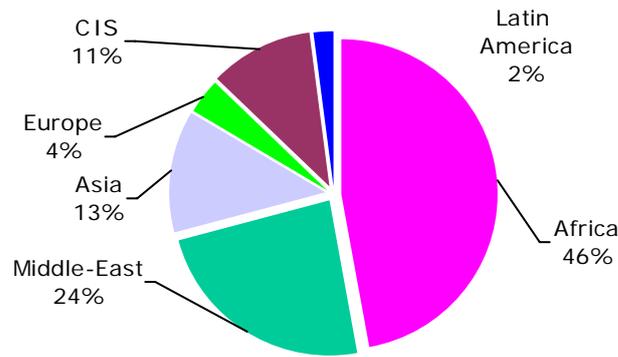
- ☞ It uses modes of finance that are only *Shari'ah*-compatible for its operations.
- ☞ All its members are from developing countries. Accordingly, it uses the resources from the member countries that are better off to assist those that are less well off, thus making the IDB Group a model institution for South-South cooperation.

4. ACHIEVEMENTS

Some of the major achievements of the IDB Group since inception are as follows:

- ☞ **Significant growth in membership:** IDB-from 22 to 55 countries; ICD-from 25 to 42 countries plus IDB and 5 financial institutions; and ICIEC-from 13 to 34 countries plus IDB (as at July, 2004).
- ☞ **Membership of the flagship entity (IDB) is global**, spreading across Africa, Asia, Europe and South America.

Regional distribution of IDB membership



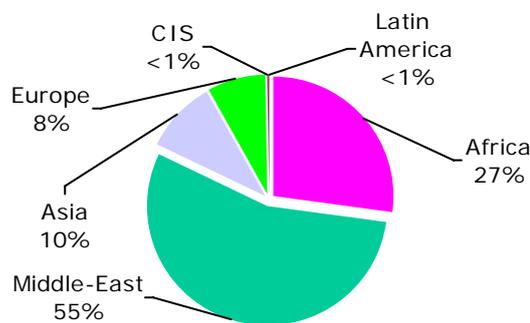
☛ **Substantial growth in capital:** Authorized, issued, subscribed and paid-up capital have increased considerably.

	<i>IDB</i>	<i>IRTI</i>	<i>ICD**</i>	<i>ICIEC</i>
<i>Authorized Capital</i>	15.00 B.	--	675.24 M.	100.00 M.
<i>Subscribed Capital</i>	7.96 B.	--	337.62 M.	96.99 M.
<i>Paid-up Capital</i>	2.72 B.	--	185.29 M.	72.43 M.

* M. = Million B. = Billion
 ** ICD's amount is denominated in US\$ but converted to ID at 1ID=US\$1.48095 which is the exchange rate of 9 July 2004.

The regional distribution of the IDB paid-up capital is as follows:

Regional Paid-up structure of IDB



- ☞ **Systematic increase in the number of Islamic modes of finance:** From three modes in 1975 to 12 by 2004.

1976	Loan, Equity, & co-financing
1977	Leasing & IFO
1978	Profit-Sharing
1985	Installment Sale
1987	Export Financing scheme
1996	Istisna'a
1999	2 Step-Murabaha
2003	Structured Trade Financing
2004	Build, Operate, Transfer (BOT)

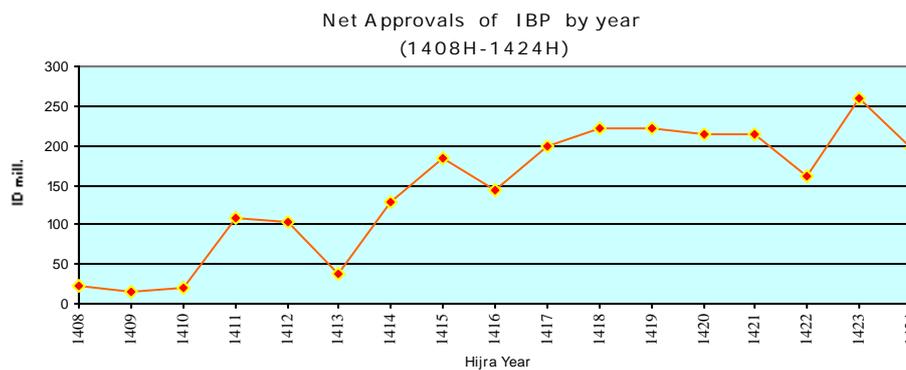
- ☞ **Substantial growth in operations/sectoral financing:** Net approval of IDB Group (excluding ICIEC operations) from inception up to the end-1424H (21 February, 2004) amounted to ID 26.1 billion (US\$ 34.2 billion) for 4,400 operations in all sectors of member countries' economies, of which ID 18.1 billion (US\$ 23.8 billion) has been disbursed.
- ☞ **Assigned AAA long term rating** with a stable outlook to IDB by Standard and Poor's in December 2002.
- ☞ **Classified as a zero-risk weighted multilateral development bank** under the new Basel Capital Accord by the Bank for International Settlement in April 2003.
- ☞ **Mobilized resources through *Sukuk*** totalling US\$ 400 million from the international financial market.
- ☞ Formulated new mission, vision statements, and a strategic framework for the IDB Group.
- ☞ Issued the Ouagadougou Declaration in support of the NEPAD initiative of the African Union in Sha'aban 1423H (October 2002) and committed US\$2 billion to projects in African LDMCs over a five-year period. The target amount of US\$ 295 million for project financing for 1424H was exceeded by 19%.
- ☞ Increased collaborative financing with other development partners: Co-financed projects with the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the African Development Bank, Saudi Fund for Development, ECOWAS Fund, and the Arab Coordination Group (OPEC Fund, Arab Funds, BADEA etc.)

- Assisted in the establishment of a number of institutions with the objective of enhancing the regulatory framework and supervision of the Islamic Banking Industry such as (i) the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), (ii) the Islamic Financial Services Board (IFSB), (iii) the General Council of Islamic Banks and Financial Institutions (GCIBFI), (iv) the Islamic International Rating Agency (IIRA), (v) Liquidity Management Center (LMC), (vi) the International Islamic Financial Market (IIFM), and International Islamic Center for Reconciliation and Commercial Arbitration (IICRCA).

5. SPECIALIZED FUNDS

5.1 ISLAMIC BANKS' PORTFOLIO FOR INVESTMENT AND DEVELOPMENT (IBP)

Islamic Banks' Portfolio for Investment and Development (IBP) is a trust fund established under Article 23 of the Articles of Agreement of IDB and pursuant to the Memorandum of Understanding signed by the Islamic banks in 1407H (1987). Its objective is to mobilize the liquidity available with Islamic banks and financial institutions and the savings of individual investors and channel them to finance trade of member countries.

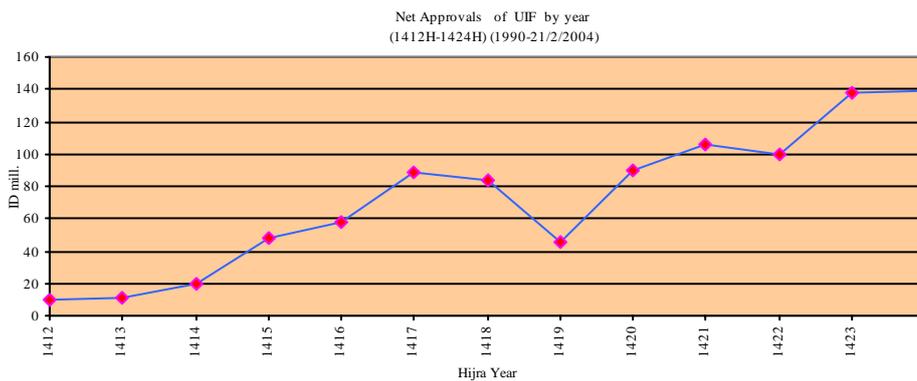


The IDB, as a Mudarib, manages the operations of the IBP which include trade, leasing, instalment sale, equity, investment, profit-sharing, and syndication.

The IBP has a fixed paid-up capital of US\$100 million and a variable authorized capital of US\$280 million. Up to the end of 1424H, IBP financed 214 operations for US\$ 3.4 billion (ID 2.5 billion) in 24 IDB member countries. Pakistan and Turkey are the largest beneficiary receiving 40 operations each at US\$ 1.2 billion and US\$ 453 million respectively.

5.2 UNIT INVESTMENT FUND (UIF)

The Unit Investment Fund (UIF) was established in 1989 (1410H). Its objective is to participate in the economic development of the IDB member countries through pooling of the savings of institutional and individual investors and investing these savings in both the IDB member countries and other countries. The IDB manages the fund as a Mudarib according to the regulations governing the Fund.



The capital of the UIF has increased from US\$ 100 million to US\$ 325 million. Twenty-seven institutional investors from 11 countries have subscribed to the Fund, which is listed on the Bahrain Stock Exchange.

Since its inception up to the end of 1424H, the Fund financed 144 projects amounting to US\$1.3 billion (ID 936 million) in 22 IDB member countries. The three largest beneficiaries of the Fund are Pakistan (US\$ 263 million for 31 operations), Turkey (US\$ 122 million for 20 operations), and Iran (US\$ 157 million for 15 operations).

5.3 INFRASTRUCTURE FUND (IIF)

Based in Bahrain, the Infrastructure Fund (IIF) was established in 1998 as the first-of-its kind private investment vehicle that focuses on infrastructure development in IDB 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 to promote the use of Islamic financing in infrastructure projects. The IIF provides attractive opportunity for governments and private investors to participate in a diversified group of profitable infrastructure projects.

The IIF is a limited partnership with Equity Capital targeted at US\$1 billion and a Complementary Financing Facility (CFF) of US\$ 500 million. However, US\$ 730.5 million of equity funds and US\$ 200 million of CFF have been raised.

The sectoral focus of the Fund is on power generation, telecommunication, transportation, energy, natural resources, petrochemicals, water and other infrastructure-related sectors, as well as private Islamic financial and capital market institutions. So far, the Fund has invested US\$ 208 million in five equity-related projects in member countries.

5.4 AWQAF PROPERTIES INVESTMENT FUND (APIF)

The Awqaf Properties Investment Fund (APIF) is a close-ended investment fund established in 1422H under Articles 2 and 23 of the Articles of Agreement of the IDB and pursuant to the Memorandum of Understanding between the Bank and Awqaf Ministries and Institutions of Islamic countries.

Its objective is to invest in financially viable projects for the development of awqaf real estate properties in the member countries and other countries. The Fund has been established for an extendable period of thirty years, unless terminated earlier, in accordance with the conditions laid down in its Regulations. The Fund is managed by the IDB as Mudarib.

The APIF has a subscribed capital of US\$ 56 million and a paid-up capital of US\$ 33.6 million. It has 13 participating institutions including the IDB, ministries of Awqaf, Waqf organizations and Islamic banks. Since inception, the Fund has financed 24 operations (11 for development of Awqaf and 13 for the management of the Fund's liquidity) totalling US\$ 93.3 million (ID 63.4 million) in 16 countries.

5.5 WORLD WAQF FOUNDATION (WWF)

The World Waqf Foundation (WWF), whose by-laws were adopted by the IDB's Board of Executive Directors at its 204th session held in Jumada II 1422 (September, 2001) was created to achieve the following objectives: (i) to support the establishment of a network of waqf institutions that would perform *Shari'ah*-compatible charity activities, (ii) to sponsor and support waqf institutions, coordinate their activities and provide them with expertise, (iii) to extend assistance to students and provide scholarships in disciplines that can fulfill the needs of the Ummah, (iv) to establish and support educational, health and social institutions and programmes, (v) to contribute to the alleviation of poverty so as to enable peoples of the world overcome hardship and build their capabilities, (vi) to provide relief aid in the form of goods and services, and (vii) to help IDB member countries to enact uniform waqf legislations.

The IDB has allocated US\$ 25 million as an initial Waqf contribution to the WWF's Waqf assets. The proceeds of the contribution would be utilized to fund educational projects of the Muslim communities in India.

The WWF is under the direction of a board composed of individual participants (*Waqifs* "Endowers") with at least a Waqf contribution of one million US\$ Dollar. This Board of Waqifs resembles a general assembly which elects a Board of Trustees that resembles a board of directors for the WWF.

6 AFFILIATED INSTITUTIONS

6.1 INTERNATIONAL CENTER FOR BIOSALINE AGRICULTURE (ICBA)

The ICBA was established in Dubai (United Arab Emirates) in September 1999 as a non-profit international agricultural applied research and development (R&D) centre. The ICBA was established with funding from the IDB and additional support from the OPEC Fund, the Arab Fund for Economic and Social Development, the Government of the United Arab Emirates, through its Ministry of Agriculture and Fisheries, and the Municipality of Dubai.

Its mandate is to develop sustainable agricultural management systems to irrigate food and forage crops and ornamental plants with saline water and to provide a resource of salt-tolerant plants for socio-economic development in arid and semi-arid areas and salt-affected areas of the Islamic World and elsewhere. The

ICBA's R&D PROGRAM

1. Plant Production and Management Systems
2. Genetic Resources
3. Information Management and Networking
4. Training & Extension.

Center, which was earlier called the "Biosaline Agriculture Center", is initially focusing on forage production systems and ornamental plants in countries of the Gulf Cooperation Council and other parts of the Islamic World. The technologies that the ICBA develops will be of value globally and wherever farmers face problems of saline soils or irrigation with salty water. Thus, the focus of the ICBA is to generate new knowledge and technology in saline irrigated agriculture as well as to collect, synthesize and disseminate information in this field.

In 1424H, ICBA mobilized resources totalling US\$ 0.7 million for research projects and training activities. In addition, considerable progress was made during the year to develop a four-year US\$ 3.79 million proposal to grow forage crops with saline water on marginal land in 6 countries in the West Asia and North Africa regions for submission to selected donors for funding.

6.2 OICNETWORKS

The OICnetworks SDN BHD (OICnetworks) was incorporated in Muharram 1421H (April 2000) as a joint venture company owned by IDB (51 per cent) and the MIMOS Bhd of Malaysia. The company became operational in Dhul-Qada 1421H (February 2001).

The primary activities of OICnetworks are information services, E-commerce, internet connectivity, and consultancy services.

Together, the IDB and MIMOS have pledged a total investment of US\$14.5 million over a period of four years.

OICnetworks activities

1. OIC Exchange

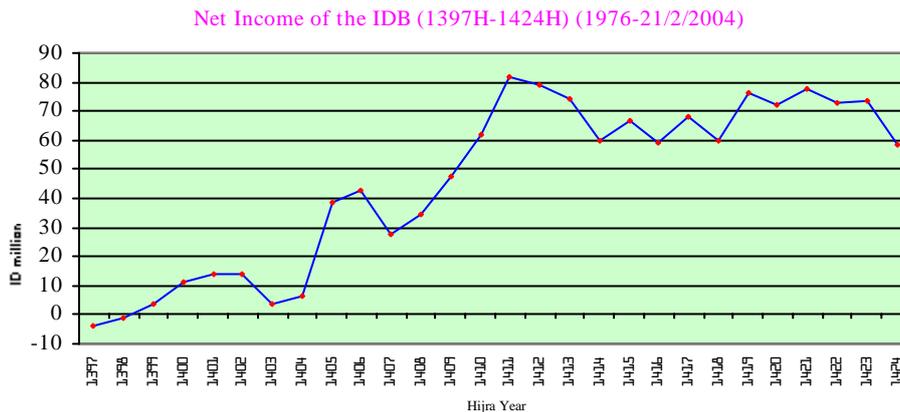
The OICexchange.com was launched in Jummad-I 1422H (August 2001) as a community portal to provide information and services to the OIC member countries.

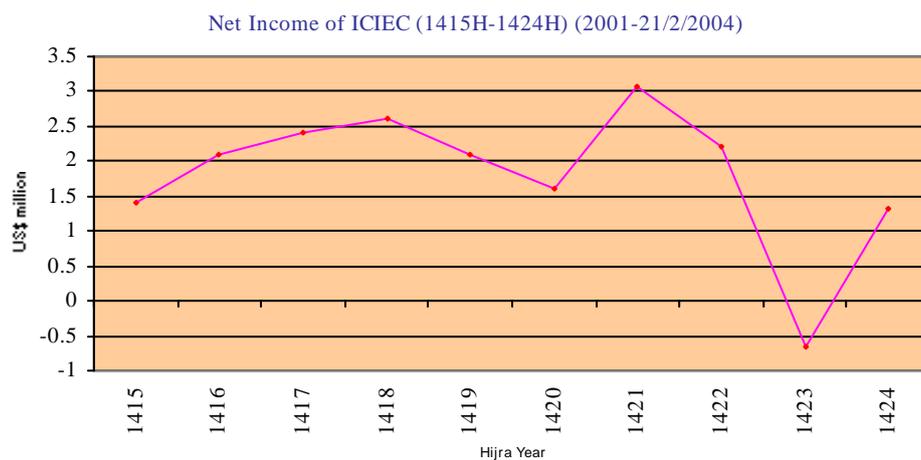
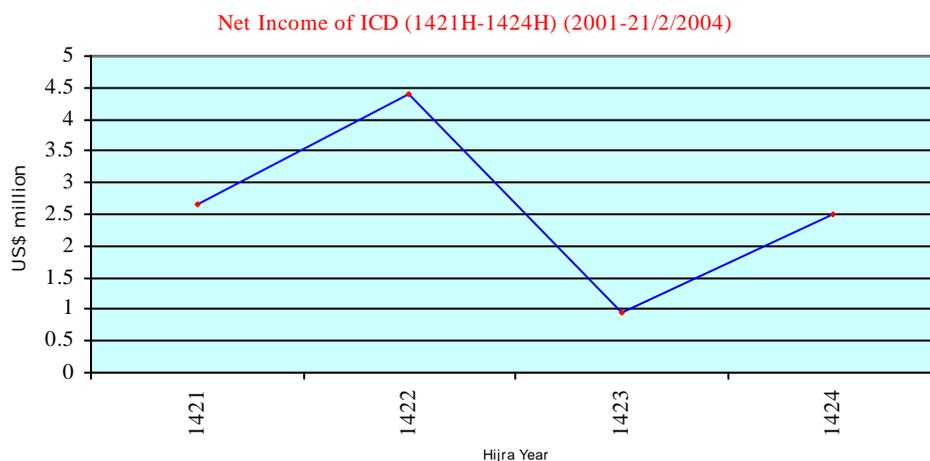
2. OIC Trade

The OICTrade was set-up in Sha'baan 1422H to enhance and facilitate trading between buyers and sellers, especially within the OIC market, via the Internet platform.

7. FINANCIAL POSITION OF IDB GROUP

The net incomes of IDB, ICD and ICIEC are shown respectively in the following charts.

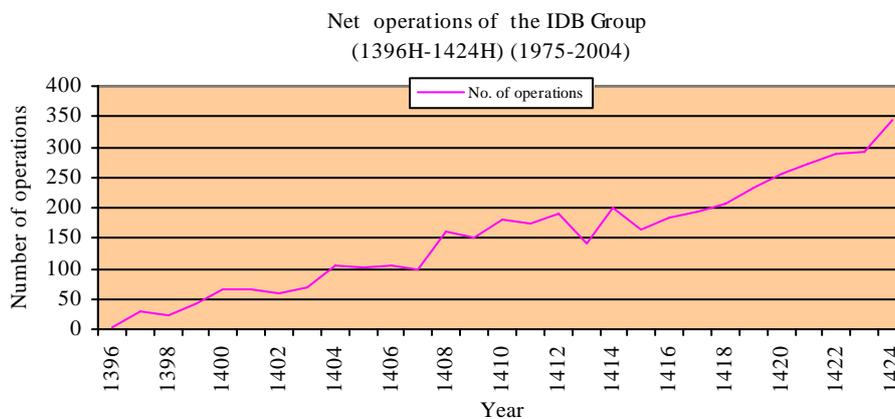




👉 The total assets of the IDB Group have increased significantly: IDB- from ID 445 million in 1396H to ID 4.5 billion in 1424H, ICD- from US\$ 91 million in 1421H to US\$ 286 million in 1424H, and ICIEC- from US\$ 105 million in 1415H to US\$ 140 million in 1424H.

8. OPERATIONAL ACTIVITIES OF THE IDB GROUP

- ▶ During the period 1396-1424H, the IDB Group (excluding ICIEC for reason of its distinctiveness) financed 4,400 projects for US\$ 34.2 (or ID 26.1) billion; of which, in monetary terms, IDB's net financing represented 99.5 per cent (or US\$ 34.1 billion) with ICD accounting for the remaining 0.5 per cent (US\$ 185 million).



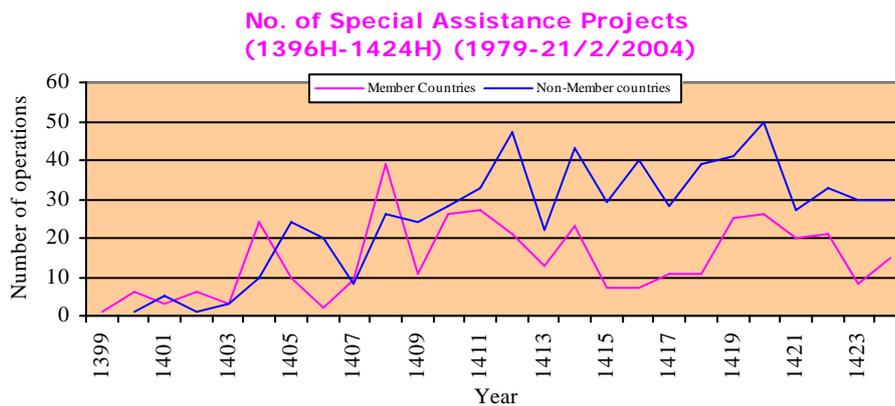
- ▶ In terms of the broad category of operational activities of the IDB Group, trade financing operations (in monetary terms) represented 61 per cent of the net approvals, project financing 36 per cent, technical assistance 0.5 per cent, and special assistance operations 2 per cent.
- ▶ Mode-wise, *Murabaha* accounted for 61 per cent of net approvals, followed by Leasing 10 per cent, Loan 9.6 per cent, Installment Sale 7 per cent, and *Istisna'a* 5 per cent. The remaining modes accounted for less than 5 per cent each.
- ▶ Sectoral projects allocation of IDB Group financing (excluding ICIEC and trade financing activities) shows that, in monetary terms, Public utilities and Social Services received 25 per cent each, while 17 per cent went to Transport and Communication, 12 per cent to Agriculture, and 11 per cent to Industry and Mining.

- ▶ The schemes/Funds used frequently for trade financing in the IDB Group are ITFO (accounting for 81 per cent of net trade approvals), IBP (10 per cent), EFS (6 per cent), and UIF (3 per cent). Intra-trade financing represents 76 per cent of total ITFO/EFS approvals since 1397H.

9. SPECIAL ASSISTANCE OPERATIONS (WAQF FUND)

The Waqf Fund, formally called the Special Assistance Account, was set up in 1399H as a trust fund. Its total resources amount to ID 888 million, consisting of the Principal (ID 729 million), the Special Assistance (ID 76 million) and Least Developed Member Countries (LDMCs) Special Account (ID 95 million) as at the end of 1424H (21 February, 2004). The income generated from the Waqf Fund is used for social development programme (mainly to finance the Special Assistance Programme, the Scholarship Programme, and the Technical Cooperation Programme (TCP)) as well as for financing the Islamic Research and Training Institute (IRTI).

- The activities of the Special Assistance Programme from the Waqf Fund primarily cater to the needs of Muslim communities in non-member countries with particular emphasis on the social sectors mainly education and health. The Programme also aims at alleviating the suffering of communities afflicted by natural disasters or wars in both member and non-member countries.



- Between 1399H and 1424H, the IDB Group provided ID 413 million (US\$566 million) for 1,017 special assistance operations: of this, US\$ 370 million was approved for 374 operations in member countries and US\$ 195 million for 643 operations for Muslim communities in non-member countries.
- Since inception of the Scholarship Programme in 1404H, the IDB has awarded scholarships to financially needy students in fifty-six (56) Muslim minority countries, including nine member countries. So far, the IDB has spent ID 38 million (US\$ 50.5 million) for scholarship programme in favour of 6,827 students. The largest recipients of IDB scholarship were India (31%), Nigeria (11%), Philippines (6%), Afghanistan (5.3%) and Thailand (5.1%).
- For the IDB higher degrees Scholarship Programme, 137 scholars have benefited from the Merit Scholarship Programme (61 for Ph.D and 76 for Post-Doctorate), and 79 students have also benefited from the M.Sc Scholarship Programme for the Least Developed Member Countries (as of August 4, 2004).

APPENDIX: Country-level Membership in IDB Group

Country	IDB	ICD	ICIEC
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	✓	✓	✓
Oman	✓		
Pakistan	✓	✓	✓
Palestine	✓	✓	
Qatar	✓	✓	✓
Saudi Arabia	✓	✓	✓
Senegal	✓	✓	✓
Sierra-Leone	✓	✓	
Somalia	✓		
Sudan	✓	✓	✓
Suriname	✓	✓	
Syria	✓	✓	✓
Tajikistan	✓	✓	
Togo	✓		
Tunisia	✓	✓	✓
Turkey	✓		✓
Turkmenistan	✓	✓	
Uganda	✓	✓	✓
United Arab Emirates	✓	✓	✓
Uzbekistan	✓		
Yemen	✓	✓	✓

GLOSSARY

Build-Operate-Transfer (BOT): It is a contractual arrangement whereby a private sector entity undertakes the construction, including financing, of a given infrastructure facility, and the operation and maintenance thereof. The private sector entity operates the facility over a fixed term during which it is allowed to charge facility users appropriate tolls, fees, rentals, and charges not exceeding those proposed in its bid or as negotiated and incorporated in the contract to enable the private sector entity to recover its investment, and operating and maintenance expenses in the project. The private sector entity then transfers the facility to the government agency concerned at the end of the fixed term.

Hijra Year (H): An Islamic lunar calendar system comprising 12 months: Muharram, Safar, Rabi al-Awal, Rabi al-Thani, Jumadal-Awal, Jumada al-Thani, Rajab, Sha'ban, Ramadan, Shawal, Dhul Qa'da, and Dhul Hijjah. It contains 354 days, which is about 11 days less than the Gregorian calendar system.

Installment sale: A mode of financing whereby IDB purchases machinery and equipment, then sells them to the beneficiary at a higher price, with repayment to be made by instalments. The ownership of the asset is transferred to the purchaser on delivery.

Islamic Dinar (ID): The unit of account of the IDB, which is equivalent to one Special Drawing Rights (SDR) of the International Monetary Fund (IMF).

Istisna'a: A medium-term mode of financing. It is a contract for manufacturing (or construction) whereby the manufacturer (seller) agrees to provide the buyer with goods identified by description after they have been manufactured/constructed in conformity with that description within a pre-determined time-frame and price.

Leasing or Ijara: A medium-term mode of financing, which involves purchasing equipment and machinery and subsequently transferring their right of use to the beneficiary for a specific period of time, during which the IDB retains the ownership of the asset.

Line of Financing: A financing facility made available to financial institutions in member countries to finance projects and trade operations of small and medium enterprises.

Loan: A mode of financing used by the IDB to finance projects in member countries, particularly its least developed countries. It is interest-free and carries only a service fee intended to cover the actual costs of administering the loan. The repayment period ranges from 15 to 25 years including a grace period of 3 - 7 years.

Murabaha: A contract of sale 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 installments) are specified in an initial contract.

Structured Trade Financing: The art of transferring risks in trade financing (e.g. transfer of foreign exchange, contract performance, etc.) from parties less able to bear those risks (the beneficiary) to the transaction in a manner that ensures automatic repayment of finance provided by the IDB from the underlying assets. It thus involves arrangements which ensure that (a) if a transaction proceeds normally, the financier (IDB) is automatically re-imbursed (repaid) and the facility is therefore self-liquidated, and (b) if anything goes wrong, the financier (IDB) has recourse to some assets as collateral.

Subscribed Capital: Amount of issued capital that has been subscribed by the IDB member countries.

Sukuk: An asset-backed bond which is designed or structured in accordance with Shari'ah and may be traded in the market.

Technical Assistance (TA): A mode of financing provided by the IDB for conducting feasibility studies, detailed design and preparation of tender documents, as well as consultancy services for the supervision of projects.

Waqf: An endowment or a charitable trust devoted exclusively to specific purposes.

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