



ISLAMIC DEVELOPMENT BANK

ISLAMIC DEVELOPMENT BANK GROUP IN BRIEF

Jumad Awwal 1430H (May 2009)

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INTRODUCTION

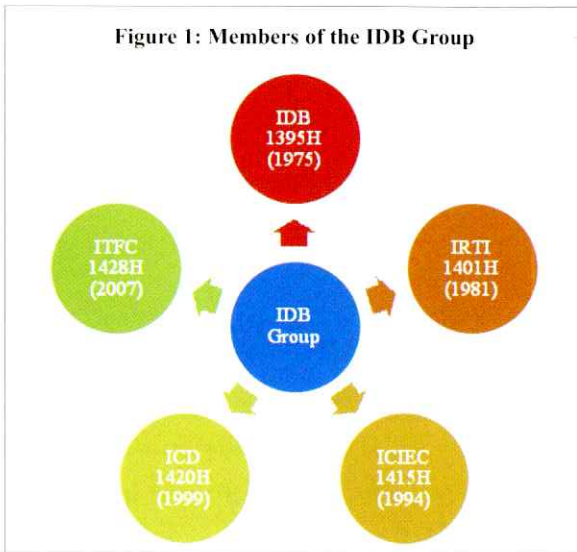
The Islamic Development Bank Group (IDB Group) is a multilateral development financing institution comprising five entities: the Islamic Development Bank (IDB), Islamic Research and Training Institute (IRTI), Islamic Corporation for the Development of the Private Sector (ICD), Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), and International Islamic Trade Finance Corporation (ITFC) (Figure 1).

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

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

The Headquarter of the IDB Group is in Jeddah, Saudi Arabia. It has regional offices in Almaty (Kazakhstan), Kuala Lumpur (Malaysia), Rabat (Morocco) and Dakar (Senegal). The Bank has field representatives in member countries namely: Bangladesh, Guinea, Guinea Bissau, Indonesia, Iran, Libya, Mauritania, Nigeria, Pakistan, Senegal, Sierra Leone, Sudan, and Uzbekistan.

The staff of the Bank has grown from 78 in 1975 to 1,014 as at the end of 1429H (28 December 2008). This comprises 533 Professionals, 125 Special category, 289 General and 67 Manual staff. Cumulatively, there are 51 Young Professionals,





IDB Group Staff Monthly Gathering, Headquarters, Jeddah, Saudi Arabia.

of which 26 have been confirmed in various positions and 25 are under training within the IDB.

ENTITIES IN THE IDB GROUP

Islamic Development Bank

The Islamic Development Bank (IDB) was established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Qadah 1393H (December 1973). Following the Inaugural Meeting of its Board of Governors in Rajab 1395H (July 1975), the IDB formally commenced operations on 15 Shawwal 1395H (20 October 1975).

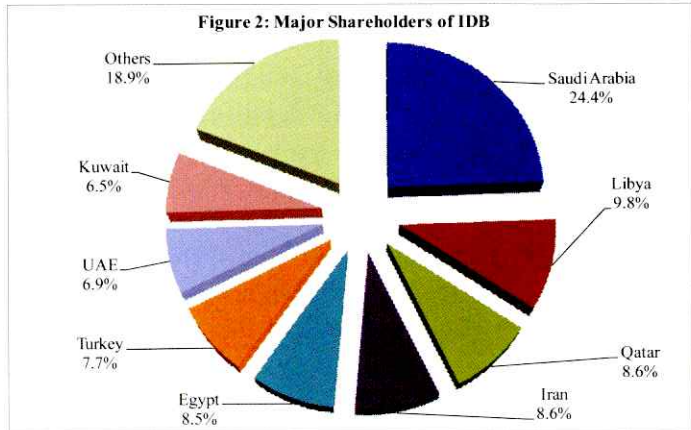
The membership of the IDB comprises 56 countries from major continents of the world including Africa, Asia, Europe and Latin America. Membership in IDB is contingent on first being a member of the Organization of the Islamic Conference, paying the first instalment of its minimum subscription to the capital stock of the IDB and accepting the terms and conditions that may be decided upon by the Board of Governors. The country membership of the IDB is given in the Appendix.

The purpose of the IDB is to foster economic development and social progress of its member countries and Muslim communities in non-member countries individually as well as jointly in accordance with the principles of Shari'ah (Islamic law). In pursuance of this purpose, the IDB provides various forms of development assistance, targeting different sectors of the member countries' economies. It also establishes and operates special funds for specific purposes.

The shareholders at the end of 1429H were: Saudi Arabia (24.4 percent), Libya (9.8 percent), Qatar (8.6 percent), Iran (8.6 percent), Egypt (8.5 percent), Turkey

(7.7 percent), UAE (6.9 percent), Kuwait (6.5 percent) and other member countries (18.9 percent) (Figure 2)¹.

The IDB has also established a number of Specialized Funds such as Waqf Fund, Awqaf Properties Investment Fund, World Waqf Foundation, IDB Infrastructure Fund, Islamic Solidarity Fund for Development; and Programmes namely Special Assistance and Scholarship Programmes.



Waqf Fund

The Waqf Fund is primarily a trust fund, which is set up to cater to the needs of the Muslim communities and organizations in non-member countries and least developed member countries (LDMCs) with particular emphasis on social sector development. It was established in 1399H (1979). In 1429H, the IDB approved 54 operations under the Waqf Fund totalling ID13 million (\$20.1 million), comprising 10 operations totalling ID4.7 million (\$7.2 million) for member countries and 44 operations for ID8.3 million (\$13 million) for Muslim communities and organizations in non-member countries.

Cumulatively, ID520 million (\$669.4 million) were approved for 1,264 operations and programmes, of which ID340.5 million (\$429.8 million) were approved for 484 operations in member countries and ID180.4 million (\$239.6 million) for 780 operations in Muslim communities and organizations in non-member countries.

Awqaf Properties Investment Fund

The Awqaf Properties Investment Fund (APIF) was established in Dhul Qa'da 1421H (February 2001) as a trust fund managed by the IDB. The APIF invests in Awqaf (endowments) real estates. It has capital resources of \$59.5 million and has access to a \$100 million IDB line of financing and a technical assistance pool of \$250,000 to be utilized for supporting the expansion of APIF activities. In

¹It is to be noted that percentage shareholdings indicated above will alter after implementing the confirmation from countries as per the Resolution No.BG/11-429 adopted during the 33rd Annual Meeting of the IDB Board of Governors held on 30 Jumad Awwal 1429H (4 June 2008).

1426H, in addition to using conventional Shari'ah-compliant modes of financing, the APIF introduced a Build-Operate-Transfer (BOT) product for participation in real estate investment opportunities of charitable Awqaf organisations.

In 1429H, the APIF approved 5 operations amounting to \$99 million. Between 1421H and 1429H (February 2001 to December 2008), the APIF approved 70 operations amounting to \$583.7 million.

World Waqf Foundation

The World Waqf Foundation (WWF) was established by the IDB in Jumad Thani 1422H (September 2001) in collaboration with Waqf organizations run by governments in member countries, non-governmental organizations, and philanthropists. The objectives of the WWF are: to promote and activate Awqaf with the view to contributing to the cultural, social and economic development of member countries and Muslim communities in non-member countries, and to alleviate hardship among the poor, as well as to sponsor and support Waqf organizations; support organizations, projects, programmes and activities in the educational, health, social, and cultural fields; provide support in the conduct of studies and scientific research in the field of Waqf; and assist countries and organizations in drafting Waqf legislations.

IDB Infrastructure Fund

The IDB Infrastructure Fund (IIF) was established in 1422H (2001) as the first private equity investment fund to focus on infrastructure development in member



IDB provided financing for Integrated Rural Development Project, Mali.

countries. The Fund seeks long-term capital appreciation by making equity and equity-related investments in infrastructure projects and infrastructure related industries in IDB member countries and promotes the use of Islamic finance for such projects. The IDB has 51 percent equity share in the Fund.

By the end of 1429H, the Fund had committed a total amount of \$785 million for 20 projects in 12 countries. The Fund's investment has targeted primarily power, petrochemical, telecom, transport and mining sectors, which together had attracted about 95 percent of the Fund's commitments, while the remaining 5 percent was allocated to the oil and gas sector.

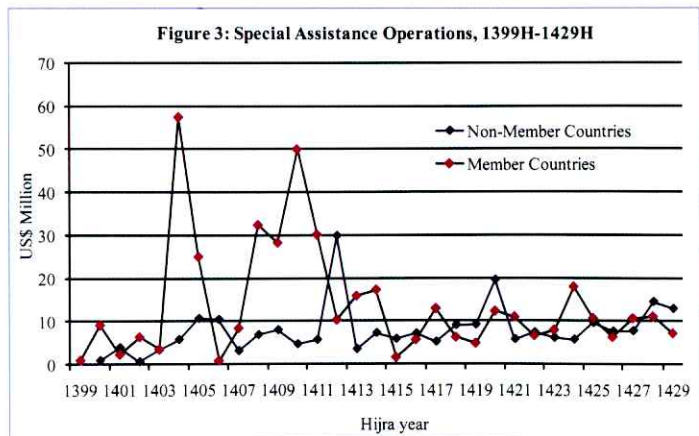
Islamic Solidarity Fund for Development

The IDB Board of Governors approved the establishment of the Islamic Solidarity Fund for Development (ISFD) at its 31st Annual Meeting held in Kuwait in May 2006. It was launched at the 32nd Annual Meeting of the IDB Board of Governors held in Dakar, Senegal, in May 2007. The ISFD formally began its operations on 1st Muharram 1429H (10 January 2008). The Fund aims at helping to combat poverty, address institutional and productive capacity bottlenecks, and eradicate illiteracy, diseases and epidemics in member countries, particularly in Africa.

During the first year of its operation, the ISFD approved 26 projects for \$320.3 million in various sectors in 20 member countries. The Fund has also launched two thematic programmes under Vocational and Literacy Programme for Poverty Reduction and Microfinance Programme for Africa for African member countries.

Special Assistance Programme

The Special Assistance Programme was established in 1400H with the objective of assisting Muslim communities in non-member countries. It helps in developing and strengthening institutions involved in education social and health services to improve wellbeing of the masses and preserve their Islamic and cultural identity. It also aims at alleviating the suffering of communities affected by natural disasters or conflicts in both member and non-member countries.



Up to the end of 1429H, the Special Assistance Programme had financed 1,264 operations amounting to ID520.8 million (\$669.4 million). Of these 484 operations amounting to ID340.5 million (\$429.8 million) were for member countries and 780 operations amounting to ID180.4 million (\$239.6 million) were for Muslim communities and organizations in non-member countries (Figure 3).

Scholarship Programme

The IDB has launched 3 scholarship programmes:

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

Upto the end of 1429H, under the SPMC, IDB had financed 9,219 students from 48 countries. The total amount of scholarship approved for these students amounted to ID53 million (\$70 million).

Under MSP, 470 scholars were sponsored from 56 member countries for ID12 million (\$16 million). Similarly, under the MPST the Bank had sponsored 255 students for ID1 million (\$1.3 million).



The President, IDB Group, Dr. Ahmad Mohamed Ali on the occasion of Signing Ceremony of the IDB-Cambridge Scholarship Programme, UK.

Islamic Research and Training Institute

The Islamic Research and Training Institute (IRTI) was established in 1401H (1981) to undertake research, training and knowledge generation activities on economic, financial and banking issues. The IRTI organizes seminars and conferences on various subjects in collaboration with national, regional and international institutions. It also undertakes information activities such as development of information systems for use in the field of Islamic economics, banking and finance, and maintains databases on experts and trade information and promotion.

The IRTI engages in organizing and conducting basic and applied research for developing models and methods for the application of Shari'ah in the fields of economics, banking and finance. It also develops human capital capacities in Islamic economics to meet the research and training needs of Shari'ah observing institutions in member countries. The research output of the IRTI takes various forms, such as research papers, background and discussion papers, seminar proceedings, lectures, and articles published in the IRTI journal "Islamic Economic Studies" which is a refereed bi-annual journal published in Arabic, English, and French languages.

During 1429H, the knowledge building activities of the IRTI focused on the thematic areas of financial stability; inclusive financial services; and sustainable and comprehensive human development.

Islamic Corporation for the Insurance of Investment and Export Credit

Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was established in Safar 1415H (August 1994). By the end of 1429H, its membership



ICIEC Seminar on Export Insurance Vs Finance and Relevant BIS Regulations, Riyadh, Saudi Arabia.

reached 36 countries (Appendix). The objective of ICIEC is to enhance trade transactions and the flow of investments among member countries. In pursuit of this objective, ICIEC provides export credit insurance and reinsurance to cover non-payment of export receivables resulting from commercial (buyer) and non-commercial (country) risks. It also provides investment insurance and reinsurance against country risk, emanating mainly from foreign exchange transfer restrictions, expropriation, war and civil disturbance and breach of contract by the host government.

Since its inception in 1416H (1995), ICIEC's business activities have witnessed a steady growth averaging 60 percent per year, and have exceeded the targets set in its 5-year strategic plan for the period 2005-2009.

By the end of 1429H, the total insurance commitments of ICIEC reached \$7.1 billion, while the total business insured amounted to \$5.2 billion.

ICIEC was assigned the task of managing the IDB Group Investment Promotion Technical Assistance Programme (ITAP) in 1426H. The objective of the programme was to develop the capacity of member countries to attract foreign direct investment and support their efforts to improve investment and business climate.

Some of the activities of ITAP during 1429H included:

- Allocated a budget of \$1.5 million to provide technical assistance to member countries (Sudan, Uganda, Mauritania, Chad, Djibouti, Syria, and Afghanistan);
- Initiated OIC Intra-investment database under the IDB Group Statistical Capacity Building Programme;
- Prepared an Investment Climate Review for Albania;
- Signed a memorandum of understanding for capacity building and investment promotion with the Syrian Investment Authority;
- Commenced its activities in partnership with the Uganda Investment Authority for preliminary assessment of investment climate and sector analysis study; and
- Organized a number of events for the promotion of investment in member countries.

Islamic Corporation for the Development of the Private Sector

The Islamic Corporation for the Development of the Private Sector (ICD) was established in Rajab 1420H (November 1999) to promote the development of the private sector in member countries. The Authorized Capital of the ICD is \$1 billion,

of which \$500 million is the initial Subscribed Capital. The IDB has subscribed 50 percent of this amount, while member countries and public financial institutions in member countries have subscribed 30 percent and 20 percent, respectively. The membership of ICD by the end of 1429H reached 45 countries.

During 1429H, the ICD approved 33 new private sector operations totalling \$347 million, which was almost double the amount committed in 1428H (\$178 million). The ICD financing in 1429H targeted private sector investment in 28 countries with focus on the industry (32 percent), financial services (21 percent), real estate (18 percent), and transport sector (10 percent). Since it commenced operations in 1421H, the ICD's net cumulative approvals reached 132 projects totalling \$987 million.

The Unit Investment Fund (UIF) was established in 1410H (1989) in order to mobilize resources to promote investment in member countries. The UIF financed 18 operations amounting to \$150 million in 1429H. Cumulatively, it financed 225 operations amounting to \$2,144 million up to the end of 1429H.

In order to consolidate private sector activities under a single entity within the IDB Group, the resources and activities of the UIF were transferred to the ICD with effect from 1429H. Under the new arrangement, the IDB will continue to act as Mudarib and also extend the facility of full redemption guarantee while the ICD would now act as sub-mudarib for the Fund.

International Islamic Trade Finance Corporation

The International Islamic Trade Finance Corporation (ITFC) was established in Jumad Awwal 1426H (June 2005). It commenced operations on 1st Muharram 1429H (10 January 2008). By the end of 1429H, the membership of ITFC was 57 countries (Appendix).

The primary objective of the Corporation is to facilitate intra-trade among OIC member countries using Shari'ah-compliant instruments. The Corporation is mandated to mobilize funds from the market to complement its financing requirements and also to manage dedicated funds with contributions from member countries. It has an Authorized Capital of \$3 billion and subscribed capital of \$750 million.

In 1429H, the ITFC approved trade financing operations of ID1,654.3 million (\$2,631.5 million). The ITFC also financed 23 trade-related activities and 36 member countries received financial and operational support under four programmes: (a) Trade Promotion; (b) Trade Facilitation; (c) Capacity Building; and (d) Development of Strategic Products.

AFFILIATED INSTITUTIONS/SPECIAL PROJECTS

Saudi Arabian Project for the Utilization of Hajj Meat

In order to assist pilgrims in performing the ritual in a smooth, organized and orderly manner, the Government of Saudi Arabia entrusted the management of the "Saudi Arabian Project for the Utilization of Hajj Meat" to the IDB in 1403H (1983). The project serves pilgrims by performing, on their behalf, the slaughtering and related services. The IDB oversees the utilization of the sacrificial meat in accordance with Shari'ah requirements. The meat is distributed to the poor and the needy in Saudi Arabia and member countries and Muslim communities in non-member countries.

Starting in 1427H (2006), pilgrims were able to buy their offerings online from any part of the world using their credit cards or through cash transfers. This service allows the IDB to build up a central database that assists in planning and preserving cleanliness of the holy sites.

In 1429H, Hajj meat from an estimated 873,255 sacrificial animals (sheep, cows and camels) was distributed to the needy in the Haram area in Makkah Al-Mukarrama and to countries around the world, representing an increase of 19.2 percent over 1428H.

International Centre for Biosaline Agriculture

The IDB-supported International Centre for Biosaline Agriculture (ICBA) was established in 1420H (1999) as a non-profit international applied research and development centre to work for agricultural development in arid and semi-arid areas affected by salinity. The Centre, which is based in United Arab Emirates, conducts applied research in agricultural development in member countries facing water shortages, aridity, and harsh climatic conditions.

In 1429H, ICBA supplied seeds of high yielding, promising genotypes as per the lists of summer and winter forage crops most suited to local environments provided by each country and established seven full demonstration sites with an emphasis on capacity building. The project collaborators (Jordan, Palestine, Pakistan, Oman, Syria, Tunisia, and the United Arab Emirates) were invited to training courses and field works during the year.

OPERATIONAL ACTIVITIES AND MAJOR ACHIEVEMENTS OF THE IDB GROUP

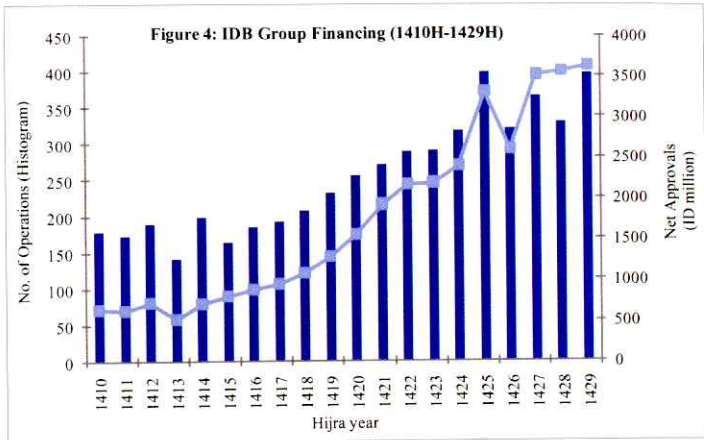
Operational Activities of the IDB Group

In 1429H, the IDB Group financed 399 operations for ID3,627.5 million (\$5,748.4 million) in both member and non-member countries, registering (in terms of

dollar) an increase of 5 percent compared with 1428H.

Cumulatively, during the period 1396-1429H (1975- 28 December 2008), the IDB Group net approvals reached ID40,984.5 million (\$56,868.4 million), of which project financing and technical assistance operations accounted

for 41.8 percent and trade financing operations accounted for 57 percent, while special operations accounted for 1.2 percent (Figure 4).



**Table 1: IDB Group Activities for the Period 1396H-1429H
(01 January 1976 – 28 December 2008)**

ITEM	1429H		(amount ID/\$ in million) ¹ 1396H-1429H	
	No.	ID ²	No.	ID
Project Financing ³	153	1,937.5 (3,060.6)	1,887	16,638.2 (23,501.2)
Technical Assistance (TA)	107	22.7 (36.2)	857	228.0 (268.8)
Total (Project Financing + TA)	260	1,960.2 (3,096.8)	2,744	16,866.2 (23,770.0)
Trade Financing Operations	85	1,654.3 (2,631.5)	2,095	23,597.4 (32,429.1)
Special Assistance Operations	54	13.0 (20.1)	1,264	520.8 (669.4)
Net Approved Operations	399	3,627.5 (5,748.4)	6,103	40,984.5 (56,868.4)
Gross Approved Operations	402	3,643.0 (5,772.4)	6,735	45,836.5 (63,380.4)
Disbursements		2,450.0 (3,783.1)		28,539.3 (39,195.9)
Repayments		1,803.8 (2,785.5)		22,565.0 (31,042.1)
Number of Staff at end of year	1,014			

¹US\$ figures are within brackets.

²ID = Islamic Dinar which is equivalent to one unit of SDR of the IMF.

³Figures include IBP, ICD, UIF, APIF and Treasury Operations.

maintained for the Second year the highest rating credit ratings assigned by Fitch Ratings were upgraded to “AAA” for the long-term and “F1” for the short-term with a “stable” outlook. With these rating upgrades from the three leading international rating agencies, IDB has become an “AAA” rated institution. These ratings confirm, *inter alia*, the financial soundness of the IDB as a result of prudent financial policies and very low risk profile.

Contribution to the Establishment of Islamic Financial Architecture

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

IDB Group Reform

In implementing Key Strategic Thrust of the IDB 1440H Vision "Reform IDB", the Bank has successfully completed Phase-I of the IDB Group Reform and is currently implementing Phase-II of the Reform process. The main objective of the Reform is to ensure that the Bank is relevant in addressing the needs of its member countries, and is well-equipped to facilitate the achievement of 1440H Vision targets.

Co-financing with Other Development Partners

IDB has co-financed a number of projects with the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the African Development Bank, ECOWAS Fund, European Investment Bank, International Finance Corporation, and the Arab Coordination Group . During 1429H, 21 operations in 18 countries were co-financed with other institutions. The total cost of these projects was \$5,218 million, of which the IDB contributed \$856 million (or 16 percent), while the contribution of other international financiers reached \$2,151 million (or 41 percent of the total cost).

Assistance to OIC Member Countries for WTO-Related Matters

The IDB launched its Technical Assistance Programme for WTO-related matters in 1997. Activities undertaken under this Programme include workshops, seminars, Trade Policy courses, subject-specific studies and consultative meetings. During 1429H, two short Trade Policy Courses were organized, which offered basic training to government officials from 42 member countries on the WTO trade regime, its agreements and other related issues including the latest developments in the Doha Work Programme.

APPENDIX: Country Membership of IDB Group

Entity	Number of Member Countries	Names of Member Countries
IDB	56	Afghanistan, Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen.
ICD	45	Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Djibouti, Egypt, Gambia, Guinea, Guinea-Bissau, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Mozambique, Niger, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen.
ICIEC	36	Algeria, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Chad, Djibouti, Egypt, Gambia, Guinea, Indonesia, Iran, Jordan, Kazakhstan, Kuwait, Lebanon, Libya, Malaysia, Mali, Mauritania, Morocco, Niger, Nigeria, Pakistan, Qatar, Saudi Arabia, Senegal, Sudan, Syria, Tunisia, Turkey, Uganda, United Arab Emirates and Yemen.
ITFC	37	Algeria, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Cote D'Ivoire, Djibouti, Egypt, Gambia, Gabon, Indonesia, Iran, Jordan, Kuwait, Lebanon, Libya, Malaysia, Mauritania, Morocco, Mozambique, Niger, Nigeria, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Somalia, Sudan, Syria, Tunisia, Turkey, U.A.E., Uganda, and Yemen.

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