



ISLAMIC DEVELOPMENT BANK

Annual Report

1435H (2014)



Together we build a better future



PROVIDING RESOURCES
FIGHTING POVERTY
RESTORING DIGNITY

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



ISLAMIC DEVELOPMENT BANK

Corporate profile of the Islamic Development Bank

Establishment

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

Vision

By the year 1440H, the Islamic Development Bank 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.

Mission

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

Membership

The membership of the IDB stands at 56 countries spanning many regions. The basic condition for membership is that the prospective country should be a member of the Organization of the Islamic Cooperation (OIC), pays the first instalment of its minimum subscription to the Capital Stock of IDB, and accepts any terms and conditions that may be decided upon by the Board of Governors.

Capital

At its 38th Annual Meeting, the Board of Governors of IDB approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the Subscribed Capital was increased to ID50 billion. By the same Resolution, the Board of Governors agreed to the calling in of the callable (in cash) portion of the 4th General Capital Increase. As at the end of 1435H, the subscribed capital of the IDB stood at ID49.86 billion.

Islamic Development Bank Group

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

Head Office, Regional and Country Offices

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

Financial Year

The IDB's financial year is the lunar Hijra Year (H).

Accounting Unit

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

Language

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

Annual Report

1435H (2014)

Together we build a better future

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Note: This report is the first of two volumes that constitute the Annual Report of the Islamic Development Bank. The second report contains the audited financial statements and is published in a separate volume as the Financial Statements. Both volumes are available online at www.isdb.org.

All figures on entities are reported here as net approvals while their respective Annual Reports are in gross approvals.

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ABBREVIATIONS

AAOIFI: Accounting and Auditing Organization for Islamic Financial Institutions in IDB MCs	GTRC: Group Trade Related Issues Committee	MENA: Middle East and North Africa
ACAP: Awqaf Capital	HLM2: High-Level Meeting on Country-Led Knowledge Hubs	MoUs: Memorandum of Understandings
ACL: Audit Command Language	ICD: Islamic Corporation for the Development of the Private Sector	MTN: Medium Term Note
AFAO: Association des Femmes de l'Afrique de l'Ouest	ICIEC: Islamic Corporation for the Insurance of Investment and Export Credit	MTR: Mid-Term Review
AFD: French Development Agency	ID: Islamic Dinar (equivalent to one Special Drawing Right of IMF)	OCR: Ordinary Capital Resources of IDB
AFTIAS: Aid for Trade Initiative for Arab States	IDB: Islamic Development Bank	OECD: Organisation for Economic Cooperation and Development
APIF: Awqaf Properties Investment Fund	IDB-G: Islamic Development Bank Group	OFID: OPEC Fund for International Development
AWEF: Arab Women's Enterprise Fund	IDB-STATCAP: IDB Statistical Capacity Building Initiative	OIC: Organisation of the Islamic Cooperation
BCG: Boston Consulting Group	IFIs: International Financial Institutions	PIASR: Project Implementation Assessment Support Reports
BED: Board of Executive Directors of IDB	IFP: Islamic Finance Primer	PCRs: Project Completion Reports
BoG: Board of Governors of IDB	IFSB: Islamic Financial Services Board	RLs: Reverse Linkages
CEWs: Country Economic Works	IIRA: Islamic International Rating Agency	SAO: Special Assistance Operations
CGOs: Country Gateway Offices	IRTI: Islamic Research and Training Institute	SESRIC: Statistical, Economic and Social Research and Training Centre for Islamic Countries
CIBAFI: Council of Islamic Banks and Financial Institutions	ISFD: Islamic Solidarity Fund for Development	SFD: Saudi Fund for Development
CIS: Commonwealth of Independent States	ITAP: Investment Promotion Technical Assistance Program	SMEs: Small and Medium Enterprises
COMCEC: OIC Standing Committee for Economic and Commercial Cooperation	ITFC: International Islamic Trade Finance Corporation	SPECA: UN Special Program for the Economies of Central Asia
CUC: Cumulative Undisbursed Commitments	ITFO: Import Trade Financing Operations of IDB	TA: Technical Assistance of IDB
DFID: UK Department for International Development	IWAH: International Waqf Advisory House	TCP: Technical Cooperation Program
e4e: Education for Employment	KAUST: King Abdullah University for Science and Technology	TCPP: Trade Promotion and Cooperation Program
EIB: European Investment Bank	KFAED: Kuwait Fund for Arab Economic Development	TVET: Technical Vocational Education and Training
ESP: Education Sector Policy	KMIP: Knowledge Management and Innovation Program	UIF: Unit Investment Fund
EU: European Union	LDMCs: Least Developed Member Countries	W4D: Waqf for Development Project
EVD: Ebola Virus Disease	MCPS: Member Country Partnership Strategy	WB: World Bank
FAWE: Forum for African Women Educationists	MCs: Member Countries of the Islamic Development Bank	WIEF: World Islamic Economic Forum
GCC: Gulf Cooperation Council	MDBs: Multilateral Development Banks	WWF: World Waqf Foundation
GIAD: Group Internal Audit Department		
GIO: Group Integrity Office		
GOED: Group Operations Evaluation Department		
GPE: Global Partnership for Education		

SYMBOLS:

..	Not Available
-	Not Computable
\$	United States Dollar
ID	Islamic Dinar

ACKNOWLEDGEMENTS

This Annual Report 1435H (2014) was prepared by the Economic Research and Policy Department in the Chief Economist Complex of the Islamic Development Bank under the overall guidance of the Board of Executive Directors.

All Departments and Entities: The Annual Report Coordination Committee acknowledges the contributions and comments received from all the Departments and Entities in the IDB Group during the preparation of the Report.

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In the Name of Allah, the Beneficent, the Merciful

H.E. The Chairman,
Board of Governors of the Islamic Development Bank

Dear Mr. Chairman,

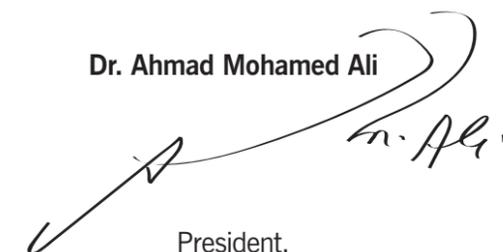
Assalamu alaikum warahmatullahi wabarakatuhu

In accordance with Articles 32(i), 32(iii) and 41(1) of the Articles of Agreement establishing the Islamic Development Bank and Section (11) of the By-laws, I have the honour to submit for the kind attention of the esteemed Board of Governors, on behalf of the Board of Executive Directors, the Annual Report on the operations and activities of the Bank in 1435H (2014).

The Annual Report also includes the audited financial statements of the Bank as well as those of the operations of the Waqf Fund, as prescribed in Section (13) of the By-laws.

Please accept, Mr. Chairman, the assurances of my highest consideration.

Dr. Ahmad Mohamed Ali



President,
Islamic Development Bank and
Chairman, Board of Executive Directors

MESSAGE FROM THE PRESIDENT



1435H (2014) was a historical year for the Islamic Development Bank as it celebrated its 40th anniversary, which was graced with the presence of His Majesty, King Salman bin Abdul Aziz. The occasion offered a unique opportunity to listen to and learn from the Bank's stakeholders

and beneficiaries regarding their experiences with and expectations from the Bank's work in various sectors as well as to benefit from their suggestions on the way forward. I take this opportunity to thank all our member countries and development partners for their continuous support for the Bank and its activities.

The past year was also a momentous year for the Bank as it launched three landmark initiatives. First, a retrospective assessment of the performance of the IDB Group was undertaken with a focus on its evolution, achievements, challenges and opportunities. The assessment identified the strengths of the Group and areas for improvement.

Second, a new Ten-Year Strategy Framework was developed and endorsed by the IDB Board of Governors. The Strategy, which has five pillars -- economic and social infrastructure, private sector development, inclusive social development, cooperation among member countries, Islamic financial sector development, plus a cross-cutting one (capacity development), was designed to position the IDB Group as a value-added partner in the socio-economic development of its member countries. In order to implement the strategy, the IDB Group has developed institutional performance indicators and result-based targets for short and long-term actions.

Third, with a rapidly changing development landscape, member countries are, more than ever before, confronted with unprecedented challenges -- such as volatile oil prices, youth unemployment, political instability, and disease -- which require coordination and timely intervention. A few months ago, for instance, the Ebola crisis was the focus of major international conferences and country emergency

plans. The crisis caught everyone by surprise and its effect and scale surpassed the capacity of the countries affected. The IDB Group spared no effort to mobilize resources from philanthropists and civil society to support the member countries concerned. Some lessons have been learnt from the crisis, which, I believe, will go a long way toward preparing us to tackle similar epidemic outbreaks in the future.

Despite the difficult external environment in which it operates, I am pleased to report that the IDB Group recorded an impressive growth in net approvals of 11.7 percent from US\$9.7 billion in 1434H to US\$10.9 billion in 1435H. Analysis of the Bank's allocation of its ordinary capital resources and other development assistance activities and achievements is presented in Chapter 2 of this report.

As 2015 is a year of major events during which the conclusion of new international agreements are expected on sustainable development goals (SDGs), climate change deal to reduce carbon emissions, and global trade, I am confident that progress will be made on all these fronts. The IDB Group is ready to work with its development partners to support the efforts of its member countries to achieve the objectives of these important events.

Since the pillars of the IDB Group's strategy are consistent with the SDGs, I strongly believe that Islamic finance can play an important role in financing their implementation. It is high time to explore and exploit the potential of Islamic finance for SDGs as we transition to a new era.



Dr. Ahmad Mohamed Ali
President of the Islamic Development Bank
and Chairman of the Board of Executive Directors,

BOARD OF THE EXECUTIVE DIRECTORS



Hon. Dr Ahmad Mohamed Ali
President, IDB Group
and Chairman,
Board of Executive Directors



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(Turkey)



Hon. Isa Rachmatarwata
(Indonesia, Malaysia,
Brunei Darussalam
and Suriname)



Hon. Mohammad Saleem Sethi
(Pakistan, Bangladesh,
Afghanistan and Maldives)



Hon. Mohamed Zemmouri
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Mauritania and Tunisia)



Hon. Dr.Hamad Bin Suleiman Al Bazai
(Saudi Arabia)



Hon. Bader Abdullah Abuaziza
(Libya)



Hon. Mohammad Parizi
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and Togo)



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Syria and Lebanon)



Hon. Dr. Zul Kifl Salami
(Cameroon, Guinea, Sierra Leone, Benin, Côte d'Ivoire and Guinea-Bissau)



Hon. Ali Hamdan Ahmed
(UAE)



Hon. Ismail Omar Al Dafa
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Hon. Zeinhom Zahran
(Egypt)



Hon. Bader Mishari Al Hammad
(Kuwait)



Hon. Ulan Aiylchiev
(Kazakhstan, Azerbaijan,
Kyrgyz Republic, Tajikistan,
Uzbekistan, Albania and Turkmenistan)



Hon. Abdirahman Sharif
(Gabon, Mozambique,
Uganda, Comoros, Chad,
Somalia and Djibouti)



أربعون سنة من العطاء
 40 YEARS OF DEDICATED SERVICE
 40 ANS D'EFFORTS SOUTENUS

Photos of the 39th Annual Meeting of IDB Group and the Celebration of the 40th Anniversary of IDB



Above: Invited dignitaries with His Majesty King Salman Bin Abdulaziz on the celebration of the 40th Anniversary in Jeddah, KSA.



H.M. King Salman decorated IDB Group President with King Abdulaziz Sash Second Class (as conferred by the Custodian of the Two Holy Mosques)



TESTIMONIALS



“Our country, from which the great Islamic message came out, is very happy to host the first meeting of Finance Ministers of Islamic Countries, which aims to achieve a significant progress toward the attainment of Islamic solidarity. Through the realization of such solidarity, our Islamic Ummah can only fulfill its aspirations toward achieving progress and prosperity.”

His Majesty Late King Faisal bin Abdulaziz Al Saud



“We thank the President of the Islamic Development Bank Group, Dr. Ahmad Mohamed Ali and the Bank’s staff members for their efforts in supporting the development of member countries, and we wish them success in their mission.”

**Custodian of the Two Holy Mosques
 Late King Abdullah bin Abdulaziz Al Saud**



“Since the beginning, Turkey has been among the most important partners of IDB. On the other hand, Turkey is also one of the countries to benefit from the advantages of the bank very well. Turkey has that capacity. Sometimes you cannot find a place to put the funds to good use. Turkey has become stronger especially with the economic reforms which were enforced for the last ten years. The Islamic Development Bank has paved the way for interest-free financial institutions to gain recognition in the world.”

H.E. President Abdullah Gul, Former President of the Republic of Turkey



“You have been working very closely with the United Nations on water issues, food crisis issues, also gender empowerment, sanitation and global health issues, and climate change. All of these are important areas where the United Nations and the Islamic Development Bank have been working very closely together.”

H.E. Ban Ki-moon, UN Secretary General



TESTIMONIALS



“We commend the IDB Group Boards Members, management and staff for the major achievements in the course of the past 40 years that have acquired the Group a prestigious place on the world’s socio-economic development map. Kingdom of Saudi Arabia and other member countries are proud of the Bank’s progress, high volume of its activities, diversity of its operations, flexibility of its mechanisms and its transformation into a constellation of institutions working in various development fields.”

H.E. Dr. Ibrahim Abdulaziz Al-Assaf, Chairman of IDB Board of Governors, Minister of Finance, Kingdom of Saudi Arabia



“We should be delighted with the performance of the Bank over the last 40 years.”

H.E. Dr. Hamid Al-Ghabid, Former Secretary General of OIC



“I am enthusiastic about our collaboration with the Islamic Development Bank. The Bank’s innovative approach to financing is helping to address some of the world’s most pressing health and development challenges, including the urgent need to end polio forever.”

H.E. Bill Gates, Co-founder Melinda & Bill Gates Foundation



“Islamic Development Bank has had a significant impact on its member countries. It has enhanced the economic and financial linkages between the member countries. Also, it has supported and facilitated the development of the financial infrastructure, in particular for Islamic finance, in the member countries.”

H.E. Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia

Right: A happy young Anastasia Sompougdou (from Burkina Faso) who was blind at birth because she was born with cataracts in both eyes but she regained her sight back through IDB’s partnership programme “Alliance to Fight Avoidable Blindness”. She graced the 40th Anniversary with a message of “merci” (Thank you).



Below: Children carrying flags of the 56 member countries singing and dancing during the anniversary celebration.



EXECUTIVE SUMMARY

A year in review

1435H (2014) was a challenging year for the global economy after six years of slow and uneven recovery which was a reflection of various country-specific conditions. The challenges of increasing and fragile geopolitical tensions, volatile commodity prices, high youth unemployment, macroeconomic imbalances, widening income inequality, sluggish private sector growth and outbreaks of epidemic diseases, especially Ebola, affected many IDB member countries. Against this backdrop, member countries' development needs have increased considerably. In order to respond to these needs, the IDB Group in 1435H recorded an impressive net approvals of ID7.1 billion (US\$10.9 billion), representing an increase of 11.7 percent over the previous year.

Of this total, the IDB Ordinary Capital Resources (OCR) and ITFC operations accounted for 47.0 percent and 47.3 percent respectively, followed by ICD for 4.5 percent with other funds (APIF and UIF) accounting for 0.6 percent each and Special Assistance operations for 0.1 percent. In terms of growth, the highest was ICD at 33.8 percent, followed by OCR at 20.7 percent and ITFC at 4 percent. UIF and APIF declined by 34.3 percent and 23.8 percent respectively. At the regional level, the largest allocation in 1435H went to the Middle East and North Africa member countries amounting to ID3.2 billion (\$4.8 billion), followed by the Asian member countries with ID1.8 billion (\$2.7 billion), Sub-Saharan Africa (SSA) with ID1.7 billion (\$2.6 billion), and the Commonwealth of Independent States (CIS) with ID390.2 million (\$592.6 million).

The top five recipients of IDB Group financing in 1435H were Egypt, which received 18.9 percent or ID1.3 billion (\$2.1 billion), followed by Bangladesh with 17.1 percent or ID 1.2 billion (\$1.9 billion), Morocco at 7.3 percent or ID519.8 million (\$795.3 million), Pakistan at 6.7 percent or ID476 million (\$729.0 million) and Turkey with 4.4 percent or ID313.7 million (\$482.2 million).

During the period (1396H -1435H), 7,613 projects and operations were approved by the IDB Group for a total amount of ID70.1 billion (\$101.7 billion). This amount excluded the ICIEC's cumulative insurance commitments of ID15.6 billion (\$23.8 billion) and business insurance operations of ID14.6 billion (\$22.2 billion). Of the Group

approvals (less ICIEC's activities), the IDB-OCR accounted for 41.8 percent, ITFC 23.1 percent, and ICD 2.7 percent. Others including pre-ITFC trade financing accounted for 29.1 percent, UIF 2.2 percent, APIF 0.4 percent and Special Assistance operations 0.7 percent.

The Group disbursements totaled ID3.5 billion (\$5.2 billion) in 1435H compared with the repayments of ID2.6 billion (\$3.8 billion). Since inception up to the end of 1435H, Group's total disbursements reached ID46.2 billion (\$66.7 billion) while repayments totaled ID34.5 billion (\$49.5 billion) resulting in net resource transfer of ID11.7 billion (\$17.2 billion).

THE MAJOR INITIATIVES OF THE IDB GROUP IN 1435H WERE:

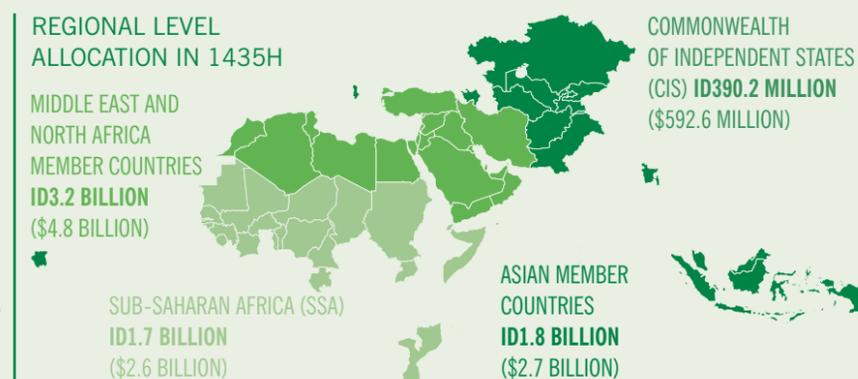
- **40 Years Assessment Study:** The Group undertook a major retrospective assessment of its performance. Led by the leading US-based management consultants, Boston Consulting Group (BCG), the assessment revealed that the Group had shown impressive growth in membership, capital, and operations as well as having undergone significant transformation with a view to serving its mandate better. The study identified three stages of the Group's evolution and development from the operational growth perspective.

These stages were Start-up Stage – (1395H-1410H) (1975-1990); Ramp-up Stage – (1410H-1422H) (1990-2001); and Acceleration Stage – (1422H-1434H) (2001-2013). It also documented the key strengths and uniqueness of the Group as well as the challenges it has faced and the implications of those challenges for its Ten Years Strategy, which the BCG also drafted.

- **Capital Increase:** After the historical resolution by the IDB Board of Governors at its 38th Annual Meeting held on 11-12 Rajab 1434H (21-22 May 2013) in Dushanbe, Tajikistan to increase the Bank's Authorized Capital to ID100 billion and the issued capital to ID50 billion, 98.6 percent of the amount has so far been subscribed by the member countries.

- **Resource mobilization:** Four series of Trust certificates (*sukuk*) under its updated Medium Term Note (MTN) program were issued, of which two series were via benchmark issuances of \$1.5 billion each, while the two others were through private placement. All the issuances were oversubscribed and also witnessed the participation of new high quality investors, which manifested the acceptance of IDB credit in the global fixed income space. The IDB's *sukuk*, apart from being listed on the London Stock Exchange, are also listed on the member country securities exchange including Bursa Malaysia (Exempt Regime), Nasdaq Dubai and Borsa Istanbul.

THE IDB GROUP IN 1435H RECORDED AN IMPRESSIVE NET APPROVALS OF **ID7.1 BILLION (\$10.9 BILLION)**, REPRESENTING AN INCREASE OF **11.7%**



- Member Country Partnership Strategy (MCPS):** MCPSs were launched for six countries. That of Chad and Benin were finalized during the year while those of Egypt, Iran, Uzbekistan and Yemen are at various stages of preparation. Cumulatively, the IDB Group has completed 17 MCPSs which are under active implementation while five others are at various stages of preparation. Country Economic Work for Chad was completed while those of Iran, Mali and Niger have been initiated. The Mid-Term Review (MTR) of MCPSs for Pakistan, Uganda, Kuwait, and Kazakhstan was conducted.
- Credit Ratings:** Three entities of IDB Group (IDB, ICIEC and ICD) have been rated by either one or all of the top three international agencies – Standard & Poor’s, Moody’s and Fitch Ratings. Since 2002, the IDB has maintained the highest credit ratings of “AAA” from Standard & Poor’s, Moody’s and Fitch Ratings with a stand-alone credit rating among the highest of Multilateral

Lending Institutions. Similarly, since June 2008, the ICIEC has been granted Aa3 rating by Moody’s, which has placed it at par with major insurers of credit and political risk in the global arena. For the first time, the ICD was assigned AA by Fitch’s credit rating with a Stable Outlook and a Short-term IDR of ‘F1+’. Fitch noted that ICD’s ratings are driven by support from key shareholders Islamic Development Bank (IDB, AAA/Stable) and the Kingdom of Saudi Arabia (AA/Stable), which owned 46.7 percent and 18.7 percent, respectively, of paid-in capital as of end-October 2014.

The achievements of the Bank in key economic sectors of member countries in 1435H were:

- Infrastructure** received the largest share of IDB-OCR at 83 percent or ID2.8 billion (\$4.2 billion), followed by agriculture at 8 percent, education 4.5 percent, health 3.0 percent, and other sectors, including finance, at 1.5 percent.

- Within infrastructure, the **energy** sector accounted for the largest allocation of financing at 44.9 percent, followed by transportation at 33 percent, water and sanitation at 16.1 percent, industry and mining at 5 percent, and information and communication at 1 percent.
- In **education**, 31 operations were approved for an amount of ID148.2 million (\$227.7 million).
 - The largest project approved in education sector was the support for bilingual education in six states of Nigeria which provides an opportunity in bilingual education for *Almajiri* (itinerant Koranic students).
 - Under its education for employment (e4e) initiative, Yemen is a beneficiary of \$4.6 million which is implemented jointly with the IFC, from the Transition Fund under the Deauville Partnership.
 - With the Global Partnership for Education (GPE), the Bank is piloting its Triple Win innovative financing mechanism in the education sector.
- Seventeen **health** sector operations were approved for ID100.8 million (\$153.8 million) covering various aspects of national health system. Growth in health sector financing in 1435H grew impressively by 72 percent over the previous year.
- On the Ebola crisis, the Bank has approved an emergency assistance grant of \$600,000 to support Guinea and Sierra Leone as well as a \$10 million grant through ISFD as seed financing to attract philanthropists and non-governmental organizations

to contribute resources for Ebola Virus Disease. It has also extended a financing facility to Guinea amounting to \$34 million to strengthen its health system, of which \$6 million is earmarked for the Ebola control efforts.

- Seventeen **transportation** sector projects were approved for ID909.5 million (\$1.4 billion) with the majority of the financing benefiting six African member countries
- Ten **urban development** operations were approved for an amount of \$479 million benefiting Bahrain, Iran, Côte d'Ivoire, Lebanon, Mali, Senegal and Nigeria.
- Thirty **agriculture** operations were approved for ID269.3 million (\$406.4 million) compared to ID471.9 million (\$714.0 million) a year earlier. The low approvals were due to non-acceptance of financing terms and conditions by beneficiaries; high country exposure; and/or high Cumulative Undisbursed Commitments (CUC).
- Sixty-three operations were approved under the **Technical Cooperation Program (TCP)** for an amount of \$1.5 million, out of which 15 were regional operations benefiting 25 member countries.
- Sixteen projects were **co-financed** in 14 member countries with other development partners. Of these, eight projects in seven countries were with the Coordination Group, which collectively provided about \$1 billion of financing, equivalent to 50 percent of the total cost



With the Global Partnership for Education (GPE), the Bank is piloting its Triple Win innovative financing mechanism in the education sector

of the projects (\$2 billion), with IDB contributing 40 percent (\$800 million).

- A total of 381 students benefited from the **Scholarship Program for Muslim Communities** in non-member countries, bringing the total beneficiaries from the inception of the program in 1404H (1983) to 13,170 students.
- Fifty students were granted the **M.Sc. Scholarship Program in Science and Technology for the Least Developed Member Countries**, bringing the cumulative number of beneficiaries since the inception of the program in 1419H (1998) to 560 students.
- One hundred scholars received the **Merit Scholarship Program for High Technology for member countries**.
- Eight operations under the **NGO and Women Empowerment Program** were approved for a total amount of \$450,000 for Burkina Faso, Kuwait, Kyrgyz, Senegal, Uganda, Yemen, and regional projects for Arab countries (North Africa and Gulf regions).

The 12th **IDB Prizes for Science & Technology** were awarded to (i) The Institute for Research and Community Services, Institute Teknologi Bandung, Indonesia (ii) Photonic Research Centre, University of Malaya, Malaysia and (iii) Faculty of Information Technology, the Islamic University of Gaza, Palestine.

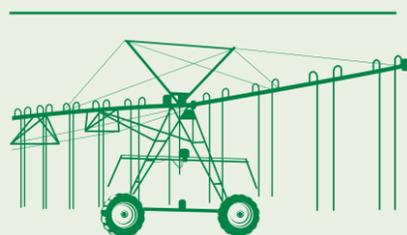
THE TOP FIVE RECIPIENTS OF IDB GROUP FINANCING IN 1435H



The 9th **IDB Prize for Women's Contribution to Development**, was devoted to “*Women's Contribution to Food Security*”. The Individual category was equally shared by Mrs. Jahan Selina (Bangladesh) and Mrs. Fatima Ayat Mosa (Morocco) while the Organisation category was shared by the Association des Femmes de l'Afrique de l'Ouest (AFAO) of Senegal and the Bright Generation Community Foundation (Ghana). Since the inception of the Prize in 2006, a total of 33 laureates have been selected from 22 countries.

The IDB Reverse Linkage initiated and piloted several new projects including water quality treatment between Burkina Faso and Morocco; artificial insemination of livestock between the Kyrgyz Republic and Indonesia; rice production between Brunei and Malaysia, and eye-care treatment between Niger and Turkey. Indonesia has become the first country to have included a budget allocation of \$2 million specifically for use in IDB's Reverse Linkage projects. Of this amount, Indonesia has confirmed an allocation of \$940,000 for the approved Reverse Linkage project with Kyrgyz Republic while the remaining amount of \$1.06 million is being earmarked for two other Reverse Linkage projects with Senegal and Mozambique.

The Bank celebrated its 40th Anniversary under the auspices of the Custodian of the two Holy Mosques, Late King Abdullah Bin Abdulaziz. The Anniversary coincided with the 39th Annual Meeting of the Board of Governors (BoG) who took the following key decisions during their meeting:



30 AGRICULTURE OPERATIONS
WERE APPROVED FOR
ID269.3 MILLION
(\$406.4 MILLION)



17 TRANSPORTATION
SECTOR PROJECTS
WERE APPROVED FOR
ID909.5 MILLION
(\$1.4 BILLION)

- Directed the Board of Executive Directors to transform the Ten Years Strategy Framework into a detailed strategy with action plans, concrete implementation mechanisms, and specific timelines
- Re-elected Dr. Ahmad Mohamed Ali as President of the IDB for a new five-year term
- Elected a new Board of Executive Directors for a three-year-term
- Selected Indonesia, Tunisia, Morocco and UAE to host the Bank's Annual Meetings in 1437H, 1439H, 1440H and 1442H respectively (while the annual meetings of 1438H and 1441H will be held in Jeddah).

The **Board of Executive Directors (BED)** in their deliberations in 1435H approved 91 projects and adopted 137 resolutions on financing, policy, and administrative matters. Some of the important items deliberated upon were the IDB Group Business Travel Policy, revision of the ceiling of the loan service fee, empowerment of Regional Offices, and extension of term of office for the Vice Presidents.

Twenty-three ordinary projects were post-evaluated in 1435H corresponding to 31 operations in addition to one ICD project, bringing the total evaluated projects to 24 (or 32 operations). A cluster of Special Assistance operations in one non-member country was also evaluated along with the review and validation of 8 Project Completion Reports (PCRs).

Two audit-related IT systems are being implemented by the Bank namely:

- (i) **TeamMate Audit Management Software**, which improves and streamlines the auditing process, procedures and recording of audit working papers within GIAD, and (ii) **Audit Command Language (ACL) data analytic Software**, which allows the auditors to perform data mining and analytics.

A new zero tolerance policy on combating corrupt and fraudulent practices and ensuring overall commitment to integrity and high ethical standards has been put in place. These are the **Speak-Up Hotline** and **Web Reporting System**. These initiatives allow individuals to report suspected incidences of corrupt and fraudulent practices in IDB Group financed activities. The Hotline is open 24/7 and in over 175 languages while the Web Reporting System provides anonymous, web-based incident reporting in up to 45 languages and can be accessed at integrity.isdb.org.

A new Group's Ten Years Strategy Framework was approved by the Board of Governors. It comprises three strategic objectives (inclusiveness, connectivity and Islamic financial sector growth), five pillars or priority areas, and one cross-cutting theme. It also incorporates seven guiding principles for implementation.

Under its ambitious **Group Business Enhancement and Systems Transformation Program (GBEST Program)**, several solutions have been delivered for live use in all business areas of IDB Group such as Funds Management, Cash Management, Bank Communication Management,

Employee and Manager Self Services, Budget Planning and Consolidation, Scholarship Management, Treasury and Investment, Operations Financing and Travel Management. Work is in progress to complete the remaining solutions of Operations Management, Risk Management, Enterprise Content Management and Business Intelligence & Analytics.

The one-year special **Knowledge Management and Innovation Program (KMIP)** undertook a number of initiatives including (i) a roadmap for KMI for the period Q2-1435H to Q1-1436H, (ii) a KM Strategy was endorsed by the Group Management, (iii) Knowledge products taxonomy was developed and a database of knowledge products publications in IDB Group was designed, and (iv) the reactivation of two Communities of Practice – Islamic Finance and Infrastructure.

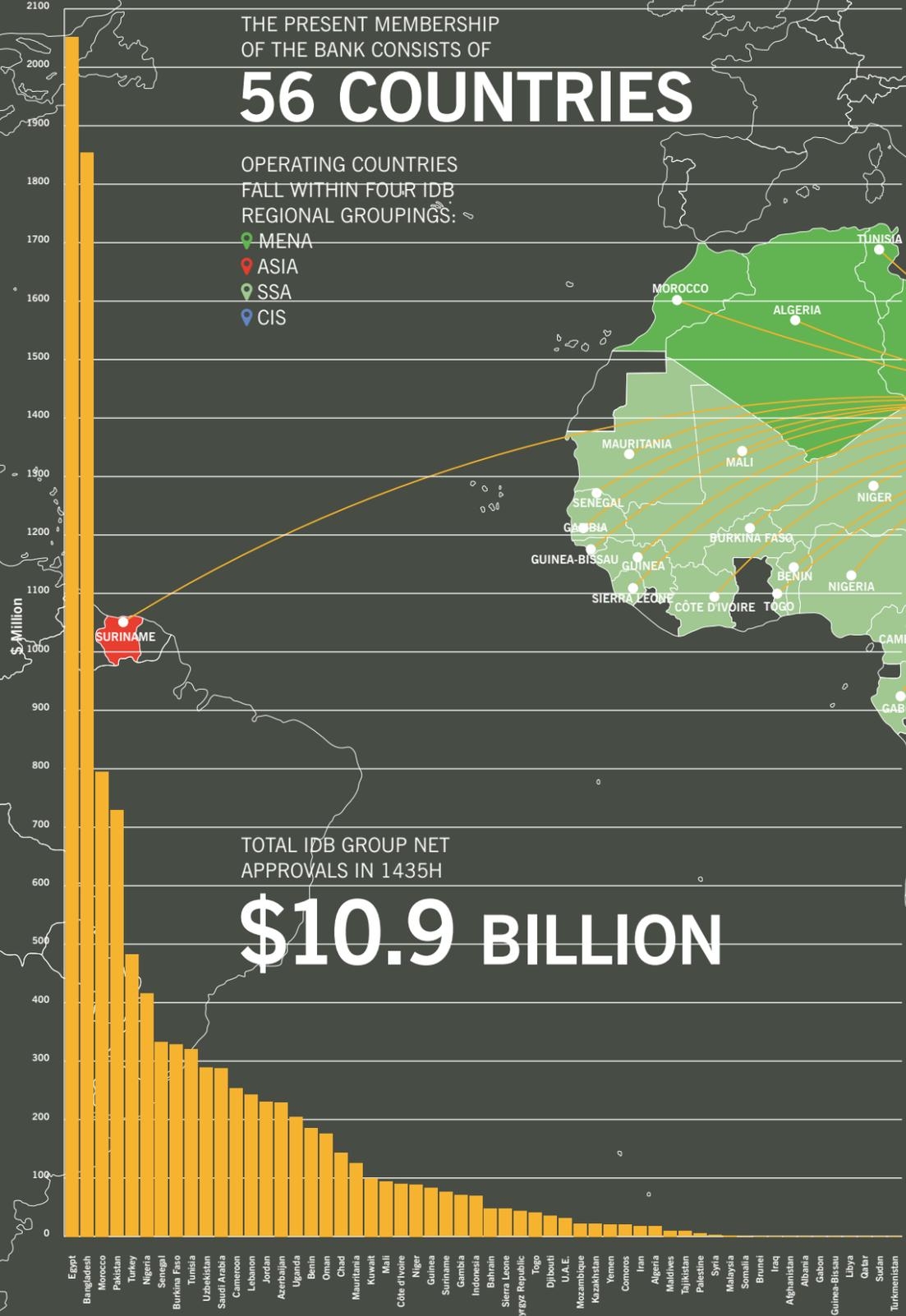
The total workforce of the IDB Group reached 1,144 staff by the end of 1435H comprising nine management, 57 directors, 61 managers, 636 professionals, 139 para-professionals and 242 support staff. Twelve Young Professionals were recruited during the year under review. Furthermore, the Bank has conducted a 360-degree feedback and executive coaching for all members of the Management, Directors and Managers to help promote leadership effectiveness. It has also launched a Talent Management System with the implementation of a Learning Management Module as well as eLearning which gives 24/7 access to more than 250 online courses in Leadership and Functional Tracks.

IDB IN NUMBERS

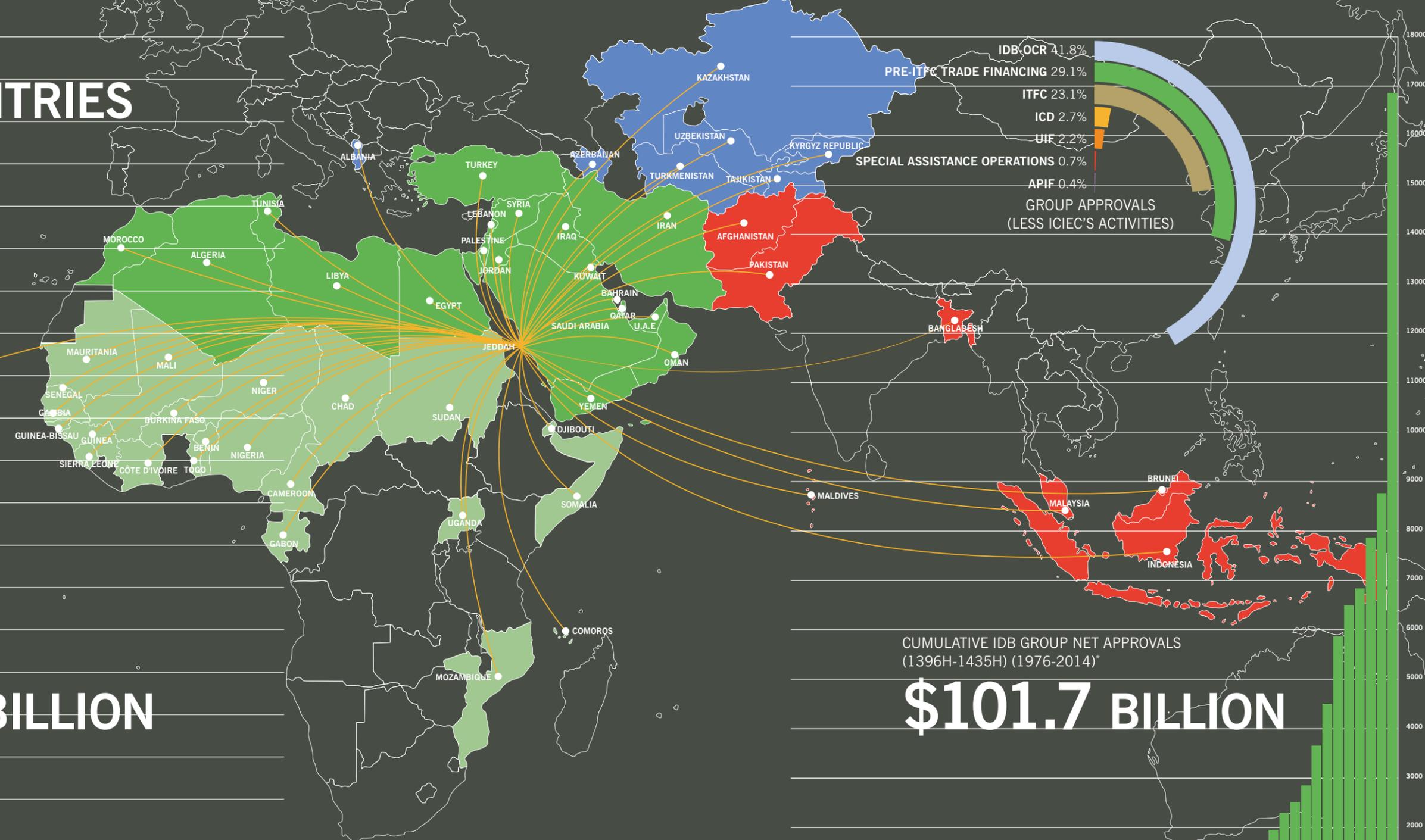
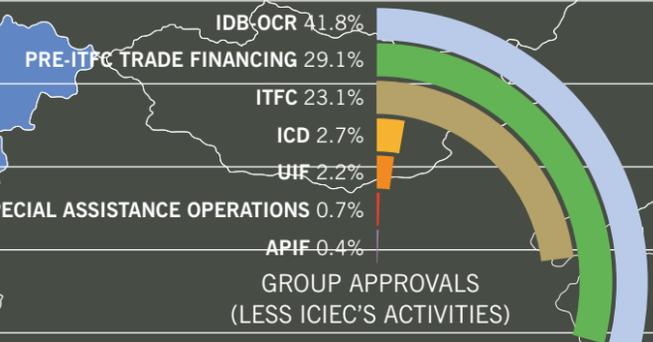
THE PRESENT MEMBERSHIP OF THE BANK CONSISTS OF
56 COUNTRIES

OPERATING COUNTRIES FALL WITHIN FOUR IDB REGIONAL GROUPINGS:

- MENA
- ASIA
- SSA
- CIS

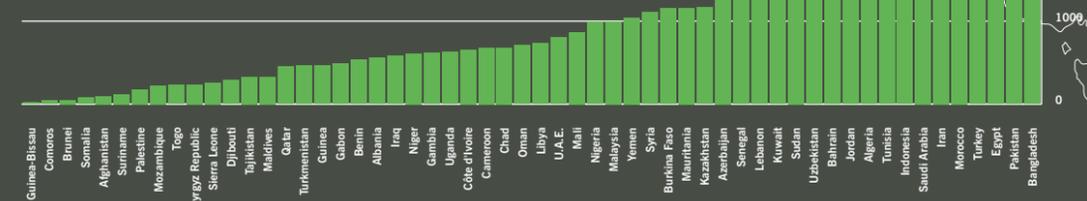


IDB Group Net Approvals in 1435H



TOTAL IDB GROUP NET APPROVALS IN 1435H
\$10.9 BILLION

CUMULATIVE IDB GROUP NET APPROVALS (1396H-1435H) (1976-2014)*
\$101.7 BILLION



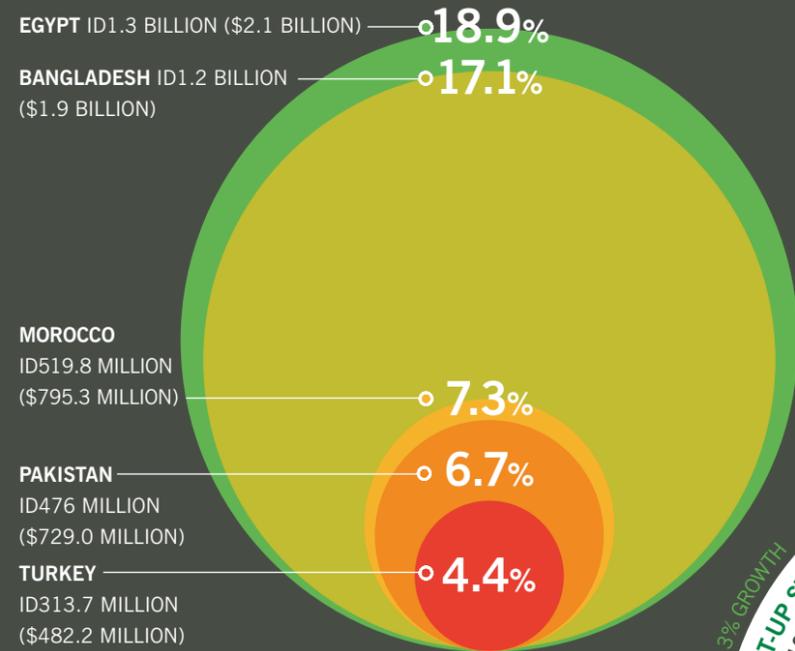
Cumulative IDB Group Net Approvals (1396H-1435H) (1976-2014)

Treasury operations which are reported in previous Annual Reports of the Bank were removed from this year Annual Report due to change in data classification in accordance with the Bank's Liquidity Risk Management Guidelines.

* Cut-off date for data reported here was 30 Dhul-Hijja 1435H (24 October 2014). Source: IDB.

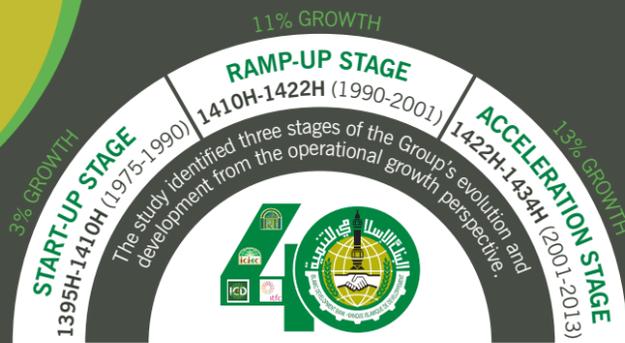
IDB IN NUMBERS

THE TOP FIVE RECIPIENTS OF IDB GROUP FINANCING IN 1435H



98.6% OF THE AMOUNT HAS SO FAR BEEN SUBSCRIBED BY THE MEMBER COUNTRIES

IN 1435H, INCREASED THE BANK'S AUTHORIZED CAPITAL TO **ID100 BILLION** AND THE ISSUED CAPITAL TO **ID50 BILLION**



40 YEARS ASSESSMENT STUDY: THE GROUP UNDERTOOK A MAJOR RETROSPECTIVE ASSESSMENT OF ITS PERFORMANCE



CREDIT RATINGS

IN 1435H, THREE ENTITIES OF IDB GROUP (IDB, ICIEC AND ICD) HAVE BEEN RATED BY EITHER ONE OR ALL OF THE TOP THREE INTERNATIONAL AGENCIES

ID70.1 BILLION (\$101.7 BILLION)

7,613 PROJECTS AND OPERATIONS

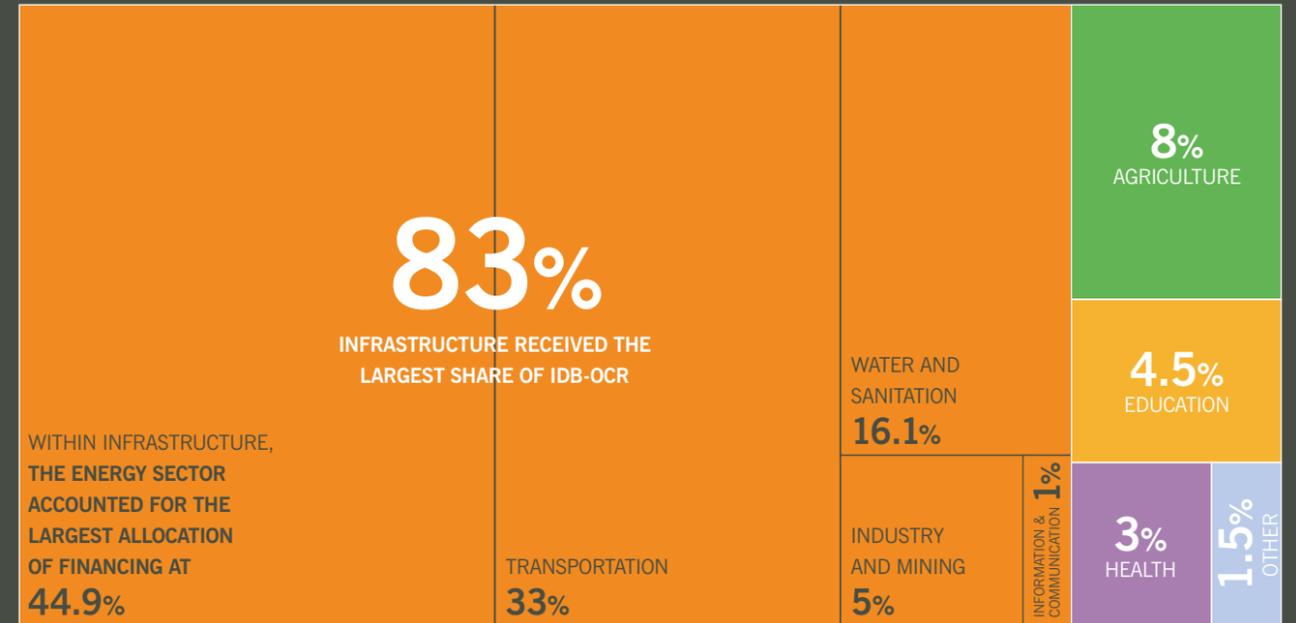
DURING THE PERIOD (1396H - 1435H), 7,613 PROJECTS AND OPERATIONS WERE APPROVED BY THE IDB GROUP

MEMBER COUNTRY PARTNERSHIP STRATEGY

MCPSs WERE LAUNCHED FOR SIX COUNTRIES. THAT OF CHAD AND BENIN WERE FINALIZED DURING THE YEAR WHILE THOSE OF EGYPT, IRAN, UZBEKISTAN AND YEMEN ARE AT VARIOUS STAGES OF PREPARATION



THE ACHIEVEMENTS OF THE BANK IN KEY ECONOMIC SECTORS OF MEMBER COUNTRIES IN 1435H



IN EDUCATION **31 OPERATIONS** WERE APPROVED FOR AN AMOUNT OF **ID148.2 MILLION (\$227.7 MILLION)**



SEVENTEEN HEALTH SECTOR OPERATIONS WERE APPROVED FOR **ID100.8 MILLION (\$153.8 MILLION)** COVERING VARIOUS ASPECTS OF NATIONAL HEALTH SYSTEM



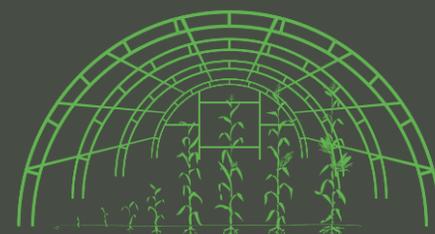
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GROWTH IN HEALTH SECTOR FINANCING IN 1435H GREW IMPRESSIVELY BY **72%** OVER THE PREVIOUS YEAR.

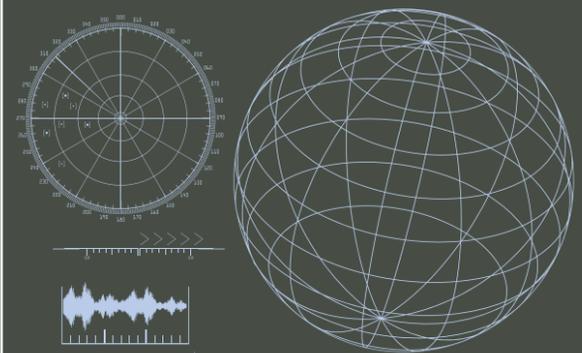
10 URBAN DEVELOPMENT OPERATIONS WERE APPROVED FOR AN AMOUNT OF **\$479 MILLION**



30 AGRICULTURE OPERATIONS WERE APPROVED FOR **ID269.3 MILLION (\$406.4 MILLION)**



SEVENTEEN TRANSPORTATION SECTOR PROJECTS WERE APPROVED FOR **ID909.5 MILLION (\$1.4 BILLION)**

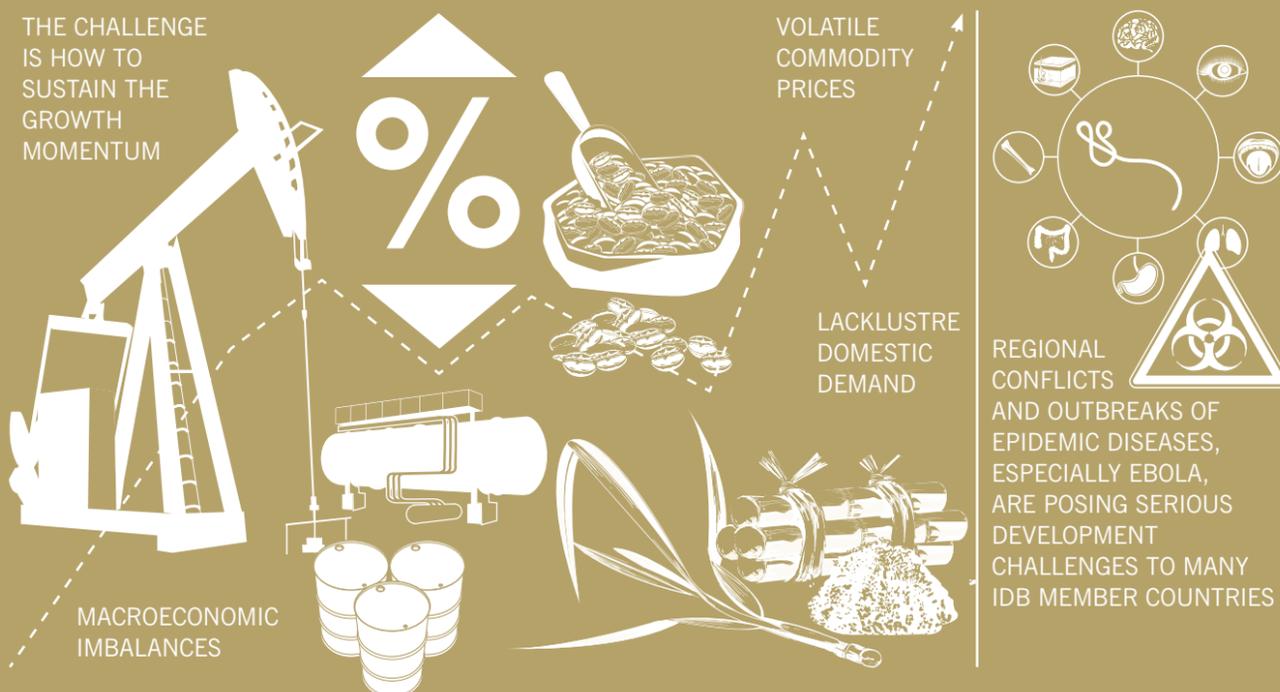
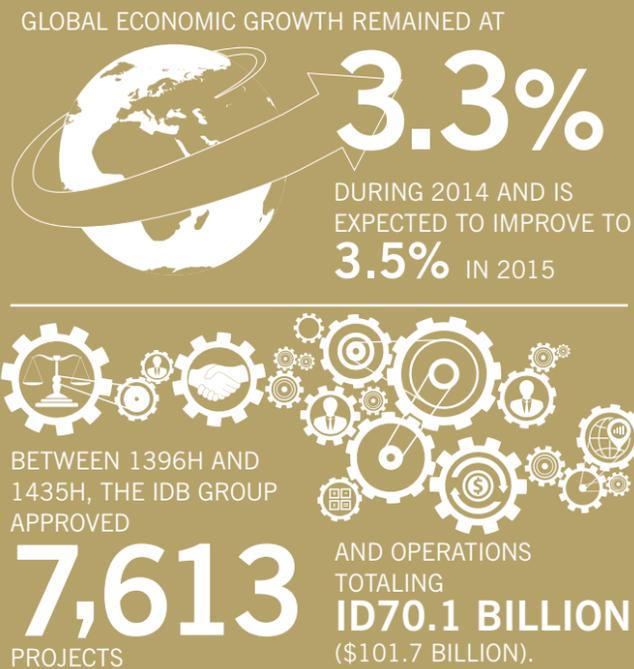


63 OPERATIONS WERE APPROVED UNDER THE **TECHNICAL COOPERATION PROGRAM (TCP)** FOR AN AMOUNT OF **\$1.5 MILLION**, OUT OF WHICH **15 WERE REGIONAL OPERATIONS BENEFITING 25 MEMBER COUNTRIES.**

CHAPTER ONE

IDB Group in Focus

The IDB Group undertakes a number of activities that are aimed at promoting inclusive and sustainable development of member countries in particular and the Muslim communities in general. This chapter analyses the Group's operations, major initiatives during 1435H, and the entities' activities – ICD, ITFC, ICIEC and IRTI – as well as those of other Funds (mainly ISFD and APIF) and the World Waqf Foundation.



1.1 SUMMARY OF IDB GROUP 1435H RESULTS

After six years of slow recovery, the global economy in 2014 was still weak, uneven, and uncertain. Global growth remained unchanged at 3.3¹ percent in 2014 and is expected to improve to 3.5 percent in 2015. The pace of recovery has varied widely between advanced countries and emerging and developing countries reflecting various country-specific conditions.

The legacies of high debt burdens and persistent unemployment (especially among young people) plus low potential growth still cast a shadow on the economies of advanced countries. On the other hand, the emerging and developing economies, which account for the lion's share of the global growth, achieved 4.4 percent in 2014 (lower than 5.1 percent in 2012 and 4.7 percent in 2013) and are expected to decline slightly to 4.3 percent in 2015. The challenge is how to sustain the growth momentum in the face of lacklustre domestic demand, increasing geopolitical tensions, fiscal distress, macroeconomic imbalances, decelerated trade growth, low credit growth, sluggish private sector growth, volatile commodity prices, and high unemployment.

In addition, deepening regional conflicts and outbreaks of epidemic diseases especially Ebola with substantial spillover effects are posing serious development challenges to many IDB member countries. Against this background, the IDB Group has supported the ever-increasing development needs of its member countries by recording an impressive operational growth of 11.7 percent in 1435H to reach ID7.1 billion (\$10.9 billion) from ID6.4 billion (\$9.7 billion) in 1434H (Figure 1.1).

The IDB Ordinary Capital Resources (OCR) and ITFC operations accounted for 47.0 percent and 47.3 percent respectively, followed by ICD 4.5 percent with other funds (APIF and UIF) accounting for 0.6 percent each and Special Assistance operations accounting for 0.1 percent. In terms of growth in net approvals in 1435H,

FIG 1.1

IDB GROUP NET APPROVALS



FIG 1.2

NET APPROVALS BY ENTITIES AND FUNDS



ICD registered the highest at 33.8 percent, followed by OCR 20.7 percent and ITFC 4 percent with other funds declining by 34.3 percent for UIF and 23.8 percent for APIF (Figure 1.2).

A regional² breakdown of IDB Group net approvals in 1435H shows that Middle East and North Africa received the lion's share of ID3.2 billion (\$4.8 billion), then Asia ID1.8 billion (\$2.7 billion), Sub-Saharan Africa (SSA) ID1.7 billion (\$2.6 billion), and Commonwealth

¹ Figures are from the IMF World Economic Outlook Update, January 2015.
² This is based on IDB classification of its 56 member countries into four regions namely MENA, Asia, Sub-Saharan Africa, and Countries in Transition (CIT). To avoid confusion, CIT is replaced in this report with Commonwealth of Independent States (CIS).

of Independent States (CIS) ID390.2 million (\$592.6 million). The top five beneficiaries of IDB Group approvals in 1435H were Egypt 18.9 percent (ID1.3 billion or \$2.1 billion), Bangladesh 17.1 percent (ID 1.2 billion or \$1.9 billion), Morocco 7.3 percent (ID519.8 million or \$795.3 million), Pakistan 6.7 percent (ID476.0 million or \$729.0 million) and Turkey 4.4 percent (ID313.7 million or \$482.2 million).

Between 1396H and 1435H, the IDB Group approved 7,613 projects and operations totaling ID70.1 billion (\$101.7 billion). In addition to this amount, ICIEC's insurance commitments reached ID15.6 billion (\$23.8 billion) and business insurance operations for an amount of ID14.6 billion (\$22.2 billion). Of the cumulative Group approvals, the share of IDB-OCR was 41.8 percent, ITFC 23.1 percent, and ICD 2.7 percent. Others including pre-ITFC trade financing accounted for 29.1 percent, UIF 2.2 percent, APIF 0.4 percent and Special Assistance operations 0.7 percent (Figure 1.3).

In 1435H, the IDB Group disbursed a total of ID3.5 billion (\$5.2 billion), a decline of 21 percent over the previous year's. Similarly, the Group repayments amounted to ID2.6 billion (\$3.8 billion) in 1435H, a decline of 0.2 percent over the level of 1434H. Since inception up to the end of 1435H, Group disbursements reached ID46.2 billion (\$66.7 billion) while repayments totaled ID34.5 billion (\$49.5 billion) resulting in a net resource transfer of ID11.7 billion (\$17.2 billion) (Figure 1.4).

On the Group's field presence program, progress was made on three key areas: (i) empowerment of Regional Offices, (ii) opening of pilot Country Gateway Offices (CGOs) and (iii) enhancing roles and responsibilities of field representatives (FR). During 1435H, the transformation of administrative, financial and operational aspects was completed for the Regional Offices of Dakar, Almaty and Rabat, and initiated for the Kuala Lumpur Regional Office. The CGOs for Turkey and Indonesia were made operational and progress was made on the establishment of three CGOs in Bangladesh, Egypt, and Nigeria. Also, critical constraints to performance of the FRs, including the need to upgrade their office physical infrastructure, were addressed in order to enhance their effectiveness. The increased field presence of the Group is expected to play a critical role in the effective delivery of the development assistance to member countries.

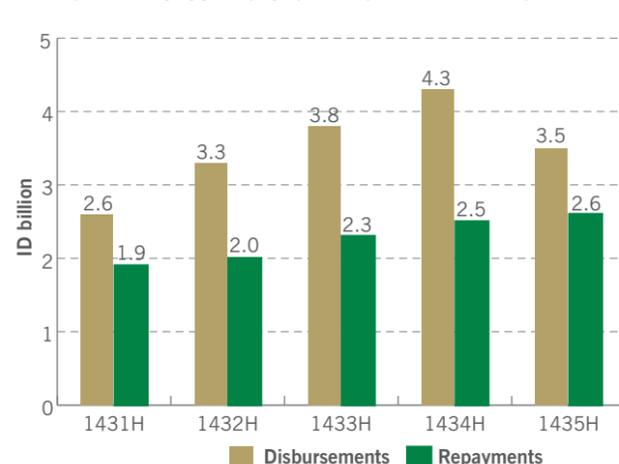
1.2 IDB GROUP MAJOR INITIATIVES

The IDB Group embarked in 1435H on some major initiatives which included an assessment of its 40 Years journey, a new Ten Years Strategy, credit rating exercise, resource mobilization, and scaling up of its policy dialogue instrument -- member country partnership strategy (MCPS). A brief overview of the progress made on these initiatives is presented below.

FIG 1.3
TRENDS IN SHARE OF ENTITIES IN TOTAL IDB GROUP NET APPROVALS



FIG 1.4
TRENDS IN BANK GROUP DISBURSEMENTS AND REPAYMENTS



40 Years Assessment Study: The Group undertook a major retrospective assessment of its performance over its 40 years journey. To ensure an impartial assessment, the assessment was outsourced to a reputable consulting firm, the US-based Boston Consulting Group (BCG). The assessment revealed that the Group has grown remarkably in membership, capital, and operations as well as having undergone significant transformation with a view to serving its mandate better. The assessment identified three stages of the Group's evolution and development from the operational growth perspective (Box 1.1). It also documented the key strengths and uniqueness of the Group as well as the challenges it faced and the implications of those challenges for its Ten Years Strategy, which the BCG also drafted (Box 1.2).

Capital Increase: The IDB Board of Governors at its 38th Annual Meeting held on 11-12 Rajab 1434H (21-22 May 2013) in Dushanbe, Tajikistan adopted a resolution to implement the directive of the Extraordinary Islamic Summit held in Makkah Al-Mukarramah on

26-27 Ramadan 1433H. Following that historical resolution, both the authorized and issued capitals of IDB were increased substantially.

By the end of 1435H, the Authorized Capital of the Bank stood at ID100 billion while the issued capital was ID50 billion with 98.6 percent of this amount subscribed by member countries so far. The distribution of the subscribed capital by countries is presented in Annex 4.

Resource mobilization: In order to make more financial resources available to member countries and supplement its own limited resources, the IDB has intensified its

resource mobilization effort and diversified its strategy. In 1435H, it issued four series of Trust certificates (*sukuk*) under its updated Medium Term Note (MTN) program, of which two series were via benchmark issuances of \$1.5 billion each while the two others were through private placement. The first public issuance was a \$1.5 billion deal in March 2014 (Series 16 maturing in March 2019) and the second transaction was another benchmark issuance of \$1.5 billion in September 2014 (Series 19 maturing in September 2019). Both issuances were oversubscribed and issued at an improved launch spread of 23 bps and 10 bps respectively above the prevailing

BOX 1.1:
THE IDB GROUP THREE-STAGE EVOLUTION

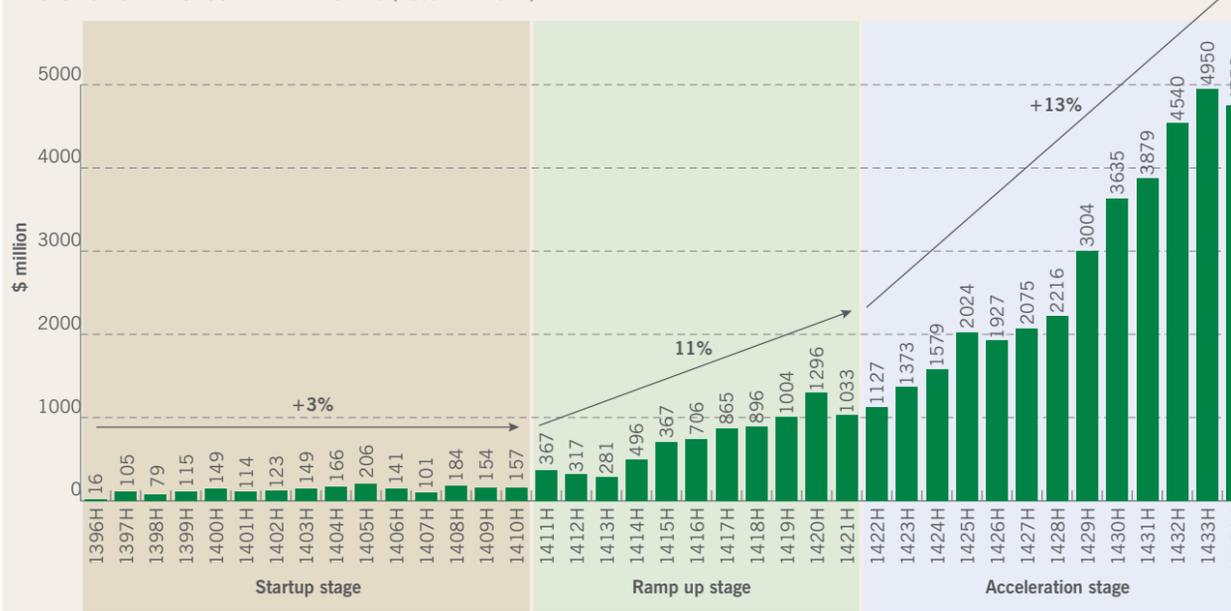
Start-up Stage – From 1395H to 1410H (1975-1990): During this period, the Group tackled challenges which are common to newly founded institutions and others which were unique to it since it had no comparable precedent to go by. The Bank laid its foundations, set directions, and formulated initial guidelines for its operations. Therefore, and despite the rapid extension of its membership base and the significant increase in its subscribed capital, growth of approvals was moderate (3 percent annual growth in project financing approvals – see the graph below) and activities were mostly focused on economic infrastructure and on industry and mining.

Ramp-up Stage – From 1410H to 1422H (1990 – 2001): In this stage, the membership base continued expanding and became even more diverse. In order to cope with this, the Group established four Regional Offices in Rabat (Morocco), Kuala Lumpur (Malaysia), Dakar (Senegal) and Almaty (Kazakhstan). The Group stepped up its growth

rate (11 percent average annual growth in project financing approvals) to better respond to increasing needs.

Acceleration Stage – From 1422H to 1434H (2001 – 2013): During this phase, the IDB's membership base remained stable while approvals witnessed a rapid growth (13 percent annual growth on average in project financing approvals). This increase was mostly driven by a sharp rise in the focus on economic infrastructure, and the need to respond to the global financial and economic crisis. Acknowledging the rapidly changing world, particularly propelled by technology and networking, the Group embarked, in 1426H (2006), on the shaping of a compelling Vision of development together with its member countries. The Vision set the new strategic direction to 1440H (2020), for the Group to remain relevant to its member countries and the Muslim communities in non-member countries, and to continue to champion the development of the Islamic financial sector.

EVOLUTION OF IDB GROUP NET APPROVALS (1395H – 1434H)



BOX 1.2

KEY STRENGTHS AND DISTINCTIVENESS OF IDB GROUP BASED ON 40 YEARS ASSESSMENT

The identity and the achievements of IDB Group (IDBG) throughout the course of its 40-year journey have enabled it to build key strengths that it can leverage for the next Ten Years strategy. The strengths and uniqueness of IDB Group are:

- Its uniqueness lays in its constituency and its founding principle of South-South solidarity.
- It has a trust-based relationship with member countries (MCs) due to its political neutrality, high integrity and non- conditionality of its support.
- It has a strong financial capacity for resource transfer to MCs, together with the confidence of MCs and rating agencies in its financial stability as reflected in its AAA rating.
- Its leadership and facilitation role in the seeding and expansion of the Islamic financial sector was unique among MDBs as demonstrated by its support to the establishment of global Islamic financial sector institutions and advisory regulatory bodies as well as introduction of new financial products.
- Its role has been significant in pioneering trade finance and trade promotion with the aim of increasing OIC intra-trade (which has reached 18 percent of total trade as of October 2013) and linking trade to development.
- It has gained expertise in areas such as Islamic finance and infrastructure financing, and specific in-depth knowledge of MCs development context, global relationships and extended partnerships base.
- It has accumulated experience in supporting the delivery of services to disadvantaged groups in MCs and muslim communities in non MCs.

“The identity and the achievements of IDB Group (IDBG) throughout the course of its 40-year journey have enabled it to build key strengths that it can leverage for the next Ten Years strategy.”

KEY CHALLENGES AND IMPLICATIONS FOR THE TEN YEARS STRATEGY

The challenges facing the IDB Group and their implications are:

- The rapid growth experienced in recent years has increased IDB Group's scope and scale of interventions in member countries (MCs). This growth needs to be adequately resourced to ensure financial sustainability, enhance the quality of interventions and accelerate implementation.
- While mobilizing additional resources from the market (through *sukuk* issuance) is a positive achievement, the Bank's financial model needs to be adjusted to reflect the changes in its capital structure.
- Efforts to mobilize concessional resources have been a step in the right direction, but this needs to be more intensified in order to better serve the neediest populations and achieve the Vision's aspiration to become a knowledge bank.
- While IDBG's willingness to meet MCs' needs has built up strong relationships, it has resulted in a demand-driven model that requires to be sharpened to optimize IDB's overall impact.
- Given that all MCs are classified as developing countries, IDB Group needs to deepen its efforts in providing innovative solutions and in supporting and strengthening capacity development programs and institutions in its MCs.
- IDB Group needs to enhance its leadership and facilitation role to further promote Islamic financial sector development in the MCs and globally, while introducing innovative products and expanding further the non-banking sector.
- The creation of separate entities and departments, particularly in the private sector and Islamic finance activities, without defining appropriate coordination mechanisms, requires better harmonization in order to realize synergies and maximize potential benefits.
- Decentralization efforts are a positive step, but need to be expanded to increase field presence and effective delivery, paying special attention to processes and cost-benefit considerations.
- The investments in organizational technology infrastructure for data and knowledge and decision support systems should continue to drive corporate transformation.
- There is an opportunity to transform support functions into strategic partners of the business departments.
- The ten-year strategic framework and supporting initiatives are tackling these challenges and reflect IDB Group's commitment to continue growing, but in a more effective, sustainable, and efficient way.

five-year \$ mid-swap rate. These global issuances also witnessed participation of new high quality investors which manifested the acceptance of IDB credit in the global fixed income space. In the private placement area, which is more dedicated for specific investors demand in term of currency and tenor, the IDB issued a \$100 million three-year *sukuk* maturing in April 2017, as well as a €300 million four-year *sukuk* maturing in October 2018, the first IDB's *sukuk* denominated in Euro issued directly to a group of private investors in Europe.

This resource mobilization exercise, apart from the fund raising agenda, was also aimed to promote the Islamic financial industry in member countries as well as in the global arena. The IDB's *sukuk*, apart from listed on the London Stock Exchange, are also listed on the member country securities exchange including Bursa Malaysia (Exempt Regime), Nasdaq Dubai and Borsa Istanbul.

Member Country Partnership Strategy (MCPS):

Launched in 1431H (2010), the MCPS has remained a key instrument for aligning IDB Group Strategy with member countries' development plans. It is also the main tool for dialoguing with key stakeholders in member countries and other development partners. Besides focusing on project financing, the MCPSs also target numerous non-financing activities especially under the “Reverse Linkage” initiative.

In 1435H, the IDB Group launched MCPSs for five countries. While that of Chad and Benin have been finalized, the other three countries (Egypt, Iran and Uzbekistan) are at various stages of preparation. The Bank published in June 2014 a Booklet “*Implementation Status of Member Country Partnership Strategy (MCPS)*”, which presents a snapshot of the status and implementation of MCPSs.

By November 2014, the IDB Group had completed 17 MCPSs which are under active implementation while five others are at various stages of preparation. The MCPSs under active implementation have recorded impressive achievements in terms of approvals (Table 1.1)

The Group undertakes Country Economic Works (CEWs) to support the preparation of MCPSs. The CEW presents diagnostic analysis of the economic situation of the country and provides useful recommendations for addressing challenges facing the country including poverty reduction. During 1435H, the Bank finalized the Country Economic Work for Chad and initiated those for Iran, Mali and Niger.

In 1435H, the IDB Group in partnership with government authorities conducted Mid-Term Review (MTR) of MCPSs for Pakistan, Uganda, Kuwait, and Kazakhstan. The MTR for Pakistan during the first three years of implementation showed a satisfactory approval rate of 75.6 percent (or \$1.9 billion out of \$2.5 billion). This led to the re-alignment of the IDB Group interventions in Pakistan,

TABLE 1.1

MCPS ACHIEVEMENT RATES (AS OF MID-NOVEMBER 2014)¹

	MCPS Under Implementation	Indicative Financing Envelope (\$ million)	Net Approvals by IDB Group (\$ million)	Achievement Rates ² (%)
MCPS with financing envelope				
1	Turkey (2010-13)	2,000	2,200	109.3
2	Uganda (2011-13)	300	562	187.0
3	Indonesia (2011-14)	2,500	1,5570	62.3
4	Mauritania (2011-15)	650	575	88.4
5	Mali (2011-14)	500	265	53.0
6	Pakistan (2012-15)	2,500	1,885	75.6
7	Senegal (2012-14)	760	537	70.6
8	Tunisia (2013-15)	870	320	36.8
9	Niger (2013-15)	800	138	17.2
10	Bangladesh (2013-16)	9,500	4,460	46.9
11	Morocco (2013-16)	2,200	1,210	55.0
12	(Interim) Suriname (2014-15)	66	76	115.0
13	Chad (2014-16)	450	175	38.9
MCPS without financing envelope				
14	Malaysia (2012-15)	*	87	-
15	Kazakhstan (2012-14)	*	545	-
16	Kuwait (2012-15)	*	1	-
17	(Interim) Somalia (2014-15)	*	5	-

* Denotes no indicative financing envelope in the MCPS Programs.

¹ Country order is based on launching year.

² Implementation rate is defined as net approvals as % of indicative financing.

based on new development needs and priorities. Two main pillars were subsequently agreed with the Government during the remaining period of MCPS (1436H/2015), namely; *Supporting Energy Security* and *Ensuring Inclusive Islamic Finance*.

For Uganda, the MTR of its MCPS showed an impressive implementation rate, with most of its financing sourced from the IDB and the Islamic Solidarity Fund for Development (ISFD). Together, they overachieved the financing envelope by 119 percent (i.e. \$357 million approvals out of \$300 million). As for MTR for Kuwait, one major achievement recorded in 1435H was the approval of the Kuwaiti Parliament to participate in the General Capital Increase (GCI) of the IDB-OCR and other entities of the Group. For Kazakhstan, the MTR of its MCPS (2012-2014) led the IDB Group and the Government of Kazakhstan to sign a Cooperation Framework Agreement extending the MCPS period to 2015-2017, with an envelope of \$2 billion.

Credit Ratings: Three entities of IDB Group (IDB, ICIEC and ICD) have been rated by either one or all of the top three international agencies – Standard & Poor's, Moody's and Fitch Ratings.

With sound financial health and strong shareholders' support, the IDB since 2002 has continued to maintain the highest credit ratings of "AAA" from Standard & Poor's, Moody's and Fitch Ratings with a stand-alone credit rating amongst the highest of Multilateral Lending Institutions. The IDB is also designated as a 'Zero-Risk Weighted' Multilateral Development Bank (MDB) by both the Basel Committee on Banking Supervision and the Commission of the European Communities.

Since June 2008, the ICIEC has been granted Aa3 rating by Moody's which has placed it at par with major insurers of credit and political risk in the global arena. This rating reflects both the stand-alone fundamentals of ICIEC as well as the potential support from its shareholders (IDB and member countries). It also reflects ICIEC's legal structure and business nature, as the only multilateral export credit and investment insurance corporation in the world that provides *Shari'ah* compatible insurance and reinsurance products.

In November 2014, ICD was assigned AA by Fitch's in first time credit rating with a Stable Outlook and a Short-term IDR of 'F1+'. Fitch noted that ICD's ratings are driven by support from key shareholders, the Islamic Development Bank (IDB, AAA/Stable) and the Kingdom of Saudi Arabia (AA/Stable), which owned 46.7 percent and 18.7 percent, respectively, of paid-in capital as of end-October 2014. Fitch believes that IDB's shareholding is likely to be diluted through future ICD's capital increases.

1.3 IDB GROUP ACHIEVEMENTS

Prospering people and enhancing connectivity: The IDB Ordinary Capital Resources (OCR) provide the main funding for the Bank's development activities targeting various economic sectors of member countries. In 1435H, the distribution of the OCR sectoral approvals showed that infrastructure received the largest share of 83 percent, followed by agriculture at 8 percent, education at 4.5 percent, health at 3 percent, and other sectors, including finance at 1.5 percent (Figure 1.5)

Boosting Private Sector development: The Islamic Corporation for the Development of the Private Sector (ICD) made remarkable progress in implementing its ambitious business plan for 1435H despite a challenging economic and political environment. Its performance in 1435H was affected by both external as well as internal factors including social and political uncertainties in some member countries.

The net approvals of ICD in 1435H stood at \$487 million for 31 projects with disbursement reaching \$360.4 million. ICD maintained a high disbursement/approval ratio of 60 percent and introduced new products such as Commodity Murabaha. In creating new channels of operations in member countries, the ICD approved \$105.9 million for lines of financing and institutional equity projects, which

FIG 1.5
SECTORAL DISTRIBUTION OF OCR NET APPROVALS 1435H

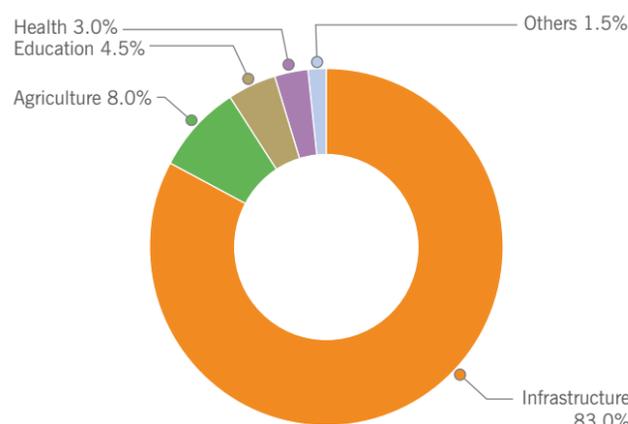


FIG 1.6
TRENDS IN ICD NET APPROVALS (1431H-1435H)

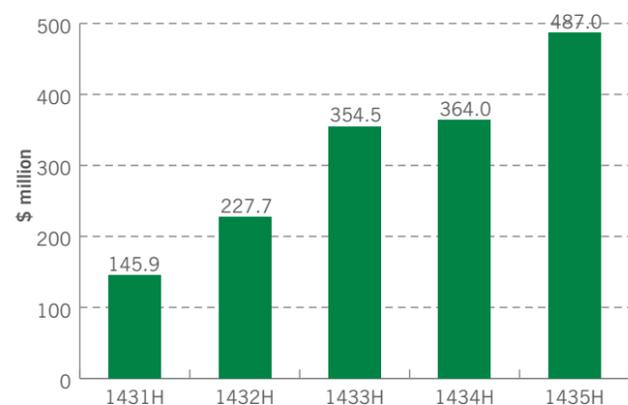
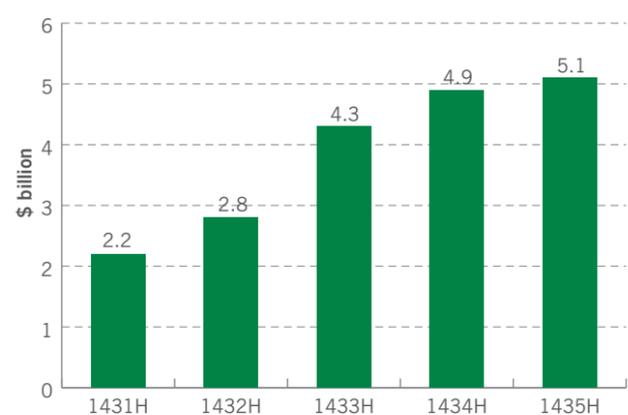


FIG 1.7
TRENDS IN ITFC NET APPROVALS (1431H-1435H)



exceeded its annual target. Disbursement for financial institutions reached \$181 million in 1435H (Figure 1.6).

ICD approved \$204.5 million of direct investment in the corporate sector with \$110.6 million disbursed. More than half of new approved projects targeted high-impact sectors such as agribusiness, energy, industrial, and infrastructure. Meanwhile, in the area of advisory services, ICD successfully recorded \$4.6 million in revenue from its advisory services and an additional \$7 million in revenue from its asset management programs. It also approved \$68.8 million and disbursed \$36 million during 1435H for advisory services and asset management.

The sectoral distribution of ICD's approvals in 1435H shows that 54.9 percent was allocated to the financial sector. In terms of regional distribution, 21.5 percent of ICD's approvals went to Europe & Central Asia, 8.6 percent to Asia, 19.2 percent to Middle East and North Africa, 39.1 percent to Sub-Saharan Africa, and 11.5 percent to regional projects.

Group Business Forum (Thiqah): This Forum, which is under the ICD, is aimed at enabling business leaders to maximize promising investment opportunities. Its primary focus is to maximize cross-border investments among IDB Group member countries, with the support of IDB Group's financial products and services. Thiqah has developed a highly interactive portal to support and facilitate the promotion of investment projects and related services (www.idbgbf.org).

In 1435H (2014), Thiqah coordinated the participation of IDB Group in several international and regional conferences and forums, organized and/or assisted in the promotion of various events including Global Islamic Economy Summit, Al-Madina Investment Forum, First Arab States Regional South-South Development EXPO, G8 Deauville Partnership Investment Conference, AgriTech 2014, Annual Investment

Meeting (AIM), World Investment Forum (WIF), First Investment Forum on OIC Plan of Action for Cooperation with Central Asia, 10th World Islamic Economic Forum (WIEF) and Palestine Trade and Business EXPO 2014.

Expanding trade financing: The International Islamic Trade Finance Corporation (ITFC) promotes intra-OIC trade by financing imports and exports as well as facilitating trade development in its member countries. Its authorized capital, as at the end of 1435H, was \$3 billion and its subscribed capital was \$750 million, of which \$718 million has been subscribed.

Over the past five years, ITFC has recorded improved growth in its trade operations by more than doubling its operations from \$2.2 billion in 1431H to \$5.1 billion in 1435H (Figure 1.7). In terms of regional breakdown of approvals in 1435H, MENA region received \$2.6 billion (50.4 percent), Asia \$2 billion (39 percent), Sub-Saharan Africa region \$515 million (10 percent), CIS \$15 million (0.3 percent) and Others (non-Member countries) \$12 million (0.2 percent). ITFC's disbursements reached \$2.8 billion in 1435H compared to \$4 billion a year ago, which is a decline of 29.6 percent.

A large proportion of ITFC's approvals in 1435H, which provided financing to both the public and private sectors, were syndicated from banks and financial institutions in the international markets totaling \$3.5 billion. Its main mode of financing is *murabaha*, in addition to using other modes such as Structured Trade Finance, Islamic Discounting and Letter of Credit opening/confirmation. ITFC's financing activities cover energy (crude oil and petroleum products), fertilizers, plastics, textiles, agricultural inputs, food items, sugar, coffee etc. Besides its direct operations with clients, including LDMCs, Lines of Financing under Two-Steps Murabaha are also provided to local banks to support SMEs in member countries.





“Islamic Research and Training Institute (IRTI) is to generate and disseminate knowledge in Islamic economics, banking and finance.”

IN 1435H, ICIEC BUSINESS INSURANCE OPERATIONS INCREASED BY

26.5%

TO REACH
\$4.3 BILLION
 FROM \$3.4 BILLION IN 1434H

BETWEEN 1417H AND 1435H, INSURANCE APPROVALS ISSUED TOTALED

\$23.8 BILLION

In the area of capacity building, the ITFC’s Trade Promotion and Cooperation Program (TCPP) is designed to enhance trade facilitation and strengthen cooperation among OIC member countries. Through the TCPP, the ITFC has launched Aid for Trade Initiative for Arab States (AFTIAS) and the UN Special Program for the Economies of Central Asia (SPECA) to address capacity constraints in its member countries. ITFC is also overseeing an IDB Group Trade Related Issues Committee (GTRC) which coordinates, mainstreams and synergizes all the Group trade-related activities meant for member countries. In addition, ITFC has prepared programming documents for Arab-Africa Trade Bridge Program which is aimed at promoting regional trade between African and Arab member countries of OIC. It has also joined international efforts in the creation of “Trade Facilitation Implementation Guide” which is an on-line information resource for trade practitioners, policy makers and academicians.

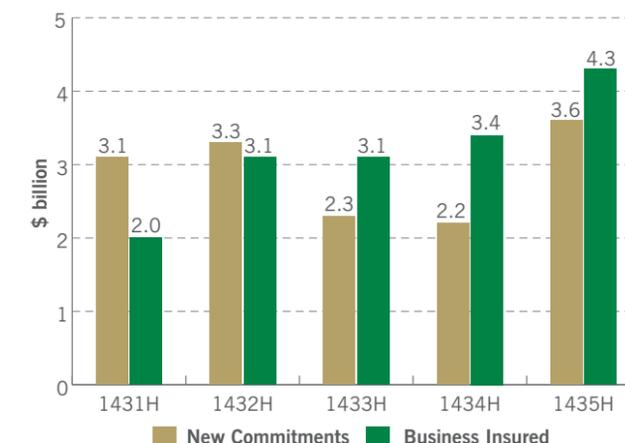
Strengthening Credit and Country-Risk Insurance: The Islamic Corporation for the Insurance of the Export Credit and Investment (ICIEC) provides *shari’ah* compliant export credit and investment insurance services to exporters, financial institutions, and investors in member countries to cover the risk of non-payment of export receivables resulting from commercial (buyer) or non-commercial (country) risks, and political risks. It also provides re-insurance services to the export credit agencies of member countries.

In 1435H, ICIEC business insurance operations increased by 26.5 percent to reach \$4.3 billion from \$3.4 billion in 1434H while the new commitments also witnessed a substantial increase of 63.6 percent to reach \$3.6 billion compared to \$2.2 billion in 1434H (Figure 1.8). Between 1417H and 1435H, insurance approvals issued totaled \$23.8 billion while the business insured amounted to

\$22.2 billion with an overall claims ratio (claims paid over premium earned), the main indicator of credit insurance operations performance, at 22 percent, which is significantly below the industry’s ratio. The top six member countries that benefited from the ICIEC services since the inception of its business through 1435H were Saudi Arabia (26.5 percent), UAE (11.7 percent), Bahrain (11.1 percent), Pakistan (7.6 percent), Egypt (7.5 percent), and Turkey (4.6 percent).

In its efforts at becoming the lead reinsurer in MENA region, ICIEC established in 2009 a Union of Commercial and Non-Commercial Risks Insurers and Reinsurers (AMAN UNION) including Export Credit Agencies (ECAs) from member countries of the Arab Investment and Export Credit Guarantee Corporation (DHAMAN) and the Organization of Islamic Cooperation (OIC). This organization aims at strengthening the cooperation between ECAs in terms of credit information, debt collection, inward insurance and

FIG 1.8
 TRENDS IN ICIEC’S BUSINESS INSURED AND NEW COMMITMENTS (1431H-1435H)



co-insurance, training, technical assistance and any other forms of collaboration. More information is available at this site: www.amanunion.net.

ICIEC has been an active member of the Berne Union – the union of international credit insurers - which it joined in 2009. ICIEC has actively built cooperation agreements with a number of Berne Union members which helped in generating business through reinsuring projects that have strong developmental impact on member countries.

Developing Islamic Economics and Finance: The main thrust of the Islamic Research and Training Institute (IRTI) is to generate and disseminate knowledge in Islamic economics, banking and finance, as well as build capacities for the promotion of the Islamic financial services industry.

In 1435H, IRTI organized its 9th IDB Global Forum on Islamic Finance on the theme of “Islamic Finance and the Economic Development: Lessons from the Past and Prospects for the Future”. The Forum which was held in conjunction with the 39th Annual Meetings of the IDB Group recommended that Islamic Finance be given an opportunity in the Central Asian countries and that the authorities should accommodate the introduction of Islamic finance both in the private and public sectors.

During the year, IRTI produced 22 working papers dealing with *tawarruq* time deposit based on the *wakalah* principle; philanthropy in Islam; free market and state capitalism; analysis of Islamic endowment (Waqf) laws; regulatory and supervisory framework of Islamic Microfinance in Sudan; Maqasid al-Shari’ah-based Development Index; and integrating *zakah*, *awqaf* and Islamic Microfinance for Poverty Alleviation.

In addition to producing an occasional paper on “Islamic Finance and The Economic Development: Lessons from

the Past and Prospects for The Future”, IRTI conducted 13 in-house research papers on various contemporary issues such as Islamic Financial Inclusion; Interest-Free Economy; Islamic Vision of Development Indicator for Islamic Bank; Risk Management in Islamic Capital Market; and Halal Finance and Halal Foods.

In collaboration with the ICD, IRTI undertook advisory works for an ICD client (the National Bank of Yemen) to establish its first full-fledged Islamic subsidiary as well as the country’s first Islamic bank namely National Islamic Bank of Yemen. IRTI’s scope of consultancy work which was completed in June 2014, included structuring Islamic financial products, setting up the *Shari’ah* governance framework and reviewing the operating procedures for compliance to *Shari’ah* requirements.

In the area of capacity building, IRTI in collaboration with Kenyan-based Awal Consulting Limited (ACL) and Malaysian-based CERT organized in 1435H training for National Bank of Kenya (NBK), NBK’s Board of Directors, *Shari’ah* Board and its Senior Management from 15 to 19 September 2014. It also organized an in-house workshop for Turkish Finance Participation Bank’s staff on ‘Hedging in Islamic Finance’

In collaboration with Thomson Reuters, IRTI in 1435H prepared two Islamic Finance Country Reports for Oman and Malaysia. It also prepared 22 new publications on Islamic Economics, Banking and Finance; nine books in English and two in Arabic. It translated two books into Russian and one book into Arabic. In addition, two newsletters and six issues of IRTI Journals were also published.

IRTI’s initiatives introduced in 1435H were ‘Conversion Toolkit for Converting Conventional Bank to an Islamic Bank’ (a collaborative effort between IRTI and Dr Abdulbari Mashal, a well renowned *Shari’ah* expert) and the Islamic Finance Primer (IFP), a handbook that provides an overview on Islamic banking, capital market, Takaful and social finance to IDB member and non-member countries that are not familiar with the Islamic financial services industry.



THE NUMBER OF PUBLICATIONS IRTI PRODUCED IN COLLABORATION WITH THOMSON REUTERS IN 1435H

1.4 CREATING OPPORTUNITIES FOR THE POOR

The Islamic Solidarity Fund for Development (ISFD) was established as a Waqf³ (i.e. Trust) with a target capital of \$10 billion. Its aim is to reduce poverty in IDB member countries by focusing on supporting pro-poor growth, human development (especially improvements in health care and education), and enhancing the productive capacity and sustainable means of income for the poor. The Fund is concessionary targeting the least developed member countries.

As at the end of 1435H, 44 member countries and IDB pledged capital contributions of \$1.68 billion and \$1.0 billion respectively, totaling \$2.68 billion. Of this amount, \$2.26 billion was paid-in capital, comprising \$700 million by IDB and \$1.56 billion by member countries.

In a bid to shore up the contribution, the Board of Governors in 1435H adopted a resolution calling on all member countries to take all measures to support the efforts of the ISFD in resource mobilization, such as allocating a suitable *Waqf* in favour of the ISFD which it can develop to generate revenues that in turn can enhance its resources. Ten countries have so far responded to the resolution by donating plots of land in prime areas in their capital cities where modern towers could be built and rented to generate income for the Fund. The ISFD has also started the process of setting up specific poverty-related Trust Funds which will be used to finance the provision of basic services to the poor, such as primary education, primary health care, microfinance, agriculture and rural development, energy for the poor, emergency relief and institutional capacity building.

In 1435H, the ISFD approved 14 projects totaling \$133.3 million including \$10 million grant for a multi-year program for Ebola Prevention and Control in West Africa. Cumulatively, ISFD’s approvals reached \$433.4 million for 68 projects in 32 member countries. The total cost of these projects was \$2.3 billion with the IDB contributing \$1.2 billion and the rest by beneficiary governments and other partners. Of these projects, two have already been completed while 66 operations are active as of end-1435H. The sectoral focus of ISFD financing are agriculture (including rural development) accounting for 14 percent, education (including vocational training) 24 percent, microfinance 13 percent, energy 12 percent, health 7 percent and multisector 30 percent. The LDMCs are the main beneficiaries of ISFD activities, enjoying more than 80 percent of its financing.

The ISFD actively promotes co-financing to increase resources and maximize its impact. This is aimed at enhancing its working relationship with stakeholders

³ The concept of *Waqf* (Islamic Endowment/Trust) implies that only the income which will be made from the investments of the Fund’s resources will be available to finance its operations.

and development partners to achieve project success and sustainability. In this context, the Fund has entered into a number of strategic partnerships in launching new initiatives such as the Sustainable Villages Program (SVP), Urban Poverty Reduction Program, Renewable Energy for Poverty Reduction Program, and Save the Mothers Program.

1.5 PROMOTING AWQAF

Awqaf Properties Investment Fund (APIF): *Awqaf* organizations, by mandate, are Islamic charitable entities that undertake myriad economic, social and cultural activities. In order to address the development needs of the *Awqaf* sector, the IDB established the *Awqaf* Properties Investment Fund (APIF) in 2001 and acts as *Mudarib* for the Fund. The objective of the APIF is to develop idle *Waqf* lands and renovate existing *Waqf* buildings, thereby transforming them into income generating assets. The income generated from APIF projects is used by the *Waqf* and by charitable organizations to finance and support their activities in the social and charitable fields in favor of the poor, as well as in the religious and cultural fields.

The Fund has a capital of \$76.4 million funded by 15 participants who are mainly *Awqaf* organizations and Islamic banks including IDB. In addition, IDB has provided a Line of Financing of \$100 million to APIF to support its activities.

In 1435H, APIF approved nine projects totalling \$236.7 million. These projects involved financing the construction of residential or commercial/office buildings in UAE, Ethiopia, Guinea, UK and Switzerland as well as the purchase of existing office buildings in Belgium, Kenya, Saudi Arabia and USA. APIF also signed Memorandums of Understanding (MoUs) with charitable organizations in United Kingdom and Qatar to support their philanthropic activities.

Since its inception, APIF has approved 48 projects for an amount of \$1.03 billion covering 29 member countries and non-member countries. These approvals consisted of 36 projects for \$792.3 million for member countries and 12 projects for \$242.3 million for non-member countries. In terms of modes of financing, 36 projects were approved by way of leasing, eight projects under *Istisna’a*, two projects through equity participation, and two projects by *Murabaha*.

World Waqf Foundation (WWF): This Foundation which came into being in 1422H (2001) has devoted its activities in 1435H to four major projects. These are the International Waqf Advisory House (IWAH), *Awqaf* Capital (ACAP), India Education Waqf, and *Waqf* for Development (W4D).

ISFD APPROVED

14

PROJECTS TOTALING \$133.3 MILLION FOR A MULTI-YEAR PROGRAM FOR EBOLA PREVENTION AND CONTROL IN WEST AFRICA



On the International Waqf Advisory House (IWAH), it was approved by the WWF’s Council of Waqifs which directed that it should be created under the umbrella of IDB Group and be incubated by the Islamic Research and Training Institute (IRTI). The aims of IWAH are to raise awareness and revive *Waqf* culture; bring together *Awqaf* Institutions and market their activities; organize international conferences; and pilot major research projects (*Awqaf* Databank, *Awqaf* Legislation, Model Law, etc.)

Concerning the *Awqaf*-based Cash *Waqf* Investment Firm or “*Awqaf* Capital (ACAP)”, its aim is to help meet the needs of individual philanthropists, public and private philanthropic institutions, for a world-class financial institution specializing in Cash *Waqf* Asset Management in order to provide high quality *Shari’ah* compliant investment services and address the specific needs of the *Waqf* Sector. The WWF is in the process of registering ACAP as an Investment Fund in the Kingdom of Bahrain. Its feasibility study was prepared by Ernst & Young.

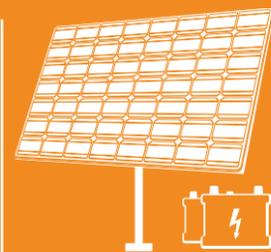
For the India Education *Waqf*, which was originally established for supporting the training and educational activities of the Muslim community in India, it has a capital of \$50 million, comprising of \$25 million contribution from IDB and \$25 million to be raised from external donors, with the investment returns of the fund to be used in financing projects. WWF is now creating media material through a specialized company to facilitate resource mobilization.

As for the *Waqf* for Development Project (W4D), its aim is to inject the *Waqf* principle - not the returns - into the bottom of the pyramid (i.e. investing *Waqf* assets into socially responsible projects/doing business with the poor). It is an alternative asset class in which impact, economic empowerment and social returns are sought beyond solely the monetary returns. Through careful due diligence, and intelligent PPPP (Public/Private/Philanthropic/Partnership) risks can be mitigated and objectives achieved. The WWF is conducting a full feasibility study on mainstreaming a W4D approach in its work and the IDB Group. ●

CHAPTER TWO

Fostering Inclusive and Sustainable Development

The Bank fosters the economic development of its member countries through providing loans and grants to finance key sectors of their economies. This chapter analyses the Bank's development assistance activities financed from its ordinary capital resources, its capacity building programs, co-financing, partnership, new cooperation arrangements and contribution to Islamic financial services industry. The chapter also covers activities related to women empowerment, IDB prizes, and solidarity program.



THE BANK APPROVED

16

ENERGY PROJECTS
(INCLUDING TWO USING
THE PPP MODALITY)
TOTALING

ID 1.2 BILLION
(\$1.9 BILLION) FOR TEN
MEMBER COUNTRIES

ALMOST

80%

OF REQUESTS FOR
IDB FINANCING FROM
MEMBER COUNTRIES
ARE IN INFRASTRUCTURE
SECTORS – ENERGY,
WATER, TRANSPORT AND
TELECOMMUNICATION



THE BANK APPROVED
31 OPERATIONS
IN FAVOUR OF EDUCATION
SECTOR IN MEMBER
COUNTRIES FOR

ID 148.2 MILLION
(\$227.7 MILLION)

TRANSPORTATION SECTOR
PROJECTS APPROVED IN 1435H
AMOUNTED TO
ID 909.5 MILLION
(\$1.4 BILLION)



2.1 INVESTING IN HUMAN CAPITAL AND WELLBEING

The Bank's interventions in the social sector of member countries (especially health and education) from the Ordinary Capital Resources (OCR) totaled ID248.9 million (\$381.5 million) in 1435H compared to ID291.8 million (\$443.7 million) in 1434H, which represents a decline of 14 percent. Cumulative approvals for social sector since inception reached ID3.9 billion (\$5.6 billion) for 859 operations.

EDUCATION

In 1435H, the Bank approved 31 operations in favour of education sector in member countries for ID148.2 million (\$227.7 million). Cumulatively, IDB's investment in the education sector in member countries reached \$3.3 billion targeting 530 operations which benefited all education levels and subsectors (Box 2.1).

Strategically, the Bank's social sector financing in 1435H targeted basic education with a focus on underserved and hard-to-reach communities and on vocational education and training through its programs such as Education for Employment (e4e) and Technical Vocational Education and Training (TVET) reforms to transform current supply-driven services into a demand-oriented TVET system.

The largest project in education sector approved in 1435H was the support for bilingual education in six states of Nigeria (Adamawa, Kaduna, Kano, Kwara, Nasarawa and Osun) for \$68 million. The project provides opportunities in bilingual education for *Almajiri* (itinerant Koranic students) children. With this project, the number of bilingual education operations financed by the Bank in Nigeria reached nine, including Borno, Gombe and Niger states which were covered in previous interventions. The project is to help the government set up instructional framework for the integration and modernization of *Almajiri* education in the formal education system. Thirty model bilingual education boarding schools in the nine states will be built with a capacity to absorb about 30,000 *Almajiri* street children; more than 1.7 million textbooks to be supplied, and 1,800 teachers and 900 school administrators to be

trained. A feasibility study for the establishment of a *Waqf* facility in favor of *Almajiri* schools will be conducted to ensure sustainability.

The Bank strives to achieve efficient resource allocation and effective policy dialogue with member countries. To this end, it has developed a new Education Sector Policy (ESP) in 1435H with the theme "improving learning for human dignity". The policy identified three strategic areas for Bank's interventions going forward: inclusive universal education focusing on bilingual education, skills development, and tertiary education.

In terms of its education for employment (e4e) initiative, the Bank approved a project for Yemen in 1435H for \$4.6 million. The project, which is implemented jointly with the IFC, is financed from the Transition Fund under the Deauville Partnership. The project, initially targeting 2,700 TVET and university graduates, focuses on reskilling and retraining of unemployed youth for job opportunities in the construction sector in the country and the region.

In 1435H, the Bank scaled up its supervision and support for implementation of education operations by preparing Project Implementation Assessment Support Reports (PIASR) and Project Quarterly Progress Report which are both discussed with the executing agencies. This approach has helped to improve the sector portfolio and considerably decreased the number of problematic projects from 12 to four. This development is evident in the 1434H Annual Evaluation Report prepared by the Group Operations Evaluation Department which found that 92 percent of the education projects evaluated between 1431H and 1433H were highly satisfactory or satisfactory and implied that the education sector operations had the highest success rate of all sectors during the said period.

In a bid to avail more concessional financing to enhance sustainability in the education sector in member countries, the Bank is collaborating with the Global Partnership for Education (GPE) to pilot its Triple Win innovative financing mechanism in the education sector. This follows the commitment made by the IDB on the occasion of 39th

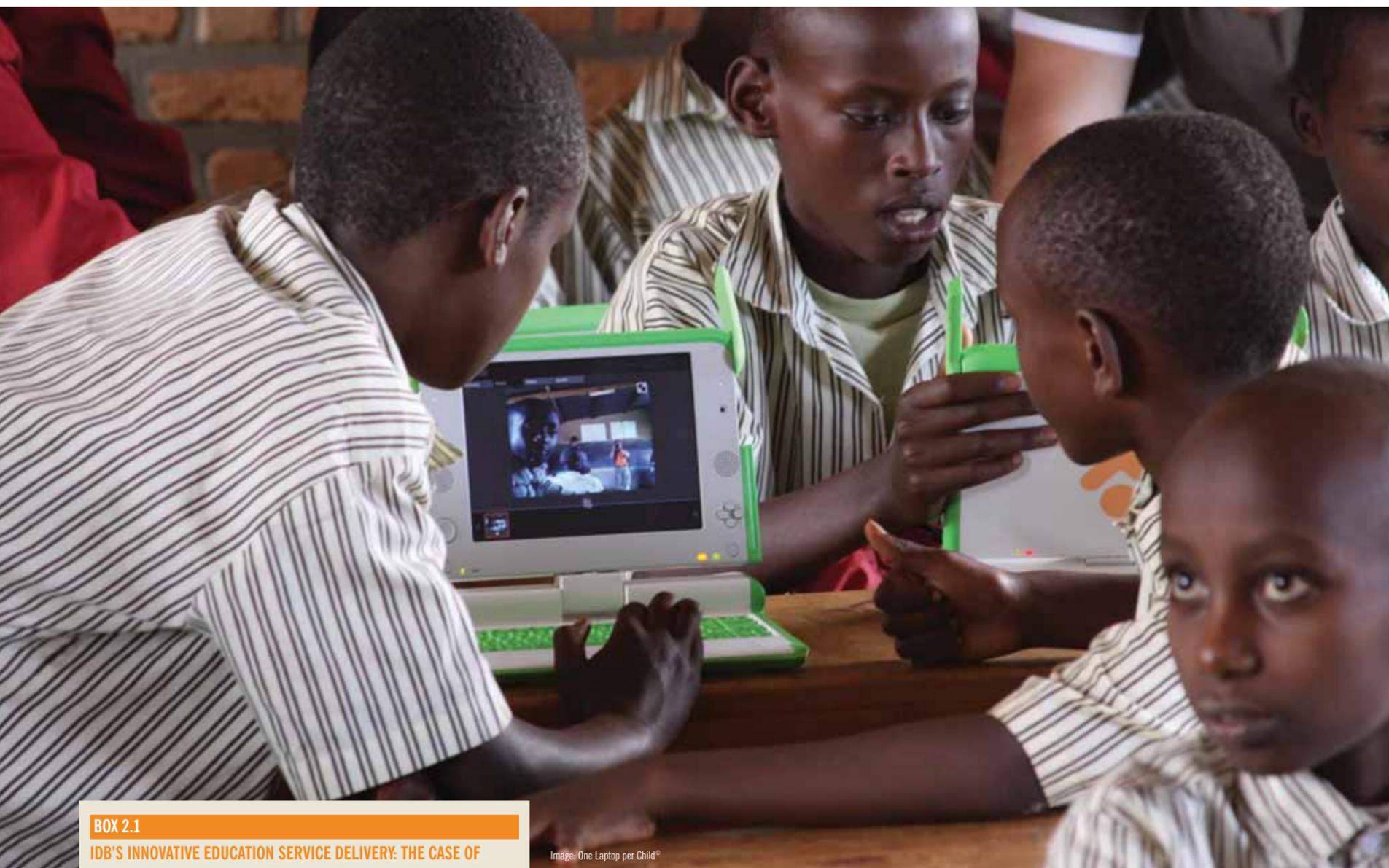


Image: One Laptop per Child®

BOX 2.1**IDB'S INNOVATIVE EDUCATION SERVICE DELIVERY: THE CASE OF THE BASIC EDUCATION QUALITY IMPROVEMENT PILOT PROJECT (PAQUEB) IN CAMEROON**

Because of lack of pedagogic and didactic resources to support the delivery of quality education and inadequate basic infrastructure for Information and Communication Technology (ICT) in rural area, the IDB financed in rural Cameroon the One Laptop Per Child (OLPC) project for an amount of \$10.4 million. The project which is an appropriate and cost effective way to provide appropriate ICT to support teaching and learning in rural area was approved in 2006 and completed in 2013.

It provides an innovative technology (XO Laptops of OLPC)) by offering a customized XO laptop with pedagogic content that is user friendly for school children. The project provided training for teachers in the use of XO Laptops, transforming them from computer illiterate teachers into IT literate teachers and technicians, and shifting their role from traditional instructors to modern tutors and facilitators.

Annual Meeting of the IDB Board of Governors to mobilize \$400 million of ordinary resources to leverage \$100 million earmarked by the GPE to pilot the Triple Win buy-down program with the IDB. Under this arrangement, the country repays only the principal amount while the third party, the GPE, will pay the mark-up/administrative fee of the loan directly to IDB.

IN 1435H, THE BANK APPROVED 31 OPERATIONS IN FAVOUR OF EDUCATION SECTOR IN MEMBER COUNTRIES FOR ID148.2 MILLION (\$227.7 MILLION)

THE LARGEST PROJECT IN EDUCATION SECTOR APPROVED IN 1435H WAS THE SUPPORT FOR BILINGUAL EDUCATION IN SIX STATES OF NIGERIA (ADAMAWA, KADUNA, KANO, KWARA, NASARAWA AND OSUN) FOR \$68 MILLION

THE IDB FINANCED IN RURAL CAMEROON THE ONE LAPTOP PER CHILD (OLPC) PROJECT FOR AN AMOUNT OF \$10.4 MILLION

**HEALTH**

The Bank's investments in the health sector remain focused on three key thematic areas: (i) prevention and control of both communicable and non-communicable diseases; (ii) health system strengthening to improve access to and quality of healthcare services and (iii) alternative health financing to remove, to the extent that is possible, financial barriers to access, generate/mobilize additional financial resources for health, and make better use of available resources.

The Bank approved, in 1435H, 17 operations in the health sector for its member countries totaling ID100.8 million (\$153.8 million) covering various aspects of the national health system. Growth in health sector financing in 1435H grew impressively by 72 percent over the previous year.

By the end of 1435H, the Bank's cumulative financing for the health sector reached ID1.6 billion (\$2.3 billion) for 329 operations.

The outbreak of Ebola Virus Disease (EVD) in 1435H, which affected two IDB member countries (Guinea and Sierra Leone), has claimed more than 5,000 deaths and strained their already weak health systems. In this regard, the Bank approved an emergency assistance grant of \$600,000 to support Guinea and Sierra Leone and the international community efforts in controlling the EVD. It also approved a \$10 million grant through ISFD as seed finance to attract philanthropists and non-governmental organizations to contribute resources for EVD. It has extended a financing facility to Guinea amounting to \$34 million for strengthening its health system, of which \$6 million is earmarked for the Ebola control efforts.

The Bank has also approved in 1435H the financing of the Public Health Laboratories (PHL) Development Project in Uzbekistan for an amount of \$14.4 million to avail 158 PHL with 480 trained laboratory technicians. Upon completion of the project, it is expected that an increase in the quantity and quality of operations will be directed towards environmental monitoring and assessment of toxic elements affecting food, nutrients, water and other essentials of public use through the detection of potential public health hazards.

In support of the expansion of primary health care services in Chad, the Bank approved \$15 million to contribute to the achievement of the National Health Development Plan (NHDP, 2013-2017) objectives, which aimed at ensuring access to quality healthcare services especially for the poorest and most vulnerable segment of the population. The Bank's support will target the construction and equipping of 27 Primary Healthcare Centers (PHC) and capacity building of health personnel to cover 1,136 villages with about 184,000 inhabitants.

In Senegal, the Bank is financing the National Malaria Prevention and Control project which is to help the government achieve its National Malaria Control Program (2011- 2015) Goal whose aim is to reach the threshold of pre-elimination (less than one case per 1,000 population) by 2015. Specifically, the Bank is providing a loan of \$10 million to help the government reduce the morbidity associated with malaria through preventing malaria transmission and improving case management at the primary healthcare level.

2.2 FINANCING INFRASTRUCTURE

Infrastructure development continues to be the main driver of economic growth in IDB member countries. Almost 80 percent of requests for IDB financing from member countries are in infrastructure sectors - energy, water, transport and telecommunication. This is reflective of the significant infrastructure financing gap that exists in member countries and the increasing realization that infrastructure development is vital for reducing poverty and improving people's lives.

It is in this context that the Bank gives the highest priority to the development of key infrastructure in its member countries. Since its inception, the IDB has financed approximately ID 20.2 billion (\$30 billion) worth of infrastructure operations in its member countries, 75 percent, or \$22.3 billion, of which has been provided in the last eight years during the period 2006-2014. This is a significant scaling up in direct response to help member countries to meet their increasing infrastructure financing needs, enabling them to effectively compete in an increasingly globalized world and benefit from the new G20 initiative (Box 2.2).

The active infrastructure portfolio of the Bank reached 190 projects for \$15.9 billion, of which 25 percent has been disbursed. In 1435H, the Bank approved 51 infrastructure operations for ID2.8 billion (\$4.2 billion) which financed electricity generation and transmission, transportation, and water and sanitation infrastructure. During 1435H, the Bank also disbursed \$1.5 billion for active and continuing infrastructure projects, demonstrating the Bank's continued strong commitment to help create an enabling environment in its member countries. In 1435H, energy accounted for the largest allocation of infrastructure financing at 44.9 percent, followed by transportation 33 percent, water

BOX 2.2

G20 INFRASTRUCTURE WORKING GROUP MEETINGS

The G20 started in 1999 as a meeting of finance ministers and central bank governors in the aftermath of the Asian financial crisis. Three IDB member countries are represented in the G20 – Indonesia, Saudi Arabia, and Turkey. The significance of alternative financing mechanisms such as Securitization and Islamic Finance (including *Sukuk* markets) to support development of new infrastructure has been recognized as a key area of interest by the G20. Therefore, based on the invitation of the G20 Presidency, in 2014, IDB participated in the Development Working Group (DWG) meeting in Singapore (June 2014) as well as the Investment and Infrastructure Working Group Meeting (IIWG) in Singapore (June 2014) and Jakarta (August, 2014). With Turkey assuming the G20 Presidency in 2015, the Bank has already indicated its keen interest in continuing to work closely with the G20 to facilitate the growth of Islamic finance as a viable mechanism to support infrastructure development.

and sanitation 16.1 percent, industry and mining 5 percent and information and communication 1 percent.

ENERGY

Access to reliable and affordable energy is the basic requirement for modernization, industrialization and poverty reduction. Energy is an important facilitator for the provision of clean water, communications, health, education and transportation facilities. Moreover, increased awareness regarding the environmental impact of fossil fuels (without adequate safeguard mechanisms) has also brought renewed attention to the urgent need of developing indigenous renewable energy (RE) resources as well as promoting energy efficiency enhancement (EEE) initiatives. Therefore, supporting environment friendly self-sustainable energy projects is a key priority of the Bank. During the past three years (2012-2014), the energy sector has received about 50 percent of the overall infrastructure financing. In 1435H, the Bank approved 16 energy projects (including two using the PPP modality) totaling ID 1.2 billion (\$1.9 billion) for ten member countries - Bangladesh, Burkina Faso, Benin, Cameroon, Egypt, Pakistan, Senegal, Morocco, Mauritania, and Uganda. As is evident, special focus is being given to the development of energy projects in Africa to reduce energy poverty (Box 2.3).

TRANSPORTATION

Transport sector, as an indispensable catalyst for accelerated growth and economic development, continues to remain one of the highest priorities of IDB member countries. Transport sector projects approved by the Bank effectively contribute to the economic prosperity and social well-being of the member countries and play a strategic role in the opening up of peripheral, isolated and landlocked countries and regions.

The IDB financing for the transport sector has greatly facilitated member countries in their integration with regional and/or global economy. The transport sector itself has grown as an important sector of economic activity in a number of member countries. As a strategic area of responsibility of governments, transport sector projects have played a major role in facilitating mobility, accessibility and supply of transport services. The IDB has joined the multilateral development bank community (since the Rio+20 meeting in 2012) in enhancing its commitment to transport sustainability by ensuring that the transport infrastructure projects financed by IDB are safe, more efficient, and economically sustainable and environmentally friendly.

Alleviating poverty and accelerating transport infrastructure development in member countries remained a strategic priority for IDB in 1435H. In accordance with the IDB Group infrastructure development priorities, transport

financing activities concentrated on road, railway and aviation sector developments particularly for the least developed countries in Sub-Saharan Africa. The overarching goal has been to promote regional integration among neighboring countries. Transportation sector projects approved in 1435H amounted to ID 909.5 million (\$1.4 billion). The bulk of the Bank's transportation sector financing in 1435H went to six African member countries - Burkina Faso, Cameroon, Mali, Niger, Chad and Uganda - to develop their road transport networks.

BOX 2.3

RENEWABLE ENERGY FOR POVERTY REDUCTION PROGRAM

Lack of access to energy is an important challenge facing the IDB member countries. To help overcome energy poverty, in 1435H the Bank launched a new three-year, \$180 million initiative called "Renewable Energy for Poverty Reduction" (REPoR), and a partnership platform called the "Renewable Energy Alliance for the Poor" (REAP). The launching ceremony, held in Dakar, Senegal, was attended by many IDB member countries, including Bangladesh, Benin, Burkina Faso, Cameroon, Chad, Comoros, Côte D'Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Suriname, Togo, Turkey and Uganda. In 1435H, the Bank approved the Solar Rural Electrification Project in Burkina Faso which is the first project under REPoR initiative. The project will contribute to improving the living conditions of rural populations by allowing them to have access to electricity through decentralized hybrid electrification solutions (mini-grids and solar household systems).



IDB FINANCING FOR REGIONAL/CROSS BORDER ROADS IN AFRICA

IDB NET APPROVALS FOR ROADS AND HIGHWAYS IN AFRICA

COUNTRY	US\$ MILLION
Benin	60
Burkina Faso	102
Cameroon	108
Chad	274
Comoros	0.5
Cote D'Ivoire	303
Djibouti	14
Gabon	318
Gambia	53
Guinea	48
Guinea Bissau	2
Mali	83
Mauritania	112
Morocco	475
Mozambique	21
Niger	53
Senegal	178
Sierra Leone	36
Sudan	39
Togo	54
Uganda	121
TOTAL	2,455

TRANS-AFRICAN HIGHWAY NO.	NAME	COUNTRIES (IDB FINANCED ROAD SECTIONS IN COUNTRIES HIGHLIGHTED IN BOLD)	TOTAL FINANCING BY IDB (US\$ MILLION)
TAH 1	CAIRO - DAKAR HIGHWAY	Egypt - Libya - Tunisia - Algeria - Morocco - Mauritania - Senegal	424.3
TAH 2	ALGIERS - LAGOS (Trans-Saharan)	Algeria - Niger - Nigeria Branches: i. Tunisia ii. Mali iii. Chad	308.2
TAH 5	DAKAR - NDJAMENA (Trans-Sahelian)	Senegal , Mali , Burkina Faso , Niger , Nigeria, Cameroon and Chad	51.8
TAH 6	NDJAMENA - DJIBOUTI ("Pilgrim's Road")	Chad , Sudan, Ethiopia and Djibouti	133.1
TOTAL FINANCING FOR TRANS-AFRICAN HIGHWAYS (TAHs)			917.4

TRAN-AFRICAN HIGHWAYS

- 1 CAIRO – DAKAR
 - 2 ALGIERS – LAGOS
 - 3 TRIPOLI – WINDHOEK (CAPETOWN)
 - 4 CAIRO – GABORONE (CAPETOWN)
 - 5 DAKAR – NDJAMENA
 - 6 NDJAMENA – DJIBOUTI
 - 7 DAKAR – LAGOS
 - 8 LAGOS – MOMBASA
 - 9 BEIRA – LOBITO
- PAVED - - - - UNPAVED

NO.2
ALGIERS - LAGOS (TRANS-SAHARAN) – MAIN AXIS



Niger
1 Agadez Zinder Road (\$10m) – 430KM
2 Arlit-Assamaka Road (\$15m) – 223KM

NO.2
ALGIERS - LAGOS (TRANS-SAHARAN) – NIGER-CHAD BRANCH

Niger
1 F.S for Diffa-Nguigumi-Chad Border Road (\$0.7m)
2 Goure-Djadjiri Road (\$13.4m) – 148KM

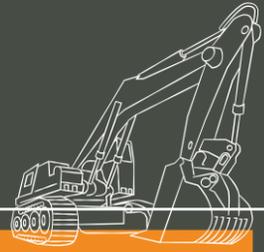
Chad
1 Bol-Rig Rig Section (\$118m) – 85KM
2 Massakory-Ngouri Road (\$120m) – 85KM
3 Massaguet-Massakory Road (\$10.3m) – 68KM

NO.6
NJAMENA - DJIBOUTI (« PILGRIM'S ROAD »)

Chad
1 Massaguet-N'goura Road (\$9.6m)
2 Arboutchatak-Bitkine Road (\$67.8m) – 76KM
3 Bokoro-Aroutchatak Road (\$10.5m) – 67KM
4 Mongo-Mangalme Road (\$51.2m) – 128KM



NO.1
CAIRO - DAKAR



Morocco
1 Sidi Yamani-Tanger Highway (\$37.6m) – 45KM
2 Taza-Oujda Segment of Fes-Oujda Highway (\$152.9m) – 197KM
3 Fes-Taza Segment (\$118.6m) 127KM
4 Marrakech-Agadir Highway (\$106.2m) – 84KM

Mauritania
5 Nouakchott-Noudhibou Road (\$9m) – Road length – 470KM (Financing for 25KM)

NO.2
ALGIERS - LAGOS (TRANS-SAHARAN) – MALI BRANCH

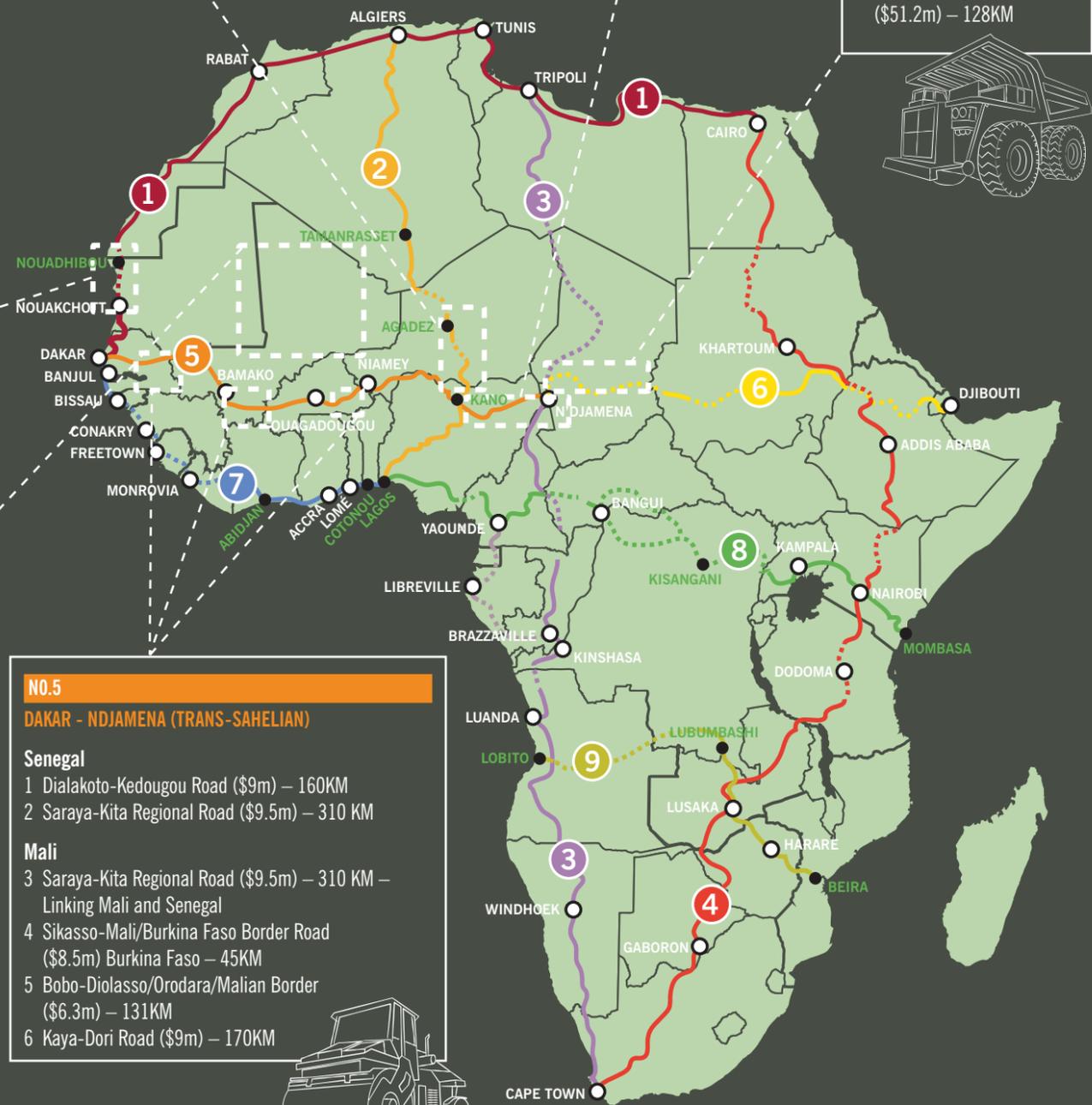
Moali
1 Severe-Gao Road (\$8m) – 160KM
2 Gao Bridge (\$12.8m) – A Bridge over Niger River



NO.5
DAKAR - NDJAMENA (TRANS-SAHELIAN)

Senegal
1 Dialakoto-Kedougou Road (\$9m) – 160KM
2 Saraya-Kita Regional Road (\$9.5m) – 310 KM

Mali
3 Saraya-Kita Regional Road (\$9.5m) – 310 KM – Linking Mali and Senegal
4 Sikasso-Mali/Burkina Faso Border Road (\$8.5m) Burkina Faso – 45KM
5 Bobo-Dioulasso/Orodara/Malian Border (\$6.3m) – 131KM
6 Kaya-Dori Road (\$9m) – 170KM

URBAN DEVELOPMENT

Migration from rural to urban areas in member countries is posing increased developmental challenges of saturation of urban infrastructure, especially water supply, sanitation, solid waste management, and social housing.

This demographic transformation requires securing suitable and affordable urban infrastructure in an efficient and timely manner. In this context, to foster urban development, the Bank approved ten operations in 1435H for an amount of \$479 million. These projects will be implemented in Bahrain, Iran, Côte d'Ivoire, Lebanon, Mali, Senegal and Nigeria.

The projects in Mali, Lebanon and Côte d'Ivoire are being implemented in partnership with other co-financiers, namely, AfDB, AFD, EIB, EU, KfAED and the WB in addition to the Italian government, WADB, WAEMU and EBID with an approximate total amount of co-financing participation of \$453 million. Key development indicators for current commitments include: (i) provision of aggregate potable water treatment capacity of 640,000 m³/day, (ii) connecting 1 million new households to potable water supply, (iii) providing aggregate wastewater treatment capacity of 680,000 m³/day, (iv) connecting 1.15 million new households to network sewerage services, (v) supplying four million people with access to solid waste collection services, and (vi) providing affordable housing to forty thousand families.

The IDB also approved \$100 million for the construction of modern rural housing project in Uzbekistan in 1435H. The project involves building 1,000 houses for low-income young families in rural areas as part of the government's efforts to provide quality housing and slow down urbanization in the major cities of the country. By breaking down the construction contracts into smaller sizes, the project will also help develop small contractors in the country.

PUBLIC-PRIVATE PARTNERSHIP

Demand for infrastructure services is growing all the time and governments by themselves cannot meet the challenges of providing basic facilities such as water, electricity, transport and telecommunications.

To this end, the Bank introduced the Public-Private Partnership (PPP) in 2006 as a financing model to support infrastructure development in member countries. Since then, PPP has accounted for almost a quarter of all IDB infrastructure financing, with total investment reaching \$3.5 billion.

The Bank's PPP portfolio is expected to expand its activities during the coming years. In particular, PPP's regional impact continues to cover Sub-Saharan Africa and Central Asian member countries. In addition, substantial resource allocation is being made to develop untapped soft infrastructure sector of healthcare, education and

agriculture. PPP achievements with co-financing partners such as the IFC and ADB, during 2009-2014, include (i) installation of new 1,730 MW of power generation capacity, (ii) construction of refining capacity of 400,000 bpd, (iii) development of fertilizer plants with production capacity of 3.295 million tons per annum, (iv) installation of production capacity of 0.576 million tons of aluminum per annum and (v) development of new airports to cater for 3 million passengers per annum.

2.3 BOOSTING AGRICULTURE AND FOOD SECURITY

The Bank's interventions in the agriculture sector in member countries continued to cover a wide range of activities geared towards creating jobs, improving productivity, alleviating poverty, and bolstering food security.

In 1435H, the Bank's approvals for the sector amounted to ID269.3 million (\$406.4 million) compared to ID471.9 million (\$714.0 million) a year earlier.

The Bank manages 155 agricultural projects totaling \$5 billion in 45 member countries, of which 18 projects in 1435H were completed and closed. The Bank focuses on activities that help to improve implementation capacity and readiness such as conducting (i) country-level portfolio supervision to help solve common issues impeding project progress; (ii) portfolio cleaning under the Jeddah Declaration; (iii) Audit Compliance exercise of the portfolio; and (iv) Start-up workshops including the preparation of Project Implementation Manuals (PIMs). As a result, the disbursement target of \$184 million was achieved successfully during the year, reflecting an improvement in implementation effectiveness.

The Bank has intensified its efforts in 1435H to improve the implementation of its flagship program, "Jeddah Declaration for Agriculture and Food Security". An implementation crash program was developed to improve the quality and impact of the program portfolio. In this context, the Bank refocused its attention on improving technical support to the executing agencies and introduced a new toolkit for improving project readiness comprising of a project implementation manual, better structured start-up workshops, and provision of project documents in country languages. To this end, 18 newly-approved projects under the Jeddah Declaration started disbursing.

The IDB's interventions in water resources development recorded significant growth. In 1435H, the IDB and the World Bank co-financed the Greater Beirut Water Supply Augmentation Project with the aim of providing safe and economical water supply to 3.5 million people in the Greater Beirut and Mount Lebanon region by 2035. The cost of the project is \$617 million, of which IDB is contributing \$128 million. The project design involved civil society and in particular women which constitutes 49 percent

THE BANK MANAGES

155

AGRICULTURAL PROJECTS
TOTTALLING

\$5 BILLION IN

45

MEMBER COUNTRIES, OF
WHICH 18 PROJECTS IN
1435H WERE COMPLETED
AND CLOSED



of the population in the region. The project is expected to be completed in five years and includes water supply infrastructure, the Bisri Dam, water treatment plant and pipeline system and environment protection components.

The Bank also financed the Wadi Dayqah Water Supply Project in the Sultanate of Oman. The project is aimed at ensuring sustainable water supply to Muscat by 2035, improving the welfare and socio-economic conditions of the rural population by increasing access to reliable and sustainable potable water supply and providing irrigation water. The cost of the project is \$204.6 million with IDB contributing \$176 million which covers the construction of water treatment and transmission systems.

In collaboration with AFSED, OFID, ADFD, KfAED and SFD, the Bank financed the Roseires Dam Project in Sudan. The project, which was completed in 1435H, cost \$450 million with IDB contributing \$90 million. The project is expected to increase the reservoir water storage capacity to 4.4 billion m³, which will be used to cultivate agriculture on 1.7 million hectare and generate additional hydro-electric power of 566 GWH per year; thereby contributing to food security and job opportunities for the citizens.

The Bank has also approved \$47.1 million for the second phase of Sierra Leone Community Driven Development Project. The project is aimed at developing Rural Growth Poles (RGPs) or hubs for specific livelihood activities designed to benefit the local communities. About 300,000 people are expected to enjoy improved access to basic services and livelihood opportunities through the project.

The Bank in 1435H also approved \$87.7 million to support a Rural Water Supply and Sanitation program for WAEMU member countries (Benin, Burkina Faso, Côte d'Ivoire,

Guinea Bissau, Mali, Niger, Senegal and Togo). The program is financed through an innovative triple-win financing mechanism, under which IDB provides financing from its ordinary resources with WAEMU buying down the mark-up of this financing and the country repaying only the principal of the IDB's financing.

The program will finance, in each country, the creation of economic growth poles around mini solar-powered water and electricity supply systems that will provide potable water and water for livestock and/or agriculture food production (greenhouse or community orchard). Different types of Solar Powered Multi-Utility Growth Platforms "MGP" ranging from Single Point system to Kiosk MGP and Village or Multi-Villages MGP will be provided.

In order to facilitate the establishment of the OIC Food Security Organization, the Bank provided technical assistance to the OIC General Secretariat. The objective of the organization is to respond effectively to food security challenges in OIC member countries by strengthening OIC institutional frameworks/mechanisms for better coordination and response to food security related activities and programs.

The organization will provide expertise and technical know-how to member states on the various aspects of sustainable agriculture, rural development, food security, and biotechnology. It will also address the problems posed by desertification, deforestation, erosion and salinity as well as providing social safety nets.

In a new partnership agreement with AFRICARE, the Bank signed a memorandum of understanding (MOU) framework agreement with it whereby the two parties will develop joint sector knowledge products, policy briefs and conduct joint knowledge seminars and workshops. The Bank also convened the 5th OIC Cotton Action Plan stakeholder meeting in November 2014. The meeting provided a platform for member countries and OIC specialized agencies to discuss OIC cotton development action plan. Since the launch of the program in 2007, the IDB Group has provided \$431 million, benefitting 17 countries. The meeting discussed and approved new project for Mozambique for \$50 million.

2.4 STRENGTHENING CAPACITY DEVELOPMENT

The Bank caters to the capacity development needs of its member countries through a number of programs. The programs are the technical cooperation program, the science and technology program, the scholarships program, the NGO program, the women in development program, the reverse linkage program, and the WTO-related program. The progress of these programs is presented below.

Technical Cooperation Program (TCP): This a South-South cooperation program which supports the transfer and exchange of skills, knowledge and know-how among member countries. It is a tripartite scheme involving a technical donor, a beneficiary, and the IDB as a facilitator. It covers the organization of seminars, on-the-job training courses, and recruitment of experts for capacity development purposes, and augmenting skills and enriching the experience of technical and professional staff.

Between 1403H and 1435H, TCP financed 2,166 operations for \$51.2 million. Of this, 675 were in the form of regional operations for \$19.8 million while 1,491 operations totalling \$31.3 million benefited member countries directly. In terms of approvals – which were mainly in the areas of health, education, agriculture,

information communication technology and Islamic economics & finance - priority was given to the LDMCs and countries which do not benefit from IDB's other financing windows.

TCP approved 63 operations for an amount of \$1.5 million in 1435H, of which 15 were related to regional operations benefiting 25 member countries. During the year, priority was given to operations which could lead to the initiation of Reverse Linkage activities.

Science and Technology (S&T) Program: This program promotes and encourages the acquisition and dissemination of knowledge through activities such as short-term assignments of experts, exchange of scientists, networking among associations of scientists and organization of on-the-job training as well as conferences.

Over the period 1425H-1435H, approvals under the S&T program reached \$11.2 million for 223 operations. In 1435H, \$450,000 were approved for ten operations.

One major achievement in the year under review was the IDB's support for the Training Workshop on Technopreneurship for the CIS countries which was organised by the International Science, Technology and Innovation Centre for South-South Cooperation (ISTIC) and the Kazakhstan National Centre of Science and Technology Evaluation (NCSTE).

This regional workshop was aimed at creating awareness in the CIS region of the potential of technopreneurship and exposing participants to a systematic approach on how to create and build successful businesses which are based on and driven by technology. This activity contributes to the growth in S&T-based businesses in the CIS region.

Scholarships: The Bank offers scholarships for science-based human capital development for citizens of member countries and Muslim communities in non-member countries under three programs - (i) Scholarship Program for Muslim Communities in Non-Member Countries (SPMC), (ii) M.Sc. Scholarship Program in Science and Technology for the Least Developed Member Countries (MPST) and (iii) Merit Scholarship Program for High Technology for Member Countries (MSP).

The SPMC are for meritorious students from Muslim communities in non-member countries with limited financial means. The Bank grant scholarships in the form of loans to the students to pursue their first degree-level education in medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and computer science. In 1435H, 381 students from 40 Muslim communities in non-member countries and four member countries benefited from this scholarship program, bringing the total beneficiaries from the inception of the program in 1404H (1983) to 13,170 students.

The MPST is designed to develop the intermediate level of science-based human capital in selected member countries, and to enable students to qualify for the IDB Merit Scholarship Program for High Technology (MSP). The annual enrollment of students for the program has increased since 1429H from 20 to 50. In 1435H, 50 scholarships were granted, bringing the cumulative number of beneficiaries since the inception of the program in 1419H (1998) to 560 students. Under the IDB-STATCAP initiative, 15 scholarships were awarded in the fields of statistics, demography and other related fields.

The MSP provides grant to scholars from member countries to undertake doctoral or post-doctoral research in designated universities. Under this program, the IDB signed memoranda of understandings (MoUs) with several universities including the universities of Cambridge, Oxford, Nottingham, Birmingham and University College, London, in the UK, ParisTech Group in France and the King Abdullah University for Science and Technology (KAUST) in Saudi Arabia. Since signing the MoUs, 132 scholars have benefitted from the program in these universities. In 1435H, 100 scholars were awarded scholarships. Cumulatively, 1,051 scholarships have been offered since the inception of the program in 1413H (1992), of which 23 scholarships went to Muslim communities in non-member countries, representing about 5 percent of the total quota for the program between 1428H and 1433H.

The number of graduates under the three programs has exceeded 8,600 from Muslim communities in non-member countries and member countries. Ninety-eight percent of the graduates from non-member countries are in gainful employment while 70 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 have returned to their respective countries to join their home institutions.

The IDB also provides students with extra-curricular activities during their course of study under a special program called "Guidance and Counseling Activities". This is usually followed with "post-study activities" including community service. Until 1429H, these activities were restricted to the beneficiaries of the program for Muslim communities in non-member countries. But starting from 1430H, the activities have been extended to a number of graduates from other IDB scholarship programs.

In addition to these activities, the IDB has initiated in 1430H an "Excellent Leadership Award" for graduates of all the three scholarship programs. Under this award, high-achieving graduates – both professionally and in community service – are invited to attend a three-day Management Development Program at IDB headquarters. Similarly, the Bank has been organizing Community

Development Workshops to strengthen the capacity of partner NGOs. In 1435H, three workshops were organized for more than 120 leaders.

IDB Prizes for Science & Technology: The 12th edition of the IDB Prizes for Science & Technology, which promotes excellence in research & development and scientific education, was awarded in 1435H to 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 center in a least developed member country. The amount of each prize is \$100,000 (Box 2.4).



BOX 2.4

WINNERS OF THE 12TH EDITION OF IDB PRIZES FOR SCIENCE AND TECHNOLOGY

Category-1: Institute for Research and Community Services, Institute Teknologi Bandung, Indonesia: Institute for Research and Community Services is a leading science, technology and higher education institute in Indonesia. The institute has numerous collaborative links with international partners. It has executed more than 300 research projects aimed at helping society. It has also made technical improvements on unmanned aeroplanes, coalmining and the construction industry.

Category-2: Photonic Research Centre, University of Malaya, Malaysia: This is recognized as an outstanding photonics research and development institution in the region. It has produced 24 patents for various optical devices and led research and development activities in nano-particles, optical micro-fiber technology, and bio-photonics, among others.

Category-3: Faculty of Information Technology, the Islamic University of Gaza, Palestine: Despite the very challenging environment, this young institution has been prolific in research and has made an excellent contribution to the advancement of information technology in Gaza. Several of its research outputs have been successfully commercialized.

BETWEEN 1403H AND 1435H, TCP FINANCED 2,166 OPERATIONS FOR \$51.2 MILLION



IDB Prize for Women's Contribution to Development:

The 9th edition of the IDB Prize for Women's Contribution to Development, which highlights the vital role women play in the development process by recognizing and rewarding contributions made by women in various socio-economic development sectors, was devoted to "Women's Contribution to Food Security". Four laureates were selected to receive the award. The Individual category was equally shared by Mrs. Jahan Selina (Bangladesh) and Mrs. Fatima Ayat Mosa (Morocco) and the Organisation category was shared by the Association des Femmes de l'Afrique de l'Ouest (AFAO) of Senegal and the Bright Generation Community Foundation (Ghana). Since the inception of the Prize in 2006 a total of 33 laureates have been selected from 22 countries.

The NGO Program and Women Empowerment Initiatives:

This program approved 236 projects for a total amount of \$12.3 million in the form of grants over the period 1424H-1435H. The approvals are composed of direct support to grassroots communities and capacity development to improve the efficiency of local NGOs in order to allow them to better serve the population in member countries. The scope of interventions covers training, information education communication activities, and provision of equipment.

In 1435H, the Bank approved eight operations totaling \$450,000 for Burkina Faso, Kuwait, Kyrgyz, Senegal, Uganda, Yemen, and regional projects for Arab countries (North Africa, and Gulf regions). The operations focused on social development initiatives such as the promotion of education for disabled children, health, and good hygiene practices as well as the support of employment opportunities for the youth.

In collaboration with ISFD, the NGO program supported Obstetric Fistula and approved in 1435H three additional operations for Afghanistan, Guinea, and Senegal for an amount of \$390,000. On this initiative, the Bank initiated partnerships with Amref Health Africa (formerly the African Medical and Research Foundation-AMREF), United National Populations Fund, Engender Health, and the Fistula Foundation to leverage both financial and technical resources. These operations have increased the Bank/ISFD portfolio for Obstetric Fistula to a total of nine operations totaling \$1.2 million.

The Bank is striving to mainstream women's empowerment into its operations and in recent years it has partnered with the Forum for African Women Educationalists (FAWE) in Burkina Faso to promote girls' participation in science, mathematics and technology (SMT) education at the primary and secondary school levels and enhance their performance in these core subjects to help them pursue careers in these fields. The operation is in line with international commitments made to reduce gender gaps in educational achievement and to encourage more



girls to take science-related subjects, as agreed in the 1990 Jomtien Declaration on Education for All, the 2000 Dakar Framework for Action and the 2000 Millennium Development Goals.

2.5 ENHANCING ECONOMIC COOPERATION AND INTEGRATION

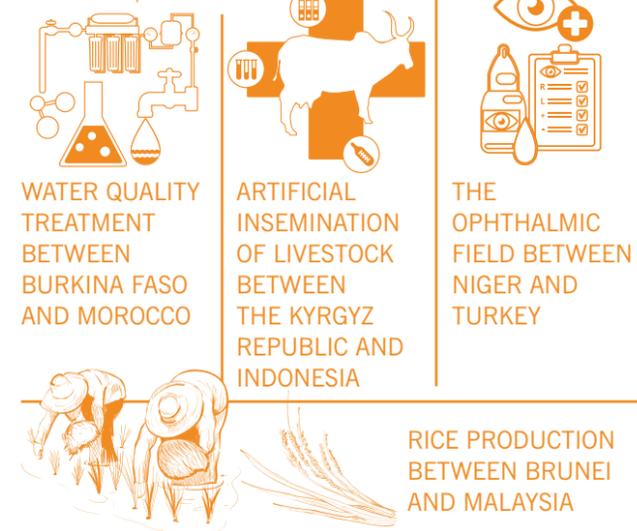
Reverse Linkage (RL) Program: The Bank's Reverse Linkage initiative is a South-South co-operation mechanism whereby member countries agree to exchange expertise, knowledge and technology with the Bank serving as a connector and catalyst. The initiative promotes solidarity and partnerships among IDB member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

In 1435H, the Bank initiated and piloted several new projects including water quality treatment between Burkina Faso and Morocco, artificial insemination of livestock between the Kyrgyz Republic and Indonesia, rice production between Brunei and Malaysia and the ophthalmic field between Niger and Turkey.

Indonesia has become the first country to include a budget allocation of \$2 million specifically for use in the IDB's RL projects. Of this amount, Indonesia has confirmed an allocation of \$940,000 for the approved Reverse Linkage project with Kyrgyz Republic while the remaining amount is being earmarked for two other RL projects with Senegal and Mozambique.

The cost of these projects stood at \$11 million, of which IDB contributed \$1.05 million. The Bank mainly played the role of facilitator and connector in these projects. In 1435H, a grant amount of \$10 million was mobilized from stakeholders reflecting the solidarity existing between the member countries in their willingness to forge partnerships.

IN 1435H, THE BANK UNDER ITS REVERSE LINKAGE PROGRAM INITIATED AND PILOTTED A NUMBER OF NEW PROJECTS, INCLUDING:



During the year, the Bank expanded its partnerships with a view to strengthen its implementation capacity and increase its financial resources available to RL projects. In this regard, new partnerships were forged with bilateral institutions, such as the Turkish Cooperation and Coordination Agency (TIKA), the Moroccan Agency for International Cooperation (AMCI) and the State Ministry of National Development Planning of Indonesia (BAPPENAS) as well as with other OIC institutions such as the Statistical, Economic, and Social Research and Training Institute of Islamic Countries (SESERIC). These partnerships were made through Memorandums of Understanding (MoUs) that were signed during the year.

Throughout the year, the Bank also participated in various South-South Cooperation knowledge events in order to share its RL experience. Some of the events where these experiences were shared include HLM2 with the World Bank (WB) and South Arab States Regional South-South Development Expo 2014 with the United Nations Office for South-South Cooperation (UNOSSC).

Investment Promotion Technical Assistance Program (ITAP):

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

In 1435H, ITAP provided a technical assistance to the Sierra Leone Investment and Export Promotion Agency (SLIEPA). The only remaining component is a promotion campaign where a staff of SLIEPA will be hosted by UNIDO in Bahrain to undertake a road show in the GCC countries with a view to promoting investment opportunities in Sierra Leone to investors in the GCC. A similar program

is approved for the Gambia Investment and Export Promotion Agency (GIEPA). The last component of familiarization to the IDB Group is expected to be undertaken in early 1436H.

In addition, ITAP provided a technical assistance to KAZNEX INVEST, the investment promotion agency (IPA) of Kazakhstan, by sponsoring two staff members for a five-day familiarization visit to Malaysia to learn best practices of the Malaysian Investment Development Authority (MIDA) and the Malaysia External Trade Development Corporation (MATRADE).

Trade Promotion and Cooperation Program (TCPP):

This program is managed by ITFC and focuses its activities on trade facilitation and cooperation among OIC member countries. In recent years, TCPP has launched major initiatives such as "Aid for Trade Initiative for Arab States (AFTIAS)", UN Special Program for the Economies of Central Asia (SPECAs) to address capacity constraints of its member countries.

TCPP, through ITFC, has prepared programming documents for Arab-Africa Trade Bridge Program to promote regional trade between African and Arab member countries. It also joined international efforts in the creation of "Trade Facilitation Implementation Guide" which is an on-line information resources guide for trade practitioners, policy-makers and academicians.

IDB WTO-related Program: The aim of this program is to assist OIC member countries in understanding the WTO agreements and coping with their policy implications.

In recent years, the program has been focusing on WTO accession, trade facilitation, trade negotiation skills and promotion of regional cooperation and integration. Through the program, the IDB organized nine activities in 1435H, including one consultative meeting at the ministerial level on the sideline of the 9th WTO Ministerial Conference in Bali on 2 December 2013.

The meeting brought together ministers of trade from IDB member countries to discuss and exchange views on the issues on the agenda of the Conference. In addition, under the program, the IDB organized seven workshops and seminars on accession-related issues in Azerbaijan and Sudan. They were the implication of WTO package of measures on Arab countries in UAE; the post-Bali package for African countries in Morocco; trade remedy measures for UEMOA member countries in Côte D'Ivoire; trade negotiation simulation skills for Arab countries in UAE.; Doha negotiations and accession to WTO for OIC countries in Turkey; and local content development for accession to WTO in Kazakhstan.

Enhancing Development Partnership: Development work is increasingly complex and the international donor community is often confronted with new development



BOX 2.5
EDUCATION FOR COMPETITIVENESS (E4C): A QUEST FOR INNOVATIVE AND EFFICIENT SOLUTION TO BOOST ECONOMIC GROWTH OF MCS

The IDB Group and the World Bank launched in October 2104 the Education for Competitiveness (e4c) initiative which is aimed at developing joint strategies for improving education and training systems in common member countries with a primary focus on the Middle East and North Africa region. The e4c draws on the complementary strengths of both organizations to develop strategies for the entire path from school to work, ensuring that young people are not only having the right skills for the labor market but can become the engine of growth.

The initiative will organize its activities around three main pillars: (i) Education for Lifelong Learning which focuses on the quality of learning in levels K through 12 with an emphasis on promoting critical thinking and problem solving. This pillar will include support for policy reform, better governance of institutions and teacher training; (ii) Education for Employment (e4e) which builds on ongoing work on the relevance of education to labor market demand with a focus on support for skills development for young people and women, training to encourage entrepreneurship and innovation, vocational education and job matching systems; (iii) Learning for a Competitive Economy which is aimed at building human capacity in areas where comparative advantages exist to strengthen the ability of national economies in adapting to changing global market conditions.

challenges and unforeseen business imperatives, such as the Ebola outbreak in West Africa, the weakening global economic recovery, conflict situations and civil unrest, and climate change and the increased frequency and intensity of extreme weather events.

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

In 1435H, the IDB concluded six new co-operation arrangements (Memoranda of Understanding and Agreements on co-operation) with development partners, including the OPEC Fund for International Development on institutional co-operation; World Bank Group on Education for Competitiveness (e4c) (Box 2.5); Asian Development

“Infrastructure projects typically lend themselves more easily to co-financing arrangements due to their significant size and scope, which often dictate the pooling of donor funding to meet financing requirements and to spread risk.”

Bank on co-financing arrangements; Africare on co-capacity development in Africa; West African Economic and Monetary Union (UEMOA) on co-financing arrangements for rural water supply and sanitation; and with MDBs on the Global Infrastructure Facility (GIF).

Furthermore, the IDB endorsed two new partnership initiatives with the Bill and Melinda Gates Foundation on the establishment of a Buy-Down Facility; and with the UK Department for International Development (DFID) on the Arab Women’s Enterprise Fund (AWEF), a UK-led initiative in the framework of the G7 Deauville Partnership process.

Co-financing with Development Partners: Cooperation with development partners covers a broad range of activities. In 1435H, 16 projects in 14 member countries were co-financed with other development partners. The total cost of the projects was \$7.8 billion, with the IDB contributing \$1.8 billion (or 23 percent), and other co-financiers \$4.2 billion (or 54 percent), of which about \$1 billion (13 percent of the total cost of projects) originated from members of the Coordination Group⁴, and \$1.7 billion (22 percent) and \$1.5 billion (19 percent) from multilateral development banks (ADB, BOAD, EIB and World Bank) and bilateral funding agencies (AFD and JBIC) respectively. In terms of financing volume, co-financed projects represent about 35 percent of the total amount approved in 1435H by IDB for project financing and technical assistance operations.

As can be seen in Fig 2.1, most of the co-financing targeted the infrastructure sector, particularly projects in the power sector and, to a lesser degree, the transport and water sectors, which together attracted around 94 percent of co-financing (66 percent in the power sector and 14 percent each for projects in the transport and water sectors). The remaining 6 percent targeted two projects in the health sector and an agriculture sector project.

The strong focus on infrastructure is consistent with the historical pattern and can be explained by the fact that infrastructure projects typically lend themselves more easily to co-financing arrangements due to their significant size and scope, which often dictate the pooling of donor funding to meet financing requirements and to spread risk.

FIG 2.1
SECTORAL DISTRIBUTION OF CO-FINANCED OPERATIONS IN 1435H

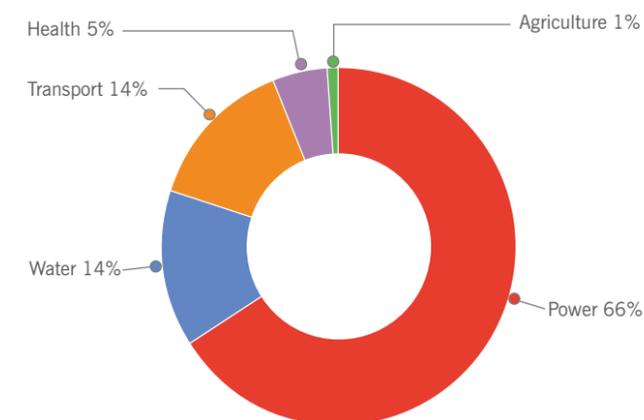
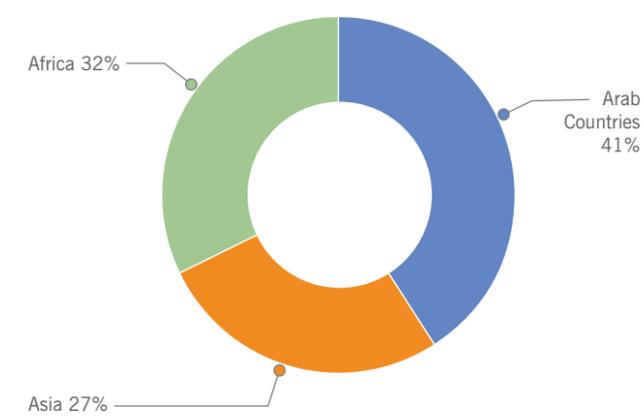


FIG 2.2
REGIONAL DISTRIBUTION OF CO-FINANCED OPERATIONS IN 1435H



Regionally, about a third of co-financing activities (32 percent) targeted member countries in Sub-Saharan Africa, while Asia and the Middle East & North Africa attracted 27 percent and 41 percent, respectively (Fig. 2.2). The sharp increase in co-financing in Africa from 10 percent in 1434H to 32 percent in 1435H is mainly due to the ability of a number of African member countries to access IDB ordinary financing. The IDB’s consistent focus on partnership and co-financing is captured in Table 2.1, which provides co-financing data for the period 1426H-1435H.

⁴ Established in 1975, the Coordination Group is an aid coordination forum of Arab bilateral and multilateral development aid institutions, in addition to two institutions where Arab states are the main shareholders. The current members of the Coordination Group are (in alphabetical order): the Abu Dhabi Fund for Development (ADFD), the Arab Fund for Economic and Social Development (AFESD), the Arab Bank for Economic Development in Africa (BADEA), the Arab Gulf Program for Development (AGFUND), the Arab Monetary Fund (AMF), the Islamic Development Bank (IDB), the Kuwait Fund for Arab Economic Development (KFAED), the OPEC Fund for International Development (OFID), Qatar Development Fund (QDF) and the Saudi Fund for Development (SFD).

TABLE 2.1
EVOLUTION OF CO-FINANCING (1426H-1435H)

Year	OCR Approvals \$m*	Co-financing \$m (% OCR)	No. Ops	No. MCs	Co-financiers \$m	of which CG \$m	Projects' Cost \$m
1435H	5,098	1,832 (35%)	16	14	4,208	971	7,823
1434H	4,164	1,410 (34%)	17	15	1,733	337	4,290
1433H	4,168	1,286 (31%)	31	20	2,474	1,180	5,733
1432H	4,270	1,518 (36%)	21	16	4,468	1,421	7,863
1431H	3,702	1,495 (40%)	26	17	5,806	862	7,302
1430H	3,359	1,213 (37%)	23	16	2,766	1,479	7,133
1429H	2,498	856 (34%)	21	18	2,151	540	5,218
1428H	2,087	1,014 (49%)	31	20	2,818	786	6,925
1427H	1,652	368 (22%)	8	7	793	437	1,802
1426H	1,464	368 (25%)	15	12	745	311	1,688
Total	32,462	11,360 (35%)	209	N/A	27,962	8,324	55,777

* OCR Approvals shown here are as reported at year-end in related IDB Annual Report.

Source: IDB Annual Reports 1426H (2005-2006), 1427H (2006-2007), 1428H (2007-2008), 1429H (2008), 1430H (2009), 1431H (2010), 1432H (2011), 1433H (2012) and 1434H (2013)

Table 2.1 shows that, over the period 1426H-1435H, around a third (35 percent) of the IDB's cumulative approvals was on co-financing basis. Furthermore, \$11.4 billion of IDB financing in the ten-year period 1426H-1435H generated \$55.8 billion worth of investment projects, of which \$28 billion was contributed by other donors, including \$8.3 billion from the Coordination Group. In other words, IDB has provided, on average, around 20 percent of the combined total cost of co-financed projects, while co-financiers provided 50 percent, including 15 percent from the Coordination Group.

CO-FINANCING WITH THE COORDINATION GROUP

IDB works very closely with the Coordination Group which is an exemplary model of South-South cooperation and inter-agency aid coordination of like-minded partners. The Coordination Group works closely with multilateral and bilateral funding agencies (e.g., MDBs, OECD-DAC members) and is actively engaged with the Global Partnership for Effective Cooperation.

Out of the 16 projects co-financed with development partners in 1435H, eight projects in seven countries were with the Coordination Group, which collectively provided about \$1 billion of financing, equivalent to 50 percent of the total cost of the projects (\$2 billion), with IDB contributing 40 percent (\$800 million). The sectors were power (56 percent), transport (26 percent), health (12 percent), water (5 percent), and agriculture (1 percent). Further details on co-financed operations in 1435H with members of the Coordination Group are provided below:

Arab Fund for Economic and Social Development: IDB and the Arab Fund for Economic and Social Development have enjoyed a close co-operation for some 40 years, and have recently scaled-up co-financing in response to the deteriorating economic situation witnessed in recent years in some Arab countries. In 1435H, IDB and the Arab Fund

co-financed two major power generation projects in Egypt (Asyut Power Plant Project and West Cairo Power Plant Project). The IDB and the Arab Fund contributed \$442 million and \$397 million, respectively, towards the total cost of the projects.

Arab Bank for Economic Development in Africa (BADEA):

Aggregate co-financing between the IDB and BADEA targeted more than 65 projects for \$5.5 billion in common member countries in Africa. Co-financing targeted mainly projects in the transport sector as well as the agriculture and rural development sectors, with the IDB and BADEA providing \$1.2 billion and \$700 million, respectively. In 1435H, IDB and BADEA co-financed two projects - the Cameroon's Olama-Kribi Road Project (\$184 million from the IDB and \$27 million from BADEA), and Togo's Integrated Development of the Plain of Djable (\$9 million each from the IDB and BADEA).

Kuwait Fund for Arab Economic Development (KFAED):

the IDB and the Kuwait Fund have co-financed more than 100 projects in excess of \$26 billion in IDB member countries in Africa, Asia and the Arab region. Cumulative co-financing totalled \$4.1 billion and \$3.3 billion for IDB and Kuwait Fund, respectively. Co-financing has focused mainly on infrastructure projects, especially power and transport. In 1435H, IDB and Kuwait Fund co-financed five projects, including two power generation projects in Egypt (Asyut Power Plant Project and West Cairo Power Plant Project), a water supply project in Côte d'Ivoire (Water Supply Project for the Eastern Region), a land transport project in Cameroon (Olama-Kribi Road Project) and Mali's Expansion of Bamako-Senou Airport. The IDB contributed \$684 million towards the cost of the projects, while the Kuwait Fund's contribution was \$261 million.

OPEC Fund for International Development (OFID):

The IDB and OFID have co-financed more than 110 projects worth around \$16 billion with the IDB and OFID

contributing \$2.7 billion and \$1 billion, respectively. Co-financing in 1435H targeted four projects, including Cameroon's Olama-Kribi Road Project (\$184 million from the IDB and \$21 million from OFID), Egypt's Asyut Power Plant Project (\$220 million from the IDB and \$54 million from OFID), Mali's Expansion of Bamako-Senou Airport (\$20 million from the IDB and \$15 million from OFID), and Suriname's Health System Strengthening Project (\$60 million from IDB and \$22 million from OFID).

Saudi Fund for Development (SFD): Cumulatively, the IDB and the Saudi Fund have co-financed 112 projects valued at around \$24 billion in IDB member countries in Africa, Asia and Arab countries. Co-financing targeted projects mainly in infrastructure, agriculture and rural development, health and education, with the IDB and the Saudi Fund contributing \$4 billion and \$2.1 billion, respectively, towards the cost of the projects. In 1435H, IDB and the Saudi Fund co-financed three projects. They were Cameroon's Olama-Kribi Road Project (\$184 million from the IDB and \$31 million from SFD), Egypt's West Cairo Power Plant Project (\$222 million from the IDB and \$105 million from SFD), and Guinea's Health System Strengthening Project (\$37 million from the IDB and \$29 million from SFD).

CO-FINANCING WITH MULTILATERAL DEVELOPMENT BANKS AND MULTILATERAL FINANCIAL INSTITUTIONS

World Bank Group. Co-operation between the IDB and the World Bank Group dates back to 1976. This co-operation was given a new impetus in 2002 with the signing of a new Memorandum of Understanding, which set out the overall framework for co-operation between the two institutions. Cumulatively, co-financing targeted 72 projects worth \$24 billion in common member countries in Africa, Asia and the Middle East and North Africa, in which the IDB and the World Bank contributed \$1.6 billion and \$6 billion, respectively. The bulk of co-financing targeted projects in the infrastructure sector - transport (37 percent), power (32 percent) and water (10 percent), extractive industry (8 percent), and ICT (3 percent). In 1435H, the IDB and the World Bank co-financed Lebanon's \$617 million Greater Beirut Water Supply Augmentation Project.

The IDB and the World Bank signed in 1435H (October 2014) a new Memorandum of Understanding on Education for Competitiveness. This partnership aims to develop joint strategies for improving education and training systems in common member countries, especially in the Middle East and North Africa region. The new partnership will build and expand on collaborations already underway on research to significantly enhance the employability of youth and in support of regional efforts to improve the quality of education. The Education for Competitiveness initiative will focus on the entire educational spectrum from early childhood development through to tertiary education and job training.

Asian Development Bank. Cooperation with the Asian Development Bank (ADB) dates back to inception of the IDB during which the ADB provided valuable technical assistance. Cumulatively, the two institutions have co-financed 32 projects in nine common member countries mainly in South and Southeast Asia. The projects supported an investment of \$12.4 billion with the IDB and the Asian Development Bank contributing \$1.7 billion and \$4 billion respectively. The past few years have witnessed a clear focus of these joint transactions on infrastructure services, especially in the power sector. In 1435H, the IDB and the ADB co-financed Bangladesh's Power Grid Expansion Project and Pakistan's Jamshoro Power Generation Project for \$2 billion with the IDB and the ADB contributing \$400 million and \$1.1 billion respectively, towards the cost of. IDB and ADB also extended their Framework of Co-financing Agreement by three years (2015-2017). The Agreement aims to bring co-financing to \$6 billion for the period (2012-2017), with IDB and ADB providing \$2.5 billion and \$3.5 billion, respectively.

West African Development Bank. Collaboration with the West African Development Bank (BOAD) began more than 30 years ago. Cumulatively, co-financing has targeted 29 projects worth \$3.5 billion in seven common West African member countries, with the IDB and BOAD contributing \$800 million and \$400 million respectively. Co-financing has primarily targeted power generation, including hydropower, and transport sector projects. In 1435H, the IDB and BOAD co-financed Benin's \$215 million Maria Gleta Power Plant, in which the IDB contributed \$158 million and BOAD \$50 million, and Burkina Faso's upgrading of the Debougou-Tougan Road Project, in which the IDB contributed \$58 million and BOAD \$10 million.

European Investment Bank. The European Investment Bank is one of the IDB's original co-financing partners, having co-financed the IDB's very first operation, Cameroun's Song-Loulou hydropower scheme, which was approved in 1396H (1976). Since then co-operation has expanded significantly especially in recent years, which witnessed a growing level of co-financing in the power and transport sectors. In 1435H, the IDB and the European Investment Bank co-financed Lebanon's \$183 million Improvement of Wastewater Management and Sanitary Services in Al-Ghadeer, in which IDB contributed \$87.5 million and the European Investment Bank \$85 million.

West African Economic and Monetary Union

(UEMOA). The IDB and UEMOA concluded in 1435H a groundbreaking arrangement to co-finance 1,600 boreholes (water points) to provide water supply and sanitation services to rural populations in Benin, Burkina Faso, Côte d'Ivoire, Niger, Mali, Senegal, Togo and Guinea Bissau. Through this framework agreement, the IDB is to provide \$12.5 million to each of seven UEMOA member countries (\$87.5 million in total), while UEMOA will provide a

grant financing of approximately \$28 million to fully offset the administrative cost of the IDB's own financing. Furthermore, UEMOA is to provide an additional grant of \$16.5 million to fully fund the component of this program in Guinea Bissau.

CO-FINANCING WITH BILATERAL FUNDING AGENCIES

French Development Agency. France and the IDB have enjoyed a long-standing partnership dating back to the *Caisse centrale de coopération économique* (CCCE) which was the precursor to the French Development Agency (AFD). The IDB and CCCE co-financed IDB's first operation, Cameroon's Song-Loulou hydropower project. Cumulatively, the IDB and AFD have co-financed 28 projects valued at \$7 billion, with the IDB and AFD contributing \$1.1 billion and \$1.2 billion respectively. These projects were located mainly in Sub-Saharan African Countries and Arab countries. More recently, AFD and IDB signed a Memorandum of Understanding in 2012 to revitalise their growing partnership. In 1435H, the IDB and AFD co-financed two projects - Bangladesh's \$804 million Power Grid Expansion Project, in which IDB and AFD contributed \$220 million and \$125 million, respectively, and Senegal's \$152 million Regional Electricity Interconnection Project, which received \$82 million from the IDB and \$59 million from AFD.

Japan Bank for International Cooperation. The IDB and JBIC have been collaborating for a number of years. The IDB and JBIC co-financed the \$9.9 billion Rabigh Refinery & Petrochemical Project (a joint venture between Saudi-Aramco and Japan's Sumitomo Chemicals), for which the IDB initially approved \$125 million in November 2005 and \$16.7 million in supplementary financing in February 2008, and JBIC \$2.5 billion. In 2008, the IDB and JBIC co-financed Qatar's \$3.7 billion Ras Laffan Independent Water & Power Producer (IWPP) Project by providing \$150 million and \$1.5 billion, respectively. To structure their partnership, the IDB and JBIC signed a Memorandum of Understanding on co-operation in 2007 to facilitate the sharing of knowledge and experiences. In 1435H, the IDB and JBIC co-financed Morocco's \$2.6 billion Safi Independent Power Producer (IPP) Project, a non-sovereign public-private project in which the IDB and JBIC contributed \$90 million and \$850 million, respectively. Additional co-financing of \$528 million was provided by the Nippon Export and Investment Insurance (NEXI), Japan's official export credit agency.

2.6 FOSTERING ISLAMIC FINANCE DEVELOPMENT

The development of the Islamic financial sector is one of the key strategic thrusts of the IDB Group Vision 1440H. In order to fulfil this Vision, the Bank has been involved in many initiatives, including developing the requisite enabling environment for Islamic finance, establishing and supporting Islamic financial institutions, developing Islamic microfinance sector from the financial sector perspective and enhancing awareness about Islamic finance through organization and participation in awareness creation events. In such endeavors, the IDB aims to forge strong partnerships with governments, private sector institutions, multilateral development banks and donor institutions. Furthermore, the Bank also works for the development of the Awqaf sector for charitable purposes. Key activities of Bank in promoting Islamic finance during the year are presented below:

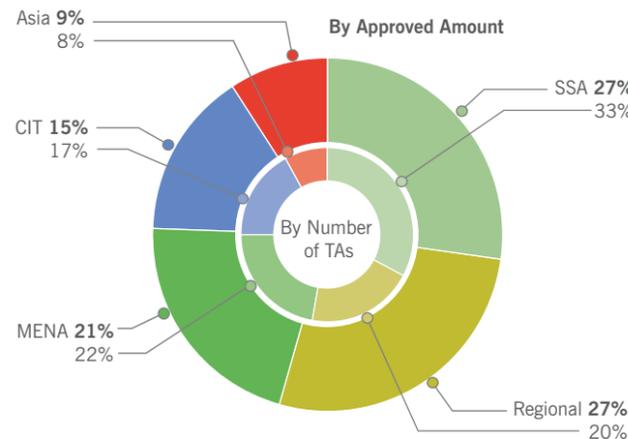
Technical Support Program: The Bank provides technical assistance (TA) for creating an enabling environment for Islamic finance development. Such TAs facilitate in developing legislation, regulations, *Sharia'h* governance mechanism, and supervisory framework for Islamic banks, *Sukuk* and *Takaful*. In addition, the TAs are also useful in creating a high-level strategy for Islamic finance sector development in the TA recipient countries. Thus, countries can design an effective road map for an orderly development of Islamic finance sector on a national scale. The expected impact is the creation of a conducive environment for Islamic financial institutions to enable them to grow and prosper. IDB's TA activities under the Program, in 1435H, are shown in Table 2.2.

TABLE 2.2
TAS APPROVALS UNDER TECHNICAL SUPPORT PROGRAM - 1435H

S. No.	Country/ Institution	Executing Agency	Objective
1	Morocco	Bank Al Maghreb	Assist the Central Bank develop Sharia regulatory framework for Islamic banking
2	Oman	Ministry of Finance	Provide a legal and financial adviser to Ministry of Finance to assist in issuing sovereign <i>Sukuk</i>
3	Azerbaijan	International Bank of Azerbaijan	Assist Government of Azerbaijan to develop the legal framework for Islamic finance
4	BCEAO*	BCEAO	Assist BCEAO to amend the regulatory and supervisory framework for IFIs and Islamic capital markets

* Banque Centrale des États de l'Afrique de l'Ouest is the 'Central Bank of West Africa States' serving eight west African countries which comprise the West African Economic and Monetary Union (UEMOA): Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo.

FIG 2.3
REGIONAL DISTRIBUTION OF TA APPROVALS (SINCE INCEPTION)



Several previously approved TA projects were also implemented in 1435H. These included projects in Djibouti, Indonesia, Kyrgyzstan, Kazakhstan, Libya, Mauritania, Mozambique, Oman, Tajikistan, Tunisia and Uganda. The geographical distribution of the TA approvals (since inception) is shown in Fig. 2.3.

Islamic Financial Architecture Development: The Bank endeavors to support and contribute to the development of the Islamic finance architecture. In this regard, the IDB established and continues to assist the Islamic Infrastructure Institutions (IIIs) – such as AAOIFI, CIBAFI, IFSB, IICRA, IIFM, and IIRA – in various ways, including providing technical assistance, financing the development and implementation of standards and documentation, participating in their Board, Council, Technical Committee meetings, and in other activities and events. IDB is also collaborating with the IIIs to seek ways and means of enhancing the effectiveness of IIIs by promoting the adoption of their output by IDB member and non-member countries. IDB's TA activities for supporting IIIs, in 1435H, are shown in Table 2.3.

TABLE 2.3
TECHNICAL ASSISTANCE APPROVALS FOR ISLAMIC INFRASTRUCTURE INSTITUTIONS 1435H

S. No.	Institution/ Executing Agency	Objective
1	CIBAFI	Assist CIBAFI in organizing Certified Islamic Banker (CIB) training in Mauritania & Yemen
2	IIFM	Assist IIFM in developing documentation standards (i) Islamic Foreign Exchange Forward, and (ii) Collateralized Liquidity Management

IDB Microfinance Development Program (IDB-MDP):

Under this program, the Bank engages in a variety of activities to enhance financial inclusion. Such activities include providing technical assistance to develop the Islamic microfinance sector, assisting in establishing or strengthening Islamic microfinance institutions by way of equity participation and developing regulations for improving the enabling environment for Islamic microfinance.

Eight countries are benefiting under the program including Bangladesh, Indonesia, Sudan, Senegal, Tunisia, Egypt, Pakistan and Tajikistan. In some countries the projects are completed, for instance in Sudan, the IDB has helped to establish the Irada microfinance institution (in partnership with Bank Al Khartoum) and Bank El-Ebdaa' (in partnership with AGFUND) which are self-sustaining institutions focused on poverty alleviation through providing Islamic microfinance (Box 2.6). In four countries, the IDB has finalized feasibility studies which will elucidate the IDB's preferred way of collaborating with the respective countries for developing Islamic microfinance sector.

In 1435H, the Bank successfully organized the global contest 'Islamic Microfinance Challenge: Beyond Murabaha' in partnership with CGAP (Consultative Group to Assist the Poor), Al-Baraka Banking Group, Triple Jump and GIZ. The objective of the contest, with a \$100,000 grant award, was to recognize and reward innovation for the most successful, sustainable, scalable and replicable Islamic microfinance model. Wasel Foundation, a microfinance institution based in Pakistan, was declared the winner for its "Agricultural Financing Package" of *Salam* and *Ijara* products that target small farmers.

BOX 2.6

PROMOTING ISLAMIC MICROFINANCE BEST PRACTICES THROUGH REVERSE LINKAGE

In May 2014, the Bank conducted a Reverse Linkage workshop in collaboration with Bank of Khartoum. This workshop brought together practitioners from various implementing agencies, to study the approach of Economic Empowerment using Islamic Microfinance as practiced by the Bank Khartoum. The workshop brought together 26 participants from implementing partners from member countries.

With the IDB's support, Bank of Khartoum developed an innovative methodology of Group Value Chain (GVC) Project Financing. Using the GVC methodology, the Bank of Khartoum is empowering more than 100,000 poor Sudanese to earn a better living. Large projects were developed involving hundreds and in some cases thousands of poor beneficiaries with each investment amounting to about \$3 million. This methodology was found to be more sustainable and effective in alleviating poverty. Over the years the Bank of Khartoum has developed expertise in the area of agriculture and livestock development. Like any large professionally-run business, the Bank of Khartoum helps poor farmers, who are trained to run and take over the ownership of the business within five years. As a shareholder of the Bank of Khartoum, the IDB has been successful in creating a mini-development bank in the process. The Bank of Khartoum is actively developing and replicating profitable social business projects in partnership with the poor. A publication on best practices on this model is being prepared to promote Islamic microfinance.

This innovation has drawn significant interest from other partners. As part of its efforts to promote this methodology of Islamic microfinance, the Bank participated in a workshop conducted by GIZ in Jordan and a conference organized in Egypt by the World Bank.

IDB Prize in Islamic Economics & Islamic Banking and Finance: Established in 1408H (1988), this prestigious IDB Prize has so far been awarded to 31 scholars (jurists, economists, and bankers) and 4 institutions (research centres or financial institutions) from different parts of the world. It comprises a citation acknowledging the contribution of the prize winner and a cash award of 30,000 Islamic Dinars (approximately \$45,000). In 1435H, the Prize in Islamic Banking and Finance was awarded jointly to Shaikh Muhammad Taqi Usmani and Prof. Dr. Rodney Wilson.

Islamic Finance Awareness Enhancement: The IDB helps enhance the awareness of Islamic finance and also promotes its efforts in this area by organizing and/or participating in seminars and forums during various international events. As such, the IDB co-organized with IRTI, the 9th IDB Global Forum on Islamic Finance on the sidelines of the 39th IDB Annual Meetings held in Jeddah in 1435H. During the Annual Meetings, the IDB also organized a seminar on "Microfinance & MicroTakaful – Regulatory Developments". In addition, the IDB actively participated in Islamic Finance Conference (Libya), "Global Policy Forum" organized by Alliance for Financial Inclusion (Malaysia). IDB also organized a training seminar on

Islamic finance for the staff of the Central Bank of Libya. The IDB also sponsored various Islamic finance awareness events globally. They included 'IIRA Training Workshop' organized by IIRA in Bahrain (December 2013), 'Seminar on Islamic Microfinance' organized by the Tunisian Association for Islamic Economics in Tunis (March 2014); 'Awqaf Roundtable - World Islamic Economic Forum (June 2014); and 'IICRA Annual Forum' organized by IICRA in Dubai (October 2014).

Cooperation, Alliances and Partnerships: The IDB seeks to forge strong partnerships with various multilateral, bilateral and donor institutions in order to explore joint activities, which will help develop the Islamic finance sector. As such, IDB is actively implementing the Memorandum of Understanding that it signed with BCEAO, the World Bank, COMCEC, AGFUND and GIZ. With the World Bank, a Working Group comprising of the IDB Group and World Bank staff has been established. The Working Group is currently implementing joint projects for development of the Islamic finance sector, including the Islamic Financial Sector Assessment Program (IFSAP), the Global Islamic Finance Report, risk management and an annual symposium on Islamic finance. In addition, the IDB is also considering signing a Letter of Understanding

with the International Monetary Fund for Islamic finance sector development.

Financial Product Development Center (FPDC): The Bank set up the FPDC in the office of the Vice President of Finance to enhance the leadership of the IDB Group in the development and promotion of innovative Islamic financial products within the framework of the *Maqasid al-Shari'ah*. In 1435H, the Center was involved in several activities as follows:

- Launched the 'IDB Modes of Finance' publication, a product manual of the financial products that are offered by IDB to its clients. The publication is available on the public website.
- Organized a workshop with IDB Operations Complex to identify issues in the existing financial products and pursue new ideas for innovation in this regard. An Action Plan is now being prepared for the issues.
- Assisted in the development of new strategies and products for utilizing the funds of the Islamic Solidarity Fund for Development (ISFD).
- Explored partnership mechanisms for resource mobilization by IDBG and investor appetite for the same.
- Developed a set of alternatives to *Tawarruq* 'Real Financing Instruments'. The products are now undergoing trial with financial institutions in the GCC as well as MENA region.
- Developed a product to implement LC-Confirmation for ITFC. IDB Group Shari'ah Committee approved the product. Product procedures and documentation are under development.
- Commissioned a technical report by a consultant on the S&P OIC-COMCEC Index. The report serves as a rich assessment tool for risk and portfolio managers across the globe. The Report has been accepted for publication in the *Borsa Istanbul Review*.
- Participated in more than 30 conferences and symposiums worldwide, with topics ranging from the future of derivatives in Islamic Finance to Positive Banking to IASB sessions on Islamic finance.
- Conducted six training programs and lectures to build capacity and create awareness about various aspects of Islamic Finance across regions.
- Established the Islamic Financial Engineering (IFE) Lab, which started operations at the Muhammad V University of Morocco. The Lab, the first of its kind in OIC Member Countries, aims at building a generation of pioneers in financial engineering that succeed in applying modern techniques to implement the objectives of the Islamic economics through ethical financial innovation. Twenty-one Ph.D. scholars are pursuing wide-ranging technical



topics of Islamic finance such as pricing, structuring, risk management etc. Three of the scholars visited Malaysia and Bahrain to enhance their proposals after meeting Islamic financial experts, academic and practitioners.

- k. Pioneered and structured various Sukuk mechanisms, for both IDBG as well as its member countries.

2.7 SUPPORTING INCLUSIVE SOLIDARITY

Special Assistance Program: Muslim communities in non-member countries generally lag behind others in education and access to health services. This is an obstacle which must be overcome if the communities are to improve their socio-economic conditions, preserve their cultural and religious identities, and make meaningful contribution to the development of their countries.

Against this backdrop and in its global development outreach strategy, the IDB through its Special Assistance activities enhance the human capital of Muslim communities living in non-member countries. Since its inception, the activities have focused on developing and strengthening institutions in education, social and health care services, and the development of human capital. Diverse projects have been implemented in more than 81 countries in non-member countries covering Asia and Oceania, Africa, South and Central America, North America and Europe (Box 2.7).

Broadly speaking, the IDB's special assistance activities cover relief assistance to member and non-member countries, support to education and health services in non-member countries, and capacity building initiatives through training. In 1435H, 25 special assistance operations were financed totaling \$4.7 million for Muslim communities, excluding the special program for India amounting to \$400 million for two projects in education, training, health, capacity building, and relief assistance. The IDB under its special assistance program approved projects for the first time for three countries - Italy, Lesotho, and Vanuatu.

Under its relief activities, the Bank in 1435H provided a total amount of \$4.9 million for Somalia (\$1.5 million), Yemen (\$300,000), Central African Republic (\$1 million), Palestine (\$1.8 million), Myanmar (\$100,000), and Iraq (\$200,000). The countries that benefited from 1435H development budget were Bosnia, Austria, India, New Zealand, UK, USA, Rwanda, Burundi, Italy, Thailand, Trinidad & Tobago, Vanuatu, Malawi, Kenya, Sri Lanka, Fiji, Guyana, Ethiopia, Germany, Rwanda, Lesotho & Cambodia.

Trust Funds (Bringing Inclusive Social Development):

Up till 1421H, the Bank had only two trust funds (Al-Aqsa Fund and Al Quds Fund), which were established pursuant to the Arab Summit decision to provide immediate response to the needs of occupied Palestinian people.



BOX 2.7
IDB'S EMERGENCY ASSISTANCE TO HAITI

The IDB extended a grant amounting of \$5 million from its Waqf Fund to finance an emergency assistance project in Haiti (a non IDB member country) for the reconstruction of schools and education facilities affected by the 2010 Earthquake. The implementation of the project was entrusted to the Islamic Relief Worldwide, an international non-governmental organization (NGO) based in the United Kingdom.

The grant financed the reconstruction of four schools enabling 8,000 children to continue their education at Lycée Jacques Premier School and Immaculé Conception Girls School (completed in April, 2014 and July 2014 respectively), and Jean Marie Vincent School and Charlotin Marcadieu School (both completed in October, 2014). All the four new schools have para-seismic and para-cyclonic buildings.

UNDER ITS SPECIAL ASSISTANCE PROGRAM, DIVERSE PROJECTS HAVE BEEN IMPLEMENTED IN MORE THAN

81

COUNTRIES IN NON-MEMBER COUNTRIES COVERING ASIA AND OCEANIA, AFRICA, SOUTH AND CENTRAL AMERICA, NORTH AMERICA AND EUROPE

IN 1435H, 25 SPECIAL ASSISTANCE OPERATIONS WERE FINANCED TOTALING

\$4.7 MILLION FOR MUSLIM COMMUNITIES

UNDER ITS RELIEF ACTIVITIES, THE BANK IN 1435H PROVIDED A TOTAL AMOUNT OF

\$4.9 MILLION FOR:
SOMALIA (\$1.5 MILLION)
YEMEN (\$300,000)
CENTRAL AFRICAN REPUBLIC (\$1 MILLION)
PALESTINE (\$1.8 MILLION)
MYANMAR (\$100,000)
IRAQ (\$200,000)

With the IDB's increased intervention in Palestine and other fragility states in the member countries, the number of trust funds has increased in recent years with the establishment of GCC Fund in 1427H, and the joining of other Arab funds thereafter.

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

In 1435H, total new contributions reached \$661 million for the Al-Aqsa Fund, GCC Fund, Fael Khair Fund and other Arab funds. Since inception, cumulative trust funds' contribution reached \$2.6 billion. Of this, Palestine received about \$1.5 billion allocated for vital sectors including health, education, water and sanitation, agriculture, housing, municipal capacity, and economic empowerment.

Saudi Arabian Project for Utilization of Hajj Meat:

The Saudi Arabian Project for the Utilization of Hajj Meat is managed by the IDB and lies outside its normal operational activities. The project was specially assigned by the government of Saudi Arabia to the Bank, which implements it.

The project serves the pilgrims by performing on their behalf the sacrificial ritual of hajj. The Bank oversees the utilization of the Hajj meat in accordance with established religious norms. The meat is then distributed to the needy and poor in some of the member countries and to Muslim communities in non IDB -member countries.

In 1435H, 874,667 sheep were slaughtered under the project. Out of this, 674,167 sheep were distributed among the poor and needy people living in the Haram area in Makkah Al-Mukarrama and charities inside the Kingdom of Saudi Arabia as well as cows and camels. The remaining 200,500 sheep were distributed outside the Kingdom of Saudi Arabia. ●

CHAPTER THREE

Strengthening Institutional Effectiveness

This chapter presents the progress on the activities of the Bank designed to strengthen its institutional efficiency and development effectiveness. It covers the achievements of the IDB Board of Governors, the Board of Executive Directors and those of the Bank Group's evaluation, risk management, internal audit and integrity functions. The chapter also presents an update on the new Ten Years Strategy, and Group Business Enhancements and System Transformation Program (GBEST) as well as progress on knowledge management and innovation activities and changes and improvements made in human resources to hire and retain staff.



360° FEEDBACK AND EXECUTIVE COACHING FOR ALL MEMBERS OF THE MANAGEMENT, DIRECTORS AND MANAGERS



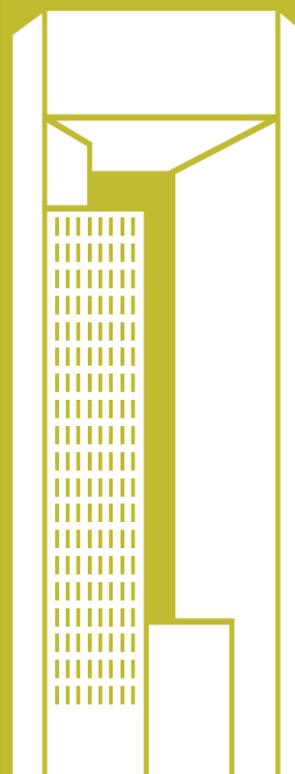
TO SUPPORT THE IDB WITH FRESH TALENT FROM REPUTABLE ACADEMIC INSTITUTIONS, **12** YOUNG PROFESSIONALS (YPs) WERE RECRUITED IN 1435H

THE BED IN THEIR DELIBERATIONS IN 1435H APPROVED **91** PROJECTS AND ADOPTED **137** RESOLUTIONS ON FINANCING, POLICY, AND ADMINISTRATIVE MATTERS



AS AT THE END OF 1435H, THE IDB GROUP HAD **1,144** EMPLOYEES

@40



THE BOARD OF GOVERNORS HELD ITS **1435H ANNUAL MEETING** (THE 39TH) IN JEDDAH IN LINE WITH ITS PREVIOUS DECISION TO MEET ONCE EVERY THREE YEARS AT THE IDB HEADQUARTERS. **THE MEETING COINCIDED WITH THE 40TH ANNIVERSARY OF THE BANK**

3.1 BOARD OF GOVERNORS

The Board of Governors (BoG) held its 1435H Annual Meeting (the 39th) in Jeddah in line with its previous decision to meet once every three years at the IDB headquarters. The meeting coincided with the 40th Anniversary of the Bank, which was celebrated under the auspices of the Custodian of the two Holy Mosques King Abdullah Bin Abdulaziz. The Anniversary celebration was graced with the presence of H.R.H. Prince Salman bin Abdulaziz, the Crown Prince and Minister of Defense, and special guests including H.E. Bacharuddin Jusuf Habibie (the former President of Indonesia); and Mr. Bill Gates (Co-Chairman of the Bill and Melinda Gates Foundation) among others. Some former Governors were also present and it was a unique occasion for them to reflect on the progress made by the IDB over time.

During the Annual Meeting, the Governors reviewed two major reports – the 40 Years Assessment Report and the Ten Years Strategy Framework prepared by the Boston Consulting Group – and expressed their appreciation to the Bank as well as giving their full support for their implementation. The Governors took the following decisions: (i) directed the BED to transform the Ten Years Strategy Framework into a detailed strategy with action plans, concrete implementation mechanisms, and specific timelines, (ii) re-elected Dr. Ahmad Mohamed Ali as President of the IDB for a new five-year term; (iii) elected a new Board of Executive Directors for a three year-term; and (iv) selected Indonesia, Tunisia, Morocco and the UAE to host the Bank's Annual Meetings in 1437H, 1439H, 1440H and 1442H respectively (while the annual meetings of 1438H and 1441H will be held in Jeddah).

3.2 BOARD OF EXECUTIVE DIRECTORS

The non-resident Board of Executive Directors (BED) of IDB, which consists of nine appointed and nine elected members, usually holds seven meetings per year but the pressure of work in 1435H necessitated additional special meetings. In addition to its regular four sub-committees (Administrative Committee, Audit Committee, Finance Committee and Operations Committee), the BED set up the fifth one to oversee the 40th Anniversary which

completed its work with five meetings in 1435H. The Anniversary Committee, whose primary focus was reviewing the assessment report and the Ten Years Strategic Framework, prepared a document on the subject matter for consideration of the Board of Governors.

The BED in their deliberations in 1435H approved 91 projects and adopted 137 resolutions on financing, policy, and administrative matters. Some of the important items deliberated upon were the IDB Group Business Travel Policy, revision of the ceiling of the loan service fee, empowerment of Regional Offices, and extension of term of office for the Vice Presidents.

1435H saw the end of the 13th term of the Board and the beginning of the 14th term, resulting in a change in the elected members. To ensure a smooth transition, the incoming Executive Directors were invited to attend, as observers, the last meeting of the 13th term (299th meeting) while the outgoing members also attended, as observers, the first meeting of the 14th term (300th meeting).

3.3 OPERATIONS EVALUATION

The Group Operation Evaluation Department (GOED) plays a critical role in advancing the IDB Group's vision of becoming a world-class knowledge-based institution by focusing on accountability and learning.

The GOED in 1435H conducted 23 post-evaluations of ordinary projects corresponding to 31 operations in addition to one ICD project, bringing the total evaluated projects to 24 (or 32 operations). A cluster of Special Assistance operations in one non-member country was also evaluated along with the review and validation of 8 Project Completion Reports (PCRs).

For higher level evaluations, the GOED initiated the Country Assistance Evaluations (CAEs) for Bahrain and Gambia (Boxes 3.1 and 3.2), while that of Guinea, which started in 1434H, was completed. One Synthesis Report on Lessons Learned in Egypt has been finalized while the evaluation of WTO-related Technical Assistance and the review of MCPS Quality at Entry have been published. The GOED also initiated one Technical Assistance Evaluation Synthesis

Report and one Health Sector review while it embarked on piloting its revised Project Post-Evaluation Report (PPER) template and rating system for the public sector.

The evaluation exercise in 1435H showed that the IDB Group's interventions were relevant to the priorities of member countries and the IDB strategic agenda. There was also strong evidence that the post-evaluated projects contributed to improving the access to basic utilities, such as potable water, sanitation and electricity, health services, education, transport infrastructure, Islamic finance services and institutional capacity.

Valuable lessons have been drawn from the evaluations conducted in 1435H which were disseminated internally and externally to provide feedback for future IDB Group interventions. The responses of the Management have been encouraging and showed the commitment of the IDB Group Complexes and Entities to implement the follow-up actions and recommendations emerging from the evaluations.

3.4 AUDIT ACTIVITIES

The Group Internal Audit Department (GIAD) provides an independent oversight function by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, internal control, and governance processes. GIAD's approach in delivering its work is in line with the Audit Charter, Audit Manual, Code of Ethics, Audit Process Quality Assurance and the internationally recognized professional framework and standards set by the Institute of Internal Auditors (IIA).

The GIAD utilizes a risk-based approach in developing its Annual Audit Plan which covers the core business activities of the IDB Group including treasury, operations, finance, administration, sovereign and non-sovereign credit assessments, export credit and investment insurance, trade finance and IT systems. The development process of the Audit Plan is aligned with the IDB Group's strategic objectives and designed to address its most significant risks while taking into consideration the input of the Management.

In 1435H, the GIAD implemented two IT systems: (i) TeamMate Audit Management Software, which improves and streamlines the auditing process, procedures and recording of audit working papers within GIAD, and (ii) Audit Command Language (ACL) data analytic Software, which allows the auditors to perform data mining and analytics and analyze data in a more effective and efficient manner, thereby reducing risks. The GIAD undertook familiarization visit to the World Bank, Inter-American Development Bank and the International Monetary Fund to share knowledge and benchmark its internal audit practices against global best practices as well as to forge an effective partnership.

BOX 3.1

COUNTRY ASSISTANCE EVALUATION (CAE) BAHRAIN: SUMMARY OF DEVELOPMENT RESULTS

The GOED launched the Country assistance Evaluation (CAE) exercise in Bahrain on 27 April 2014. Since 1974, IDB Group approved \$1.93 billion for Bahrain including \$1.46 billion ordinary operations, \$196 million private sector projects by ICD, \$329 million trade operations by ITFC, in addition to \$1.25 billion insurance commitments by ICIEC. Sector-wise, energy received the largest allocation accounting for the 38% (\$536 million), followed by Water and Sanitation 28% (\$413 million), Finance 20% (\$294 million), and Transportation sector 12% (\$154 million). As of May 2014, the overall disbursements from the ordinary operations portfolio reached \$904 million, representing 62% of total approvals.

Overall Development Results in the Main Sectors:

Energy Sector: The IDB financed projects in the energy sector mainly expanded the transmission networks by adding 52 new 66 kV substations, 7 new 220kV substations, and expanded 29 existing 66 kV substations, 5 existing 220 kV substations. In addition, the IDB-funded projects installed 645 km of underground cables and 11 km of submarine cables. These outputs enhanced the delivery of power generated at power plants to the load centers across Bahrain. The electricity transmission capacity increased by 2,275 MVA. Furthermore, the IDB interventions resulted in reduction in load shedding of the existing substations thereby reducing the electricity outage during the peak load and enhanced supply to end users. The IDB interventions further contributed to enhancing the quality and reliability of the electrical power system in Bahrain and enabled the government to meet all the load demand from major projects (such as housing projects, power supply requirement of the Airport expansion, additional developments at Amwaj Island, Durrat Al Bahrain, Mina Salman port).



Images: Muharraq STP Company BSC(c)®

Water & Sanitation (W&S) Sector: The completed projects in the water sector resulted in the supply of equipment for the extension of a primary water Forwarding Station. In particular, the IDB-funded projects in W&S led to the (i) installation of 91.5km of transmission pipeline, (ii) construction of 25 storage tanks with total capacity of 0.77 million m³ and 2 buffer tanks with total capacity of 5,678 m³, (iii) construction and upgrading of 20 forwarding, distribution and pumping stations, and (iv) installation of control systems and the associated civil works. These projects contributed to increased water consumption per capita (from 332 liter per capita /day (lpcd) to 342 lpcd), continuity of water supply up to 24/7 and improved accessibility in the main cities targeted; as well as increasing the national water storage capacity from 2 days to 3 days of consumption. In the Sanitation sector, the completed projects resulted in the upgrading of an existing Waste Water Treatment facility (transmission, storage and distribution facilities and drainage system); and the construction of a new Treatment Plant at Muharaq area. The projects also contributed to enabling the reuse of the Effluent for agriculture and covered more than 400 Farms with a total area of 2,270 Ha, hence increasing the agriculture production. In addition, the projects contributed to the conservation of national ground water resources through the provision of alternative source and increased the wastewater treatment capacity by 100,000 m³/day.

Transport Sector: The New Sitra Bridge significantly relieved existing traffic congestion and enhanced the road infrastructure and national network by creating a modern link between Manama and Sitra, which is the most vital component in the overall Bahrain highway network. Also, it serves as a service corridor to carry water pipes, 220 kV cables, gas and other utilities from Manama to Sitra. The average daily traffic on the New Sitra Bridge increased from 65,000 vehicles per day in 2008 to 105,000 vehicles in 2013. Further, the peak hour speed increased from 37 kph (in 2009) to 51kph in 2013. On the other hand, the IDB-financed Causeway Bridge provided the third connection for Muharraq Island with three-lane dual carriageway configuration. The bridge enhanced the connectivity to Muharraq Island, currently

absorbing 29 percent of average daily traffic demand or 33 percent of peak hour traffic between Manama and Muharraq Island. Both bridges attracted major industrial and housing investment and contributed to achieving the Government's vision for developing Bahrain as a Logistic Hub, thus contributing to economic prosperity. Similarly, the Khalifa Bin Salman Seaport resulted in the construction of 16 port buildings with a container port capacity of 2.5 million Twenty Foot Equivalent Unit and port utilization levels reaching 43 percent by 2014.

Islamic Finance Sector: The operations in the Islamic Finance sector consisted mainly of equity investments in Islamic commercial and investment banks; namely, Bahrain Islamic Bank, BlsB, (\$58 million for a current 17.65 percent stake), Gulf Finance House, GFH, (\$24 million for a current 0.55 percent stake) and Elaf Bank (ICD investment of \$10 million for a current 2.3 percent stake). IDB founded the first Islamic commercial bank in Bahrain, BlsB, in 1979, which is currently the second largest Islamic Bank in terms of market capitalization and ATM .network and serving over 100,000 active account holders through its 13 branches in Bahrain. Regarding GFH, it was the first Islamic bank to be listed in the region and also get its shares traded as Global Depository Receipts (GDR) on the London Stock Exchange. GFH contributed to the member countries' economies where it penetrated through its investments setting up mega real estate projects in the region. GFH strengthened the financial infrastructure of the member countries through launching Islamic investment banks in Lebanon, Qatar and Malaysia and investing in Takaful entity in Jordan. GFH also contributed to the development of Islamic financial services industry through its *Sukuk* issue and innovating a unique Islamic product called convertible Murabaha financing facility.



“In the Sanitation sector in Bahrain, the completed projects resulted in the construction of a new Treatment Plant at Muharaq area.”

BOX 3.2

COUNTRY ASSISTANCE EVALUATION OF THE GAMBIA: SUMMARY OF DEVELOPMENT RESULTS

The GOED launched the CAE exercise for Gambia in late 1435H. As of May 2014, The Bank approved 53 ordinary operations for \$283.35 million, including 20 active operations for \$175.36 million. The sectorial distribution is as follows: 12 projects in agriculture (17.5%), 10 projects in Health (8%), 8 projects in Transportation (21.6%), 7 Projects in Education (10.9%), 6 projects in Water, Sanitation and Urban Services Sector (7.2%), and 5 projects in Energy (16.3%). The rest are in finance, public administration, industry and mining. In addition to public sector operations, the IDB GROUO's private sector portfolio in Gambia reached 28 approved trade financing operations for \$248 million, 1 ICD equity project for \$1.15 million, technical assistance of ICIEC, 5 training courses of IRTI and 30 operations of Capacity Development Department.

Overall Development Results in the Main Sectors

Trade Financing: Gambia National Petroleum Company (GNPC) has used the ITFC financing to import Heavy Fuel Oil (HFO) for energy generation and to avail refined oil for domestic use to assist the country to meet demand. ITFC financing provided the needed liquidity for Gambia Groundnut Corporation (GGC), which now purchases groundnuts on spot instead of credit. As a result, farmers are getting reasonable prices for their crops and GGC is able to purchase more groundnuts. It facilitated purchasing, processing and exporting groundnuts.

Transportation: The IDB-funded projects built more than 185 km of paved roads connecting major cities and rural communities as well as neighbouring countries. The main outcomes included: (i) reducing travel time by 50%, (ii) reducing vehicle operation cost, (iii) reducing road accidents, (iv) easing access to markets for agriculture producers and fishermen, and (v) development of small businesses and real estate along the roads. The funded projects improved access to markets, enhanced economic activities and tourism, and facilitated trade with neighbouring countries.

Agriculture and Rural Development: Overall, the outputs included: training of 382 extension workers; development of 1,550 ha of lowland out of which : 1,457 ha for rain fed rice cultivation and 93 ha for horticulture spread over 20 sites, each availed with a borehole, solar panels, an overhead tanks. The horticulture production facilitated multiple harvest per year, strengthened local institutions, and increased the income up to \$ 700 per production cycle per beneficiary. The "100 Water Points Project" availed clean drinking water for 100 rural communities (90 with hand pumps 10 with solar-powered pump, each with overhead tank). The "Water Supply Project" provided 7 boreholes, 5 overhead and ground storage tanks, 2 water treatment plants, 55 community standpipes and 2 standby generators. Around 600,000 people benefitted from these projects in terms of access to safe drinking water, and improved living conditions and sanitation with less water-borne diseases.



AGRICULTURE AND RURAL DEVELOPMENT OUTPUTS IN GAMBIA INCLUDED THE DEVELOPMENT OF

1,457

HA FOR RAIN FED RICE CULTIVATION

Energy: Overall, the outputs of IDB-funded projects included: 13.16 MW installed capacity, construction and rehabilitation of 412 km of transmission lines and 78 units of transformers and substations in the electricity sector of Gambia. The electrification project connected about 7,000 consumers to the service and benefitted around 152,000 residents; corresponding to 9.5% of the total Gambian population.

Education: The main contributions of the IDB-funded projects in the education sector included the construction of 4 middle schools and 1 technical high school comprising 511 classrooms and provision of furniture and materials for about 35% of the 189 Lower Basic Schools in the country. The Bank interventions also included curriculum development and training of trainers for Adult Non-Formal Education benefitting over 8,500 people. About 32,000 children benefitted from the education projects.

Health: The Health sector interventions contributed to the construction of (i) 125-Bed Regional Hospital, (ii) 50-bed health center and compound, (iii) Rehabilitation center, (iv) the distribution of 45,000 malaria nets as part of the Malaria Program, and (v) Medical Relief and medical providers training for small NGOs. The IDB-funded interventions contributed to expanding access to primary and secondary medical services, increased awareness and sensitization to fistula and improved the capacity of health workers and medical care providers through trainings.

3.5 RISK MANAGEMENT

The IDB continues to pursue prudent risk management policies and practices with an emphasis on optimal deployment of capital resources for effective delivery on its development mandate while minimizing risks. This has allowed the Bank to preserve its financial soundness and achieve good results despite a difficult operating environment and financial market turbulences.

The Bank's financial capacity and commitment headroom have been further strengthened by the recent calling of ID3.6 billion of paid-in capital (GCI-IV) and the increase in issued and authorized capital (GCI-V) to ID50 billion and ID100 billion respectively.

IDB continues to leverage its risk management framework to address all types of financial risk associated with its business (credit, market and operational risks) and adjust the policies, guidelines and processes to its evolving risk profile. In managing these risks, due consideration is given to the risk-bearing capacity and prudential rules anchored to its capital adequacy and exposure management framework. Risk oversight is performed at different levels with the Board of Executive Directors (BED) and its Audit Committee approving the risk strategy, policies

and guidelines and limits. Management, supported by the Group Risk Management Committee (GRMC) and the Asset and Liability Management Committee (ALCO) ensures execution of the Bank's activities in accordance with approved risk governance frameworks. The Group Risk Management Department is responsible for independent and ongoing risk identification, quantification, monitoring and reporting along with proposed strategies to mitigate and minimize exposure and potential losses.

In light of strong growth of its operations, the Bank gives high priority to strengthening its internal risk management capacity in addition to fiduciary controls and safeguard activities. In this regard, the Bank is taking steps toward developing an Enterprise Risk Management Framework with the objective of further reinforcing risk governance, monitoring the sound growth of the portfolio and streamlining business processes. This will contribute to the development of a comprehensive risk model for full scope risk assessments of each entity and the IDB Group as a whole in measuring and monitoring risks and building resilience to stress events.

The IDB is committed to ensuring that all its activities are governed by strict internal procedures and guidelines to facilitate regularity, transparency and legality in all aspects of its activities. The Bank'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 Terrorism, 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.

“The IDB is committed to ensuring that all its activities are governed by strict internal procedures and guidelines to facilitate regularity, transparency and legality in all aspects of its activities.”

3.6 INTEGRITY FUNCTION

Efficient use and management of the Group resources and funds is a critical success factor in achieving the Group's objectives of reducing poverty in its member countries. To achieve this, the IDB Group has adopted and implemented several key anti-corruption policies and guidelines that are aimed at combating corrupt and fraudulent practices and related staff misconduct. The Bank's management has committed to the values that are essential for building a strong working environment based on honesty, trust, fairness, respect and responsibility.

The Group Integrity Office (GIO) holds annual awareness activities that accentuates the roles and obligations of staff in the field. In order to effectively implement a zero tolerance policy on combating corrupt and fraudulent practices and ensuring overall commitment to integrity and high ethical standards, the GIO embarked on implementing two state-of-the-art initiatives namely the Speak-Up Hotline and Web Reporting System. These initiatives, which were launched in 1435H, are safe, secure, confidential and anonymous tools that allow individuals to report suspected incidences of corrupt and fraudulent practices in IDB Group-financed activities. The Hotline is open 24/7

and in more than 175 languages while the Web Reporting System provides anonymous, web-based incident reporting in up to 45 languages and can be accessed at integrity.isdb.org.

The GIO has worked to strengthen its global outreach by establishing cooperation and mutual relationship with Global Organization of Parliamentarians Against Corruption (GOPAC). Through this outreach, GIO is financing a thematic knowledge product based on the Bank's Reverse Linkage initiative to improve oversight in the management of development aid in selected regions of South-East Asia and Middle East member countries. The project will target five member countries - Indonesia, Malaysia, Jordan, Kuwait, and Yemen (in principle).

The GIO has also conducted a range of independent, objective, and impartial investigations related to allegations of corrupt and fraudulent practices and related staff misconduct in IDB Group-financed activities, advised management on the findings and recommendations of investigations, and ensured that the responsible units, subject to the decisions of the relevant disciplinary committees, implement the recommendations.

FIG 3.1
IDB GROUP 10 YEARS STRATEGY FRAMEWORK

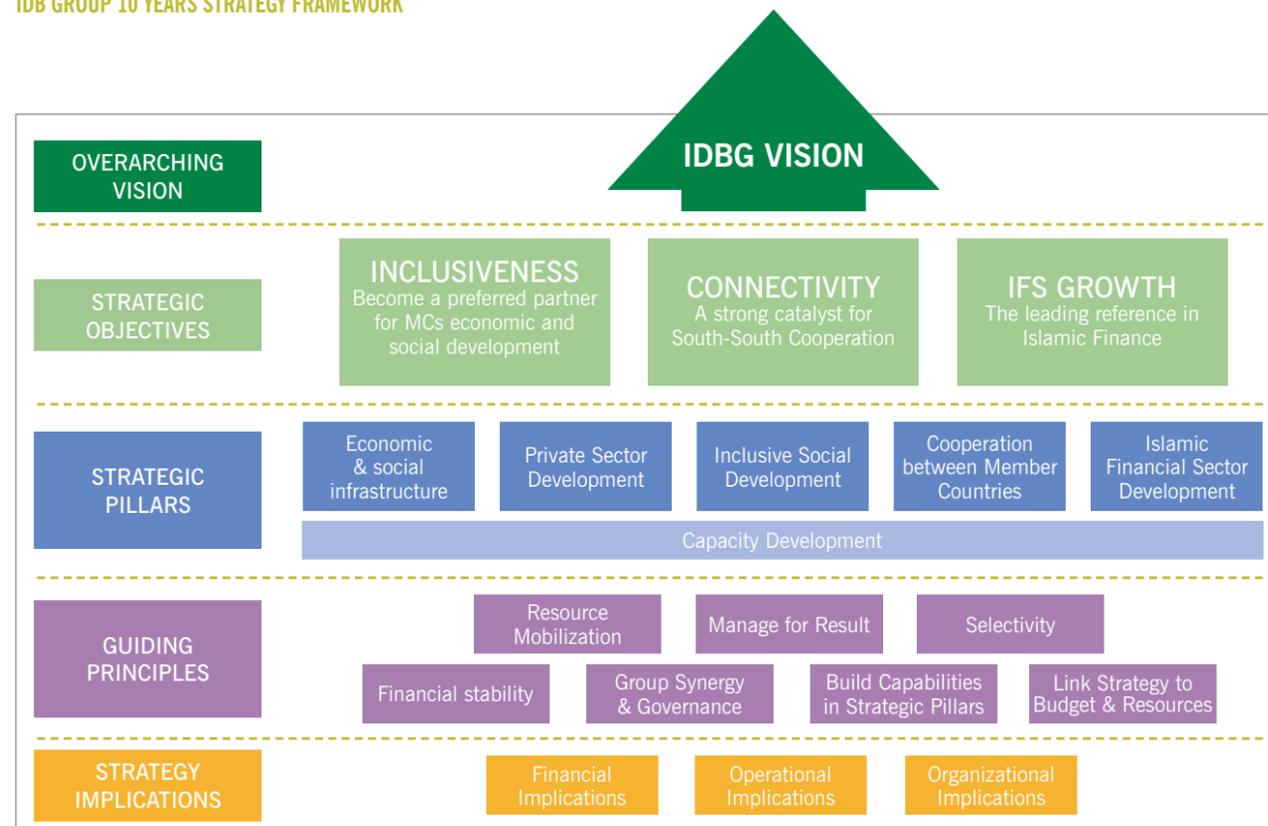
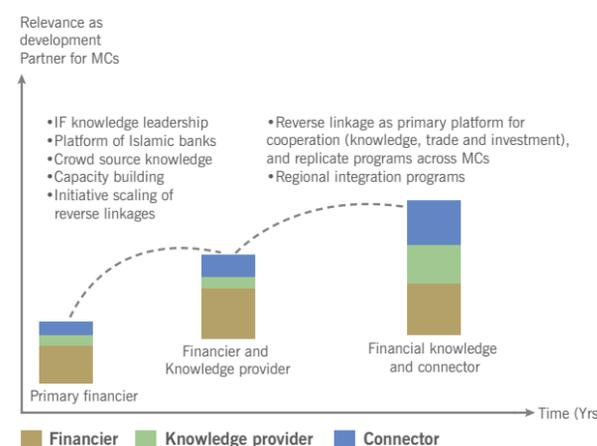


FIG 3.2
ROADMAP TO KNOWLEDGE BANK



IDBG'S ROLE AS A FINANCIER IS CRITICAL TO MAINTAIN FINANCIAL STABILITY

3.7 GROUP TEN YEARS STRATEGY

Led by the BED Anniversary Committee and supported by stakeholder consultations, the Group's Ten Years Strategy Framework was developed and endorsed by the Board of Governors during their 39th Annual Meeting in Jeddah, Saudi Arabia. The stakeholder consultations took place in the form of regional workshops in Kuala Lumpur, Malaysia, for South East Asia region; Almaty, Kazakhstan, for Central Asia and Europe region; Dakar, Senegal, for Sub-Saharan Africa and East Africa region; and Jeddah, Saudi Arabia, for North Africa and Middle East region. In addition, a peer review was conducted with global institutions including the UN, OIC General Secretary, World Bank and OECD.

The Group's Ten Years Strategy Framework comprises three strategic objectives (inclusiveness, connectivity and Islamic financial sector growth), five pillars or priority areas, and one cross-cutting theme. It also incorporates seven guiding principles for implementation (Figure 3.1).

With this framework, ten years from now the Group is expected to be a partner-of-choice in its member countries (MCs) development, an authoritative reference in Islamic finance, and the most prominent facilitator of cooperation between MCs, and with Muslim Communities in non-MCs.

To achieve this vision, the management is developing plans for the Ten Years Strategy implementation and working with the BED on the organizational, operational, and financial changes needed to further enhance the Bank's effectiveness and efficiencies as identified in the 40 Years Assessment Report.

3.8 GROUP INFORMATION MANAGEMENT AND TECHNOLOGY SOLUTIONS

Using the SAP and MISYS platforms, the IDB Group is implementing an ambitious Group Business Enhancement and Systems Transformation Program (GBEST Program) to automate its business processes and transform the Bank into a world-class process-based institution.

The Program has four major dimensions: (i) business transformation and enhancement using technology as the driving factor; (ii) technical development of the solutions; (iii) organizational change management including training and knowledge transfer and (iv) data quality management.

During the years 1434H and 1435H, several solutions were delivered for live use in all business areas of the IDB Group such as Funds Management, Cash Management, Bank Communication Management, Employee and Manager Self Services, Budget Planning and Consolidation, Scholarship Management, Treasury and Investment, Operations Financing and Travel Management. Work is in progress to complete the remaining solutions of Operations Management, Risk Management, Enterprise Content Management and Business Intelligence & Analytics.

The expected date for completion of the program is October 2015 (Dhul Hijjah 1436H) and within the approved budget while ensuring the highest quality of deliverables and solutions.

3.9 KNOWLEDGE MANAGEMENT AND INNOVATION PROGRAM

The IDB launched a one-year special Knowledge Management and Innovation Program (KMIP) on 5 Rabi Thani 1435H (5 February 2014G) to speed up the pace of the IDB Group's transformation into a knowledge-based institution by 1440H.

KMIP, which is anchored in the office of the President, undertakes its functions through five teams: Strategy & Policy, Knowledge & Innovation Products & Services, Communities of Practice, Change Management and Infrastructure.

In 1435H, KMIP undertook a number of major initiatives including (i) a roadmap for KMI for the period Q2-1435H to Q1-1436H, (ii) a KM Strategy was prepared and endorsed by the Group Management at their meeting on September 28, 2014, (iii) Updating of the Information Disclosure Policy (IDP) in collaboration with the Bank Secretariat, (iv) Knowledge products taxonomy was developed and a database of knowledge products publications in IDB Group was designed, (v) Corporate knowledge activities were organized including five Knowledge Talk Series, two Knowledge Cafes (Library Talks), and four Knowledge Sharing Events and Town Hall

BOX 3.3

FORUM ON INNOVATION ECOSYSTEMS

One of the drivers of long-term sustainable growth and development is good innovative practices. Any leap forward in economic development has been accompanied by improvements in existing innovation and/or the emergence of new innovation.

On June 23, 2014, IDB organized an innovation forum under the theme “Fostering Dynamic Innovation Eco-system in Developing Economies”, in conjunction with the 39th IDB Annual Meeting. The forum discussed the roles of key stakeholders (government, private sector, civil society, and international development community) in ensuring successful innovation agenda, key success factors for an effective innovation ecosystem, funding and pitfalls to avoid when trying to develop an effective Innovation Ecosystem. Five case studies of IDB Member Countries and Korea were used to gain insight into innovation ecosystem..

The Forum was moderated by Maria A Douglass of the King Abdullah University of Science & Technology (KAUST) while the speakers included: Aziph Bin Dato’ Mustapha, Malaysian Innovation Foundation, Haeng A SEO, the Korea Institute of S&T Evaluation and Planning (KISTEP), Maxwell Otim Onapa, the Uganda National Council for Science and Technology (UNCST), Ali Morteza Birang, Deputy International Affairs and Technology Exchange, Vice-Presidency for Science and Technology of the Islamic Republic of Iran, Khalid Aldakkan, Director, Innovation & Industrial Development Institute King Abdulaziz City for Science and Technology (KACST).

180 participants from various institutions, including Jeddah-based universities attended the forum.

meetings, (vi) Implemented a new Enterprise Content Management platform (Alfresco) for KMI and began a phased implementation, (vii) Reactivated two Communities of Practice – Islamic Finance and Infrastructure

A major flagship activity of the KMIP in 1435H was the five-day 2nd Innovation Exhibition which was held during the 39th IDB Annual Meeting in Jeddah, Saudi Arabia. Forty innovative projects and solutions from 20 IDB member countries were exhibited. These projects were selected based on their innovativeness and uniqueness, contribution improving the socio-economic status of citizens in their countries and replicability in other IDB member countries. IDB-funded innovative projects in health, education, *waqf*, disaster management and Islamic microfinance were also exhibited.

The exhibition was inaugurated by H.E. Dr. Ibrahim Abdulaziz Al-Assaf, the Minister of Finance for Saudi Arabia along with the President of the IDB, Dr. Ahmad Mohamed Ali. Guests of the IDB Annual Meeting, other international and local visitors as well as university students visited the exhibition at the Hilton Jeddah. The exhibition also explored the possibility of transferring and replicating good practices under the framework of IDB’s ‘Reverse Linkage’. Three concrete opportunities for facilitating reverse linkages emerged from the exhibition and a dedicated website for the exhibition was launched. Apart from the exhibition, the KMIP also organized an Innovation Forum during the Annual Meeting entitled “Fostering Dynamic Innovation Eco-system in Developing Economies”, organized on June 23, 2014” (Box 3.3)

“The Group’s Ten Years Strategy Framework comprises three strategic objectives – inclusiveness, connectivity and Islamic financial sector growth.”

In order to encourage innovation and creativity in the IDB Group, the KMIP launched the 2nd IDB Group internal Innovation Competitions for 1435H on 12 November 2013 to reward and recognize the best innovative projects/initiatives, build a platform for IDB Group staff to share their innovative projects and replicate some of the innovative programs across the Bank Group. The staff submitted 101 proposals under three categories: IDB-financed innovative projects, internal corporate innovation and innovative ideas. Awards were given to the winners. Also, an internal exhibition of the Top 10 projects was organized for the staff to visit and learn about various innovative mechanism undertaken by the IDB Group staff.

The Bank contributed two knowledge papers in international meetings organized by partners and member countries. These include a paper under the theme “*IDB Experience in Supporting Smallholders: lessons from the field*” presented at COMCEC Agricultural Committee meeting in Ankara. The IDB also contributed to the preparation of the *Arab Environment 2014: Food Security in Arab Countries*. These two activities provided the IDB with an opportunity to share information and knowledge with its clients and partners.



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PARTICIPANTS FROM VARIOUS INSTITUTIONS, INCLUDING JEDDAH-BASED UNIVERSITIES ATTENDED THE FORUM ON INNOVATION ECOSYSTEMS

THE GROUP INTEGRITY OFFICE (GIO) IMPLEMENTED THE STATE-OF-THE-ART SPEAK-UP HOTLINE, OPEN 24/7 AND IN MORE THAN

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LANGUAGES

3.10 HUMAN RESOURCES MANAGEMENT

Recruitment and Selection: In 1435H, the Bank undertook a Special Recruitment Program to fill vacant positions in the IDB Headquarters as well as in Regional Offices and Country Gateway Offices in Jakarta and Ankara. The aim of the Program was to fill at least 70 positions. As a result of the program, the Bank issued 128 job offers. Of the 71 vacancies filled, 45 were by external candidates while 26 by internal candidates. The geographical distribution policy of the Bank in terms of recruitment was followed.

As at the end of 1435H, the IDB Group had 1,144 staff comprising nine Management, 57 directors, 61 managers, 636 professionals, 139 para-professionals and 242 support staff.

During 1435H, the Bank re-engineered its onboarding processes with the recruitment of a new Onboarding Specialist to ensure that administrative hurdles are reduced and that new staff integration is smooth. The Bank also initiated the development of a new “Recruitment and Employment Policy” which aim at enhancing the workforce planning, recruitment and employment functions. The policy is based on key guiding principles including equal opportunity, fairness, geographical distribution, merit and transparency.

Leadership & Staff Development: To support the IDB with high-impact leadership and talented staff, the Human Resources Management Department (HRMD) undertook a number of major programs in 1435H including (i) 360 Degree feedback and Executive Coaching for all members of the Management, Directors and Managers to help promote leadership effectiveness, (ii) Management Development Program for 25 Directors and 24 Managers in partnership with a leading European business school, which also provided them with follow up coaching for development, (iii) Training and Cultural Orientation of Managers for IDB Country Gateway Offices, (iv) Launched a Talent Management System with the implementation of the Learning Management Module as well as eLearning which gives 24/7 access to more than 250 online courses in Leadership and Functional Tracks, (v) Publication of monthly HR Newsletter to promote open communication on issues related to areas of staff interest, and (vii) Five Talent Management policies under the approval process.

Furthermore, to support the IDB with fresh talent from reputable academic institutions, 12 Young Professionals (YPs) were recruited in 1435H through a rigorous selection process. These YPs represent diverse geographies, specializations, skills and education systems. They will go through a rigorous training and rotational assignments over 27 months as part of the Foundation Stage of the program before being confirmed in the Bank’s departments.

In the context of Country Gateway Offices, the HRMD ensured the smooth transfer of international staff to these offices and also played a key role in the development of job descriptions, identification, training and selection of candidates and post-adjustment compensation for cost of living differences.

Reward and Recognition Policy: To motivate its high potential and talented staff, HRMD has finalized a document on Reward and Recognition for Management’s approval. The document provides options to recognize and reward achievements, excellence and dedicated services for IDB and IRTI staff. It complements other existing rules, policies and systems in IDB that aim, in general, at motivating staff, enhancing their performance and providing them with adequate development and growth opportunities. ●



TOTAL STAFF WITHIN THE IDB GROUP COMPRISING OF



ANNEXES 1-4

Incorporating

- Annex 1** Islamic Development Bank Ordinary Capital Resources
- Annex 2** Islamic Development Bank Special Account Resources *Waqf* Fund (IDB – *Waqf* Fund)
- Annex 3** IDB Board of Executive Directors and their Constituencies
- Annex 4** Statement of IDB Share Capital Subscription & Voting Power of the IDB Executive Directors

ANNEX 1

**ISLAMIC DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES
FINANCIAL STATEMENTS AND INDEPENDENT JOINT AUDITORS' REPORT
YEAR ENDED 30 DHUL HIJAH 1435H (24 OCTOBER 2014)**

INDEPENDENT JOINT AUDITORS' REPORT

Your Excellencies the Chairman and Members of the Board of Governors
Islamic Development Bank
Jeddah
Kingdom of Saudi Arabia

We have audited the accompanying statement of financial position of Islamic Development Bank - Ordinary Capital Resources (the "Bank") as of Dhul Hijjah 30, 1435H (October 24, 2014) and the related statements of income, changes in members' equity and cash flows for the year then ended and the attached notes from 1 to 32 which form an integral part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and to operate in accordance with Islamic Shari'ah rules and principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at Dhul Hijjah 30, 1435H (October 24, 2014), and the results of its operations, changes in members' equity and its cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Shari'ah rules and principles as determined by the Shari'ah Committee of the Bank.

PricewaterhouseCoopers

Ali. A. Alotaibi
Certified Public Accountant
Registration No. 379



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KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
Certified Public Accountant
Registration No. 382



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Jeddah 21534
Kingdom of Saudi Arabia

2 Rajab 1436H
21 April 2015
Jeddah

ANNEX 1

ISLAMIC DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES.

STATEMENT OF FINANCIAL POSITION

AS OF 30 DHUL HIJAH 1435H

(ALL AMOUNTS IN THOUSANDS OF ISLAMIC DINARS UNLESS OTHERWISE STATED)

	Notes	1435H	1434H (Restated)
Cash and cash equivalents	4	1,043,659	210,458
Commodity placements	5	1,726,935	2,468,335
Sukuk investments	6	1,046,215	595,450
Murabaha financing	7	253,911	233,450
Treasury assets		4,070,720	3,507,693
Istisna'a assets	9	3,639,500	3,181,353
Instalment sale	10	1,166,958	1,174,984
Ijarah assets	11	2,223,038	2,069,506
Loans	12	1,768,480	1,709,374
Project assets		8,797,976	8,135,217
Equity capital	14	777,641	713,064
Associates	15	633,150	602,178
Other investments		87,172	112,874
Investment assets		1,497,963	1,428,116
Property and equipment		52,939	57,262
Other assets	16	379,327	301,129
Other assets		432,266	358,391
Total Assets		14,798,925	13,429,417
Liabilities			
Commodity purchase liabilities	18	1,030,279	1,560,211
Sukuk issued	17	6,086,068	4,205,004
Other liabilities	19	242,550	419,552
Total Liabilities		7,358,897	6,184,767
Members' Equity			
Paid-up capital	21	4,853,867	4,799,791
Reserves	22	2,444,451	2,274,446
Net income for the year		141,710	170,413
Total Members' Equity		7,440,028	7,244,650
Total Liabilities and Members' Equity		14,798,925	13,429,417
Restricted Investment Accounts	27	64,067	56,267

The notes from 1 to 32 form an integral part of these financial statements.

ANNEX 1

ISLAMIC DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES.

INCOME STATEMENT

FOR THE YEAR 30 DHUL HIJAH 1435H

(ALL AMOUNTS IN THOUSANDS OF ISLAMIC DINARS UNLESS OTHERWISE STATED)

	Notes	1435H	1434H (Restated)
Income from:			
Commodity placements		26,517	19,725
Sukuk investments	6	38,978	517
Murabaha financing		7,319	9,384
Treasury assets		72,814	29,626
Istisna'a		130,400	122,813
Instalment sale		51,461	44,657
Ijarah		203,109	201,714
Depreciation of assets under Ijarah	11	(150,744)	(133,949)
Loans		14,004	10,843
Project assets		248,230	246,078
Equity capital		36,293	33,234
Associates	15	13,409	27,746
Other investments		1,343	4,700
Investment assets		51,045	65,680
Other income		4,639	7,735
Foreign exchange (losses) / gains		(14,444)	6,780
(Losses) / gains from swap	16	(5,429)	8,263
Others		(15,234)	22,778
Total income		356,855	364,162
Financing costs		(84,367)	(64,197)
Impairment charge	13	(12,946)	(20,728)
Net income before operating expenses		259,542	279,237
Administrative expenses	23	(110,146)	(101,221)
Depreciation		(7,686)	(7,603)
Total operating expenses		(117,832)	(108,824)
Net income for the year		141,710	170,413

The notes from 1 to 32 form an integral part of these financial statements.

ANNEX 1

ISLAMIC DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED 30 DHUL HIJAH 1435H

(ALL AMOUNTS IN THOUSANDS OF ISLAMIC DINARS UNLESS OTHERWISE STATED)

	Notes	Paid-up capital	Reserves				Total Reserves	Net income	Total
			General reserve	Fair value reserve	Pension and medical obligation	Other reserves			
Balance at 29 Dhul Hijah 1433H		4,590,239	1,925,974	433,822	(67,466)	-	2,292,330	130,247	7,012,816
Increase in paid-up capital	21	209,552	-	-	-	-	-	-	209,552
Fair value losses from investment in equity capital	14	-	-	(43,188)	-	-	(43,188)	-	(43,188)
Reversal of impairment on investment in equity capital	14	-	9,218	-	-	-	9,218	-	9,218
Increase in actuarial losses relating to retirement pension and medical plans	20	-	-	-	(23,714)	-	(23,714)	-	(23,714)
Contribution to the principal amount of ISFD	24	-	(66,124)	-	-	-	(66,124)	-	(66,124)
Share in associated reserve movement		-	(311)	-	-	(12,983)	(13,294)	-	(13,294)
Net income for 1434H (restated)	29	-	-	-	-	-	-	170,413	170,413
Transfer to general reserve		-	130,247	-	-	-	130,247	(130,247)	-
Allocation for grants	22	-	(11,029)	-	-	-	(11,029)	-	(11,029)
Balance at 29 Dhul Hijah 1434H (Restated)		4,799,791	1,987,975	390,634	(91,180)	(12,983)	2,274,446	170,413	7,244,650
Balance at 29 Dhul Hijah 1434H		4,799,791	1,987,975	390,634	(91,180)	(12,983)	2,274,446	179,441	7,253,678
Restatement	29	-	-	-	-	-	-	(9,028)	(9,028)
Balance at 29 Dhul Hijah 1434H (Restated)		4,799,791	1,987,975	390,634	(91,180)	(12,983)	2,274,446	170,413	7,244,650
Increase in paid-up capital	21	54,076	-	-	-	-	-	-	54,076
Fair value gains from investment in equity capital and other investments		-	-	60,820	-	-	60,820	-	60,820
Increase in actuarial losses relating to retirement pension and medical plans	20	-	-	-	(1,736)	-	(1,736)	-	(1,736)
Contribution to the principal amount of ISFD	24	-	(64,879)	-	-	-	(64,879)	-	(64,879)
Share in associated reserve movement		-	-	-	-	19,409	19,409	-	19,409
Net income for 1435H		-	-	-	-	-	-	141,710	141,710
Transfer to general reserve		-	170,413	-	-	-	170,413	(170,413)	-
Allocation for grants	22	-	(14,022)	-	-	-	(14,022)	-	(14,022)
Balance at 30 Dhul Hijah 1435H		4,853,867	2,079,487	451,454	(92,916)	6,426	2,444,451	141,710	7,440,028

The notes from 1 to 32 form an integral part of these financial statements.

ANNEX 1

ISLAMIC DEVELOPMENT BANK – ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

YEAR ENDED 30 DHUL HIJAH 1435H

(ALL AMOUNTS IN THOUSANDS OF ISLAMIC DINARS UNLESS OTHERWISE STATED)

	Notes	1435H	1434H (Restated)
Cash flows from operations			
Net income		141,710	170,413
Adjustments for non-cash items			
Depreciation of property and equipment		7,686	7,603
Share of income in associates	15	(13,409)	(27,746)
Provision for impairment of financial assets	13	12,946	20,728
Unrealised fair value (gains) / losses on Sukuk	6	(13,312)	18,670
Amortization of other income (Deferred Grant)		(566)	(567)
Unrealised foreign exchange losses		14,444	7,545
Gain on disposal of Investment in equity capital		(332)	(372)
Loss on disposal of other investment		1,914	-
Changes in accrued Income		(86,285)	(11,910)
Changes in accrued expenses		23,555	578
Operating income before changes in operating assets and liabilities		88,351	184,942
Changes in operating assets and liabilities:			
Istisna'a		(453,216)	(645,820)
Instalment sales		(5,759)	(149,225)
Ijarah		(127,252)	(214,277)
Loans		(50,348)	(58,682)
Other assets		15,304	191,556
Other liabilities		(207,348)	(43,478)
Net cash used in operating activities		(740,268)	(734,984)
Cash flows from investing activities			
Commodity placements		839,626	(1,110,805)
Acquisition of Sukuk investments	6	(469,921)	(549,230)
Proceeds from disposal/redemption of Sukuk investments	6	59,749	319,479
Murabaha		(16,370)	(18,317)
Acquisition of investments in equity capital	14	(9,965)	(35,733)
Proceeds from disposal of investments in equity capital		5,494	1,432
Acquisition of other investments		(10,891)	(18,681)
Proceeds from disposal of other investments		11,310	9,723
Investment in associates		-	(22,342)
Dividend from associates	15	618	-
Additions to property and equipment		(3,363)	(6,763)
Net cash from (used in) investing activities		406,287	(1,431,237)
Cash flows from financing activities			
Increase in paid-up capital		54,076	209,552
Technical assistance and scholarship grants		(14,349)	(11,029)
Contribution to the principal amount of ISFD		(64,552)	(66,124)
Proceeds from issuance of Sukuk		2,947,747	1,171,626
Redemption of Sukuk		(1,235,160)	(64,310)
Commodity purchase liabilities		(520,728)	666,992
Net cash from financing activities		1,167,034	1,906,707
Net change in cash and cash equivalents		833,053	(259,514)
Exchange difference on cash and cash equivalents		148	-
Cash and cash equivalents at 1 Muharram		210,458	469,972
Cash and cash equivalents at 30 Dhul Hijah	4	1,043,659	210,458

The notes from 1 to 32 form an integral part of these financial statements.

ANNEX 2

ISLAMIC DEVELOPMENT BANK – SPECIAL ACCOUNT RESOURCES WAQF FUND

STATEMENT OF FINANCIAL POSITION

30 DHUL HIJAH 1435H (24 OCTOBER 2014)

(ALL AMOUNTS IN THOUSANDS OF ISLAMIC DINARS UNLESS OTHERWISE STATED)

	Notes	1435H	1434H
Assets			
Treasury assets:			
Cash and cash equivalents	4	39,611	93,236
Commodity placements	5	233,194	104,077
Syndicated murabaha	6	1,035	15,148
Investments in sukuk	7	132,746	50,254
Investments assets:			
Equity capital	8	35,056	16,868
Associates	9	114,139	96,248
Funds	10	76,003	154,087
Syndicated Ijarah	11	19,435	19,143
Loans	12	184,387	181,322
Other assets			
Accrued income and other assets		37,954	83,721
Fixed assets		24,780	25,713
Total assets		898,340	839,817
Liabilities			
Commodity purchase liabilities	13	85,241	-
Accruals and other liabilities	14	13,035	14,246
Total liabilities		98,276	14,246
Net assets		800,064	825,571
Represented by:			
Waqf Fund principal amount		769,357	769,410
Special assistance		(121,499)	(96,115)
Special account for Least Developed Member Countries (LDMC)		152,206	152,276
Total Funds		800,064	825,571

The accompanying notes from 1 through 25 form an integral part of these financial statements.

ANNEX 2

ISLAMIC DEVELOPMENT BANK – SPECIAL ACCOUNT RESOURCES WAQF FUND

STATEMENT OF ACTIVITIES AND STATEMENT OF CHANGES IN NET ASSETS

30 DHUL HIJAH 1435H (24 OCTOBER 2014)

(ALL AMOUNTS IN THOUSANDS OF ISLAMIC DINARS UNLESS OTHERWISE STATED)

	Notes	1435H	1434H			
		Waqf Fund principal amount	Special assistance	Special account for LDMC	Total	1434H
Statement of Activities:						
Income from:						
Treasury assets						
Commodity placements					2,966	1,605
Syndicated murabaha					1,971	243
Investments in sukuk	7				5,416	1,306
Investment Assets:						
Associates					305	1,239
Funds					5,980	13,375
Other					2,696	1,979
					19,334	19,747
Financing costs					(14)	(563)
Foreign exchange gains					671	1,269
Income before impairment charge					19,991	20,453
Impairment charge					(32,389)	(1,542)
Attributable net income					(12,398)	18,911
Allocation of attributable net loss		(3,015)	(5,363)	(4,020)	-	-
Islamic Technical Financial Assistance Grant from IsDB-OCR		-	19	-	19	-
Share of income transferred from IsDB-OCR		5	22	7	34	138
Contributions from IsDB-OCR for technical assistance grants and scholarship program	16	-	8,654	-	8,654	11,029
(Loss)/Income before grants and program expenses		(3,010)	3,332	(4,013)	(3,691)	30,078
Grants for causes	15	-	(27,222)	-	(27,222)	(32,361)
Program expenses	15	-	(14,307)	-	(14,307)	(11,569)
Net deficit for the year		(3,010)	(38,197)	(4,013)	(45,220)	(13,852)
Statement of Change in Net Assets						
Net assets/(liabilities) at 1 Muharram		769,410	(96,115)	152,276	825,571	827,929
Net deficit for the year		(3,010)	(38,197)	(4,013)	(45,220)	(13,852)
Fair value and other reserves		2,957	12,813	3,943	19,713	11,494
Net assets/(liabilities) at 30 Dhul Hijah		769,357	(121,499)	152,206	800,064	825,571

The accompanying notes from 1 through 25 form an integral part of these financial statements.

ANNEX 2

ISLAMIC DEVELOPMENT BANK – SPECIAL ACCOUNT RESOURCES WAQF FUND

STATEMENT OF CASH FLOWS

30 DHUL HIJAH 1435H (24 OCTOBER 2014)

(ALL AMOUNTS IN THOUSANDS OF ISLAMIC DINARS UNLESS OTHERWISE STATED)

	Note	1435H	1434H
Cash flows from operations:			
Net deficit for the year		(45,220)	(13,852)
Adjustments to reconcile net deficit to net cash used in operating activities:			
Depreciation		1,160	1,150
Provision for impairment		32,389	1,542
Share of income in associates	9	(305)	(1,239)
Investment fair value losses	7	(2,626)	1,928
Gain on sale of units		-	(5,421)
Gain on sale of investment in equity capital		-	(1,690)
Foreign exchange loss		(7,527)	6,106
Change in operating assets and liabilities:			
Murabaha		14,113	(15,148)
Instalment sales		-	1,417
Loans		(3,065)	(14,300)
Accrued income and other assets		45,764	18,841
Accruals and other liabilities		1,210	20,885
Net cash provided by / (utilized in) operations		33,473	(69,233)
Cash flows from investing activities			
Commodity placements		(129,117)	280,027
Acquisition of Investments in sukuk	7	(85,472)	(3,594)
Redemption of investments in sukuk	7	4,732	24,091
Additions to investments in equity capital	8	(16,686)	(8,423)
Disposal of investments in equity capital	8	-	14,183
Acquisition of investments in associates	9	(12,486)	-
Disposal of investments in Associate		3,231	-
Additions to investments in funds	10	(4,073)	(17,439)
Disposal of investments in funds	10	67,760	114,139
Additions to fixed assets		(228)	(282)
Net cash provided by / (utilized in) investing activities		(172,339)	402,702
Cash flows from financing activities:			
Commodity purchase liabilities		85,241	(269,949)
Net cash provided by/ (utilized in) financing activities		85,241	(269,949)
Net change in cash and cash equivalents		(53,625)	63,520
Cash and cash equivalents at 1 Muharram		93,236	29,716
Cash and cash equivalents at 30 Dhul Hijjah	4	39,611	93,236

The accompanying notes from 1 through 25 form an integral part of these financial statements

ANNEX 3

IDB BOARD OF EXECUTIVE DIRECTORS AND THEIR CONSTITUENCIES

Director	Constituency
Hon. Dr. Hamad Bin Suleiman Al Bazai	Saudi Arabia
Hon. Bader Abdullah Abuaziza	Libya
Hon. Mohammad Parizi	Iran
Hon. Mohammed Gambo Shuaibu	Nigeria
Hon. Ali Hamdan Ahmed	U.A.E.
Hon. Ismail Omar Al Dafa	Qatar
Hon. Zeinhom Zahran	Egypt
Hon. Bader Mishari Al Hammad	Kuwait
Hon. Ibrahim Halil Canakci	Turkey
Hon. Isa Rachmatarwata (Indonesia)	Indonesia, Malaysia, Brunei Darussalam and Suriname
Hon. Mohammad Saleem Sethi (Pakistan)	Pakistan, Bangladesh, Afghanistan and Maldives
Hon. Mohamed Zemmouri (Algeria)	Algeria, Morocco, Mauritania and Tunisia
Hon. Dr. Mohamed Ahmed Hassan Al-Afandi (Yemen)	Yemen, Sudan, Oman and Bahrain
Hon. Mrs. Zourehatou Kassah –Traore (Togo)	Senegal, Burkina Faso, Mali, Niger, Gambia and Togo
Hon. Dr. Hisham Alshaar (Lebanon)	Jordan, Iraq, Palestine, Syria and Lebanon
Hon. Dr. Zul Kifl Salami (Benin)	Cameroon, Guinea, Sierra Leone, Benin, Côte d'Ivoire and Guinea-Bissau
Hon. Ulan Aiylichiev (Kyrgyz Republic)	Kazakhstan, Azerbaijan, Kyrgyz Republic, Tajikistan, Uzbekistan, Albania and Turkmenistan
Hon. Abdirahman Sharif (Somalia)	Gabon, Mozambique, Uganda, Comoros, Chad, Somalia and Djibouti

ANNEX 4

STATEMENT OF IDB SHARE CAPITAL SUBSCRIPTION & VOTING POWER OF THE IDB EXECUTIVE DIRECTORS AS AT 30/12/1435H (OCTOBER 24, 2014)

YEAR-END 1435H (ALL AMOUNTS ARE IN MILLION ID)

Country	No. of Shares	Consolidated Position of Subscribed Share Capital							Voting Power	
		Amount in Million ID			% of Total	Breakdown of Called-up Capital (ID)			No. of Votes	% Voting
		Called-up	Callable	Total		Paid-up	Overdue	Not Yet Due		
Saudi Arabia	1,189,680	2135.85	9760.95	11896.80	23.52	1,224.79	0.00	911.06	1,099,074	25.81
Libya	477,166	856.66	3915.00	4771.66	9.43	444.26	14.57	397.83	129,706	3.05
Iran	417,463	749.48	3425.15	4174.63	8.25	429.81	0.00	319.67	385,996	9.07
Nigeria	387,452	695.59	3178.93	3874.52	7.66	127.92	48.64	519.03	331,185	7.78
U.A.E.	379,949	682.12	3117.37	3799.49	7.51	342.98	0.06	339.08	346,535	8.14
Qatar	363,236	653.04	2979.32	3632.36	7.18	329.51	*	323.53	331,383	7.78
Egypt	357,965	641.91	2937.74	3579.65	7.08	346.00	0.00	295.91	328,874	7.72
Kuwait	350,000	880.90	2619.10	3500.00	6.92	496.64	0.00	384.26	312,074	7.33
Turkey	326,384	585.28	2678.56	3263.84	6.45	315.47	*	269.81	299,903	7.04
Algeria	128,559	230.53	1055.06	1285.59	2.54	123.66	0.60	106.27	118,372	2.78
Pakistan	128,559	230.54	1055.05	1285.59	2.54	121.60	2.66	106.28	118,165	2.78
Indonesia	113,795	204.16	933.79	1137.95	2.25	124.20	0.06	79.90	106,299	2.50
Malaysia	82,308	147.60	675.48	823.08	1.63	79.56	0.00	68.04	76,004	1.79
Bangladesh	50,996	91.44	418.52	509.96	1.01	49.27	0.02	42.15	47,279	1.11
Yemen	25,862	46.19	212.43	258.62	0.51	24.76	0.05	21.38	24,219	0.57
Morocco	25,669	46.03	210.66	256.69	0.51	24.82	*	21.21	24,048	0.56
Sudan	23,295	41.82	191.13	232.95	0.46	13.86	10.13	17.82	20,999	0.49
Jordan	21,976	39.45	180.31	219.76	0.43	22.71	0.00	16.74	20,802	0.49
Senegal	14,781	26.54	121.27	147.81	0.29	8.59	6.63	11.32	13,486	0.32
Oman	14,255	25.56	116.99	142.55	0.28	13.78	*	11.78	13,577	0.32
Brunei	12,836	23.02	105.34	128.36	0.25	12.41	0.00	10.61	12,275	0.29
Cameroon	12,836	23.02	105.34	128.36	0.25	11.94	0.47	10.61	12,228	0.29
Burkina Faso	9,017	23.02	67.15	90.17	0.18	12.42	0.00	10.60	8,457	0.20
Gabon	5,458	27.40	27.18	54.58	0.11	12.74	2.03	12.63	4,492	0.11
Kazakhstan	5,400	9.76	44.24	54.00	0.11	5.29	*	4.47	5,453	0.13
Azerbaijan	5,092	9.13	41.79	50.92	0.10	4.92	0.00	4.21	5,171	0.12
Mali	5,092	9.13	41.79	50.92	0.10	5.08	0.00	4.05	5,187	0.12
Iraq	4,824	24.21	24.03	48.24	0.10	13.05	*	11.16	4,208	0.10
Guinea	4,585	23.02	22.83	45.85	0.09	8.56	3.85	10.61	3,639	0.09
Niger	4,585	23.02	22.83	45.85	0.09	7.27	5.14	10.61	3,510	0.08
Mauritania	3,577	9.13	26.64	35.77	0.07	4.92	0.00	4.21	3,656	0.09
Bahrain	2,588	12.99	12.89	25.88	0.05	7.00	*	5.99	2,489	0.06
Kyrgyz Republic	2,584	4.63	21.21	25.84	0.05	2.50	*	2.13	2,871	0.07
Mozambique	2,584	4.63	21.21	25.84	0.05	2.53	*	2.10	2,874	0.07
Uganda	2,463	12.41	12.22	24.63	0.05	9.49	2.92	0.00	2,671	0.06
Benin	2,080	10.45	10.35	20.80	0.04	4.48	1.51	4.45	1,983	0.05
Palestine	1,955	9.85	9.70	19.55	0.04	5.11	4.74	0.00	1,981	0.05
Tunisia	1,955	9.85	9.70	19.55	0.04	9.78	0.07	(0.00)	2,448	0.06
Syria	1,849	9.28	9.21	18.49	0.04	5.00	*	4.28	1,921	0.05
Sierra Leone	1,816	4.64	13.52	18.16	0.04	1.94	0.56	2.14	2,046	0.05
Tajikistan	1,816	4.63	13.53	18.16	0.04	2.64	*	1.99	2,117	0.05
Uzbekistan	1,344	3.73	9.71	13.44	0.03	2.65	*	1.08	1,736	0.04
Comoros	1,302	3.57	9.45	13.02	0.03	0.56	1.94	1.07	1,501	0.04
Afghanistan	993	5.00	4.93	9.93	0.02	3.80	0.13	1.07	1,373	0.03
Chad	977	4.92	4.85	9.77	0.02	4.67	0.25	0.00	1,452	0.03
Lebanon	977	4.92	4.85	9.77	0.02	4.92	*	0.00	1,477	0.03
Albania	923	4.63	4.60	9.23	0.02	2.50	0.00	2.13	1,210	0.03
Gambia	923	4.63	4.60	9.23	0.02	2.50	*	2.13	1,210	0.03
Maldives	923	4.63	4.60	9.23	0.02	2.50	*	2.13	1,210	0.03
Suriname	923	4.63	4.60	9.23	0.02	2.50	*	2.13	1,210	0.03
Djibouti	496	2.50	2.46	4.96	0.01	1.63	0.87	0.00	909	0.02
Guinea-Bissau	496	2.50	2.46	4.96	0.01	2.21	0.29	0.00	967	0.02
Somalia	496	2.50	2.46	4.96	0.01	2.50	*	(0.00)	996	0.02
Togo	496	2.50	2.46	4.96	0.01	2.50	*	0.00	996	0.02
Turkmenistan	496	2.50	2.46	4.96	0.01	2.50	*	0.00	996	0.02
Cote D'Ivoire	465	3.57	1.08	4.65	0.01	2.50	*	1.07	858	0.02
Shortfall / (Overpayment), Net	*	*	*	*	0.00	0.14	0.00	(0.14)	0	*
Sub-Total	4,986,572	9,354.64	40,511.08	49,865.72	98.58	4,853.87	108.18	4,392.59	4,257,761	100.00
Uncommitted	71,630	-	716.30	716.30	1.42	*	*	*	*	*
Grand Total	5,058,202	9,354.64	41,227.38	50,582.02	100.00	4,853.867	108.185	4,392.589	4,257,761	100.00

ANNEXES 5a-8b

Facts and Figures on IDB Group Approvals by Countries and Sectors

Annex 5a Net Approvals by Entities and Modes of Financing (ID million)

Annex 5b Net Approvals by Entities and Modes of Financing (\$ million)

Annex 6a IDB Group Net Approvals by Country and Entity (ID million)

Annex 6b IDB Group Net Approvals by Country and Entity (\$ million)

Annex 7 Cumulative IDB Group Operations by Major Mode of Financing

Annex 8a Sectoral Distribution of OCR Net Approvals by Country 1435H

Annex 8b Sectoral Distribution of Cumulative OCR Net Approvals by Country (1396H-1435H)

ANNEX 5a:

NET APPROVALS BY ENTITIES AND MODES OF FINANCING (1396H-1435H) (ISLAMIC DINAR - ID MILLION)

	1431H	1432H	1433H	1434H	1435H	1396H-1435H
A. IDB OCR						
Loan	245.0	249.2	251.0	260.5	249.1	5,025.4
Equity	75.2	44.0	203.5	13.1	0.0	865.0
Leasing	637.6	619.5	407.2	518.3	1,148.3	7,006.3
Instalment Sale	20.2	142.3	608.5	119.5	273.1	3,479.7
Combined Lines of Financing	0.0	65.7	29.3	0.0	32.5	502.9
Profit Sharing/Musharaka	66.7	62.0	33.3	0.0	0.0	223.8
Istisna'a	1,246.5	1,332.0	1,318.4	1,582.2	1,611.2	11,098.7
Mudaraba	0.0	0.0	0.0	292.8	0.0	292.8
Technical Assistance	12.3	22.9	14.3	8.7	15.9	288.0
Sub-Total	2,303.5	2,537.5	2,865.4	2,795.1	3,330.1	28,782.6
B. ICD						
Equity	39.1	43.5	84.1	130.6	71.3	740.6
Leasing	21.4	0.0	52.4	13.1	50.5	340.1
Instalment Sale	0.0	0.0	0.0	0.0	3.4	88.6
Istisna'a	0.0	16.1	9.8	0.0	13.5	49.7
Murabaha	34.2	86.7	85.9	94.0	189.2	625.6
Sub-Total	94.8	146.3	232.3	237.7	327.9	1,844.5
C. ITFC						
Murabaha	1,475.5	1,777.3	2,786.5	3,251.4	3,341.8	15,265.9
D. Others						
UIF	20.1	22.2	23.6	65.1	44.1	1,593.2
APIF	26.5	21.5	34.6	54.7	43.0	249.8
Special Assistance Operations	13.2	9.6	5.2	4.8	4.5	564.5
Pre-ITFC trade (EFS, IBP, ITFO)	0.0	0.0	0.0	0.0	0.0	21,809.3
Sub-Total	59.8	53.3	63.4	124.5	91.5	24,216.9
Grand Total*	3,933.6	4,514.4	5,947.6	6,408.8	7,091.3	70,109.9

Memo:

E. ICIEC Operation for the last five years and total since inception (ID million)

	1431H	1432H	1433H	1434H	1435H	1417H-1435H
New Commitments	2,023.6	2,122.1	1,510.9	1,468.3	2,394.5	15,647.3
Business Insured	1,305.3	2,016.5	2,008.8	2,195.8	2,909.6	14,593.5

OCR-IDB Resources and Finance (at year's end)

	1431H	1432H	1433H	1434H	1435H
Total Assets	9,067.6	10,351.2	11,446.7	13,429.4	14,798.9
Gross Income	290.1	257.6	320.6	364.2	356.9
Net Income	169.6	109.0	130.2	170.4	141.7
General Reserves	1,702.3	1,769.8	1,858.5	1,988.0	2,079.5
Fair Value Reserves	525.9	377.1	433.8	391.0	451.0
Subscribed Capital	17,475.6	17,782.6	17,782.6	17,803.8	49,865.7
Approved Administrative budget**	81.93	88.80	98.38	105.10	107.53
Actual Administrative budget**	69.35	81.30	88.94	96.98	103.20

* Treasury operations which are reported in previous Annual Reports of the Bank were removed from this year Annual Report due to change in data classification in accordance with the Bank's Liquidity Risk Management Guidelines

** include Trust Funds (i.e. Al-Quds and Al-Aqsa Funds)

Source: IDB Data Resources and Statistics Division, ERPD

The conversion rates are those for end of each hijra year.
The conversion rates for the various years are as follows:

1431H 1ID = \$1.5392 1432H 1ID = \$1.55621 1433H 1ID = \$1.52623
1434H 1ID = \$1.53128 1435H 1ID = \$1.48509 1396H-1435H 1ID = \$1.45083 (approximation only)

ANNEX 5b:

NET APPROVALS BY ENTITIES AND MODES OF FINANCING (1396H-1435H) (\$ MILLION)

	1431H	1432H	1433H	1434H	1435H	1396H-1435H
A. IDB OCR						
Loan	369.3	383.0	386.0	396.5	379.2	7,073.2
Equity	114.5	68.1	313.7	19.7	0.0	1,257.2
Leasing	974.6	982.7	620.4	783.2	1,770.0	10,388.2
Instalment Sale	30.8	220.7	927.1	182.0	416.1	5,036.5
Combined Lines of Financing	0.0	100.0	45.0	0.0	50.0	723.0
Profit Sharing/Musharaka	100.0	100.0	50.0	0.0	0.0	331.9
Istisna'a	1,950.5	2,076.4	2,028.5	2,388.8	2,458.5	16,831.6
Mudaraba	0.0	0.0	0.0	440.0	0.0	440.0
Technical Assistance	18.8	35.2	21.9	13.4	24.5	408.4
Sub-Total	3,558.3	3,966.0	4,392.6	4,223.6	5,098.3	42,490.0
B. ICD						
Equity	60.2	67.7	128.4	200.0	105.9	1,121.8
Leasing	33.0	0.0	80.0	20.0	75.0	508.8
Instalment Sale	0.0	0.0	0.0	0.0	5.0	130.2
Istisna'a	0.0	25.0	15.0	0.0	20.0	75.7
Murabaha	52.7	135.0	131.1	144.0	281.1	952.2
Sub-Total	145.9	227.7	354.5	364.0	487.0	2,788.7
C. ITFC						
Murabaha	2,231.6	2,788.4	4,286.4	4,938.5	5,135.0	23,485.8
D. Others						
UIF	31.0	34.5	36.1	99.7	65.5	2,287.0
APIF	40.8	33.5	52.8	83.7	63.8	379.5
Special Assistance Operations	19.9	15.1	8.0	7.2	6.9	737.6
Pre-ITFC trade (EFS, IBP, ITFO)	0.0	0.0	0.0	0.0	0.0	29,549.0
Sub-Total	91.7	83.1	96.8	190.6	136.2	32,953.1
Grand Total*	6,027.6	7,065.2	9,130.3	9,716.7	10,856.5	101,717.6

Memo:

E. ICIEC Operation for the last five years and total since inception (\$ million)

	1431H	1432H	1433H	1434H	1435H	1417H-1435H
New Commitments	3,096.1	3,310.5	2,311.7	2,248.4	3,556.0	23,776.2
Business Insured	1,997.1	3,145.8	3,073.5	3,362.5	4,321.0	22,184.1

* Treasury operations which are reported in previous Annual Reports of the Bank were removed from this year Annual Report due to change in data classification in accordance with the Bank's Liquidity Risk Management Guidelines

Source: IDB Data Resources and Statistics Division, ERPD

ANNEX 6a:

IDB GROUP NET APPROVALS BY COUNTRY AND ENTITY (ID MILLION)

Country	1435H ¹ Approvals by Entity					Share in (1396H-1435H) net approvals (%)
	OCR	ICD	ITFC	Others ²	Total (1435H)	
Afghanistan	0.0	0.0	0.0	0.0	0.0	0.1
Albania	0.0	0.0	0.0	0.0	0.0	0.5
Algeria	0.0	11.4	0.0	0.0	11.4	2.8
Azerbaijan	145.9	0.0	3.2	0.0	149.1	1.3
Bahrain	32.0	0.0	0.0	0.0	32.0	1.9
Bangladesh	245.3	20.5	943.1	0.0	1,209.0	16.2
Benin	121.6	0.0	0.0	0.0	121.6	0.5
Brunei	0.2	0.0	0.0	0.0	0.2	0.1
Burkina Faso	119.0	0.0	97.6	0.0	216.6	1.1
Cameroon	152.2	0.0	11.7	0.0	163.9	0.7
Chad	93.2	0.0	0.0	0.0	93.2	0.6
Comoros	0.0	0.0	13.0	0.0	13.0	0.0
Côte d'Ivoire	40.2	18.5	0.0	0.0	58.7	0.6
Djibouti	3.3	0.0	19.5	0.0	22.9	0.3
Egypt	714.3	0.0	620.2	0.0	1,334.6	7.5
Gabon	0.0	0.0	0.0	0.0	0.0	0.5
Gambia	0.0	5.5	40.1	0.0	45.6	0.6
Guinea	47.3	0.0	0.0	7.4	54.7	0.5
Guinea-Bissau	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	6.7	38.8	0.0	45.5	3.5
Iran	11.5	0.0	0.0	0.0	11.5	5.7
Iraq	0.0	0.0	0.0	0.1	0.1	0.7
Jordan	16.3	3.4	129.8	0.0	149.5	2.4
Kazakhstan	0.2	6.7	0.0	8.1	15.0	1.1
Kuwait	0.0	0.0	67.0	0.0	67.0	1.4
Kyrgyz Republic	14.2	7.7	6.5	0.0	28.5	0.2
Lebanon	159.9	0.0	0.0	0.0	159.9	1.5
Libya	0.0	0.0	0.0	0.0	0.0	0.8
Malaysia	0.0	1.1	0.0	0.0	1.1	1.0
Maldives	0.0	0.0	0.0	6.7	6.7	0.3
Mali	45.2	0.0	16.2	0.0	61.3	0.9
Mauritania	40.1	0.0	42.9	0.0	83.0	1.1
Morocco	204.9	0.0	314.9	0.0	519.8	6.4
Mozambique	11.3	3.4	0.0	0.0	14.7	0.2
Niger	45.0	0.0	13.1	0.0	58.1	0.6
Nigeria	135.0	87.5	50.8	0.0	273.4	0.9
Oman	117.5	0.0	0.0	0.0	117.5	0.7
Pakistan	143.0	0.0	322.9	10.1	476.0	8.8
Palestine	2.5	0.0	0.7	0.2	3.3	0.2
Qatar	0.0	0.0	0.0	0.0	0.0	0.4
Saudi Arabia	78.6	48.1	46.5	16.3	189.6	4.3
Senegal	178.2	13.5	19.4	0.0	211.0	1.4
Sierra Leone	31.3	0.0	0.0	0.0	31.3	0.3
Somalia	0.6	0.0	0.0	0.1	0.8	0.1
Sudan	0.0	0.0	0.0	0.0	0.0	1.6
Suriname	49.5	0.0	0.0	0.0	49.5	0.1
Syria	1.3	0.0	0.0	0.0	1.3	1.1
Tajikistan	0.0	6.1	0.0	0.0	6.1	0.3
Togo	14.2	0.0	13.4	0.0	27.5	0.2
Tunisia	0.0	0.0	206.8	0.0	206.8	2.8
Turkey	0.0	25.0	288.6	0.0	313.7	6.9
Turkmenistan	0.0	0.0	0.0	0.0	0.0	0.4
U.A.E.	0.0	0.0	7.1	13.5	20.6	0.8
Uganda	132.3	0.0	0.0	0.0	132.3	0.6
Uzbekistan	166.6	24.9	0.0	0.0	191.5	1.6
Yemen	13.6	0.0	0.0	0.0	13.6	1.1
Non-Member Countries	0.0	0.0	7.8	29.0	36.8	0.6
Regional Projects	2.6	37.8	0.0	0.0	40.4	0.9
Special Programs	0.0	0.0	0.0	0.0	0.0	0.1
Net Approvals*	3,330.1	327.9	3,341.8	91.5	7,091.3	100

¹ Cut-off date for data reported in this table was 30 Dhul-Hijja 1435H (24 October 2014).² Comprised of APIF, EFS, IBP, ITFO, SAO, and UIF.

* Treasury operations which are reported in previous Annual Reports of the Bank were removed from this year Annual Report due to change in data classification in accordance with the Bank's Liquidity Risk Management Guidelines

ANNEX 6b:

IDB GROUP NET APPROVALS BY COUNTRY AND ENTITY (\$ MILLION)

Country	1435H ¹ Approvals by Entity					Share in (1396H-1435H) net approvals (%)
	OCR	ICD	ITFC	Others ²	Total (1435H)	
Afghanistan	0.0	0.0	0.0	0.0	0.0	0.1
Albania	0.0	0.0	0.0	0.0	0.0	0.6
Algeria	0.0	17.0	0.0	0.0	17.0	2.5
Azerbaijan	224.6	0.0	5.0	0.0	229.6	1.3
Bahrain	48.0	0.0	0.0	0.0	48.0	1.9
Bangladesh	374.0	30.5	1,450.0	0.0	1,854.5	16.6
Benin	184.7	0.0	0.0	0.0	184.7	0.5
Brunei	0.3	0.0	0.0	0.0	0.3	0.0
Burkina Faso	182.0	0.0	147.0	0.0	329.0	1.1
Cameroon	234.9	0.0	18.0	0.0	252.9	0.7
Chad	142.8	0.0	0.0	0.0	142.8	0.7
Comoros	0.0	0.0	20.0	0.0	20.0	0.0
Côte d'Ivoire	61.9	27.4	0.0	0.0	89.3	0.6
Djibouti	5.0	0.0	30.0	0.0	35.0	0.3
Egypt	1,097.0	0.0	955.0	0.0	2,052.0	7.7
Gabon	0.0	0.0	0.0	0.0	0.0	0.5
Gambia	0.0	8.2	62.0	0.0	70.2	0.6
Guinea	72.0	0.0	0.0	11.0	83.0	0.5
Guinea-Bissau	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	0.0	10.0	60.0	0.0	70.0	3.6
Iran	17.3	0.0	0.0	0.0	17.3	5.8
Iraq	0.0	0.0	0.0	0.2	0.2	0.6
Jordan	25.1	5.0	200.0	0.0	230.1	2.3
Kazakhstan	0.3	10.0	0.0	12.0	22.3	1.1
Kuwait	0.0	0.0	100.0	0.0	100.0	1.5
Kyrgyz Republic	21.7	11.5	10.0	0.0	43.2	0.2
Lebanon	242.2	0.0	0.0	0.0	242.2	1.4
Libya	0.0	0.0	0.0	0.0	0.0	0.7
Malaysia	0.0	1.6	0.0	0.0	1.6	1.0
Maldives	0.0	0.0	0.0	10.0	10.0	0.3
Mali	69.4	0.0	25.0	0.0	94.4	0.9
Mauritania	60.2	0.0	65.0	0.0	125.2	1.1
Morocco	310.3	0.0	485.0	0.0	795.3	6.4
Mozambique	17.4	5.0	0.0	0.0	22.4	0.2
Niger	68.9	0.0	20.0	0.0	88.9	0.6
Nigeria	208.0	130.0	78.0	0.0	416.0	1.0
Oman	176.3	0.0	0.0	0.0	176.3	0.7
Pakistan	220.0	0.0	494.0	15.0	729.0	8.6
Palestine	4.0	0.0	1.0	0.3	5.3	0.2
Qatar	0.0	0.0	0.0	0.0	0.0	0.4
Saudi Arabia	120.3	71.5	72.0	24.2	288.0	4.4
Senegal	282.3	20.0	30.0	0.0	332.3	1.4
Sierra Leone	47.0	0.0	0.0	0.0	47.0	0.3
Somalia	1.0	0.0	0.0	0.2	1.2	0.1
Sudan	0.0	0.0	0.0	0.0	0.0	1.6
Suriname	75.8	0.0	0.0	0.0	75.8	0.1
Syria	2.0	0.0	0.0	0.0	2.0	1.1
Tajikistan	0.0	9.0	0.0	0.0	9.0	0.3
Togo	21.5	0.0	20.0	0.0	41.5	0.2
Tunisia	0.0	0.0	320.0	0.0	320.0	2.8
Turkey	0.0	37.2	445.0	0.0	482.2	6.7
Turkmenistan	0.0	0.0	0.0	0.0	0.0	0.5
U.A.E.	0.0	0.0	11.0	20.0	31.0	0.8
Uganda	203.8	0.0	0.0	0.0	203.8	0.6
Uzbekistan	251.5	37.0	0.0	0.0	288.5	1.7
Yemen	20.9	0.0	0.0	0.0	20.9	1.0
Non-Member Countries	0.0	0.0	12.0	43.3	55.3	0.6
Regional Projects	4.0	56.1	0.0	0.0	60.1	1.0
Special Programs	0.0	0.0	0.0	0.0	0.0	0.1
Net Approvals*	5,098.3	487.0	5,135.0	136.2	10,856.5	100

¹ Cut-off date for data reported in this table was 30 Dhul-Hijja 1435H (24 October 2014).² Comprised of APIF, EFS, IBP, ITFO, SAO, and UIF.

* Treasury operations which are reported in previous Annual Reports of the Bank were removed from this year Annual Report due to change in data classification in accordance with the Bank's Liquidity Risk Management Guidelines

ANNEX 7:

CUMULATIVE IDB GROUP OPERATIONS BY MAJOR MODE OF FINANCING¹ (1936H - 1435H) (1 JANUARY 1976 - 24 OCTOBER 2014)

Country	Project Financing			Technical Assistance (TA)			Trade Financing			Special Assistance Operations			Grand Total ²		
	No.	ID m.	\$ m.	No.	ID m.	\$ m.	No.	ID m.	\$ m.	No.	ID m.	\$ m.	No.	ID m.	\$ m.
Afghanistan	5	44.4	66.7	8	7.9	11.0	0	0.0	0.0	21	11.4	15.8	34	63.7	93.5
Albania	26	361.8	552.7	5	0.8	1.1	1	3.3	5.0	3	1.0	1.4	35	366.9	560.2
Algeria	42	457.2	609.1	11	3.0	4.0	188	1,490.0	1,887.7	7	4.5	5.6	248	1,954.7	2,506.4
Azerbaijan	35	817.0	1,241.0	15	2.6	3.8	14	73.8	112.0	4	1.5	2.0	68	894.9	1,358.7
Bahrain	64	1,101.9	1,626.5	10	1.7	2.6	21	224.3	318.5	0	0.0	0.0	95	1,327.9	1,947.5
Bangladesh	86	1,178.8	1,770.7	9	3.4	5.2	228	10,121.2	15,049.2	12	28.8	35.7	335	11,332.2	16,860.7
Benin	46	312.9	458.4	25	5.5	6.9	6	45.6	65.0	1	1.3	1.4	78	365.3	531.7
Brunei	4	36.4	46.2	3	0.4	0.6	0	0.0	0.0	0	0.0	0.0	7	36.8	46.8
Burkina Faso	72	501.1	732.3	41	11.1	14.5	11	260.7	398.1	9	8.3	8.8	133	781.2	1,153.7
Cameroon	42	408.8	601.9	14	3.1	4.0	4	46.0	71.0	3	1.3	1.7	63	459.2	678.7
Chad	52	437.1	661.5	31	5.0	6.9	1	2.1	3.2	10	9.9	10.8	94	454.1	682.3
Comoros	4	8.3	9.9	15	4.1	5.9	4	18.9	27.5	3	0.9	1.1	26	32.2	44.4
Côte d'Ivoire	26	367.6	551.8	3	1.0	1.5	4	66.9	103.7	5	1.0	1.2	38	436.5	658.2
Djibouti	33	158.9	240.7	18	3.0	4.2	2	27.2	42.0	10	1.7	2.3	63	190.8	289.2
Egypt	66	1,996.2	2,997.4	18	3.6	5.2	137	3,277.5	4,856.9	4	1.1	1.5	225	5,278.4	7,861.0
Gabon	18	327.2	484.3	4	1.7	2.2	0	0.0	0.0	0	0.0	0.0	22	328.8	486.5
Gambia	46	201.1	292.6	22	3.6	4.9	39	208.6	317.2	4	1.7	1.8	111	415.0	616.6
Guinea	61	286.1	398.3	36	8.5	11.3	6	37.9	48.8	6	6.1	7.8	109	338.7	466.1
Guinea-Bissau	1	1.4	1.5	8	1.6	2.1	2	11.6	15.0	3	1.1	1.3	14	15.7	19.9
Indonesia	105	1,472.3	2,186.4	13	2.2	3.4	57	1,003.8	1,458.3	4	2.9	4.4	179	2,481.2	3,652.5
Iran	74	2,255.3	3,344.2	16	4.3	6.6	173	1,728.7	2,504.8	7	10.0	13.3	270	3,998.3	5,868.9
Iraq	7	187.9	271.3	8	0.9	1.3	35	264.9	301.3	13	4.2	5.7	63	457.9	579.6
Jordan	63	652.0	914.2	27	5.0	6.8	72	1,035.1	1,367.8	1	0.2	0.3	163	1,692.3	2,289.1
Kazakhstan	24	346.2	531.7	11	1.8	2.6	18	409.5	628.0	6	1.4	1.9	59	758.8	1,164.2
Kuwait	15	162.8	232.5	15	1.6	2.3	49	842.9	1,251.5	4	6.5	7.5	83	1,013.8	1,493.8
Kyrgyz Republic	26	140.2	209.3	19	3.9	5.8	2	13.2	20.0	7	1.7	2.4	54	159.0	237.5
Lebanon	60	852.9	1,224.1	10	1.2	1.7	11	157.9	221.5	21	7.0	9.8	102	1,019.1	1,457.1
Libya	18	313.3	427.0	10	3.0	4.2	10	230.0	299.8	3	3.2	4.3	41	549.5	735.2
Malaysia	34	505.6	699.9	7	0.9	1.4	41	201.2	281.7	5	8.8	11.5	87	716.5	994.4
Maldives	24	107.5	157.5	13	1.9	2.6	9	109.3	169.0	3	0.6	0.8	49	219.3	329.9
Mali	73	437.9	635.0	33	10.7	14.6	10	134.1	201.4	12	14.9	16.5	128	597.6	867.5
Mauritania	72	523.7	778.3	46	17.5	24.1	16	232.1	348.2	7	9.7	11.1	141	783.1	1,161.7
Morocco	69	1,835.4	2,718.8	24	4.3	6.1	123	2,617.9	3,772.3	4	1.2	1.5	220	4,458.8	6,498.7
Mozambique	25	125.3	182.7	11	1.8	2.8	3	23.0	35.0	5	1.8	2.2	44	151.9	222.7
Niger	54	275.2	396.4	49	16.2	22.5	22	135.3	178.4	18	10.2	12.2	143	436.9	609.4
Nigeria	20	329.3	505.6	9	1.5	2.3	18	308.9	473.0	30	5.9	7.9	77	645.6	988.8
Oman	34	519.3	705.2	10	2.3	3.1	1	1.4	2.0	2	0.4	0.5	47	523.4	710.8
Pakistan	76	1,763.6	2,647.3	11	1.8	2.7	246	4,423.2	6,096.0	11	8.5	11.7	344	6,197.0	8,757.7
Palestine	23	73.5	105.0	18	10.8	16.9	1	0.7	1.0	43	41.4	53.5	85	126.5	176.5
Qatar	19	295.9	448.8	1	0.1	0.1	1	1.0	1.5	0	0.0	0.0	21	296.9	450.4
Saudi Arabia	72	1,109.3	1,658.9	27	3.0	4.2	158	1,933.8	2,837.1	4	0.3	0.4	261	3,046.4	4,500.7
Senegal	81	748.7	1,104.1	37	9.2	11.9	26	212.3	302.6	7	12.9	14.2	151	983.0	1,432.9
Sierra Leone	32	164.3	240.6	29	5.7	7.5	2	6.4	10.0	4	2.8	3.6	67	179.2	261.7
Somalia	3	7.3	9.4	12	4.2	6.3	4	36.1	46.2	48	11.5	16.2	67	59.1	78.1
Sudan	97	797.0	1,171.4	28	4.3	6.2	31	277.4	392.4	20	19.4	23.5	176	1,098.1	1,593.4
Suriname	10	71.4	108.1	4	0.2	0.3	1	7.4	10.0	2	0.1	0.2	17	79.2	118.6
Syria	38	674.5	971.9	12	3.7	5.6	25	108.2	129.5	7	0.6	0.9	82	787.0	1,107.9
Tajikistan	36	190.3	277.9	19	3.6	5.2	4	27.9	43.0	9	1.1	1.5	68	222.8	327.7
Togo	23	127.7	183.4	6	1.5	2.2	3	30.6	46.0	2	1.4	1.7	34	161.2	233.2
Tunisia	59	978.4	1,425.4	13	2.2	3.2	161	1,009.4	1,412.9	4	3.3	4.2	237	1,993.3	2,845.8
Turkey	94	1,617.1	2,352.7	13	4.2	5.7	326	3,221.6	4,456.5	6	17.3	20.7	439	4,860.2	6,835.6
Turkmenistan	9	294.8	460.4	4	0.8	1.1	0	0.0	0.0	1	0.2	0.3	14	295.8	461.8
U.A.E.	28	256.5	370.4	8	0.7	0.9	27	303.5	430.2	0	0.0	0.0	63	560.7	801.5
Uganda	26	399.6	607.0	20	3.7	4.9	5	11.3	13.9	9	3.4	4.5	60	417.9	630.3
Uzbekistan	37	981.0	1,494.3	5	0.8	1.1	14	124.7	191.6	8	1.4	1.9	64	1,107.9	1,688.9
Yemen	63	413.0	596.2	38	8.9	11.9	42	355.2	425.3	10	8.4	10.6	153	785.6	1,044.1
Regional Projects	20	509.0	774.7	373	62.5	93.1	1	27.7	41.1	70	45.3	62.9	464	644.6	971.9
Special Programs ³	4	62.5	85.0	0	0.0	0.0	1	14.8	20.0	0	0.0	0.0	5	77.3	105.0
Non-Member Countries	18	78.2	118.8	3	3.5	5.2	10	99.5	154.9	962	213.3	291.3	993	394.5	570.2
Net Approvals	2,394	31,659.7	46,675.3	1,308	288.0	408.4	2,427	37,597.6	53,896.4	1,484	564.5	737.6	7,613	70,109.9	101,717.6
Gross Approvals	2,785	35,438.8	51,943.4	1,399	311.6	441.1	2,984	41,887.4	59,962.9	1,529	572.0	748.0	8,697	78,209.7	113,095.4

¹ Cut-off date for data reported in this table was 30 Dhul-Hijja 1435H (24 October 2014).² Figures are net of cancellation (unless otherwise specified) and include APIF, IBP, ICD and UIF.³ These are old equity and miscellaneous activities of IBP from 1410H up to 1420H.

Source: IDB.

ANNEX 8a:

SECTORAL DISTRIBUTION OF OCR NET APPROVALS BY COUNTRY 1435H (\$ MILLION)

Country	Agriculture	Education	Energy	Health	Industry and Mining	Information Communication and Technology	Transportation	Water, sanitation & urban Services	Others	Total
Afghanistan	.	.	.	.	.	.	.	.	.	.
Albania	.	.	.	.	.	.	.	.	.	.
Algeria	.	.	.	.	.	.	.	.	.	.
Azerbaijan	.	.	.	.	.	.	224.4	.	0.2	224.6
Bahrain	.	.	.	.	.	.	.	48.0	.	48.0
Bangladesh	30.0	.	300.0	.	.	44.0	.	.	.	374.0
Benin	12.5	7.0	157.9	7.4	.	.	.	.	.	184.7
Brunei	0.3	.	.	.	.	.	.	.	.	0.3
Burkina Faso	12.5	15.0	12.0	.	.	.	142.0	0.3	0.2	182.0
Cameroon	.	16.0	35.3	.	.	.	183.6	.	.	234.9
Chad	.	10.0	.	15.0	.	.	117.8	.	.	142.8
Comoros	.	.	.	.	.	.	.	.	.	.
Côte d'Ivoire	12.5	0.1	.	.	.	.	.	38.3	11.0	61.9
Djibouti	.	.	.	5.0	.	.	.	.	.	5.0
Egypt	.	.	640.0	.	.	.	457.0	.	.	1097.0
Gabon	.	.	.	.	.	.	.	.	.	.
Gambia	.	.	.	.	.	.	.	.	.	.
Guinea	10.0	25.0	.	37.0	.	.	.	.	.	72.0
Guinea-Bissau	.	.	.	.	.	.	.	.	.	.
Indonesia	.	.	.	.	.	.	.	.	.	.
Iran	.	.	.	.	.	.	.	17.3	.	17.3
Iraq	.	.	.	.	.	.	.	.	.	.
Jordan	.	.	.	.	.	.	25.0	.	0.1	25.1
Kazakhstan	.	.	.	.	.	.	.	.	0.3	0.3
Kuwait	.	0.0	.	.	.	.	.	.	.	0.0
Kyrgyz Republic	0.3	.	.	.	.	.	21.3	.	0.050	21.7
Lebanon	.	.	.	.	.	.	26.7	215.5	.	242.2
Libya	.	.	.	.	.	.	.	.	.	.
Malaysia	.	.	.	.	.	.	.	.	.	.
Maldives	.	.	.	.	.	.	.	.	.	.
Mali	12.5	.	.	.	.	.	22.1	34.9	.	69.4
Mauritania	.	0.2	60.0	.	.	.	.	.	0.044	60.2
Morocco	.	.	220.0	.	90.0	.	.	.	0.3	310.3
Mozambique	17.4	.	.	.	.	.	.	.	.	17.4
Niger	22.5	.	.	.	.	.	46.4	.	.	68.9
Nigeria	.	93.0	.	.	.	.	.	65.0	50.0	208.0
Oman	.	.	.	.	.	.	.	176.0	0.3	176.3
Pakistan	.	.	220.0	.	.	.	.	.	.	220.0
Palestine	2.0	.	.	.	.	.	.	.	2.0	4.0
Qatar	.	.	.	.	.	.	.	.	.	.
Saudi Arabia	0.3	.	.	.	120.0	.	.	.	.	120.3
Senegal	12.5	0.0	172.0	10.1	.					

ANNEX 8b:

SECTORAL DISTRIBUTION OF CUMULATIVE OCR NET APPROVALS BY COUNTRY-(1396H-1435H) (US\$ MILLION)

Country	Agriculture	Education	Energy	Health	Industry and Mining	Information Communication and Technology	Transportation	Water, sanitation & urban Services	Others	Total
Afghanistan	10.8	9.5	16.5	0.5	.	.	40.2	.	0.3	77.8
Albania	39.5	.	.	17.4	0.1	.	444.4	26.9	23.3	551.7
Algeria	52.4	0.1	146.5	0.0	71.1	.	33.1	147.1	5.7	455.8
Azerbaijan	115.0	0.0	497.2	19.3	0.4	.	270.8	265.2	1.7	1,169.6
Bahrain	1.3	0.4	535.5	.	24.7	.	144.7	461.0	294.3	1,461.8
Bangladesh	166.8	93.6	822.5	27.3	150.3	104.3	239.1	43.9	14.1	1,661.9
Benin	54.7	76.0	163.3	33.6	.	26.5	72.8	26.2	12.2	465.3
Brunei	0.3	0.3	.	.	.	.	.	.	6.2	6.8
Burkina Faso	213.3	63.0	17.3	29.0	32.7	.	346.8	42.8	2.0	746.7
Cameroon	112.7	62.7	51.8	40.8	10.6	.	302.0	24.2	1.0	605.9
Chad	117.3	74.5	40.4	32.8	.	.	388.1	7.9	7.2	668.4
Comoros	3.1	0.1	.	2.1	1.8	.	8.0	.	0.7	15.8
Côte d'Ivoire	74.5	17.8	.	16.8	.	.	340.7	91.4	12.0	553.3
Djibouti	13.4	16.8	19.3	25.3	0.4	.	79.9	9.3	3.0	167.5
Egypt	158.1	43.2	1,732.8	41.3	87.2	0.3	482.6	51.9	90.8	2,688.1
Gabon	.	18.3	.	4.5	.	60.0	342.6	61.0	0.0	486.5
Gambia	47.6	33.1	49.2	22.7	28.0	27.3	53.1	20.2	2.0	283.3
Guinea	88.2	52.9	78.1	62.9	13.2	.	47.8	46.3	9.1	398.5
Guinea-Bissau	0.8	.	.	0.3	.	.	1.9	.	0.7	3.6
Indonesia	557.8	862.9	21.1	144.4	55.2	11.3	229.5	100.3	155.9	2,138.2
Iran	564.8	55.4	698.1	168.6	400.3	0.1	110.4	1,111.9	23.0	3,132.6
Iraq	.	26.2	.	24.0	5.5	.	217.0	.	0.0	272.6
Jordan	6.3	67.7	206.3	131.0	185.8	24.1	195.6	8.1	11.1	836.1
Kazakhstan	.	0.4	.	11.5	0.3	9.2	216.4	9.5	215.6	462.8
Kuwait	0.6	0.3	.	.	.	.	.	33.7	54.1	88.7
Kyrgyz Republic	10.5	.	61.7	7.2	8.0	.	100.1	.	10.8	198.2
Lebanon	.	242.1	27.0	142.2	.	12.5	162.4	522.7	0.7	1,109.5
Libya	22.3	.	101.9	.	112.5	22.0	58.3	0.3	51.3	368.5
Malaysia	6.5	198.2	.	79.9	8.7	.	175.4	.	45.6	514.3
Maldives	0.3	7.6	.	16.5	0.1	.	58.1	30.2	14.0	126.7
Mali	282.5	20.7	116.5	14.3	4.8	.	115.2	94.2	1.3	649.6
Mauritania	83.5	59.7	207.4	23.3	98.8	.	167.1	127.4	5.0	772.1
Morocco	147.8	14.6	1,096.1	0.1	134.2	16.0	858.2	431.2	7.5	2,705.7
Mozambique	64.1	40.1	37.4	13.0	.	.	30.7	.	0.1	185.5
Niger	165.5	56.7	42.7	5.0	7.8	8.3	98.9	9.6	9.3	403.9
Nigeria	30.1	141.1	.	75.8	.	.	.	146.0	56.9	449.9
Oman	9.5	23.9	252.5	10.5	8.6	.	147.4	240.1	0.7	693.3
Pakistan	31.9	98.5	1,116.3	289.0	58.9	0.2	488.5	212.9	7.8	2,303.9
Palestine	2.9	30.7	11.4	9.8	1.4	.	5.0	28.9	25.8	115.9
Qatar	.	.	.	.	29.3	.	.	292.6	20.0	341.9
Saudi Arabia	1.4	0.6	120.0	9.3	670.2	0.3	100.0	0.5	37.6	939.8
Senegal	132.3	64.4	262.7	50.1	25.4	0.1	325.1	219.8	12.5	1,092.4
Sierra Leone	102.6	15.1	11.3	12.7	13.0	24.5	39.5	28.9	0.5	248.1
Somalia	6.3	0.4	0.5	1.9	.	.	.	6.6	0.0	15.7
Sudan	425.5	76.5	151.6	53.8	85.5	.	57.2	147.7	48.2	1,046.1
Suriname	0.0	15.8	.	66.3	.	0.1	26.0	0.2	0.028	108.4
Syria	26.7	1.7	667.6	35.4	15.0	.	.	157.8	10.0	914.2
Tajikistan	49.8	47.5	52.7	18.4	.	.	71.6	11.5	13.1	264.6
Togo	33.0	34.7	11.3	18.0	.	.	56.8	31.5	0.3	185.6
Tunisia	157.0	84.3	764.5	30.2	180.7	.	9.0	148.9	20.7	1,395.4
Turkey	8.5	197.2	550.2	313.8	148.4	.	645.7	67.0	272.9	2,203.5
Turkmenistan	0.3	5.3	.	26.1	0.3	15.1	414.5	.	0.0	461.5
U.A.E	.	0.0	.	.	125.7	.	60.0	48.3	10.5	244.5
Uganda	93.0	47.1	164.7	31.0	7.0	.	238.4	5.6	12.3	599.2
Uzbekistan	332.6	78.9	533.1	78.3	20.0	.	348.0	35.4	46.1	1,472.3
Yemen	124.6	76.0	62.1	18.6	0.9	0.3	84.4	53.9	19.4	440.2
Regional Projects	178.2	10.1	25.9	6.2	1.4	28.5	2.1	1.5	227.6	481.6
Non Member Countries	.	5.0	.	7.0	.	.	20.0	.	6.4	38.4
Total Net approvals	4,928.4	3,269.8	11,544.8	2,319.8	2,834.0	391.0	9,571.1	5,690.1	1,941.0	42,490.0

* Others include Finance, Trade and Public Administration

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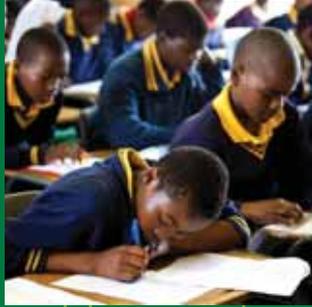
1435H (2014) (E/1,000)

Our Vision

By the year 1440H, the Islamic Development Bank 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.



PROVIDING RESOURCES



FIGHTING POVERTY



RESTORING DIGNITY

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