



ISLAMIC DEVELOPMENT BANK

# Annual Report 1436H (2015)

## DIGEST

AN ESSENTIAL GUIDE TO  
1436H ANNUAL REPORT

TOGETHER WE BUILD A BETTER FUTURE



## CORPORATE PROFILE OF THE ISLAMIC DEVELOPMENT BANK

### ESTABLISHMENT

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

### VISION

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

### MISSION

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

### MEMBERSHIP

The IDB has 56 member countries across various regions. The prime conditions for membership are that the prospective country should be a member of the Organization of the Islamic Cooperation (OIC), that it pays the first instalment of its minimum subscription to the Capital Stock of IDB, and that it accepts any terms and conditions that may be decided upon by the Board of Governors.

### CAPITAL

At its 38th Annual Meeting, the IDB's Board of Governors approved the 5th General Capital Increase whereby the Authorized Capital was increased to ID100 billion and the Subscribed Capital (available for subscription) was increased to ID50 billion. By the same Resolution, the Board of Governors agreed to the calling in of the callable (in cash) portion of the 4th General Capital Increase. As at the end of 1436H, the subscribed capital of the IDB stood at ID49.92 billion.

### ISLAMIC DEVELOPMENT BANK GROUP

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

### HEAD OFFICE, REGIONAL AND COUNTRY OFFICES

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

### FINANCIAL YEAR

The IDB's financial year used to be the lunar Hijra Year (H). However, starting from 1 January 2016, the financial year will be Solar Hijra year starting from 11th of Capicorn, (corresponding to 1 January) and ends on the 10th Capicorn (corresponding to 31 December of every year).

### ACCOUNTING UNIT

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

### LANGUAGE

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

## MESSAGE FROM THE PRESIDENT



The past year 1436H (2015) was described as the busiest for the international community. Several international agreements were reached on the major development agenda: financing for development, sustainable development goals, climate change, and trade deals. Each of these agreements constitutes a turning point on global efforts to transform the development landscape. Developing an action plan to move them forward as well as mainstreaming them into the development plan and strategies of countries remains one of the biggest challenges facing the international community.

In 1436H (2015), member countries continued to face major challenges with commodity prices volatility (especially oil), pandemic disease (Ebola, MERS and now Zika), refugee and internally displaced people crisis putting pressure on neighboring countries and Europe, increased terrorism reversing development progress made over time, conflicts with loss of lives, and widespread youth unemployment which creates instability and heightens security concerns.

These challenges create a disproportionate effect on many member countries depending on their socio-economic fundamentals. In particular, declining oil prices are forcing oil-exporting countries to cut back on government spending, which may have negative impact on diversifying their economies.

Within the limits of its resources, the IDB has contributed to assisting a number of member countries to address some of these challenges, through its development assistance instruments.

In this regard, and notwithstanding the difficult external environment in which it operated in 1436H (2015), the IDB Group's net approvals grew by 13 percent to reach \$12.1 billion in 1436H from \$10.7 billion in 1435H. A detailed analysis of the IDB's financing in member countries is presented in Chapter 2 of this report.

During the year under review, the IDB strengthened its cooperation with various institutions and philanthropic organizations, culminating in the signing of an historic strategic partnership framework (SPF) with the World Bank Group as well as establishing with the Bill & Melinda Gates Foundation the *Lives and Livelihoods Fund* to address poverty and health-related challenges in IDB member countries. These partnerships will scale up the IDB resource mobilization efforts in order to complement its own funds.

As Islamic finance continues to grow and spread all over the world, the international community should further enhance its role in the global financial architecture. By doing so, it will make a positive contribution to solving the successive financial crises, rallying the support of everyone to combat poverty and making the world a safer and more prosperous place to be for future generations.

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

TOGETHER WE BUILD A BETTER FUTURE



## IDB Group in Focus

2015 was another challenging year for the global economy as well as the economies of the member countries with various factors slowing down growth. These factors included volatile commodity prices; a disappointing performance from emerging economies; divergent monetary policies of major economies; geopolitical risks in the Middle East and North Africa; emerging climate risk; and enduring unemployment among young people.

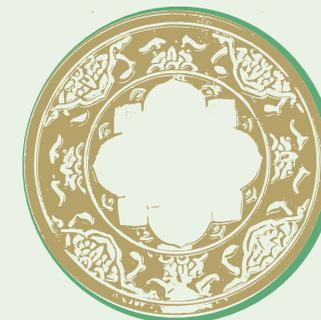
The IDB Group increased the volume of its operations in 1436H (2015) in order to help its member countries reduce the impact of the external shocks on their economies and respond to their priority development needs.



**ID157.7**  
MILLION  
OCR NET INCOME 1436H

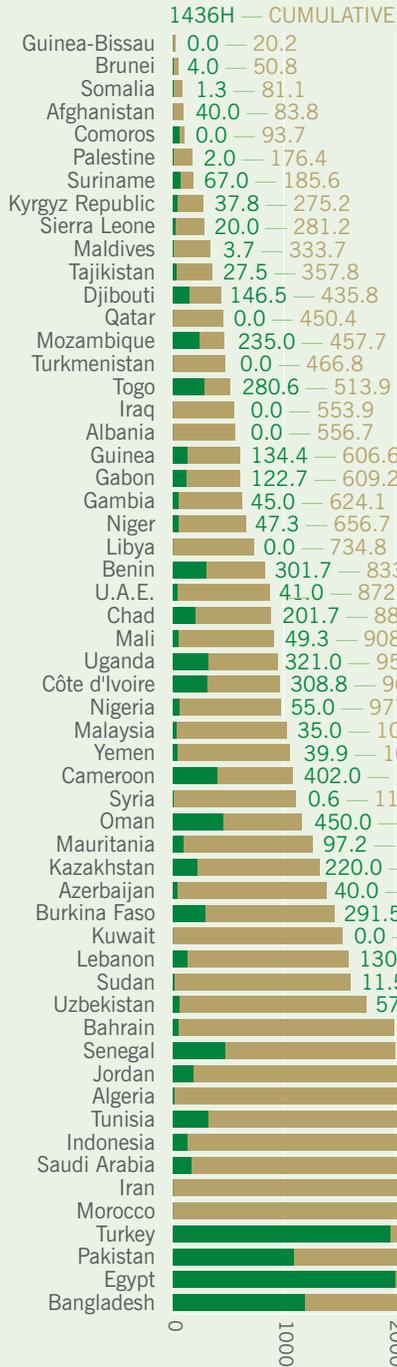
THE IDB GROUP INCREASED  
THE VOLUME OF ITS OPERATIONS  
IN 1436H (2015) BY

**13%** TO  
**ID8.5 BILLION**  
FROM ID7 BILLION (\$10.7 BILLION)  
IN 1435H



**\$6.9**  
BILLION  
DISBURSED BY  
IDB GROUP IN 1436H

# 1436H IN NUMBERS



THE PRESENT MEMBERSHIP OF THE BANK CONSISTS OF **56 COUNTRIES** WHICH FALL WITHIN FOUR IDB REGIONAL GROUPINGS

- MENA
- ASIA
- SSA
- CIS

MIDDLE EAST AND NORTH AFRICA MEMBER COUNTRIES (MENA) **ID3.4 BILLION** (\$4.9 BILLION)

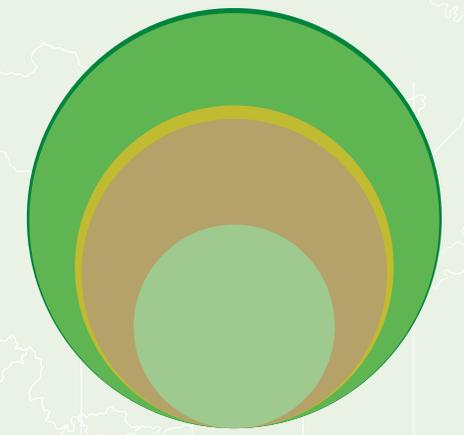
COMMONWEALTH OF INDEPENDENT STATES (CIS) **ID10.9 MILLION** (\$307.8 MILLION)

SUB-SAHARAN AFRICA (SSA) **ID2.5 BILLION** (\$3.5 BILLION)

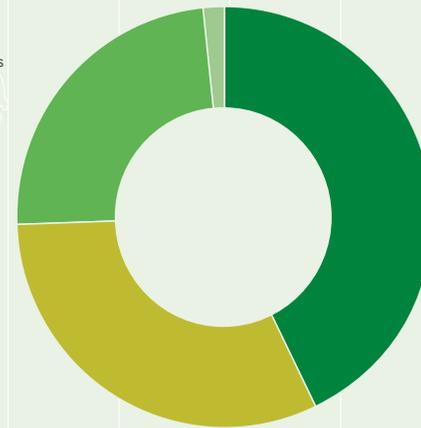
TOTAL IDB GROUP NET APPROVALS **\$12.1 BILLION**

CUMULATIVE IDB GROUP NET APPROVALS (1396H-1436H)\* **\$113.6 BILLION**

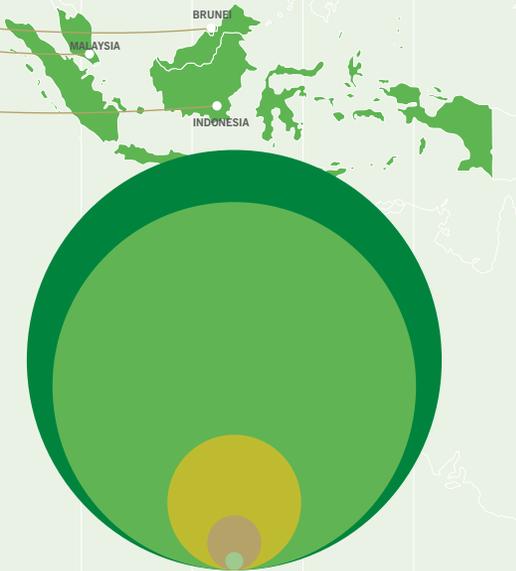
BY COUNTRY, THE TOP FIVE RECIPIENTS OF IDB GROUP FINANCING IN 1436H



ASIAN MEMBER COUNTRIES (ASIA) **ID1.9 BILLION** (\$2.6 BILLION)



REGIONAL LEVEL ALLOCATION IN 1436H



GROUP MEMBERS SHARE IN TOTAL APPROVALS

\* Cut-off date for data reported in this table was 30 Dhul-Hijja 1436H (13 October 2015). This amount excludes ICIEC's insurance commitments of ID18.4 billion (\$27.6 billion) and business insurance operations of ID18.3 billion (\$27.5 billion).

Source: IDB.



## MAJOR INITIATIVES IN 1436H

RESOLUTION BG/4-436 APPROVES THE PROPOSAL TO CHANGE, FOR REPORTING PURPOSES ONLY, THE START AND THE END OF THE IDB GROUP FINANCIAL YEAR TO A SOLAR HIJRI CALENDAR (ABBREVIATED AS SH) WHILST MAINTAINING THE LUNAR HIJRI AS THE OFFICIAL CALENDAR OF THE BANK.

IN 1436H, THE IDB ESTABLISHED A HIGH-LEVEL ADVISORY PANEL OF

**13** EMINENT PERSONALITIES

TO PROVIDE EXTERNAL, INDEPENDENT AND OBJECTIVE PERSPECTIVES ON THE KEY DEVELOPMENT CHALLENGES FACING MEMBER COUNTRIES

**\$500** MILLION

GRANT FACILITY KNOWN AS THE LIVES & LIVELIHOODS FUND (LLF) FORMERLY LAUNCHED BY IDB AND THE BILL & MELINDA GATES FOUNDATION

**“The President Delivery Unit helps top management to focus on critical issues and ensures accountability for the delivery of results”**



**22%**

ICIEC'S BUSINESS INSURED INCREASED BY 22 PERCENT TO ID3.7 BILLION (\$5.3 BILLION) FROM ID2.9 BILLION (\$4.3 BILLION) IN 1435H

**\$2.7** BILLION

THE LEVEL OF CONTRIBUTIONS TO THE ISFD REACHED \$2.7 BILLION, OF WHICH 44 MEMBER COUNTRIES PLEDGED \$1.7 BILLION AND THE IDB \$1 BILLION

**\$76.4** MILLION

THE CURRENT CAPITAL OF THE AWQAF PROPERTIES INVESTMENT FUND (APIF), FUNDED BY 15 PARTICIPANTS, WHICH ARE MAINLY AWQAF ORGANIZATIONS AND ISLAMIC BANKS INCLUDING IDB



## Fostering Inclusive and Sustainable Development

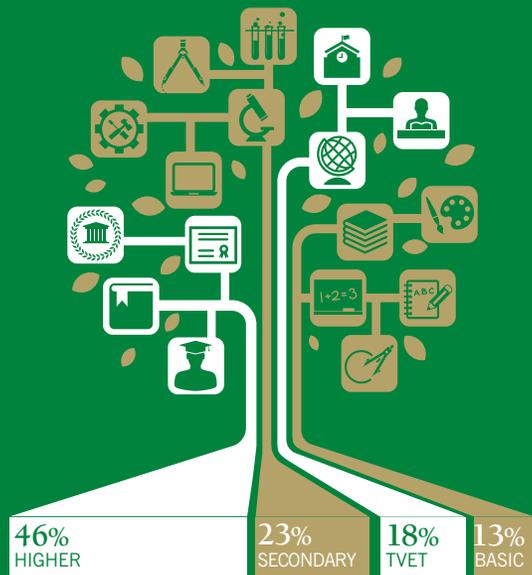
The Bank provides loans and grants to foster socio-economic development of its member countries. The activities of the Bank related to its ordinary capital resources, its capacity-building programs, co-financing, partnership, co-operation arrangements and contribution to Islamic financial services industry are analyzed.

<b>AGRICULTURE</b> <b>8.5%</b> <b>31</b> AGRICULTURE PROJECTS WERE APPROVED FOR <b>ID290 MILLION</b> (\$419 MILLION) IN 13 MEMBER COUNTRIES	<b>EDUCATION</b> <b>6.9%</b> <b>17</b> OPERATIONS APPROVED FOR <b>ID239.4 MILLION</b> (\$339.2 MILLION IN 8 MEMBER COUNTRIES)	<b>HIGHER EDUCATION DEVELOPMENT PROJECT IN BENIN ACCOUNTED FOR 45% OF THE YEAR'S TOTAL APPROVAL</b>	<b>OTHER</b> <b>2.1%</b> <b>HEALTH</b> <b>4.0%</b> <b>12</b> OPERATIONS APPROVED FOR <b>ID138.6 MILLION</b> (\$198.3 MILLION) IN 6 MEMBER COUNTRIES
<b>ENERGY</b> <b>29%</b> <b>20</b> ENERGY OPERATIONS TOTALING <b>ID770 MILLION</b> (\$1.1 BILLION) WERE APPROVED FOR <b>12</b> MEMBER COUNTRIES	<b>WATER, SANITATION AND URBAN DEVELOPMENT</b> <b>10%</b> <b>6</b> URBAN DEVELOPMENT OPERATIONS WERE APPROVED FOR <b>\$368 MILLION</b> FOR BANGLADESH, BURKINA FASO, SENEGAL AND UZBEKISTAN	<b>PPP</b> <b>11%</b> PUBLIC-PRIVATE PARTNERSHIP PROJECTS MORE THAN DOUBLED TO <b>ID505 MILLION</b> (\$740 MILLION) FROM ID220 MILLION (\$336 MILLION) IN THE PREVIOUS YEAR	<b>INDUSTRY</b> <b>4%</b> <b>1</b> OPERATION APPROVED FOR <b>ID65 MILLION</b> (\$100 MILLION) IN 1 MEMBER COUNTRY
<b>INFRASTRUCTURE</b>			
<b>TRANSPORT</b> <b>46%</b> <b>19</b> TRANSPORT PROJECTS WERE APPROVED FOR <b>ID1.2 BILLION</b> (\$1.6 BILLION) IN 12 MEMBER COUNTRIES	<b>78.4%</b>		



TOTAL INVESTMENT IN EDUCATION IN MEMBER COUNTRIES REACHED

**ID2.5** BILLION  
(\$3.5 BILLION)



PERCENTAGE OF EDUCATION APPROVALS

THE IDB'S TOTAL APPROVALS IN HEALTH SECTOR SINCE INCEPTION REACHED

**258** OPERATIONS TOTALING  
**ID1.6** BILLION  
(\$2.4 BILLION)



AT IDB **80%** OF THE REQUESTS FOR FINANCING RECEIVED FROM MEMBER COUNTRIES ARE IN INFRASTRUCTURE SECTORS



“In 1436H, IDB and DFID formally joined forces to support women entrepreneurship through the Arab Women’s Enterprise Fund (AWEF)”

### TECHNICAL SUPPORT PROGRAMME

The Bank provides technical assistance for creating an enabling environment in support of the development of Islamic finance sector for both member and non-member countries. Such assistance facilitates the development of legislation, regulations, Sharia governance mechanism, and supervisory framework for various Islamic finance industry segments including Islamic banks, Islamic Capital Market and Takaful. In addition, assistance is also granted to recipient countries for formulating and implementing a high-level strategy for Islamic finance sector development.

In 1436H, the Bank approved five technical assistance projects to both new and existing Islamic finance jurisdictions to enhance the infrastructure support and also build their capacity. In addition to the new TA approvals, the Bank was actively involved in

the implementation of previously approved TA projects that were at various stages of completion. Table 2.2 presents the TA activities in 1436H.



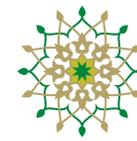
TABLE 2.2 TA APPROVALS UNDER TECHNICAL SUPPORT PROGRAM (1436H)

S. No.	Country	Executing Agency	Objective
1	Afghanistan	Da Afghanistan Bank	Assist Da Afghanistan Bank to develop regulatory and supervisory framework for Islamic banking
2	Gambia	The Central Bank of Gambia	Assist the Central Bank of the Gambia to develop Islamic Microfinance Guidelines.
		Arab Gambian Islamic Bank	Assist the Arab Gambian Islamic Bank to develop new Islamic Banking products and services.
3	Mozambique	Bank of Mozambique	Assist the Bank of Mozambique in enhancing capacity for development of Participative Banking
4	Tajikistan	National Bank of Tajikistan	Assist the National Bank of Tajikistan to develop a regulatory framework for Islamic banking
5	Uganda	Bank of Uganda	Assist Bank of Uganda to develop a regulatory framework for Islamic banking



### BOX 2.9 EBOLA VIRUS DISEASE (EVD) EPIDEMIC CONTROL: LESSONS LEARNED

In co-operation with the Ministry of Health of Mozambique, the Bank organized a seminar on the sidelines of its 40th Annual Meeting in Maputo (8-12 June 2015) on the lessons learnt from the Ebola virus disease (EVD) epidemic control. It aimed at drawing lessons from EVD epidemic control efforts by bringing together representatives of the affected and potentially-at-risk countries with the main players on the ground (Médecins Sans Frontières (MSF) and donors). The Seminar highlighted the importance of continued joint support with development partners for the basic development endeavors at district level in target countries with emphasis on water, primary health care services and health promotion and education to facilitate early warning and outbreaks response operations.



## Strengthening Institutional Effectiveness

The activities of the IDB Board of Governors and the Board of Executive Directors as well as a brief on the progress of activities related to Bank Group's evaluation, risk management, internal audit and integrity functions are presented. In addition, an update on the new Ten Year Strategy, Group Business Enhancements and System Transformation Program (GBEST), knowledge management and innovation activities, and changes and improvements made in human resources to hire and retain staff as well as enhancement of work environment are covered.

### OPEN 24/7 AND 365 DAYS A YEAR

THE IDB GROUP SPEAK UP HOTLINE IS OPERATED BY MULTILINGUAL INTERVIEW SPECIALISTS IN OVER 175 LANGUAGES



THE BOARD OF EXECUTIVE DIRECTORS HELD

**7** MEETINGS WHILE ITS STANDING COMMITTEES HAD  
**20** MEETINGS  
**65** PROJECTS WERE APPROVED AND  
**135** RESOLUTIONS ON FINANCING AND POLICY MATTERS WERE ADOPTED

**26** ORDINARY PROJECTS WERE POST-EVALUATED:  
**23** PROJECTS FINANCED FROM THE ORDINARY CAPITAL RESOURCES  
**2** PROJECTS BY ICD  
**1** PROJECT BY APIF



AT THE END OF 1436H, THE TOTAL STAFF OF IDB GROUP REACHED

**1,192**

COMPRISING

**9** MANAGEMENT PROFESSIONALS  
**56** DIRECTORS **137** PARA-PROFESSIONALS  
**66** MANAGERS **221** SUPPORT STAFF

THE IDB GROUP PRESIDENT LAUNCHED THE IDB GROUP ENHANCING WORK ENVIRONMENT (EWE) INITIATIVE

**DIAGNOSIS**

REVIEW OF ALL ASSESSMENTS CONDUCTED OVER THE LAST

**5-7**  
YEARS



**1 TO 1**  
INTERVIEWS



**VALIDATION**

THE FINDINGS WERE PRESENTED AT

**3**  
FORUMS

GROUP MANAGEMENT COMMITTEE MEETING

IDB GROUP COORDINATION FORUM

A STAFF TOWN HALL

**SOLUTIONS**

AN EWE SOLUTIONS WORKSHOP WAS ORGANISED WITH

**70**  
PARTICIPANTS

THE PROPOSALS RECEIVED WERE SYNTHESIZED INTO

**50**  
ACTIONABLE SOLUTIONS FOR MANAGEMENT CONSIDERATION

**21**  
APPROVED FOR IMMEDIATE IMPLEMENTATION

**20**  
CONCEPTUALLY CLEARED FOR DEVELOPMENT

**OUTCOME PRESENTED TO ALL STAFF LED BY THE PRESIDENT OF IDB**



“Completed projects in the transport sector have added 204 km to the road network in various parts of the Lebanon”

**\$1,390**  
MILLION

HAS BEEN APPROVED BY IDB GROUP SINCE 1980 FOR 139 OPERATIONS IN LEBANON IN FOUR KEY SECTORS – WATER AND SANITATION; TRANSPORT; HEALTH AND EDUCATION



PROVIDING RESOURCES  
FIGHTING POVERTY  
RESTORING DIGNITY

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