



**ISLAMIC DEVELOPMENT BANK**

**TWENTY-NINE YEARS  
IN THE SERVICE OF DEVELOPMENT**

**1424H (2003)**

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## PREFACE

This annual booklet of the Islamic Development Bank (IDB) presents, in a succinct manner, information on the wide ranging activities of the IDB as well of the affiliated entities and funds that are broadly treated as parts of the IDB Group. The booklet is based on data from different internal documents of the Bank such as the IDB Annual Report 1423H and Statistical Monograph.

Unlike the other multilateral financing institutions, the Bank has three distinguished characteristics: i) It is based on South-South co-operation whereby a large portion of its capital is drawn from member countries that are better off to assist low income and relatively less developed member countries; ii) nearly half of its membership consists of least developed countries as categorized by the United Nations; and iii) it has the challenging task of developing new modes of financing which are consistent with the Islamic Shari'ah principles as well as suitable to undertake viable development financing activities. These unique features, which at the beginning, seemed formidable challenges for the Bank, provided it with an opportunity to seek innovative solutions for playing its role as a development financing institution.

Accordingly, the Bank over time has developed a number of new schemes and modes to finance its projects and trade operations. The pioneering role of the Bank in this area has contributed to strengthen the position of the Islamic commercial banking industry, both at the national level in the member countries and in the world financial centers. The Shari'ah requirements for borrowing financial resources from the conventional markets also led the Bank to evolve innovative solutions for expanding its resource base in order to better serve the growing and diverse needs of the member countries. The outcome has been the establishment of a number of entities and funds with distinct status that act as catalyst in mobilizing additional resources for and support the Bank in accomplishing its objectives. As a result, the Bank over time has evolved to become "IDB Group".

During the recent years, the Bank has embarked on a Group-wide reorganization programme and a review of its strategic orientation. In this respect, the objective of the Bank is to better reflect the current state of development thinking and enhance its capacity to address the development needs of its member countries. Any discernible result, however, crucially depends on the continuity of close collaboration and cooperation from the member countries and other multilateral development financing institutions as well as from national, regional, and international organizations working for the common cause of promoting economic development and social progress in the IDB member countries. This booklet emphasizes the IDB's commitment to promote and strengthen such relationships.

It is hoped that this booklet, which contains data for the period covering up to the end of 1423H, will provide useful information to those who seek to know about the activities and operations of the IDB.

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## ABBREVIATIONS

ADFIMI	- Association of National Development Financing Institutions in Member Countries of the IDB
ALESCO	- Arab League Economic, Social and Cultural Organization
AMU	- Arab Maghreb Union
APIF	- Awqaf Properties Investment Fund
AsDB	- Asian Development Bank
BADEA	- Arab Bank for Economic Development in Africa
CILSS	- Comite Intergouvernemental de lutte Contre la Secheresse au Sahel (Inter-State Committee for Drought Control in the Sahel)
CIS	- Commonwealth of Independent States
COMCEC	- OIC Standing Committee for Economic and Commercial Co-operation
COMSTECH	- OIC Standing Committee for Scientific and Technological Co-operation
EBRD	- European Bank for Reconstruction and Development
ECO	- Economic Co-operation Organization
EFS	- Export Financing Scheme
EIB	- European Investment Bank
ESCWA	- Economic and Social Commission for Western Asia
FAO	- Food and Agricultural Organization of the United Nations
FDI	- Foreign Direct Investment
IAIGC	- Inter-Arab Investment Guarantee Corporation
IBP	- Islamic Banks Portfolio for Investment and Development
ICBA	- International Centre for Biosaline Agriculture
ICCI	- Islamic Chamber of Commerce and Industry
ICD	- Islamic Corporation for the Development of the Private Sector

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ICDT	- Islamic Centre for the Development of Trade
ICIEC	- Islamic Corporation for Insurance of Investment and Export Credit
ID	- Islamic Dinar which is equivalent to one Special Drawing Right of the International Monetary Fund
IFAD	- International Fund for Agricultural development
IIF	- IDB Infrastructure Fund
IMF	- International Monetary Fund
IRTI	- Islamic Research and Training Institute
ISESCO	- Islamic Educational, Scientific and Cultural Organization
ITC	- International Trade Centre
ITFO	- Import Trade Financing Operations of the IDB
LDMCs	- Least Developed Member Countries of the IDB
NDFIs	- National Development Financing Institutions
ODA	- Official Development Assistance
OIC	- Organization of the Islamic Conference
OPEC	- Organization of Petroleum Exporting Countries
SESRTCIC	- Statistical, Economic, and Social Research and Training Centre for Islamic Countries
TA	- Technical Assistance
TCP	- Technical Co-operation Programme of the IDB
UAE	- United Arab Republics
UIF	- IDB Unit Investment Fund
UNCTAD	- United Nations Conference on trade and Development
UNDP	- United Nations Development Programme
UNESCO	- United Nations Educational, Scientific and Cultural Organization
WTO	- World Trade Organization
WWF	- World Waqf Foundation

## I. THE INSTITUTION

### 1. Establishment of the Bank

The Islamic Development Bank (IDB) is an international development financing institution established in pursuance of the Declaration of Intent issued by the first conference of finance ministers of the Islamic countries held in Jeddah, Saudi Arabia, in Dhul Qa'dah 1393H (December 1973). The declaration was signed by the representatives of twenty-three member countries of the Organization of the Islamic Conference (OIC). The second conference of finance ministers, held in Jeddah, in Rajab 1394H (August 1974), adopted the Articles of Agreement establishing the Bank. The inaugural meeting of the Board of Governors of the Bank took place in Riyadh, Saudi Arabia, in Rajab 1395H (July 1975). The Bank started functioning on 15 Shawwal 1395H (20 October 1975).

During the span of about three decades of existence, the Bank has made significant strides. Starting its journey as a unique financial institution based on the principles of Islamic Shari'ah,<sup>1</sup> the Bank has not only successfully attained a respectable position among the multilateral development financing institutions, but also proved to be a model emulated by other Islamic banks, and an embodiment of financial solidarity of the Ummah.

In order to meet the growing and diverse needs of its member countries, the Bank has established a number of institutions and funds with distinct administrative arrangements and operational rules. These entities and funds, affiliated with the Bank, enable the IDB to mobilize supplementary financial resources in line with the Shari'ah principles and to focus on those functions and activities, which cannot be covered under its normal financing arrangements. With these affiliated entities and funds, the Bank has evolved over time into a group called the IDB Group.

### 2. Purpose

The purpose of the Bank is to foster the economic development and social progress of the member countries and Muslim communities in non-member countries, individually as well as jointly, in accordance with the principles of Islamic Shari'ah.

### 3. Membership

The membership of the Bank has shown a significant increase over time. At the time of inauguration in 1395H (1975), the IDB membership consisted of only twenty-two

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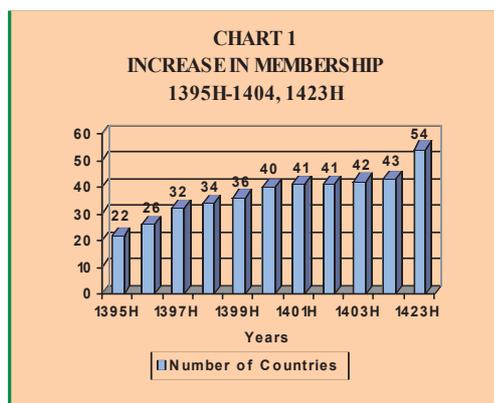
<sup>1</sup>Shari'ah means the totality of beliefs and practical rules of conduct mandated by Islam.

countries. However, during the first decade of its establishment, the membership sharply increased and almost doubled to forty-three countries in 1404H (1984) (See Chart 1). The present membership of the Bank comprises fifty-four countries<sup>2</sup>.

The basic condition for membership of the Bank is that the prospective member country should be a member of the Organization of the Islamic Conference, pay its contribution to the capital of the Bank and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors.

#### 4. Head Office and Regional Offices

The Head Office of the Bank is in Jeddah, Kingdom of Saudi Arabia. The Bank has regional offices in Almaty (Kazakhstan), Kuala Lumpur (Malaysia) and Rabat (Morocco). The regional offices have been established with a view to bringing the Bank closer to the member countries in the wake of increasing demand and diversity of its products and services. In addition, the Bank has field representatives in seven member countries namely, Indonesia, Iran, Kazakhstan, Libya, Pakistan, Senegal and Sudan.



#### 5. Organization and Management

The administrative organ of the Bank consists of the Board of Governors, the Board of Executive Directors, the President and the Vice Presidents.

**Board of Governors:** Each member country of the Bank is represented on the Board of Governors by a Governor and an Alternate Governor. The Board of Governors meets once a year to review the activities of the Bank and decide its future policies and strategies.

**Board of Executive Directors:** The Board of Executive Directors of the Bank is composed of fourteen members, of whom seven are appointed, one from each of the seven member countries having the largest number of shares, and the remaining seven elected by the Governors of all other member countries. The Executive Directors hold office for a term of three years and may be re-elected. The Board of Executive Directors is responsible for the direction of the general operations of the Bank.

<sup>2</sup>See Annex 2.

**President:** The President is the Chief Executive of the Bank and is elected by the Board of Governors for a renewable term of five years. He is also the Chairman of the Board of Executive Directors. The President conducts the business of the Bank under the directions of the Board of Executive Directors.

**Vice Presidents:** There are three Vice Presidents who assist the President in conducting the business of the Bank. A Vice President holds office for such term, exercises such authority, and performs such functions in the administration of the Bank, as may, from time to time, be determined by the Board of Executive Directors. The term of office of a Vice President is three years and is renewable.

## **6. Staff**

The Bank started its operations in 1395H (1975) with a small number of staff. At the end of the first year of its operations, 78 staff from 17 member countries were recruited. As the activities of the Bank continued to expand, the number of staff also increased. Thus, at the end of 1423H, the total number of regular staff members stood at 881, comprising 402 professionals, 56 special category, 344 general category and 79 manual labourers.

In the recruitment of staff, the Bank has been guided by the importance of securing a high standard of efficiency and technical competence. In this respect, the Bank also keeps in view the need to maintain a geographical balance. In addition to regular staff, the Bank recruits external consultants and experts for short-term assignments to assist in operational and non-operational activities.

## **II. FINANCIAL RESOURCES**

### **1. Capital Resources**

At the end of 1423H, the authorized and subscribed capital of the Bank stood at ID 15 billion (US\$ 20.55 billion) and ID 8.1 billion (US\$ 11.10 billion) respectively. The paid-up capital amounted to about ID 2.68 billion (US\$ 3.67 billion). The ordinary capital resources of the Bank consist of the member countries' funds (i.e. the paid-up capital, reserves and retained earnings), which stood at ID 3.90 billion (US\$ 5.34 billion).

### **2. Increase in Capital Stock**

In pursuance of a decision taken by the sixth Islamic summit conference, held in Dakar, Senegal in December 1991, the capital stock of the Bank was increased by the Board of Governors in its meeting held in 1413H (1992). The authorized capital was raised to ID 6 billion and the subscribed capital to ID 4 billion. The ninth Islamic summit conference, held in Doha, Qatar, in 1421H (2000), adopted a resolution spelling out the need to further

increase the capital stock of the Bank. The IDB Board of Governors in its meeting held in Algiers, Algeria in 1422H (2001), increased the authorized capital by ID 9 billion (US\$ 12.33 billion) from ID 6 billion to ID 15 billion (US\$ 20.55 billion). Similarly, the subscribed capital was increased by ID 4 billion (US\$ 5.48 billion) from ID 4.1 billion (US\$ 5.62 billion) to ID 8.1 billion (US\$ 11.10 billion).

### **3. Waqf Fund**

In 1418H, the Bank established a trust fund namely, the Waqf Fund, through the transfer of uncommitted assets of the former Special Accounts. The net assets of the Fund stood at ID 901 million (US\$ 1.23 billion) at the end of 1423H. These assets comprised ID 729 million (US\$ 998.73 million) for the principal amount of the Waqf Fund, ID 77 million (US\$ 105.49 million) for the unspent balance of the Special Assistance Account, and ID 95 million (US\$ 130.15 million) for the Special Account for Least Developed Member Countries.

### **4. Resource Mobilization**

As an institution that follows the principles of Islamic Shari'ah, the Bank cannot borrow funds from the financial markets through conventional modes of debt instruments because this involves payment of interest. Because of this unique feature, the Bank supplements its ordinary resources by mobilizing funds through different Shari'ah-compatible schemes and financial instruments developed by it. Up to the end of 1423H, the funds raised through some of these schemes were as follows: ID 95 million (US\$ 130.15 million) through the Investment Deposit Scheme, US\$ 325.00 million through the IDB Unit Investment Fund (UIF), US\$ 100 million through the Islamic Banks Portfolio for Investment and Development (IBP), and ID 133.50 million (US\$ 182.90 million) through the Export Financing Scheme (EFS). Some other schemes recently developed such as the IDB Infrastructure Fund and the Islamic Corporation for the Development of the Private Sector (ICD) are expected to play an important role in resource mobilization.

In line with its new strategic framework, the Bank is currently stepping up the role of financial engineering in placing a major reliance on the market for resource mobilization. In this context, the Bank recently launched a Shari'ah compatible "Sukuk"<sup>3</sup> programme to raise US\$300 million from the market as a pilot scheme for future resource mobilization. In addition to launching of its own Sukuk, which is now at the final stage, the Bank participated, as a co-manager, in the US\$250 million issue of the Bahrain Government. The Bank has recently been granted triple A (AAA) long-term rating by Standard & Poor's. The rating is expected to enable the Bank to tap the international market for raising resources to meet the increasing financial needs of its member countries.

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<sup>3</sup>The term Sukuk refers to a tradable Islamic bond designed according to the principles of Shari'ah.

## **5. Management of Liquid Funds**

At the end of 1423H, the total amount of liquid funds placed with financial institutions operating in international financial markets and in IDB member countries stood at ID 853 million (US\$ 1.17 billion). These include a sum of ID 813 million (US\$ 1.11 billion) placed in Shari'ah-compatible investments. The other funds included are a sum of ID 27 million (US\$ 36.99 million) placed in deposits, call and current accounts, and ID 13 million (US\$ 17.81 million), maintained with the central banks of the member countries.

### **III. ORDINARY OPERATIONS**

#### **1. Financing Approvals of the IDB Group**

The financing and related activities of the IDB Group can be divided into four broad categories: (i) project financing and technical assistance operations (together called ordinary operations), (ii) trade financing operations, (iii) Waqf Fund operations (formerly Special Assistance operations) and (iv) operations and activities of the affiliated entities and funds within the IDB Group. While this section deals with category (i), the following section relates to the trade financing operations. Sections V and VI cover the Waqf Fund operations and the activities of the affiliated entities and funds of the IDB Group respectively.

Up to the end of 1423H, the total approvals of the IDB Group under all categories of financing (excluding cancellations) stood at ID 23.44 billion (US\$ 30.40 billion). On an annual basis, the total financing approvals showed a steady growth. Thus, while the accumulated amount approved in 1419H was ID 1.42 billion, that in 1423H went up to ID 2.34 billion (Table 1).

#### **2. Ordinary Operations**

The Ordinary Operations of the Bank comprise project financing and technical assistance operations. The modes of financing applied include loan, leasing, installment sale, equity, Istisna', profit sharing, lines of financing, and technical assistance. The total financing approved for project and technical assistance, up to the end of 1423H, stood at ID 6.84 billion (US\$ 8.94 billion). Over years, the financing operations of the Bank showed steady growth (See Chart 2), mainly due to the efforts made by the Bank to increase its medium-and long-term development-oriented financial assistance to its member countries.

##### **2.1. IDB's Approvals for Project Financing**

As a development financing institution, the primary responsibility of the Bank is to assist its member countries in their efforts to attain economic development and social

Type of Operations	(Amounts in ID millions)											
	1419H		1420H		1421H		1422H		1423H		1396H-1423H	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
I. Ordinary Operations <sup>1</sup>												
(a) Project Financing	69	507.35	77	706.37	84	588.21	83	707.98	74	690.07	988	6722.44
(b) Technical Assistance	30	5.97	34	6.88	28	10.39	36	8.00	26	6.58	399	1219.3
Sub-Total (a-b)	99	513.32	111	713.25	112	698.60	119	715.98	100	696.65	1387	6,844.37
II. Other Project Financing* (UJF, IBP, ICD, APIE, Treasury Dept.)	10	179.61	14	211.57	13	22.29	21	189.20	32	195.23	159	1384.06
Total Project Financing + TA	109	692.93	125	924.82	125	720.89	140	905.18	132	891.88	1546	8228.43
III. Trade Financing Operations <sup>2</sup> (TFO, EFS, IBP, UJF, ICD, Treasury Department)	60	718.46	58	640.73	101	1185.26	101	1340.42	125	1439.05	1559	14783.08
IV. Special Assistance (Waqf Fund) Operations	66	9.59	76	23.81	47	11.62	54	11.16	38	9.34	972	432.50
<b>Total: (I-IV)</b>	<b>235</b>	<b>1420.98</b>	<b>259</b>	<b>1589.36</b>	<b>273</b>	<b>1917.77</b>	<b>295</b>	<b>2256.76</b>	<b>295</b>	<b>2340.27</b>	<b>4077</b>	<b>23444.01</b>
Gross Approvals <sup>3</sup>	<b>245</b>	<b>1560.12</b>	<b>269</b>	<b>1699.82</b>	<b>292</b>	<b>2146.83</b>	<b>297</b>	<b>2272.39</b>	<b>296</b>	<b>2342.53</b>	<b>4611</b>	<b>26587.62</b>

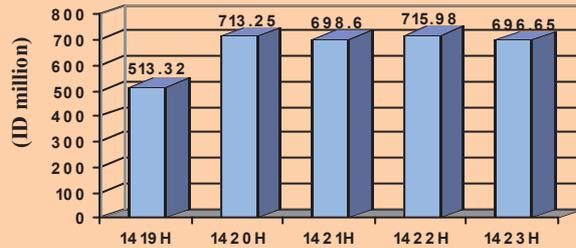
I. Ordinary Operations in this context are Projects and Technical Assistance Operations financed from the Ordinary Capital Resources (OCR) of the Bank, as well projects financed from the Special Account for the least developed member countries (LDMCs). Technical Assistance Operations exclude those financed from the OIC Literacy and Vaccination Programmes. Figures are net of cancellations.

2. Based on the updated operations net of cancellations.

3. Net of cancellations.

4. Bekine cancellations.

**Chart 2**  
**Project and Technical Assistance Financing,**  
**1419H-1423H**

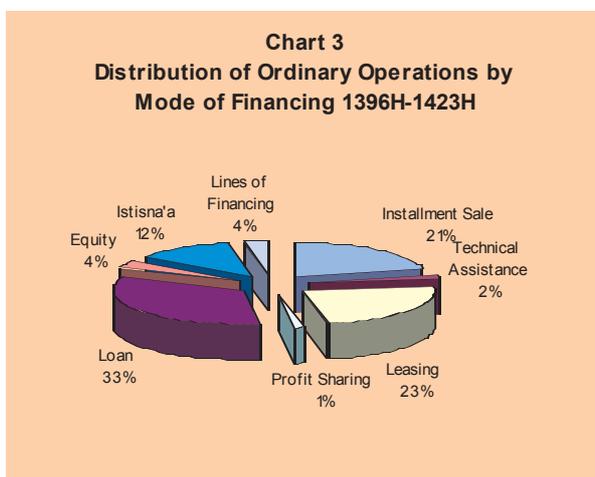


progress. The Bank discharges this responsibility through the provision of medium- and long-term finance for investment projects. At the initial stage, the modes of financing employed by the Bank were loan and equity. Leasing was introduced in 1397H (1977) and, as a mode, it proved very important because of its flexibility. In order to eliminate some problems encountered in leasing,

especially those resulting from the continued ownership of the relevant assets by the IDB and the nature and life span of some assets, the Bank introduced installment sale in 1405H (1985). Profit sharing, another mode of financing, was introduced in 1398H (1978). Istisna' adopted by the Bank in 1416H (1996), has become one of the most frequently used modes of financing through which IDB has been able to provide financing for construction of roads, dams, silos, commercial buildings as well as manufacturing of goods.

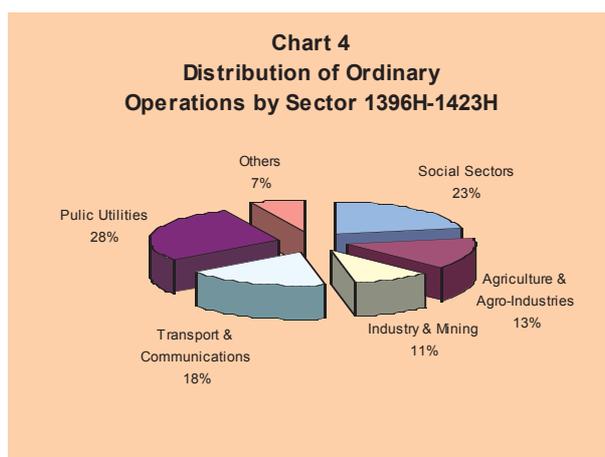
In 1397H (1977), the Bank began extending lines of financing in the form of lines of equity to national development financing institutions (NDFIs) with a view to expanding its equity financing activities in small- and medium-scale enterprises. Two other lines, namely line of leasing and line of installment sale, were introduced in 1403H (1983) and 1407H (1987) respectively. In the past, the lines of financing were exclusively given to individual national development financing institutions. Since 1419H (1999), the Bank started extending 'global' lines of financing to governments of member countries which, in turn, are provided to individual NDFIs and commercial banks.

Up to the end of 1423H, the Bank approved ID 6.72 billion (US\$ 8.78 billion) for project financing. Among the financial instruments used by the Bank for project financing, loan, leasing, installment sale and Istisna' are the most important. About 90 per cent of the total approvals made for project financing during the period since its inception was done through these four modes of financing. As regards the sectoral distribution of ordinary operations, the share of public utilities in the total approvals made was the highest (28 per cent) followed by social sectors (23 per cent). The distribution of ordinary operations by mode of financing and by sector has been shown in percentage terms in Chart 3 and Chart 4 respectively.



## 2.2 Technical Assistance of the IDB

Technical assistance (TA) is provided in the form of loan, grant or a combination of both, for facilitating project preparation or implementation, undertaking specialized studies and strengthening capacity-building of national agencies and institutions. The TA is given mainly to support project financing in the least developed member countries (LDMCs). The IDB has also supported, on the recommendations of the COMSTECH, some projects that are related to the area of science and technology. These projects include (i) the Bio-Fertilizer Resource Centre (Pakistan), (ii) bio-fertilizer for increasing sustainable crop production (Bangladesh), (iii) installation of CAD systems for development of textile industry (Pakistan) and (iv) expansion programme of CAD-RAM Research and Training Laboratory (Turkey).



The Technical Co-operation Programme (TCP) and the Islamic Research and Training Institute (IRTI) also provide TA in the form of on-the-job training, expert services, seminars, symposia and workshops. TA is funded both from ordinary resources of the Bank and the Waqf Fund. In providing TA, priority is given to the projects in the least developed member countries as well as to regional projects. Up to the end of 1423H, the Bank approved 399 technical assistance operations, involving an amount of ID 122 million (US\$ 156 million).

### **3. Assistance to Least Developed Member Countries**

The least developed member countries (LDMCs)<sup>4</sup> of the Bank are beset with a number of problems such as widespread poverty, food insecurity, low human development indices, mounting external debt, reduced official development assistance (ODA), etc. The Bank's assistance to the LDMCs is geared to helping these countries in facing these challenges. These countries are given priority in respect of concessionary financing (loan and TA) of the Bank. For the loan facility provided, the Bank charges a lump sum service fee to recover its actual administrative cost involved in processing and administering the loan. Ordinary loans provided by the Bank include a grace period of maximum seven years and a repayment period of maximum twenty-five years. The LDMCs are usually given maximum grace and repayment periods. The share of the LDMCs in the total amount of loan and TA approved up to the end of 1423H stood at 58 per cent and 60 per cent, respectively.

In 1413H (1992), the Bank established the Special Account for the LDMCs as a special window for assisting the LDMCs. Loans from this account are granted for a period of maximum 30 years including a grace period of 10 years with a service fee not exceeding 0.75 per cent. Following the full utilization of the initial amount of US\$ 100 million, the LDMC Account was replenished in 1420H with a second tranche of US\$ 150 million. Up to the end of 1423H, 104 operations involving ID 157 million (US\$ 215 million) were approved from the LDMC Account. In global terms, the total financing approved for the LDMCs, up to the end of 1423H, stood at ID 3.98 billion (US\$ 5.02 billion), which accounts for 17 per cent of the aggregate financing approved for all types of operations.

Under the Debt Initiative for the Heavily Indebted Poor Countries (HIPC), the Bank has rendered assistance to a number of its African LDMCs. During the 27th annual meeting of its Board of Governors, the Bank supported the NEPAD Initiative adopted by the African Union summit in July 2002 and committed an overall financing of US\$2.0 billion of the Bank's resources to be allocated to the African LDMCs over a period of five years. Within the context of the new strategic framework developed for the IDB Group, the Bank is currently considering the establishment of a separate concessional fund exclusively for the LDMCs.

### **4. Co-financing Arrangements**

The Bank works closely with the member countries, other multilateral development banks, international financing institutions and bilateral agencies. A major mechanism through which collaboration with other donors is made is co-financing of

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<sup>4</sup>The least developed among the member countries of the Bank are: Afghanistan, Bangladesh, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda and Yemen. As a special case, the State of Palestine is treated by the Bank as an LDMC.

**Box 1**  
**The IDB's Modes of Financing**

**Loan Financing:** It is concessionary in nature and different from that of other MFIs, extended to member countries for financing of infrastructure projects. The Bank recovers its administrative expenses involved in granting loan facility by levying a service fee calculated on the basis of actual expenses incurred on administering the facility. Loan financing are of two categories: ordinary loan and LDMCs loan.

**Equity Participation:** Through this mode of financing the Bank participates in the share capital of various companies. The participation takes two forms: direct equity or through lines provided to NDFIs. In either case, the level of IDB's participation does not exceed one-third of the equity capital of the project.

**Leasing:** It is a medium- to long-term mode of financing, which involves purchasing and subsequently transferring of the right of use of the equipment and machinery to the beneficiary for a specific period of time, during which the Bank retains the ownership of the asset.

**Installment Sale:** Under this mode of financing, the Bank purchases assets and sells them to the beneficiary at a higher price, the repayment being in installments. Unlike leasing, the ownership of the asset is transferred to the purchaser on delivery.

**Profit-Sharing:** This mode is similar to joint-venture financing. The Bank, in partnership with other financiers, pools resources to establish a joint-venture. Dividends (or losses) are distributed to the partners in proportion to the amount contributed.

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

**Technical Assistance:** This mode of financing is concessional in nature. Technical assistance is provided in the form of a loan, grant or a combination of both for conducting feasibility studies, detailed design and preparation of tender documents, as well as services for the supervision of projects.

**Lines of Financing:** The lines are extended through the NDFIs to promote small- and medium-scale private sector enterprises. The Bank records a project financed from a line at the country level as a 'sub-project'. The financing of sub-projects is extended either by way of leasing or installment sale.

projects. The Bank co-finances projects with institutions like the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the World Bank and the OPEC Fund. The Bank also maintains a special partnership with the Arab Co-ordination Group by which many projects are co-financed every year. The total amount co-financed by the Bank during 1423H stood at ID 35.9 million (US\$ 46.6 million) for 9 projects in 6 countries. The IDB contribution in US dollar terms in the year was over 46 per cent of the total cost of the co-financed projects (US\$ 101.8 million).

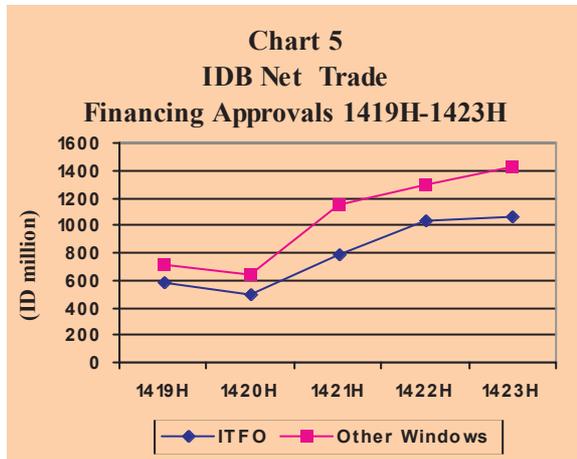
## **5. Operations Evaluation**

The Bank has an arrangement for an independent assessment of the projects financed by it in terms of implementation, achievement of the stated objectives, results and impact on the beneficiary countries. For this purpose, an office, namely the Operations Evaluation Office (OEO), was established in 1411H (1990). The OEO conducts evaluation of completed projects, special studies on problem projects, sector studies, thematic evaluations and country assistance evaluation. The number of projects evaluated by the OEO, up to the end of 1423H, stood at 213.

## **IV. TRADE FINANCING OPERATIONS**

Trade financing operation was initiated by the Bank in 1397H (1977) mainly as a placement operation in order to provide a means of investing the surplus funds not immediately required for project financing. Subsequently, trade financing proved not only an important part of the Bank's overall financing activities, but also as one of the most effective tools for the promotion of co-operation among the member countries. The Bank, therefore, has adopted several measures for expanded activities in the area of trade financing.

The schemes and windows through which trade financing is accomplished are: Import Trade Financing Operations (ITFO), Export Financing Scheme (EFS), Islamic Banks Portfolio for Investment and Development (IBP), and Unit Investment Fund (UIF). The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) also aims at promoting intra-trade, besides promoting investment flows among the IDB member countries. The Bank manages a special programme in co-operation with the Khartoum-based Arab Bank for Economic Development in Africa (BADEA), to finance exports from the Arab countries to some countries of the former Organization of African Unity (OAU). While the ITFO and the EFS are exclusively linked to trade financing, the IBP and the UIF are partly involved in this area. Up to the end of 1423H, the total amount approved for trade financing operations stood at ID 14.7 billion (US\$ 18.9 billion).

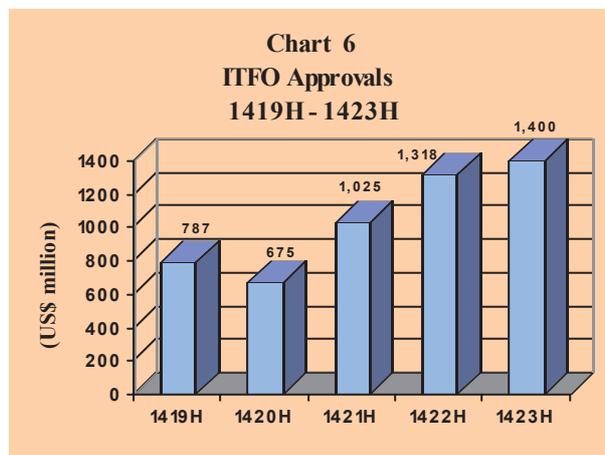


## 1. Import Trade Financing Operations

The Import Trade Financing Operations (ITFO) scheme, launched in 1397H (1977), is a short-term financing arrangement by which the Bank provides foreign exchange for the import of commodities of developmental nature required by its member countries. The operations of the ITFO scheme are conducted on *Murabaha*<sup>5</sup> basis and conform to the principle of Islamic Shari'ah. The ITFO operation involves the

purchase of goods (by the IDB on behalf of the importer) and their resale to the importer against a reasonable mark-up on a deferred payment arrangement.

Apart from serving the Bank as an important vehicle for the utilization of its liquid funds, the ITFO scheme facilitates the promotion of trade among the member countries. This is because most of the goods financed under the ITFO originate from the member countries. The total amount of financing approved under the ITFO, up to the end of 1423H, stood at ID 12.1 billion (US\$ 15.4 billion). Of this amount, 75 per cent constituted intra-trade among the member countries.



## 2. Export Financing Scheme

The Export Financing Scheme (EFS)<sup>6</sup> was launched in 1408H (1987) with the objective of promoting exports from the member countries through short- and long-term financing of exports destined to both the member and non-

<sup>5</sup>Murabaha is a contract of sale between a buyer and a seller at a price higher than the original price at which the seller bought the commodity.

<sup>6</sup>Formerly known as Longer Term Trade Financing Scheme (LTF).

member countries. In 1418H, the duration of repayment, which was originally six to sixty months depending upon the commodity involved, was extended to ten years for capital goods like ships, machinery, etc. The EFS has its own membership, capital, budget and resources, and its accounts are maintained separately. At the end of 1423H, the number of countries participating in the scheme stood at 24. The subscribed capital of the scheme is ID 317 million, of which ID 167 million was subscribed by the member countries and ID 150 million by the Bank. The paid-up capital of the scheme is ID 133.5 million, of which ID 75 million was paid by the Bank. Till the end of 1423H, ID 880.4 million (US\$ 1.2 billion) was approved under the scheme in favour of nineteen exporting member countries.

### **3. Trade Financing under Different Funds**

**Islamic Banks Portfolio (IBP):** The Islamic Banks Portfolio for Investment and Development was established by the Bank in 1408H (1988) in association with other Islamic banks and financial institutions. It brought together funds from the IDB and other Islamic banks to promote investment and trade among the member countries and also to serve as a nucleus for the eventual development of an Islamic financial market. Up to the end of 1423H, the IBP approved 132 trade financing operations for ID 1.4 billion (US \$ 1.9 billion). (For details on the IBP, see Section VI).

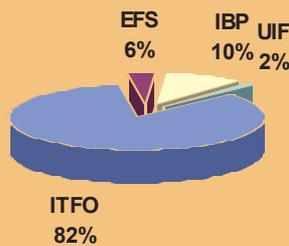
**Unit Investment Fund (UIF):** The IDB Unit Investment Fund, a trust fund of the Bank, started its short-term trade financing operations in 1412H (1991). The UIF undertakes short-term trade financing (Murabaha) operations by utilizing its liquid funds. Since its inception, the UIF approved 55 trade financing (both by way of syndicated and direct Murabaha financing) operations involving an amount of ID 316 million (US\$ 426 million) (For further details on the UIF, see Section VI).

**BADEA Export Financing Scheme:** This is a special programme which emerged as the outcome of a Memorandum of Understanding (MOU) signed between the Bank and the Khartoum-based Arab Bank for Economic Development in Africa (BADEA). The MOU was signed for three years in 1418H (1998) but was extended for another three years beginning from 23 February 2001. Under the MOU, US\$ 50 million would be managed by the Bank as a Mudarib to finance Arab exports to those member countries of the former Organization of African Unity which are not members of the Arab League. Up to the end of 1423H, twelve operations, involving an amount of US\$ 66.5 million, were approved under the scheme.

### **4. Other Trade Financing Operations**

Over the past three years, some other funds were also engaged in trade financing operations besides other activities. These include the Islamic Corporation for the Development of the Private Sector (ICD), the Awqaf Properties Investment Fund (APIF)

**Chart 7**  
**Distribution of Trade Financing**  
**Approvals by Scheme 1397H- 1423H**



and the Treasury Department of the Bank. The trade financing operations of the APIF amounted to ID 2.83 million (US\$ 3.8 million) at the end of 1423H. The total trade financing operations of the ICD and the Treasury Department stood at ID 0.36 million (US\$ 0.46 million) and ID 70.22 million (US\$ 88.55 million) respectively.

## V. WAQF FUND OPERATIONS

The Waqf Fund operations involve the approval of financing in the form of grants. The Fund was established in 1979 to provide various types of assistance to the Muslim communities in non-member countries, educational grants (initially in non-member countries but presently in the member countries as well), and relief against natural calamities like drought, floods, earthquake, etc. The grants are meant mainly for (i) Special Assistance Programme, (ii) Scholarship Programmes, (iii) Technical Co-operation Programme, (iv) Special Account for the LDMCs, (v) Islamic Research and Training Institute, (vi) Technical Assistance in the form of loan and grant and (vii) contribution to the Adahi Project.

### 1. Special Assistance Programme

The Special Assistance Programme is primarily designed to cater to the needs of the Muslim communities in non-member countries, with special emphasis on upgrading their status in education and health sectors. The Programme also aims at alleviating the suffering of the Muslim communities afflicted by natural calamities, emergency situation due to war, famine, etc. in both the member and non-member countries. It also assists the member countries in restructuring their economic, financial and banking systems according to the principles of Islamic Shari'ah. This is done through the provision of research and training facilities.

The total amount approved by the Bank under the Special Assistance Programme, up to the end of 1423H, stood at US\$ 540 million for 972 operations and programmes. Out of this amount, US\$ 351 million was approved for 360 operations in the member countries and US\$ 189 million for 612 operations for Muslim communities in non-member countries. The approvals made under the Special Assistance Programme included, among others, funds for Special Programme of Emergency Aid to Sahelian Member Countries, assistance to the member countries affected by locusts, floods, and earthquake, assistance to mitigate

refugee problem, seminars/symposia on WTO-related matters, and other educational, health and social projects for Muslim communities in non-member countries. The projects financed by the Bank in non-member countries were in favour of Muslim communities in various countries in Africa, Asia, America, Australia and Europe.

## **2. Scholarship Programme for Muslim Communities in Non-Member Countries**

The Scholarship Programme for Muslim Communities in Non-Member Countries, launched in 1404H (1983), aims at helping needy Muslim students to pursue higher studies in universities in their own countries or in IDB member countries. The areas selected for studies include medicine, engineering, dentistry, pharmacy, nursing, veterinary sciences, agriculture and other related fields.

Scholarships are awarded to the students as qard hasanah (interest-free loan) but, to the Muslim communities concerned as grants. The repaid loans are deposited in the Waqfs (trusts) which the Bank has established in the beneficiary countries. The funds thus generated are expected to be recycled to help other students from the same communities. The beneficiary students are encouraged to play an active role in the development of their own countries after graduation. Up to the end of 1423H, scholarships were granted to 6,467 students. Currently, 2,449 students are pursuing their studies under the Programme and 3,280 students have completed their studies. At the end of 1423H, the total amount spent under the Programme stood at ID 34.12 million (US\$ 46.74 million).

## **3. Merit Scholarship Programme for High Technology**

The Merit Scholarship Programme for High Technology was introduced in 1411H (1991) to develop technically qualified persons and enhance the scientific, technological and research potentials of the scholars and researchers in the member countries. Scholarships are awarded to outstanding scholars and researchers to undertake advanced studies/research in the areas required for the development of the member countries. The scholarship is tenable at selected institutions and universities specialized in sixteen areas of study approved under the Programme. These areas range from laser and fibre optics to environmental projects. The term of study is three years for a doctorate degree and one year for post-doctorate research.

Initially, the Programme was launched for five years but following a comprehensive evaluation, was extended for another five years. Up to the end of 1423H, US\$ 9.19 million was spent under the Programme benefiting 212 scholars selected from 141 institutions in 42 member countries. The Programme is announced once a year between March and April, and applications are received through the offices of the IDB Governors until September 30.

#### **4. M.Sc Scholarship Programme in Science and Technology**

The M.Sc Scholarship Programme in Science and Technology for the Least Developed Member Countries of the Bank, launched in 1418H (1997), is meant to help develop human resources of the least developed member countries, especially in the areas of science and technology. Nineteen countries<sup>7</sup> from among the LDMCs are eligible to participate in the Programme. It was envisaged that 190 scholars would benefit from the Programme in five years (at the rate of 20, 30, 40, 50, and 50 a year respectively). Scholarships are offered for two years to study in various universities in the IDB member countries. The scholarship provides for the tuition, a living allowance (maximum US\$200 per month), an allowance for clothing and books (US\$600 per year), medical coverage, and a return air ticket. By the end of 1423H, the total amount spent on this Programme stood at US\$0.4 million only. The Programme is facing some difficulty in securing timely admission and placement in the member countries.

#### **5. Technical Co-operation Programme**

The Technical Co-operation Programme (TCP), established in 1403H (1983), is designed for the transfer of technical expertise and know-how to and from the IDB member countries for the promotion of human resource development. The basic objectives of the TCP are (i) the mobilization of technical capacity, expertise and training capabilities of the member countries for the purpose of fostering collaboration among them, (ii) the promotion of opportunities through exchange of experience, information, and appropriate technologies suited to the development needs of the member countries and (iii) the alleviation of managerial, technical and institutional constraints impeding project implementation and efficiency.

To pursue these objectives, the Programme utilizes various vehicles. These include provision of on-the-job training, study/familiarization visits, and recruitment of experts. The priority areas identified for the Programme cover agriculture, industry, financial reform (including banking), infrastructure development, education, health, transport, telecommunication, solar energy, environment, and science and technology. Special attention is paid to the requests received from the member countries from the CIS<sup>8</sup> and also from the LDMCs. Up to the end of 1423H, 1,051 operations involving a total amount of US\$ 22.42 million were approved for the member countries and regional/international organizations.

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<sup>7</sup>These countries are: Afghanistan, Benin, Burkina Faso, Chad, Comoros, Djibouti, The Gambia, Guinea, Guinea-Bissau, Maldives, Mali, Mauritania, Mozambique, Niger, Sierra Leone, Somalia, Togo, Uganda, and Yemen.

<sup>8</sup>CIS stands for the Commonwealth of Independent States.

## **VI. ACTIVITIES OF THE AFFILIATED ENTITIES AND FUNDS**

The Bank has evolved over time into a group in order to meet more effectively the growing financing and other needs of its member countries and Muslim communities in non-member countries,. There are eleven entities and funds that the Bank has established with distinct and, in some cases, autonomous status within the IDB. These institutions and schemes are broadly treated as parts of the "IDB Group". A brief account of these entities and funds is given in the following paragraphs.

### **1. Islamic Banks Portfolio for Investment and Development**

The Islamic Banks Portfolio (IBP) is a trust fund established by the Bank in association with other Islamic banks and financial institutions to mobilize funds for utilizing in the promotion of investment and trade among the member countries. The initial life of the Portfolio is 25 years, after which it may be renewed or dissolved. The IBP has a fixed paid-up capital of US\$ 100 million and a variable capital of US\$ 280 million. In addition, it has access to funds of US\$ 300 million placed by the Bank as a specific deposit. By the end of 1423H, the membership of the IBP stood at twenty Islamic banks and financial institutions including the IDB. The unit of account of the IBP is the US dollar.

The IBP is an investment fund which, in addition to promoting intra-trade among the member countries, serves as the nucleus of an Islamic financial market. The IBP extends short-term financing in the form of Murabahah to finance trade operations. It also extends medium- and long-term financing in the form of installment sale, leasing, and Istisna' whose duration may extend up to 12 years, including 3 years gestation (in the case of leasing). The assets and liabilities of the IBP are completely separate from those of the Bank and its annual accounts are also separately audited. The Bank manages the operations of the IBP as Mudarib<sup>9</sup>.

The main target clients of the IBP are from the private sector in the IDB member countries, but the financial requests received from the public sectors of these countries are also entertained. In order to meet the Shari'ah requirement of tradability, at least 51 percent of the portfolio's resources are invested in asset-backed transactions (other than cash, and trade receivables). The share certificates of the initial capital of the IBP are negotiable and tradable, mainly among the Islamic banks participating in the capital issue. Up to the end of 1423H, the IBP processed approvals of US\$ 3.01 billion, of which US\$ 1.95 billion was for trade financing. The total number of operations approved stood at 237, of which 132 operations were for trade financing.

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<sup>9</sup>In the form of partnership called Mudarabah, one party provides funds while the other provides expertise and management. The latter is referred to as Mudarib.

## **2. IDB Unit Investment Fund**

The IDB Unit Investment Fund (UIF), established in 1410H (1989), is a private sector window of the Bank managed as an autonomous organ within the IDB. The Fund mobilizes resources for the IDB and provides a Shari'ah-compatible investment opportunity to the investors. The Fund has emerged as an asset class investment with features of good return, safety and liquidity.

The size of the UIF has grown from US\$ 100 million to US\$ 325 million held by 24 institutional investors from 11 member and non-member countries. The par value of the Fund unit is US\$ 1.00 and the minimum subscription is 100,000 units. The Fund was listed on the Bahrain Stock Exchange in 1997. This has enhanced the liquidity of the Fund by making it possible to trade its units at any time without applying to the IDB for repurchase.

The UIF extends its financing facilities through various modes of financing. Depending on the mode, the maturity of financing varies from 5-10 years for medium- and long-term financing respectively and 6-24 months for short-term financing. The Fund also co-finances projects with other windows of the IDB Group and other Islamic banks and financial institutions.

The UIF enjoys a unique position as an asset-class fund mainly due to selection of high-grade quality assets and the availability of guarantees for them. The trading of units has been made through the redemption facility offered by the Bank in its capacity as the market-maker. Progressively reducing its dependence on the Bank, now, the Fund's investment policy lays emphasis on direct investments in both the public and private sectors of the member countries. In this respect, the UIF extends financing facilities through the modes of financing like Murabahah, Istisna', installment sale, and leasing.

Up to the end of 1423H, the gross approvals by way of gross direct financing, co-financing and syndicated financing, reached a total amount of US\$ 1.2 billion. Of this amount, US\$ 426 million was for trade financing through Murabahah .

## **3. IDB Infrastructure Fund**

The IDB Infrastructure Fund (IIF), based in the State of Bahrain, is a limited partnership with equity capital of US\$ 1.0 billion and complementary finance facility (CFF) of US\$ 500 million. The arrangements for the establishment of the IIF were finalized in 1419H. The IIF aims at constituting a syndication group of US\$ 1-2 billion for the CFF. The CFF will be developed only in conjunction with equity capital. The Fund has two functional arms, namely the Policy Management Company (PMC) and the Emerging Markets Partnership (EMP).

The IIF is the first private investment vehicle of its kind to focus on infrastructure development in the member countries of the Bank. The Fund's strategic objectives are to seek long-term capital appreciation by making equity and equity-related investments in infrastructure projects and infrastructure-related industries in the IDB member countries and to promote the use of Islamic finance in infrastructure projects. The IIF aims to achieve a targeted return of 18 per cent per annum exclusive of all fees and costs on its equity investments over its ten-year life. The Fund is expected to be the largest pool of equity capital specifically targeting infrastructure investment opportunities in the member countries. With a network comprising the IDB and the regional network of the offices of the Dar Al-Maal Al- Islami and the Shami Bank of Bahrain, among others, the Fund is expected to provide access to substantial infrastructure investment opportunities in the member countries.

The IIF will employ Islamic financing techniques for all equity investment and establish relationship with Islamic banks and financial institutions. So far, the IIF has achieved a total commitment of US\$ 980.5 million against its overall size of US\$ 1.5 billion for the complementary finance facility (CFF). This includes a commitment made by the Bank involving an amount of US\$ 250 million.

Since its closing in December 2001, the IIF has set up a pipeline of a wide variety of projects in different infrastructure sectors with an estimated project cost ranging from US\$ 6.1 billion to US\$ 7.8 billion. Three projects for equity investment involving US\$ 208 million have so far been approved for investment and are at various stages of legal documentation.

#### **4. Islamic Corporation for the Development of the Private Sector**

The Islamic Corporation for the Development of the Private Sector (ICD) was established in 1420H (1999) to complement the role played by the IDB through the development and promotion of the private sector as a vehicle for economic growth and prosperity in the member countries. The authorized capital of the ICD is US\$ 1.0 billion, of which US\$ 500 million is available for subscription. The shareholders in the ICD are the IDB (50 per cent), member countries (30 per cent) and public financial institutions in the member countries (20 per cent). The main objectives of the ICD are: (i) to identify opportunities in the private sector that could function as engines of growth, (ii) to provide a wide range of Shari'ah-compatible financial products and services, and (iii) to expand access to Islamic capital markets by private companies in the IDB member countries.

The ICD provides its clients with a wide variety of financial products such as direct financing, asset management, structured finance, and advisory services. The ICD utilizes *Shari'ah*-compatible modes of financing/financial products such as equity, term financing (leasing, installment sale and *Istisna'*) and quasi-equity in the form of term

financing convertible into equity at some stage of the project life.

Up to the end of 1423H, 45 countries signed and 37 ratified the Articles of Agreement establishing the Corporation. As at the end of 1423H, the ICD's total financing stood at US\$ 133 million.

## **5. Islamic Corporation for the Insurance of Investment and Export Credit**

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) is a subsidiary of the Bank established in 1415H (1994) with the authorized capital of ID 100 million (US\$ 137 million). The Bank subscribed to 50 per cent of the capital leaving the remaining 50 per cent for the member countries of the Organization of the Islamic Conference for subscription. So far, 30 member countries of the OIC have joined the Corporation.

The main objective of the Corporation is to enlarge the scope of trade transactions and the flow of investment among the member countries of the OIC. The ICIEC offers three main types of service as follows:

- ❖ Export credit insurance to cover the risk of non-payment in relation with cross border trade transactions
- ❖ Investment insurance to cover country risk in the context of investments among the member countries
- ❖ Reinsurance of operations covered by the export credit agencies (ECAs) in the member countries

The Corporation offers its credit and country risk insurance services to exporters, investors and financial institutions in the member countries as means of credit enhancement and risk mitigation. At the end of 1423H, the total number of policies in force stood at US\$ 70 million and the commitment reached US\$ 265 million.

## **6. Islamic Research and Training Institute**

The Islamic Research and Training Institute (IRTI), established in 1401H (1981), undertakes, as its regular functions, research, training and information-related activities. The main objective of these activities is to help the member countries and Muslim communities in non-member countries in conforming to the Islamic Shari'ah principles in conducting their economic, financial and banking activities and promoting co-operation among them. The IRTI's activities are mainly in three areas: research, training and information. These are briefly described below:

**Research:** In the area of research, the activities include the preparation of research papers published as monographs. The papers are also presented at seminars, workshops and conferences, and later published in seminar proceedings, etc. Under its research programmes, the IRTI holds seminars, conferences, and workshops through which external expertise is effectively mobilized. At the end of 1423H, the total number of research publications (including 253 titles) stood at 1,125 and the total number of seminars and workshops organized by the IRTI stood at 133.

**Training:** The training activities of the IRTI are undertaken with the objective of capacity building in the member countries. These activities involve conducting training courses and workshops mainly in Islamic economics, banking and finance, private sector development (including human resource development), and macro-economic management. The courses are usually conducted in any one of the three working languages of the Bank, namely Arabic, English and French. However, for the countries located in Central Asia, some training courses are conducted in Russian. Up to the end of 1423H, the total number of courses offered stood at 172.

**Information:** The information activities of the IRTI include the design, implementation and maintenance of the web-based information systems that enable the member countries of the Bank to better employ information and communication technology for socio-economic development. The IRTI is currently engaged in negotiating with an external consultant for the final version of the Islamic Banks & Financial Institutions Information System (IBIS) as a website for access through the Internet. The system will provide services such as statistical data, financial profiles and profit and loss accounts of the Islamic banks. It will be a global portal that includes hyperlinks to the Islamic banks and financial institutions. The information systems that are in the process of being developed include the IDB Database on Exports (IDBDE) and the Trade Information & Promotion System (TIPSys).

**Other Activities of the IRTI :** The other activities of the IRTI include the Encouragement and Promotion Programme, the IDB Prize, the IDB Prize Lecture, IRTI Shari'ah Lectures, and the IRTI journal. Under the Encouragement and Promotion Programme, the IRTI provides assistance to individuals and institutions to encourage them to undertake research and training activities in the areas of Islamic economics, banking and finance. Since 1408H, the IRTI is implementing an international prize, known as the IDB Prize, which has been established to recognize, reward and encourage creative efforts of outstanding merit in the fields of Islamic economics, banking and finance. The prize, which alternates every year between Islamic economics and Islamic banking, consists of a citation carrying the Bank's emblem and a cash award of ID 30,000 (US\$ 43,000 approx.). The IRTI also publishes a refereed scientific journal, Islamic Economic Studies.

## **7. Sacrificial Meat Utilization Project of the Kingdom of Saudi Arabia**

The Sacrificial Meat Utilization Project of the Kingdom of Saudi Arabia (popularly known as the Adahi Project), launched in 1403H (1983), falls outside the normal operations of the Bank but, in view of its importance, the IDB was given the responsibility of its implementation. The project serves the Hajj pilgrims by performing the slaughter and related services on their behalf. It also oversees the utilization of the sacrificial meat in accordance with the established norms of Shari'ah. The meat is subsequently distributed among the needy in the member countries and to Muslim communities in non-member countries. During the Hajj season, information about the Sacrificial Meat Utilization Project and its objectives is disseminated on a large scale through printed materials published in nine languages. In 1423H, the total number of sacrifices carried out was over 0.6 million animals (sheep, cows and camels). Out of this, about half the carcasses were distributed outside the Kingdom and the rest distributed locally among the poor and needy of the Haram area in Makkah al-Mukarramah.

## **8. International Centre for Biosaline Agriculture**

The International Centre for Biosaline Agriculture (ICBA) is an applied research and development institution specialized in the utilization of saline, brackish, and sea-water for agriculture and revegetation. The objective of the ICBA is to demonstrate the value of saline water resources in producing environmentally and economically useful plants and to transfer the results to national research services and communities in the Islamic world and elsewhere.

The Bank established the Centre in co-operation with the Government of the UAE and the UAE University and allocated US\$ 22 million for the construction work and ten years' of operations and maintenance. The Centre started operations in 1420H (1999) on a plot of 100 hectares donated by the host country (UAE).

The ICBA determines the suitability of conventional crop species for propagation under saline irrigation in the target areas and particularly in the Gulf environment. Alternative crop production and management systems are evaluated with a view to maximizing production from salt-tolerant species. It is expected that the results obtained from the agricultural research in the Centre, when applied, will promote significantly the use of salt-tolerant species. The ICBA has established collaborative agreements with several regional and international organizations, and has also organized a number of workshops and seminars and set up facilities for training courses on biosaline agricultural technique.

## **9. World Waqf Foundation**

The decision to establish the World Waqf Foundation (WWF), which is at an early stage of development, was taken in 1420H (2000). The main objectives of the WWF are as follows:

- ❖ Boost the IDB's efforts to promote Waqf
- ❖ Support Waqf to enable the economic and social development of Muslim communities and alleviate poverty
- ❖ Satisfy the aspirations of philanthropists and charity organizations all over the world to set up an international Waqf entity
- ❖ Manage the Waqf properties entrusted to the WWF for safekeeping, investment and for spending its proceeds in accordance with Islamic Shari'ah

The IDB has allocated US\$ 25 million as an initial contribution to the resources of the WWF. The proceeds of the contribution would be utilized to fund educational projects of the Muslim communities in India. The resources of the WWF could also come from the Awqaf devoted to any of its objectives as well as from donations and grants from other sources.

The WWF is under the direction of a board composed of individual donors (Waqifs) with at least a Waqf contribution of US\$ 1 million. The board is the general assembly that elects a board of trustees. The Board of Trustees acts as the board of executive directors of the WWF. The Foundation operates worldwide in accordance with its by-laws. In a bid to popularize itself and attract contribution to it, the WWF is currently designing some projects like Africa Waqf Charity, in line with the Ouagadougou Declaration that was issued at the 27th annual meeting of the IDB Board of Governors.

## **10. Awqaf Properties Investment Fund**

The Awqaf Properties Investment Fund (APIF) is a trust fund managed by the IDB as a Mudarib, through the IBP. The objective of the APIF is to promote the role of Awqaf and revive the Waqf Sunna to regain its function as an effective tool in the economic, social and cultural development of the Islamic society. To this end, it develops, invests in and manages Awqaf real estate properties in the IDB member and non-member countries.

The decision to establish the APIF was taken at the sixth Awqaf Ministers' meeting held in Jakarta, Indonesia in 1418H (1997). However, the Fund was established in 1421H (2001) in accordance with the MOU signed between the IDB and nine Islamic financial institutions. The APIF started its operation in Rajab 1422H. Initially, the approved capital of the APIF, which was fully subscribed, stood at US \$ 51 million. Recently, the capital base of the APIF has been increased to US\$ 200 million.

Currently, there are twelve participants in the APIF from seven member countries of the Bank. They include ministers of Awqaf, Waqf organizations and Islamic banks. Till the end of 1423H, the APIF maintained its focus on consolidating its strategy and building up its pipeline of potential investments. The pipeline included over 50 projects in the member as well as in non-member countries. Till the end of 1423H, seven projects with a total APIF contribution of US\$ 16.7 million were approved.

#### **11. OICNetworks Sdn. Bhd**

The OICNetworks Sdn. Bhd (OICnetworks) is a joint-venture company based in Kuala Lumpur, Malaysia. The company was established in 1421H (2000) with the IDB and the MIMOS Bhd of Malaysia as partners. The IDB holds 51 per cent of its share. The IDB and the MIMOS have pledged a total investment of US\$14.5 million over a period of four years. The authorised capital of the company stands at US\$ 2.6 million, which is fully paid-up. The main purpose of establishing the OICnetworks is to improve the flow, exchange and sharing of information resources among the member countries of the OIC.

The OICnetworks is responsible for implementing two main programmes namely, OIC exchange and OIC trade. The OICexchange, launched in 1422H, is a community portal designed with the aim to provide information and services to the OIC member countries. The portal covers a range of topics of interest such as business and trade, government, education and lifestyle. It also provides useful tools like e-mail, discussion forum and e-engineering. At the end of 1423H, OICexchange had 6,000 subscription-free members and 30,000 newsletter subscription members.

The OICtrade was set up in 1422H with the main objective of facilitating trade between buyers and sellers, especially within the OIC region, via the Internet platform. It is supported by a network of country representatives. Currently, the OICtrade is marketed by its country representatives in Malaysia, Indonesia, Bahrain and Saudi Arabia.

### **VII. CO-OPERATION**

#### **1. Islamic Banking Industry**

The Bank as the pioneer Islamic financing institution maintains close relations with other Islamic banks and financial institutions. Naturally, it has played an active part in creating and strengthening the role of other Islamic banks. The role of the Bank in the creation of the Islamic banks has been in the form of provision of technical assistance for capacity building and lines of financing and participation in the equity capital. Meetings of the Islamic banks held every year provide opportunities for consultation on subjects of common interest and finding ways for further co-operation. These meetings are held at two different levels: one at the level of Directors of Operations/Investments held once a year,

and the other at the level of the heads of institutions, held on the occasion of the annual meeting of the IDB Board of Governors.

The Bank also has played a leading part in the efforts that are underway to achieve greater integration of Islamic banking in the international financial system. These efforts aim to establish a number of accounting and regulatory institutions to further enhance the level of transparency, prudence, corporate governance and financial responsibility of the Islamic banking and financial institutions. Some of the relevant institutions, for whose development the IDB has played a leading role, are as mentioned below:

**The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI):** Established in 1992, the AAOIFI serves as an institutional arrangement for self-regulation in the financial reporting done by the Islamic banks and financial institutions and for the implementation of auditing practices by their own external auditors.

**The Islamic Financial Services Board (IFSB):** The IFSB was established in Kuala Lumpur, Malaysia in 2002 as a regulatory institution for the Islamic banks. The initiative to establish it was taken by the IDB, in cooperation with the IMF and some central banks. The IFSB will help to establish internationally acceptable standards like prudential regulations and supervision standards in the key areas of the Islamic banking industry.

The Bank has also been actively engaged in the establishment of the International Islamic Finance Market (IIFM) as well as in the creation of the International Islamic Rating Agency (IIRA). The purpose of these initiatives is to contribute to the standardization of the Islamic financial products and to make the Islamic industry competitive, transparent and viable. It is expected that these efforts will contribute to a healthy growth of the Islamic banking industry and facilitate the functioning of the Islamic banks, along side with the conventional banking institutions of the world.

## **2. Promotion of Trade**

### **2.1. Promotion of Intra-Trade**

The Bank's contribution to the promotion of intra-trade has mainly been in the form of providing trade financing facilities through a number of schemes and windows discussed earlier. Under the ITFO, the leading scheme among them, a total amount of US\$ 15.4 billion was approved till the end of 1423H. Of this amount, US\$ 11.6 billion or 75 per cent was used to finance trade among the member countries. During 1423H, the IDB allocated US\$ 1.2 billion from its own resources for the ITFO programme. The approvals made under the EFS has also continued to increase. During 1423H, all the approvals under the EFS was for financing intra-trade among the member countries. Moreover, the IBP, the UIF and the ICIEC (Section IV & Section VI) are also making notable contribution in promoting intra-trade.

## **2.2. Trade Co-operation and Promotion Programme**

In addition to the allocation of increased funds, the Bank has a special programme namely, 'Trade Co-operation and Promotion Programme (TC&PP)' which supplements the IDB's efforts made in enhancing intra-trade among the member countries. The Programme, adopted in 1415H (1995), aims to strengthen the existing trade relationship, explore new avenues of intra-trade and co-operate with other institutions to facilitate the creation of conducive trade environment among the member countries. The main activities included in the Programme are organizing, participating and facilitating participation in trade seminars, workshops, meetings, training courses, trade fairs and exhibitions. Under the Programme, a number of seminars and workshops have been organized and studies undertaken. Moreover, arrangement was made and financial support was provided to some companies from the LDMCs to participate in several trade fairs. Some of the activities accomplished under this programme during 1423H are as given below:

- ❖ The 9th Islamic Trade Fair, Sharjah, the U.A.E.
- ❖ The 10th MUSAID International Trade Fair, Istanbul, Turkey
- ❖ The 15th Dakar International Trade Fair, Dakar, Senegal
- ❖ The Exhibition on Arab Industries, Jeddah, Kingdom of Saudi Arabia
- ❖ The Tunis International Trade Fair, Tunis, Tunisia
- ❖ The Palestine Products Exhibition, Jeddah, Kingdom of Saudi Arabia
- ❖ The Workshop on Supply and Demand of Trade Products of Mechanical Industries, Sharjah, the U.A.E.,
- ❖ The seminar on Trade between Arab Maghreb Countries and West African Member Countries, Casablanca, Morocco.

## **2.3. Assistance on WTO-Related Matters**

Taking cognizance of the fact that the conclusion of the Uruguay Round Agreements would present formidable challenges to the developing countries including the IDB members, the Bank embarked upon an extensive technical assistance programme in 1997 to help the OIC member countries upgrade their institutional and manpower resources in the relevant area. The technical assistance programme moved along two main lines. One group of activities related to the capacity-building, designed especially for those member countries that want to join the WTO. The other type of activities aimed to prepare the member countries that are already members of the WTO for co-ordinating their positions on major issues in the context of the WTO ministerial meetings, and to strengthen their positions in future negotiations.

The technical assistance programme covered a number of activities, namely holding consultative meetings, organizing seminars/workshops, offering courses and undertaking studies. The Bank organized a number of consultative meetings in various countries for the preparation for the WTO ministerial conferences. These meetings provided a forum to the OIC member countries for exchanging views on the issues related to the WTO ministerial meetings, as well as to evolve common positions on key issues.

In order to enhance the capacity-building in the OIC member countries, the Bank organized a series of courses, seminars and workshops, covering a wide range of issues. The seminars/workshops were held in various cities in the OIC member countries covering wide geographical areas. The Bank also undertook sectoral studies on five major areas, namely agriculture, investment, services, trade-related aspects of intellectual property rights, and electronic commerce.

The WTO-related activities accomplished during 1423H included the following:

- ❖ Three-Week Trade Policy Course in English, Istanbul, Turkey, May 2002,
- ❖ Workshop on Private Sector Investment in Member Countries and the Role of the IDB, Istanbul, Turkey, September 2002,
- ❖ Consultative meeting of the OIC countries to discuss and evaluate the results of the Doha conference and their effects on them, Jeddah, Kingdom of Saudi Arabia, October 2002,
- ❖ Seminar in French on 'Dispute Settlement Mechanism, Anti-dumping and Safeguard Agreements', Dakar, Senegal, March 2003.

### **3. Promotion of Intra-Investment**

Trade is, no doubt, an important economic activity that expands consumption and production through a set of dynamic linkages in national economies. But, it itself depends on a host of other factors like diversity in production, productivity, competitiveness, existence of basic infrastructure facilities, availability of necessary technology. Realization of these requirements calls for substantial outlays in investments.

The members of the IDB comprise a heterogeneous group of developing countries spread over a vast geographical area in four continents inhabiting one-fifth of the world's population. They have diverse resource endowments. While many of them lack in resources needed for economic growth, some others have substantial amount of surplus funds seeking profitable outlays for investment. Co-operation through intra-investment would be a good solution to face the resource constraints of the IDB member countries as a group, especially in the current global situation of continued decline in the flows of FDI.

The data on intra-investment in the IDB member countries are rather scarce. According to the cumulative figures of the UNCTAD and the IAIGC<sup>10</sup> covering the period 1985-1999, the principal recipients of intra-investments among the IDB member countries were Egypt (US\$ 3.76 billion), Lebanon (US\$ 2.50 billion), Syria (US\$ 1.36 billion), Tunisia (US\$ 1.26 billion), Saudi Arabia (US\$ 1.23 billion), Malaysia (US\$ 1.22 billion), and Sudan (US\$ 1.21 billion). The largest investors during the same period were Saudi Arabia (US\$ 4.46 billion), Bangladesh (US\$ 2.6 billion), Kuwait (US\$ 2.54 billion), and the UAE (US\$ 1.63 billion).

For the IDB, the promotion of investment flows has been an area of primary interest since its inception. At an early stage of its operation, the IDB identified investment in basic infrastructure, especially transport, as a priority sector for financing. Since 1996, the Bank organized a number of conferences on investment for the benefit of the member countries, as well as the Muslim communities in non-member countries, in order to create awareness among the prospective investors about the existing investment opportunities. Several workshops and symposia were organized on the issues that are directly related to investment. Furthermore, the establishment of the ICD and the ICIEC, provision of lines of financing to the national development financing institutions (NDFIs), co-operation with the Association of National Development Financing Institutions in Member Countries of the IDB (ADFIMI), the Islamic Chamber of Commerce and Industry (ICCI) as well as with other Islamic banks, are all geared to promote the flow of intra-investment among the member countries.

#### **4. Organization of the Islamic Conference**

##### **4.1 OIC and Its Organs/Institutions**

The Bank maintains very close links with the Organization of the Islamic Conference. This takes place in the form of regular participation in the OIC summits and in the Islamic foreign ministers conferences. Moreover, the IDB takes follow-up actions, wherever relevant, on matters relating to the resolutions adopted at these meetings.

The Bank also has special ties with various OIC subsidiary organs, specialized institutions and affiliated organizations, especially with the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRTCIC), the Islamic Centre for Development of Trade (ICDT) and the Islamic Chamber of Commerce and Industry (ICCI). The co-operation between the Bank and these institutions involves collaboration in the areas of research, training, and information, participation in each other's meetings and conducting consultative meetings on the periphery of the annual meetings of the COMCEC and those of the foreign ministers of the OIC countries. Recently, it was proposed that the

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<sup>10</sup>IAIGC stands for the Inter-Arab Investment Guarantee Corporation.

IDB and the relevant OIC institutions could take part in and support the implementation of the 'Plan of Action', especially at the project stage. For this purpose, the fifth consultative meeting of the OIC institutions and the IDB was held at the IDB headquarters in January 2003. The meeting decided to form a working group within itself to finalize the preparations requested by the COMCEC on this subject.

**Co-operation at the COMCEC Level:** The Bank, under the auspices of the COMCEC, undertook and completed a number of studies that resulted in the development of some schemes for the IDB. The EFS (former LTTF), and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) are the outcome of these studies. The Bank regularly attends the annual meetings of the Follow-up Committee as well as of the ministerial meetings of the COMCEC. The IDB takes this opportunity to hold bilateral consultative meetings with the OIC institutions, namely the SESRTCIC, the ICDT and the ICCI.

**Co-operation at the COMSTECH Level:** The Bank maintains very close co-operation with the COMSTECH in respect of a series of projects aimed at enhancing scientific and technological development in the OIC member countries. One of these projects is the promotion of biotechnology research in the member countries. The project has vast implications, particularly in the agriculture sector. The M.Sc. Scholarship Programme meant for candidates from the LDMCs was launched in co-operation with the COMSTECH. Some other examples of the existing co-operation between the IDB and the COMSTECH include (i) state-of-the-art seminars presented by six inter-Islamic Networks on Science and Technology, (ii) sponsorship of the young researchers support programme for one year, (iii) science and technology expatriate national scheme, (iv) support to the science and technology centres of excellence in the member countries and (v) creation of a science and technology fund. The COMSTECH is also represented in the Bank's Advisory Panel for Science and Technology, which is composed of eminent Muslim scientists.

#### **4.2. Implementation of the Eighth Islamic Summit Resolution**

Pursuant to a resolution of the eighth Islamic summit conference, which endorsed the IDB document "Preparing the Ummah for the Twenty-First Century", task forces were established to work on the quantitative targets fixed in four priority areas: intra-trade, training, literacy and health. Below is a brief account on the activities accomplished in these priority areas.

In the area of intra-trade, the target was to increase it from the level of 10 per cent to 13 per cent in three years. In order to achieve this, the target for trade financing was set at US\$ 2 billion annually. To meet the yearly target of US\$ 2 billion, the IDB allocates each year over US\$ 1 billion for the ITFO programme with the remaining amount to be mobilized from the external sources. It was expected that the target would be met with

financing support from external sources under Two-Step Murabaha Financing (2SMF) from Islamic banks and other financial institutions and syndication financing mechanisms. During 1423H, for example, the IDB allocated US\$ 1.2 billion from its own resources for ITFO programme with the remaining amount of US\$ 800 million to be mobilized from external sources under 2SMF and syndication mechanisms. In order to achieve the fixed target for trade financing, the member countries also have a significant role to play.

The target for the area of training was an increase by 30 per cent in the number of people trained by various OIC institutions, including the IDB, in their respective fields of competence over three years. The task force on training is set to meet regularly to assess the training needs and seek the resources and facilities available for training within the Islamic world and outside. In this connection, a workshop on development indicators was held in Beirut, Lebanon in June 2002, in collaboration with the SESRTCIC, Ankara and ESCWA, Beirut. Similarly, a training course on digital communication technology was held in Dhaka, in December 2002 in collaboration with the Islamic University of Technology, Dhaka, Bangladesh.

The task force on health comprising five experts came up with seven different proposals. One of them was "Self-Reliance in Vaccine Production" for which the IDB approved a technical assistance grant of US\$5.6 million. The Vaccine Production Programme was intended to increase the supply of cost-effective and affordable vaccines and ultimately attain self-sufficiency in this area. This was to be implemented through an assessment of the requirements, production capacity and constraints, undertaking feasibility and market studies, and promoting inter-country trade in vaccines. By the end of 1423H, the Vaccine Production Programme had a utilization of US\$1.25 million for 4 technical assistance operations for each of Algeria, Egypt, Iran and Tunisia.

The objective of the Literacy Programme was to conduct illiteracy eradication caravans, training courses and workshops for specialists in illiteracy campaign. The Programme was also expected to build the capacity of the adult education centres, prepare the necessary curriculum and produce tailored TV programmes. Up to the end of 1423H, 11 technical assistance operations, involving an amount of US\$ 3.3 million, were approved under the Programme. These operations were in favour of 10 countries, namely Bangladesh, Chad, Djibouti, Gambia, Jordan, Mauritania, Morocco, Sierra Leone, Sudan and Yemen.

## **5. Other Institutions/Organizations**

### **5.1 Major Financing Institutions in Member Countries**

The Bank maintains special co-operation links with a number of Arab national and regional development financing institutions and the OPEC Fund for International

Development. These institutions and the IDB form together what is commonly known as the Arab Co-ordination Group. The Group comprises the following:

- ❖ Abu Dhabi Fund for Development
- ❖ Arab Bank for Economic Development in Africa
- ❖ Arab Fund for Economic and Social Development
- ❖ AGFUND<sup>11</sup>
- ❖ Kuwait Fund for Arab Economic Development
- ❖ OPEC Fund for International Development
- ❖ Saudi Fund for Development
- ❖ Islamic Development Bank.

The activities of the Arab Co-ordination Group mainly include discussion on co-financing projects, and enhancing mutual working relations among the OIC member countries. The meetings are held at two levels, one at the level of Directors of Operations twice a year and the other at the level of the heads of institutions. These meetings offer an opportunity for the institutions to improve their working relations, hold consultations on matters of common interest, discuss co-financing of projects, monitor the implementation of co-financed projects, organize joint missions, and exchange information and views on various financial issues like appraisal reports, financial plans, overdues, and information strategy. The contacts and consultations with these institutions have enabled the Bank to reinforce its catalytic role and co-ordinate its strategies for enhancing the effectiveness of its financing activities in the member countries. During the recent years, the Bank organized round table meetings with the Co-ordination Group for a number of its member countries in the CIS region to identify projects for co-financing by the members of the group.

In order to overcome the limitations encountered in co-financed operations, the Bank started to standardize its policies and procedures with those of other members of the Arab Co-ordination Group. So far, policies and procedures have been harmonized in five major areas namely, feasibility studies, appraisal, design and supervision, disbursement and procurement.

## **5.2. National Development Financing Institutions**

The Bank has developed a close working relationship with the national development financing institutions (NDFIs) in order to reach the private sector in the member countries, and also to contribute to the financing of small- and medium-scale industries. To this end, the Bank provides financing facilities in the form of lines of leasing,

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<sup>11</sup>AGFUND stands for the Arab Gulf Programme for United Nations Development Organizations.

lines of installment sale or combined lines. Provision of line of financing makes the Bank's operations cost-effective and extends their coverage to a large number of projects.

Every year, on the occasion of the annual meeting of the IDB Board of Governors, a meeting is held with the NDFIs. The meeting discusses the issues related to co-operation and co-ordination among the NDFIs, including operational relationship between them and the Bank and also technical assistance to them for capacity building. A number of efforts have been made to improve the IDB's operational relations with the NDFIs through greater utilization of the lines of finance. These efforts include provision of 'free limit' authorizing the NDFIs for approval of sub-projects up to 25 per cent of the overall approved amount of the lines, and providing additional remuneration to the NDFIs within a range of 3 - 5 per cent, on top of the IDB's mark-up. Since 1419H, the Bank started extending 'global' lines of financing to governments that, in turn, provide the lines to individual NDFIs and commercial banks. The Bank has also decided that an allocation may be made to a member country for extending a line of leasing/installment sale or Istisna' financing which will be utilized by a specific number of eligible NDFIs. Moreover, it has been decided to extend full delegation of authority to selected NDFIs in order to ensure a greater utilization of the lines of financing. Up to the end of 1423H, the Bank extended thirty-two lines of financing amounting to ID 278 million (US\$ 380 million).

The Bank also maintains close co-operation relationship with the Association of National Development Financing Institutions (ADFIMI), which currently has 48 member NDFIs and three associate members. The ADFIMI and its member NDFIs co-operate with the IDB in organizing capacity building training programmes, seminars and workshops for the staff members of the NDFIs.

### **5.3. Regional and Sub-Regional Organizations in Member Countries**

The constituency of the Bank occupies a vast geographical area spreading over four continents. This fact provides enormous opportunities for the member countries for making joint efforts to tap the huge potentials of the existing natural and human resources. Keeping this fact in view, the Bank maintains close co-operation with the regional/sub-regional organizations that have all or some of their members from the IDB constituency. The purpose of the Bank in maintaining relations with these organizations is to contribute to their efforts in realizing the common objectives. The Bank has signed memoranda of understanding (MOUs) with a number of these organizations which include the Arab Maghreb Union (AMU), the Economic Co-operation Organization (ECO), the Gulf Cooperation Council (GCC) and the Economic Community of West African States (ECOWAS). The purpose of these MOUs is to provide a general framework for and to facilitate co-operation between these organizations and the IDB for promoting economic and social development in the common member countries. The Bank also maintains close co-operation with the West African Economic and Monetary Union (UEMOA) and the

Common Market of Southern and Eastern Africa (COMESA) with the purpose of trade promotion, project identification, feasibility studies, technical co-operation, co-financing and exchange of information.

The Bank is a member of the tripartite committee consisting of the CILSS, the OIC, and the IDB. The committee is responsible for accelerating the implementation of the programme of the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS). The programme aims at combating the effects of chronic drought in the Sahel region. The Bank has already committed US\$ 20 million for this programme.

The Bank assumed the responsibility of managing the AL-Aqsa Fund and the Al-Quds Intifada Fund which were established by the Arab summit conference held in Rajab 1421H (October 2000). The funds with an amount of US\$1.0 billion were created to provide assistance to the people of Palestine. The funds aim to provide education and health care for needy families in Palestine as well as for cultural and other projects in support of the Palestinian economy. Up to the end of 1423H, US\$ 139.6 million was approved for 36 projects in various sectors and US\$ 315 million as a budgetary support.

The Bank recently organized a meeting of selected regional groupings to discuss the possibilities of promoting inter-regional co-operation among themselves. The participating experts agreed to develop a work programme for implementation. The AMU, the COMESA, the ECO, the ICCI, the League of Arab States and the UEMOA are participating in the initiative.

#### **5.4. Other Regional and International Organizations**

The IDB maintains close contacts with other multilateral financing institutions such as the World Bank, the IMF, the African Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development. The Bank is an active participant in the Debt Initiative for the Heavily Indebted Poor Countries (HIPC) adopted by the Multilateral Development Banks (MDBs).

The Bank also maintains special ties with the Food and Agricultural Organization (FAO), the International Fund for Agricultural Development (IFAD), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Educational, Scientific, and Cultural Organization (UNESCO), the United Nations Development Programme (UNDP), the World Trade Organization (WTO) and the World Health Organization (WHO). The form of co-operation maintained with these institutions/organizations ranges from project co-financing and programme co-ordination to exchange of information.

The Bank signed a memorandum of understanding (MOU) with the World Bank to strengthen its existing co-operation. The IDB Live Database, which became operational in 1423H, was set up in collaboration with the World Bank experts. Arrangement also has been made with the IMF for mutual collaboration in a number of areas including the sharing of statistical data. The Bank and the UNESCO have co-operation agreements in the area of education, especially for the benefit of the least developed member countries in Africa. With regard to co-financing, the Bank has been involved with the AsDB, the EBRD, the EIB, the FAO and the World Bank. The Bank also has working relation with the ITC and the UNDP.

## **VIII. GENERATION OF IDEAS**

Since the very beginning of its operations, the Bank has been aware of the need to keep abreast of the happenings taking place in the changing world, so far as it relates to the area of development financing. Consequently, the Bank has developed a process that involves organizing meetings of experts at various levels, preparation of research and policy papers and maintaining constant links with other multilateral financing institutions. These all generate ideas that enable the Bank to review its existing policies, formulate new ones and determine its future strategies in order to better meet the requirements of the member countries in development financing. In this respect, the annual symposium held on a regular basis and the efforts made in the area of publication deserve special mention.

### **1. IDB Annual Symposium**

Every year, the Bank organizes a symposium in conjunction with the annual meeting of its Board of Governors. The annual symposium, started in 1989, provides a forum for experts from the member countries to exchange views on issues of common interest and constitutes an opportunity for greater co-operation among them. Moreover, the discussions and recommendations of the symposium enable the Bank to review its existing policies and formulate new strategies for serving the member countries better. The topic discussed at each symposium is selected from areas of special interest to the member countries. The proceedings of every symposium is published and distributed among the member countries. The theme of each of the symposium, so far held, is listed in Box 2.

During the 27th annual meeting of the Board of Governors held in Ouagadougou, Burkina Faso, a special symposium was organized, in addition to the annual symposium on 'Women in Poverty Alleviation: Better Access to Education and Micro Finance'. The theme of the special symposium was "The New Partnership for African Development (NEPAD)". This symposium led to the adoption of the 'Declaration of IDB Group Co-operation with Africa'. The declaration reaffirmed the commitment of the IDB Group to accord special attention to the needs of its African member countries.

**Box 2**  
**IDB Annual Symposium**

- ❖ Agricultural Development and Food Security in OIC Member Countries, Rabat, Morocco, Rajab 1409H (February 1989).
- ❖ Counter-Trade Arrangements: Survey and Critical Review, Algiers, Algeria, Sha'ban 1410H (February 1990).
- ❖ Promotion of Joint Ventures Among OIC Member Countries, Cairo, Egypt, Dhul Qa'da 1411H (May 1991).
- ❖ Enhancing the Scientific and Technological Capabilities of OIC Member Countries, Tripoli, Libya, Sha'ban 1412H (February 1992).
- ❖ Promotion of Exports Among OIC Member Countries, Tehran, Iran, Jumad Awwal 1313H (November 1992).
- ❖ Obstacles and Opportunities for Investment in the Least Developed African IDB Member Countries, Banjul, The Gambia, Jumad Awwal 1414H (November 1993).
- ❖ Human Development in the Islamic World, Conakry, Guinea, Rajab 1417H (November 1996).
- ❖ Preparing the Ummah for the Twenty-First Century: Implications of The Uruguay Round Agreements and the World Trade Organization (WTO) for IDB Member Countries, Damascus, Syria, Rajab 1418H (November 1997).
- ❖ Preparing the Ummah for the Twenty-First Century: Promotion of Information Technology for Development, Cotonou, Republic of Benin, Rajab 1419H (November 1998).
- ❖ Preparing the Ummah for the Twenty-First Century: Enhancing Private Sector Participation in Physical Infrastructure in Member Countries, Jeddah, Saudi Arabia, Rajab 1420H (November 1999).
- ❖ Resource Mobilization from Capital Markets for Financing Development in IDB Member Countries, Beirut, Lebanon, Sha'ban 1421H (November 2000).
- ❖ Enhancing Productivity and Competitiveness in the IDB Member Countries, Algiers, Algeria, Sha'ban 1422H (October 2001).
- ❖ Women in Poverty Alleviation: Better Access to Education and Micro Finance, Ouagadougou, Burkina Faso, Sha'baan, 1423H (October 2002).

## 2. Publications

Some of the publications of the IDB Group come out regularly and some others mainly as the outcome of the special studies undertaken. The regular publications consist of the proceedings of the IDB annual symposium (already discussed), occasional papers prepared for circulation on the occasion of the annual meeting of the IDB Board of Governors and the research papers, studies, articles, etc. prepared by the IRTI.

**Occasional Papers:** The Bank started preparing occasional papers in 1419H with a view to studying the economic issues of general concern to the IDB as well as its member countries. The papers, which are prepared for distribution during the annual meeting of the Board of Governors, are also expected to provide critical assessment of various economic development issues, leading to meaningful conclusions and policy recommendations. The titles of the occasional papers, prepared so far, are given in Box 3.

### Box 3 Occasional Papers

1. Asian Financial Crisis: An Overview and Major Lessons for IDB Member Countries (1419H/1998)
2. Preparing the Ummah for the Twenty-First Century in the Area of Economic, Trade and Financial Co-operation among the OIC Member Countries (1419H/1998)
3. The Challenges of Poverty Alleviation in IDB Member Countries (1420H/1999)
4. Challenges Facing Islamic Banking ((1420H/1999)
5. Capacity Building for Promotion of Trade and Intra-Trade in IDB Member Countries (1421H/2000).
6. The Role of Financial Markets in Private Sector Development in IDB Member Countries (1421H/2000)
7. Regulation and Supervision of Islamic Banks (1421H/2000)
8. Exploring Trade Complementarities among the IDB Member Countries (1421H/2000)
9. Promotion of Investment Flows among IDB Member Countries (1422H/2001)
10. Survey of Risk Management Issues in Islamic Financial Industry (1422H/2001)
11. Resource Constraints in Financing Economic Development in IDB Member Countries (1423H/2002)
12. Challenges of the New WTO Agenda for IDB Member Countries (1423H/2002)
13. Corporate Governance in Islamic Financial Institutions (1423H/2002)
14. Grain Production in IDB Member Countries: Issues and Prospects (1424H/2003)

**IRTI Publications:** As mentioned earlier, one of the major areas of activities of the IRTI is undertaking research in the areas of economics, finance and banking. The studies and research works are undertaken with a view to assisting the Ummah in adopting/applying the principles of Islamic Shari'ah in these vital areas. The publications of the IRTI takes various forms namely, (i) research papers published as monographs, (ii) articles published in the IRTI journal *Islamic Economic Studies*, which appears in Arabic, English and French and (iii) the papers presented at seminars, workshops and conferences and later published in seminar proceedings, etc. The total number of titles published so far by the IRTI stands at 253. The list of these publications can be seen at [www.irti.org](http://www.irti.org)

## **IX. RECENT DEVELOPMENTS**

During about three decades of its establishment, the Bank has experienced significant growth, with an expanded scope of work and addition to the variety of its products and services. While this growth enabled it to offer more and better services to its member countries as well as to the Muslim communities in non-member countries, it also created for the Bank a number of challenges. The new challenges together with the growth of the Bank into a group necessitated the re-examination of its future orientation and the strategic operational framework. After intensive consultations with the stakeholders, the Bank has developed a common vision and mission and strategic framework for the IDB Group. The strategic objectives and priority areas have been identified and a strategy developed, which includes, among others, a mechanism for the implementation and monitoring of the annual strategic plans.

In the context of organizational structure, some changes have been made recently. An IDB Group Management Committee was established to review and co-ordinate the general policies, strategies, plans and programmes of the components of the IDB Group. Similarly, a Knowledge Management and Distance Learning Steering Committee was established to advise on policies to promote knowledge exchange within the IDB Group, and recommend incentives for the staff to participate in knowledge exchange. The Vice Presidency (F&A) was renamed as Vice Presidency (Corporate Resources and Services) to emphasize the management of the group resources and services. Similarly, the Operations & Projects Departments have been reorganized and renamed as Country Operations Departments (COD). Moreover, in line with the high priority accorded by the Bank to science and technology, a new office named, Science and Technology Office, was established in 2002.

In the area of developing information technology infrastructure in the Bank, a project namely, the Information Strategy Plan (ISP), is in the process of implementation. The project which is expected to be completed in 2003, aims at building a new IT environment that could enhance the capacity of the IDB Group in achieving its objectives. In a related area, the Bank established a 'Distance Learning Center' at its headquarters. The

center is equipped with state-of-art technology and equipment to allow twenty-two participants in distance learning courses. The classroom is linked to the Global Development Learning Network (GDLN) of the World Bank Group to access the courses provided by the World Bank Institute as well as the other distance learning institutes. The purpose of the classroom is to provide a cost-effective facility to the IDB staff to benefit from a wide range of training opportunities.

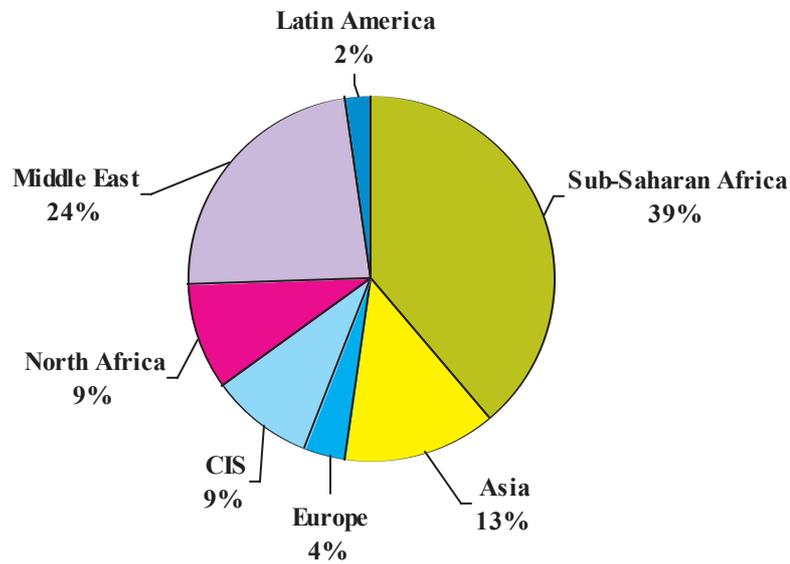
The IDB Live Database (ILDB), set up recently in the Bank, is expected to enhance the IDB's internal capacity to remain up-to-date about the economic and financial trends in the member countries. The ILDB provides a systematic method to store and maintain information on key economic, financial, and socio-demographic statistics on the member countries as well as on selected regional and economic groups. Another recent development is the institution of the IDB prizes for science and technology, which started in 2002. There are three prizes awarded every year to institutions for outstanding achievements in the specified areas relevant to science and technology.

As indicated earlier, the Governors of the IDB, on the occasion of the 27th annual meeting, held in Ouagadougou, Burkina Faso, adopted the 'IDB Group Declaration on Cooperation with Africa'. The declaration supported the NEPAD Initiative of the African Union and reaffirmed the commitment of the IDB Group to accord specific attention to the African LDMCs.

The Bank, within the availability of limited resources, is fully endeavoring to assist the member countries to meet the emerging challenges of economic development and social progress. In this regard, the Bank also participates in various international efforts, through joint collaboration and initiatives, with the multilateral development institutions. However, the success of these efforts will, to a large extent, depend on the co-operation extended to the Bank by its member countries.

# **ANNEXES**

**Annex 1**  
**Regional Distribution of IDB Member Countries**



\*Asia: Afghanistan, Bangladesh, Brunei, Indonesia, Maldives, Malaysia, and Pakistan  
CIS: Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, and Turkmenistan  
Europe: Albania and Turkey  
Latin America: Suriname  
Middle-East: Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, UAE, and Yemen  
North Africa: Algeria, Egypt, Libya, Morocco and Tunisia  
Sub-Saharan Africa: Benin, Burkina-Faso, Chad, Cameroon, Comoros, Cote d'Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, Senegal, Sierra-Leone, Somalia, Sudan, Togo and Uganda

### Annex-2: Member Countries with Subscribed Capital and Membership Date

	Country	Total Subscription	Membership Date		
			Percentage	Hijrah	Gregarian
1.	Afghanistan	5.00	0.07	26/10/1396H	(20/10/1986)
2.	Albania	2.50	0.03	04/03/1414H	(21/08/1994)
3.	Algeria	124.26	1.72	24/07/1394H	(12/08/1974)
4.	Azerbaijan	9.76	0.13	04/01/1413H	(04/07/1992)
5.	Bahrain	13.89	0.19	06/10/1394H	(21/10/1974)
6.	Bangladesh	97.82	1.35	24/07/1394H	(12/08/1974)
7.	Benin	9.76	0.13	01/06/1404H	(03/03/1984)
8.	Brunei	24.63	0.34	24/07/1406H	(03/04/1986)
9.	Burkina Faso	24.63	0.34	06/04/1398H	(15/03/1978)
10.	Cameroon	24.63	0.34	09/04/1397H	(28/03/1977)
11.	Chad	9.76	0.13	06/04/1397H	(26/03/1977)
12.	Comoros	2.50	0.03	24/04/1400H	(11/03/1980)
13.	Cote d'Ivoire	2.50	0.03	29/04/1423H	(10/07/2002)
14.	Djibouti	2.50	0.03	24/04/1400H	(11/03/1980)
15.	Egypt	686.84	9.48	24/07/1394H	(12/08/1974)
16.	Gabon	14.77	0.20	27/04/1401H	(03/03/1981)
17.	Gambia	4.96	0.07	24/04/1400H	(11/03/1980)
18.	Guinea	24.63	0.34	24/07/1394H	(12/08/1974)
19.	Guinea-Bissau	4.96	0.07	16/12/1398H	(16/11/1978)
20.	Indonesia	124.26	1.72	24/07/1394H	(12/08/1974)
21.	Iran	694.51	9.59	16/07/1409H	(22/02/1989)
22.	Iraq	13.05	0.18	19/10/1398H	(23/09/1978)
23.	Jordan	39.47	0.55	24/07/1394H	(12/08/1974)
24.	Kazakhstan	4.96	0.07	08/07/1416H	(30/11/1995)
25.	Kuwait	496.64	6.86	24/07/1394H	(12/08/1974)
26.	Kyrgyz	2.50	0.03	19/05/1414H	(03/11/1993)
27.	Lebanon	9.76	0.13	09/04/1397H	(28/03/1977)
28.	Libya	793.79	10.96	06/08/1394H	(24/08/1974)
29.	Malaysia	157.89	2.18	24/07/1394H	(12/08/1974)
30.	Maldives	2.50	0.03	24/04/1400H	(11/03/1980)
31.	Mali	9.76	0.13	06/04/1398H	(15/03/1978)
32.	Mauritania	9.76	0.13	24/07/1394H	(12/08/1974)
33.	Morocco	49.24	0.68	24/07/1394H	(12/08/1974)
34.	Mozambique	4.96	0.07	08/07/1416H	(30/11/1995)
35.	Niger	12.41	0.17	24/07/1394H	(12/08/1974)
36.	Oman	27.35	0.38	24/07/1394H	(12/08/1974)
37.	Pakistan	246.59	3.41	24/07/1394H	(12/08/1974)
38.	Palestine	9.85	0.14	07/07/1397H	(23/06/1977)
39.	Qatar	97.70	1.35	24/07/1394H	(12/08/1974)
40.	Saudi Arabia	1,978.87	27.33	24/07/1394H	(12/08/1974)
41.	Senegal	24.65	0.34	28/11/1396H	(20/11/1976)
42.	Sierra Leone	2.50	0.03	01/08/1420H	(24/05/1982)
43.	Somalia	2.50	0.03	24/07/1394H	(12/08/1974)
44.	Sudan	39.07	0.54	24/07/1394H	(12/08/1974)
45.	Suriname	4.96	0.07	02/01/1418H	(08/05/1997)
46.	Syria	9.92	0.14	04/09/1395H	(09/09/1975)
47.	Tajikistan	4.96	0.07	16/07/1417H	(27/11/1996)
48.	Togo	4.96	0.07	29/07/1419H	(18/11/1998)
49.	Tunisia	19.55	0.27	24/07/1394H	(12/08/1974)
50.	Turkey	626.05	8.65	24/07/1394H	(12/08/1974)
51.	Turkmenistan	2.50	0.03	26/06/1415H	(15/11/1994)
52.	Uganda	12.41	0.17	09/04/1397H	(28/03/1977)
53.	UAE	561.67	7.76	24/07/1394H	(12/08/1974)
54.	Yemen Rep.	49.24	0.68	19/07/1395H	(28/07/1975)

<b>Annex 3</b>									
<b>Total Approvals by Country and Type of Operations</b>									
<b>(Amount in million)</b>									
Country		Total Ordinary Operations		Trade Financing Operations		Waqf Fund Operations		Grand Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
Afghanistan	ID					16	7.34	16	7.34
	US\$						9.76		9.76
Albania	ID	14	42.65			2	0.96	18	43.61
	US\$		58.45				1.3		59.74
Algeria	ID	47	423.08	191	1,488.85	7	2.91	245	1,914.84
	US\$		557.6		1,881.40		3.85		2,442.85
Azerbaijan	ID	14	54.7			4	1.51	18	56.21
	US\$		74.67				1.99		76.66
Bahrain	ID	47	287.49	10	89.51			57	377.00
	US\$		379.22		118.00				497.22
Bangladesh	ID	49	242.68	92	1,407.71	9	29.36	150	1,678.80
	US\$		319.57		1,767.26		35.05		2,121.88
Benin	ID	30	77.12	4	16.52	1	1.29	35	94.93
	US\$		100.67		20.00		1.4		122.08
Brunei	ID	3	35.75					3	35.75
	US\$		45.17						45.17
Burkina Faso	ID	45	137.26	2	8.61	8	8.13	55	154.00
	US\$		179.26		11.26		8.64		199.15
Cameroon	ID	24	101.47			3	1.34	27	102.82
	US\$		129.89				1.74		131.63
Chad	ID	34	64.21			10	9.86	44	74.07
	US\$		83.53				10.75		94.27
Comoros	ID	11	17.22	3	5.93	2	0.73	16	23.87
	US\$		22.11		7.50		0.88		30.49
Cote d'Ivoire	ID	1	6.31			6	0.95	7	7.26
	US\$		8.20				1.25		9.45
Djibouti	ID	19	22.09			8	1.42	27	23.51
	US\$		27.89				1.87		29.76
Egypt	ID	41	446.65	86	744.83	3	0.93	130	1,192.41
	US\$		603.53		976.46		1.2		1,581.19
Gabon	ID	15	84.48					15	84.48
	US\$		110.63						110.63
Gambia	ID	28	40.91	7	11.87	4	1.65	39	54.44
	US\$		53.94		14.04		1.83		69.82
Guinea	ID	53	146.17	6	37.93	5	5.99	64	197.08
	US\$		173.62		48.80		7.59		254.55
Guinea Bissau	ID	9	4	2	11.59	3	1.12	14	16.70
	US\$		4.75		15.00		1.25		21.00

**Annex 3**  
**Total Approvals by Country and Type of Operations (Continued)**

(Amount in million)

Country		Total Ordinary Operations		Trade Financing Operations		Waqf Fund Operations		Grand Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
Indonesia	ID	47	310.15	20	426.27	1	0.16	68	736.58
	US\$		423.15		571.00		0.22		994.36
Iran	ID	21	281.34	62	566.52	4	9.16	87	857.01
	US\$		379.21		754.05		12		1,145.26
Iraq	ID	18	132.02	44	325.83	5	2.02	67	459.87
	US\$		172.38		378.77		2.65		553.80
Jordan	ID	54	381.745	59	571.43	1	0.2	114	953.37
	US\$		501.6		685.53		0.25		1,187.38
Kazakhstan	ID	12	51.02	2	6.05	4	0.58	18	57.65
	US\$		68.65		8.00		0.79		77.44
Kuwait	ID	15	124.42	8	108.40	4	6.47	27	239.29
	US\$		171.78		143.48		7.51		322.77
Kyrgyz Rep.	ID	12	38.13			3	1.05	15	39.17
	US\$		52.87				1.47		54.34
Lebanon	ID	36	341.09	11	109.57	17	5.26	64	455.92
	US\$		458.74		145.77		7.29		611.80
Libya	ID	16	245.13	11	235.22	2	2.9	29	483.25
	US\$		321.34	-	306.66		3.75		631.75
Malaysia	ID	27	374.32	39	151.01	5	8.81	71	534.13
	US\$		487.1		204.49		11.45		703.05
Maldives	ID	19	33.62					20	36.72
	US\$		44.82						48.83
Mali	ID	47	126.44	1	6.11	6	13.32	54	145.87
	US\$		162.14		7.97		14.28		184.38
Mauritania	ID	48	113.17	3	20.42	5	9.08	56	142.66
	US\$		143.4		24.50		10.17		178.06
Morocco	ID	42	279.01	102	1,040.31	3	1.04	148	1,370.27
	US\$		360.95		1,336.56		1.3		1,763.81
Mozambique	ID	12	41.53			2	1.52	17	43.30
	US\$		56.64				1.9		58.86
Niger	ID	34	59.43	12	85.99	11	7.57	59	156.12
	US\$		70.69		104.35		8.47		187.61
Oman	ID	35	359.25	2	3.65	2	0.38	40	392.20
	US\$		468.36		5.00		0.5		510.86
Pakistan	ID	48	354.38	200	2,931.34	8	7.97	274	3,655.71
	US\$		470.51		3,849.54		10.58		4,845.02
Palestine	ID	19	29.74			34	37.77	55	68.58
	US\$		40.14				48.34		89.87

**Annex 3**  
**Total Approvals by Country and Type of Operations (Continued)**

(Amount in million)

Country		Total Ordinary Operations		Trade Financing Operations		Waqf Fund Operations		Grand Total	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
Qatar	ID	12	113.76	1	3.86			13	117.62
	US\$		155.9		5.00				160.89
Saudi Arabia	ID	28	196.08	50	305.91	2	0.11	90	634.76
	US\$		261.52		408.89		0.13		837.16
Senegal	ID	48	167.94	6	53.96	6	12.67	66	257.44
	US\$		214.43		68.50		13.94		326.87
Sierra Leone	ID	23	28.65			3	2.35	26	31.03
	US\$		35.5				2.97		38.49
Somalia	ID	12	21.54	4	36.06	13	4.52	31	61.98
	US\$		26.76		46.20		5.94		78.75
Sudan	ID	51	206.9	17	130.80	15	20.51	82	355.95
	US\$		272.22		170.03		23.64		463.86
Suriname	ID	2	3.61	1	7.39	3	0.15	5	11.13
	US\$		5.03		10.00		0.22		15.22
Syria	ID	25	233.24	11	84.35	1	0.2	37	317.78
	US\$		305.29		92.79		0.25		398.33
Tajikistan	ID	16	47.52			3	0.25	20	47.96
	US\$		62.22				0.33		63.81
Togo	ID	8	27.81			2	1.37	10	29.17
	US\$		37.15				1.7		38.84
Tunisia	ID	48	287.06	120	507.81	4	3.27	192	930.33
	US\$		365.29		652.20		4.2		1,194.01
Turkey	ID	81	577.71	224	1,752.53	7	17.87	338	2,596.62
			741.26		2,282.85		21.51		3,359.91
Turkmenistan	ID	8	5.93			2	0.23	10	55.17
	US\$		73.75				0.33		74.08
U.A.E.	ID	20	73.42	2	2.85			34	205.18
	US\$		96.05		3.70				264.55
Uganda	ID	13	32.19	5	11.31	4	1.97	23	46.19
			40		13.89		2.42		57.31
Yemen Rep.	ID	45	132.7	37	345.04	9	7.95	89	484.71
	US\$		167.79		409.62		9.22		585.86
Regional	ID	52	35.05			65	20.65	129	60.46
	US\$		47.92				27.36		81.58
Special Programme	ID	4	62.46	1	14.84			5	77.31
	US\$		85		20.00				105.00
Non-Member Countries	ID	4	9.17			515	140.05	616	156.50
	US\$		12.52				171.54		201.81
	<b>ID</b>	<b>1,546</b>	<b>8,228.45</b>	<b>1,559</b>	<b>14,783.10</b>	<b>972</b>	<b>432.5</b>	<b>4,077</b>	<b>23,444.05</b>
	<b>US\$</b>		<b>10,818.22</b>		<b>19,044.37</b>		<b>540.21</b>		<b>30,402.81</b>