



The Islamic Development Bank Group
Together We Build A Better Future



The Operations Complex

15 Shawwal 1432H / 13 September 2011G

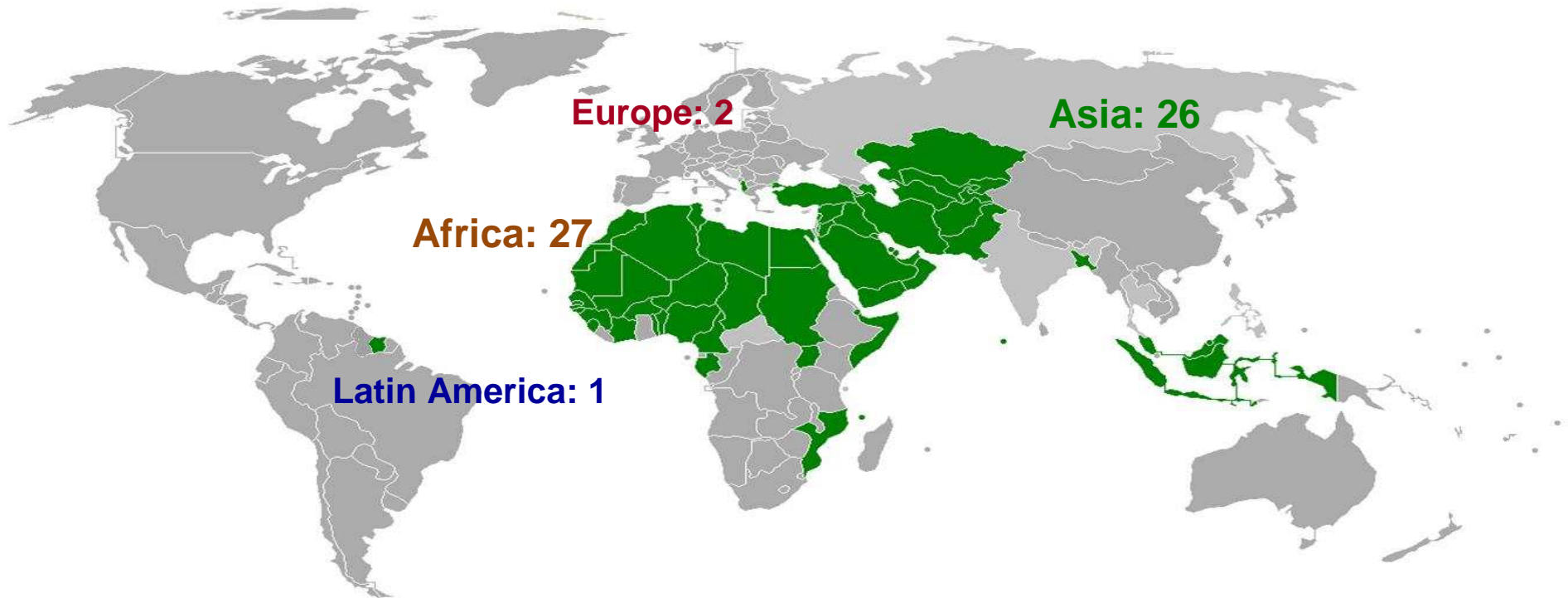
Operations Policy and Services Department
Operations Complex

Sequence

- **Vision led Reform of the Operations Complex**
- **New Organisational Structure**
- **New Planning Framework**
 - **Medium Term Business Plan (MTBP-1431-1433H)**
 - **Annual Operations Plan (1432H)**
 - **Highlights of Progress on Annual Operations Plan (1432H)**
- **Modes of Financing**
- **New Operational / Project Cycle**
- **New Business Processes**
- **New Operational Policy Themes**
- **New Cultural Model**



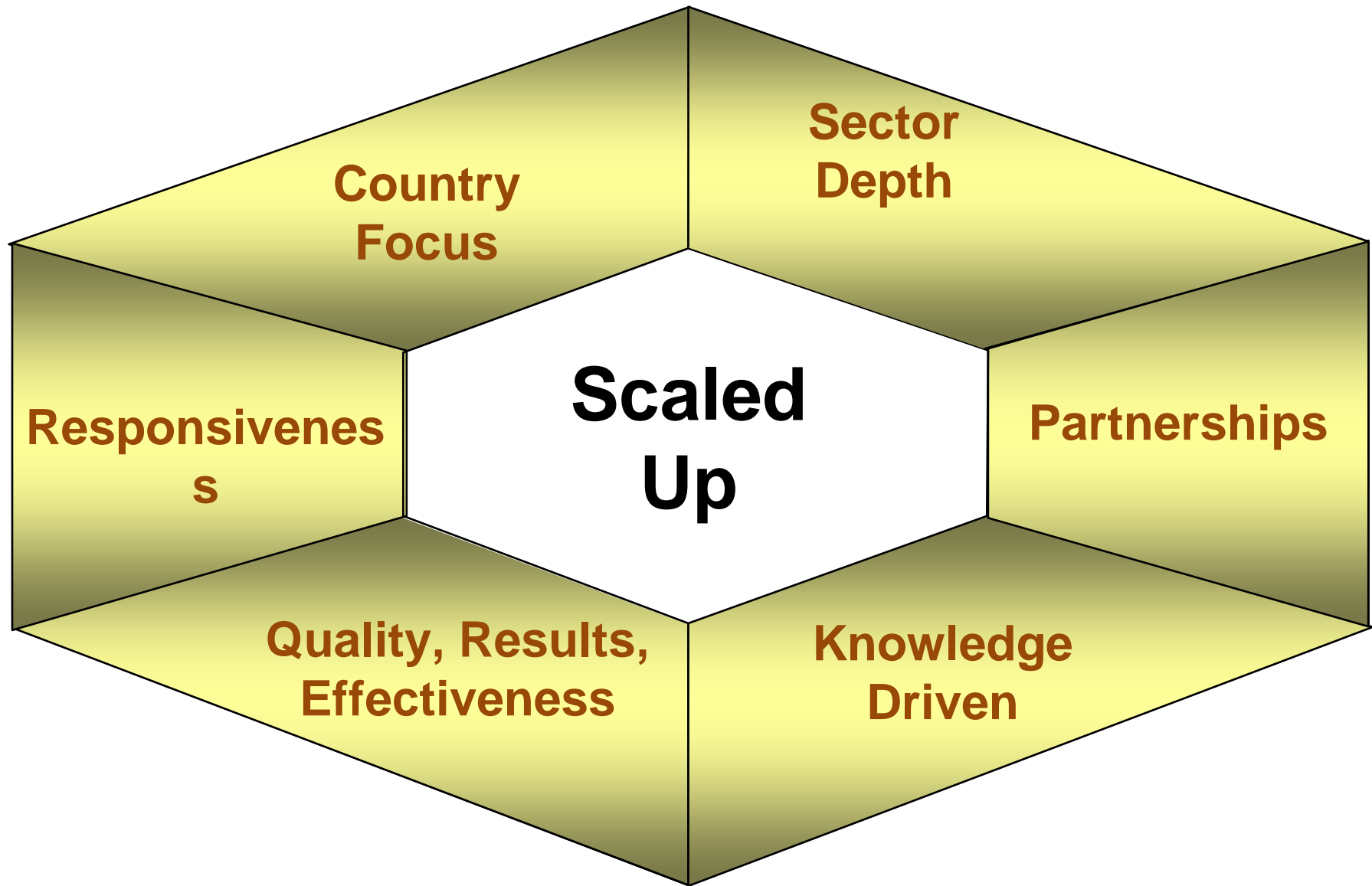
IDB Membership



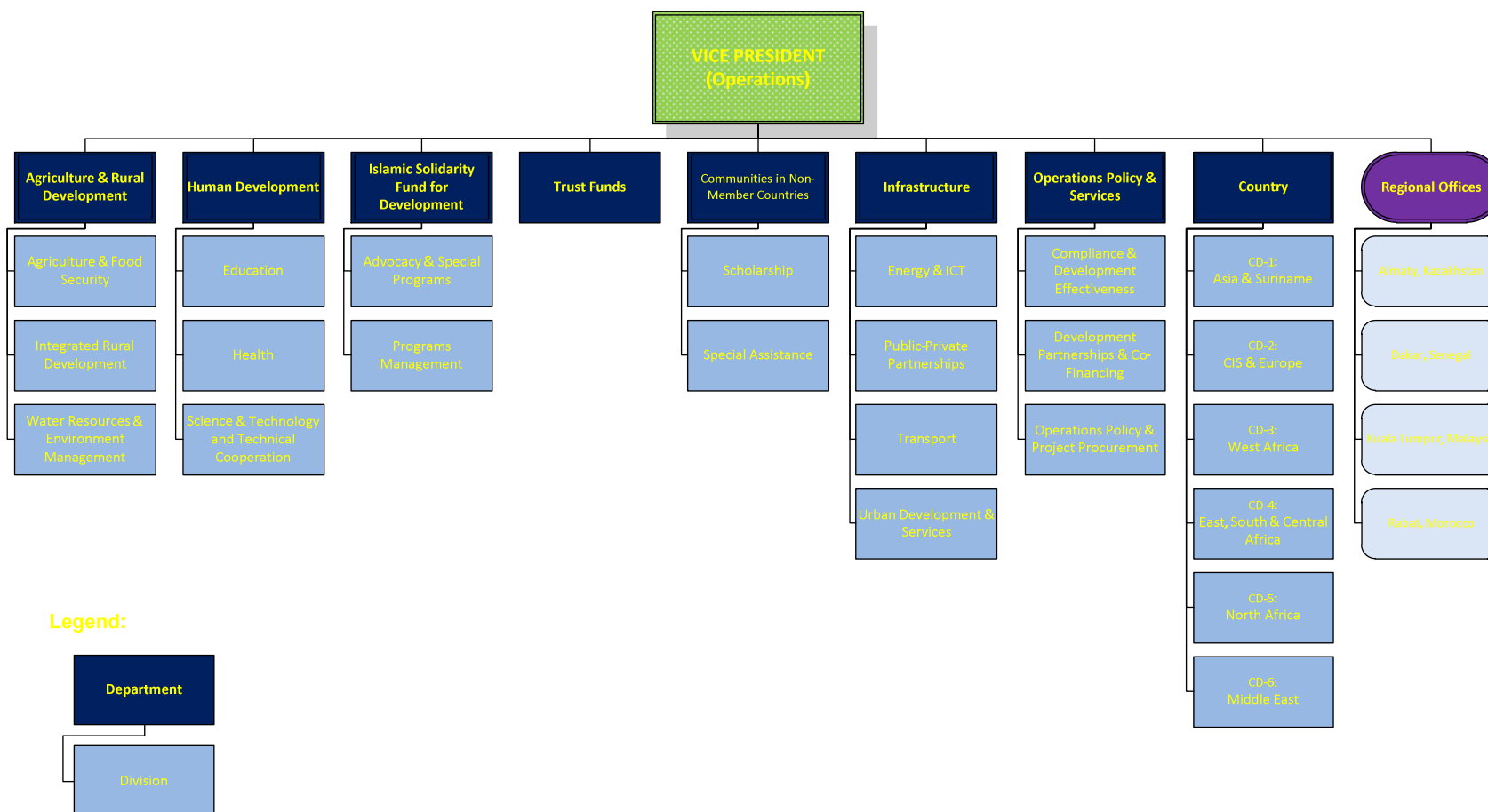
- A Unique Model of South-South Cooperation
- All Member Countries can benefit from IDB Financing
- **Global MDB:** Membership 56 Countries spreading over 4 continents
- **Membership Increased:** 22 countries in 1975 → 56 countries in 2010



Vision Led Reform in the OC



New Matrix Structure of OC



Operations Complex Organizational Structure

Country Department

- i. CD-1: Asia & Suriname
- ii. CD-2: CIS & Europe
- iii. CD-3: West Africa
- iv. CD-4: East, South & Central Africa
- v. CD-5: North Africa
- vi. CD-6: Middle East

Agriculture & Rural Development Department

- i. Integrated Rural Development Div.
- ii. Agriculture & Food Security Div.
- iii. Water Resources & Environment Div.

Infrastructure Department

- i. Transport Division
- ii. Urban Dev. & Services Division
- iii. Energy & ICT Division
- iv. Public-Private Partnership Division

Human Development Department

- i. Education Division
- ii. Health Division
- iii. Science-Technology & Technical Cooperation Division



Operations Complex Organizational Structure

Islamic Solidarity Fund for Development Department

- i. Programs Management Div.
- ii. Advocacy & Special Programs Div.

Communities in Non Member Countries Department

- i. Special Assistance Div.
- ii. Scholarships Div.

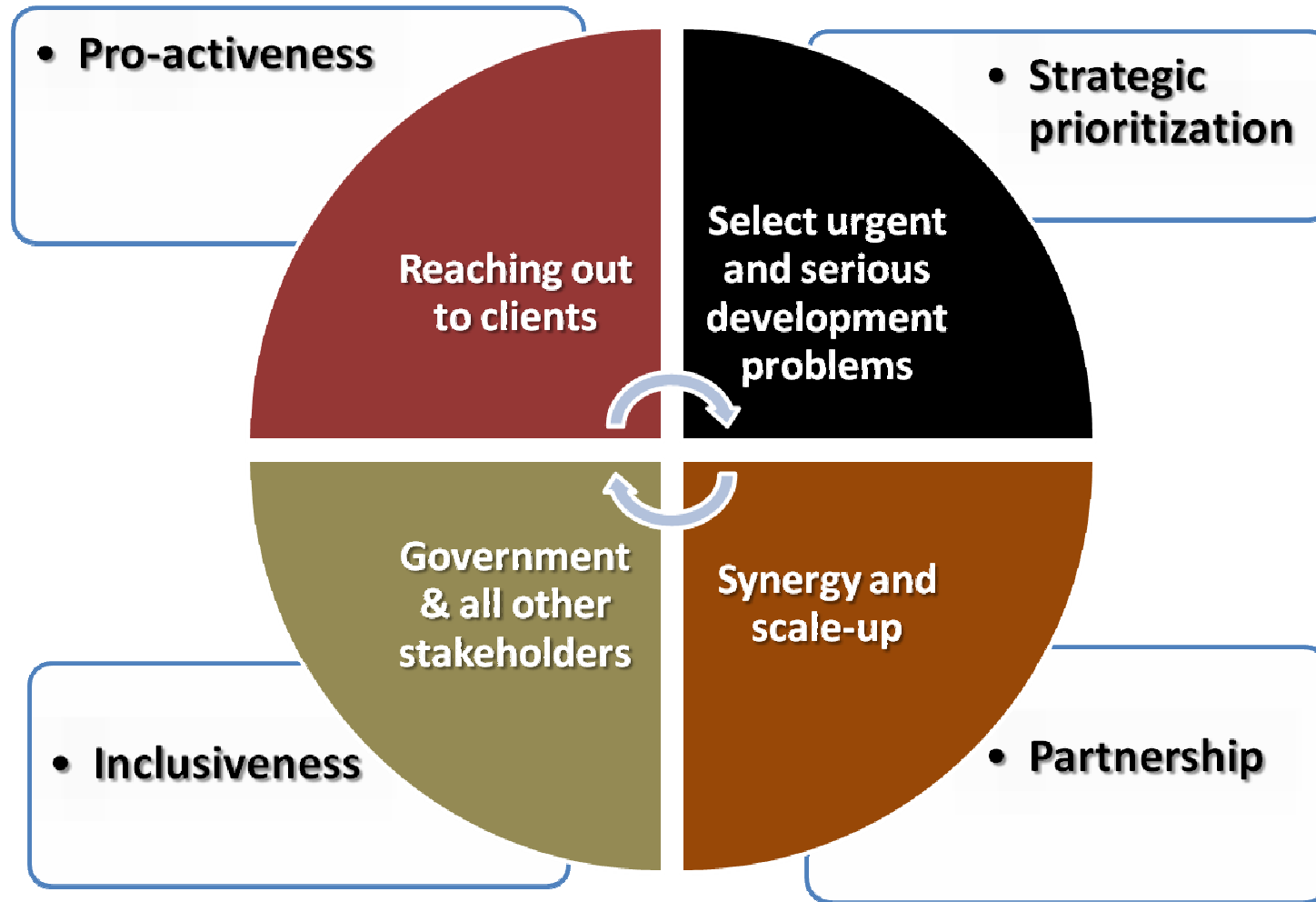
Operations Policy & Services Department

- i. Compliance & Development Effectiveness Div.
- ii. Development Partnerships & Co-Financing Div.
- iii. Operations Policy & Project Procurement Div.

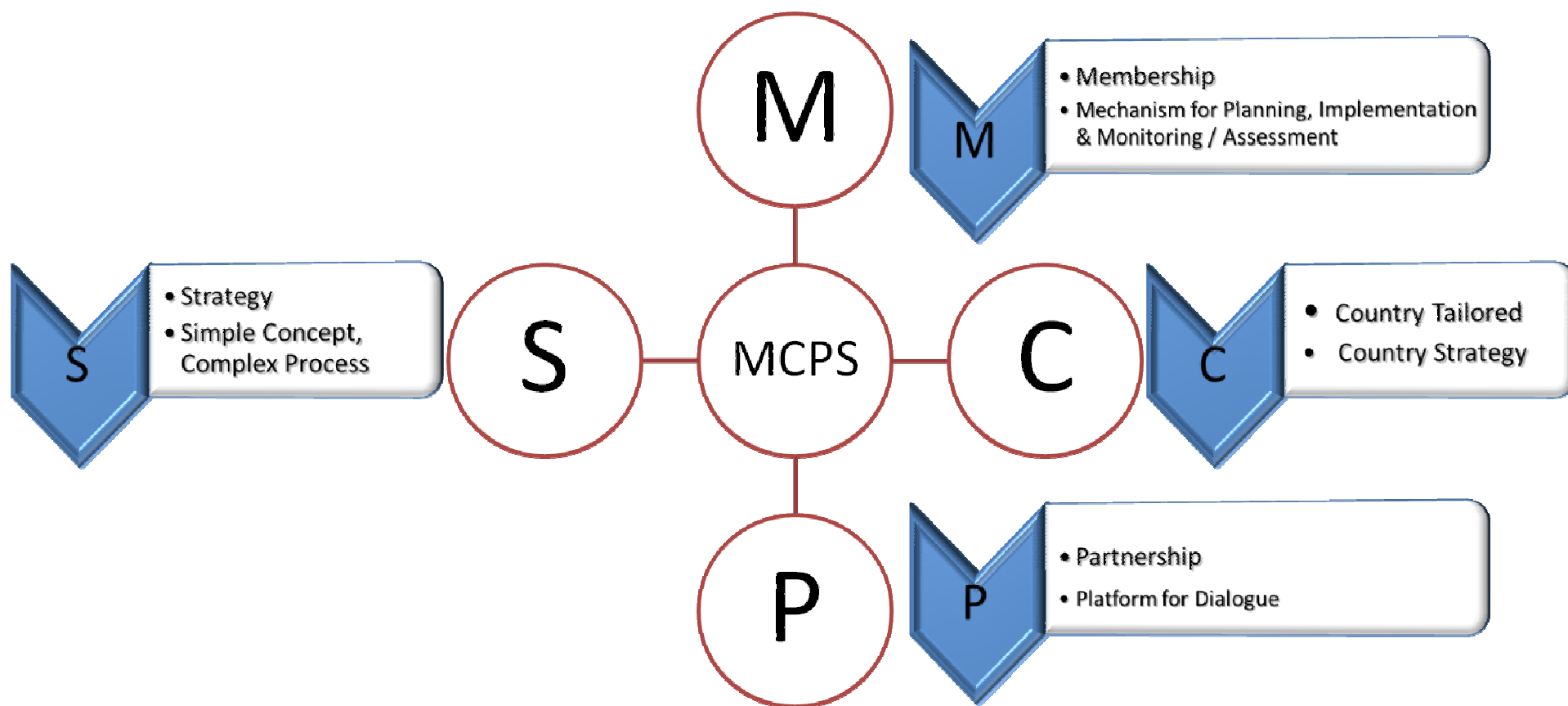
Trust Funds Department



Four Operating Principles



MCPS – A Foundation for Enhanced Responsiveness to Clients



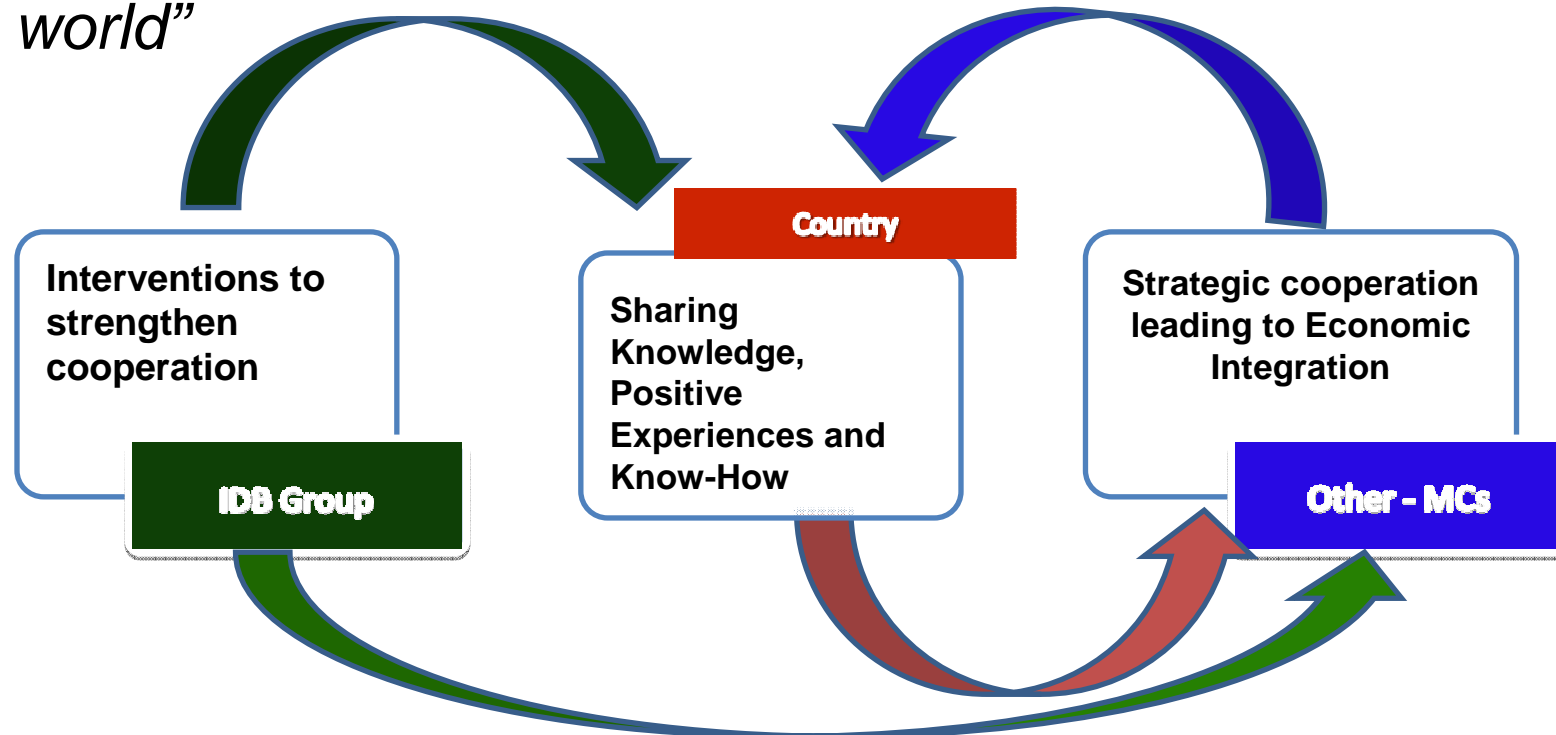
Why Have an MCPS?

- ◆ Embarked on a comprehensive decentralization strategy for increased field presence and closer engagement with member countries
- ◆ Better understanding of MC's overall situation
- ◆ Ensuring country ownership
- ◆ Interventions with country-based solutions
- ◆ Better alignment of country priority needs with IDB Vision / Strategic Objectives
- ◆ Avenue for partnering & co-financing
- ◆ “Inclusive” platform - Structured dialogue with Governments & other stakeholders
- ◆ Promoting cooperation among MCs through Reverse Linkages



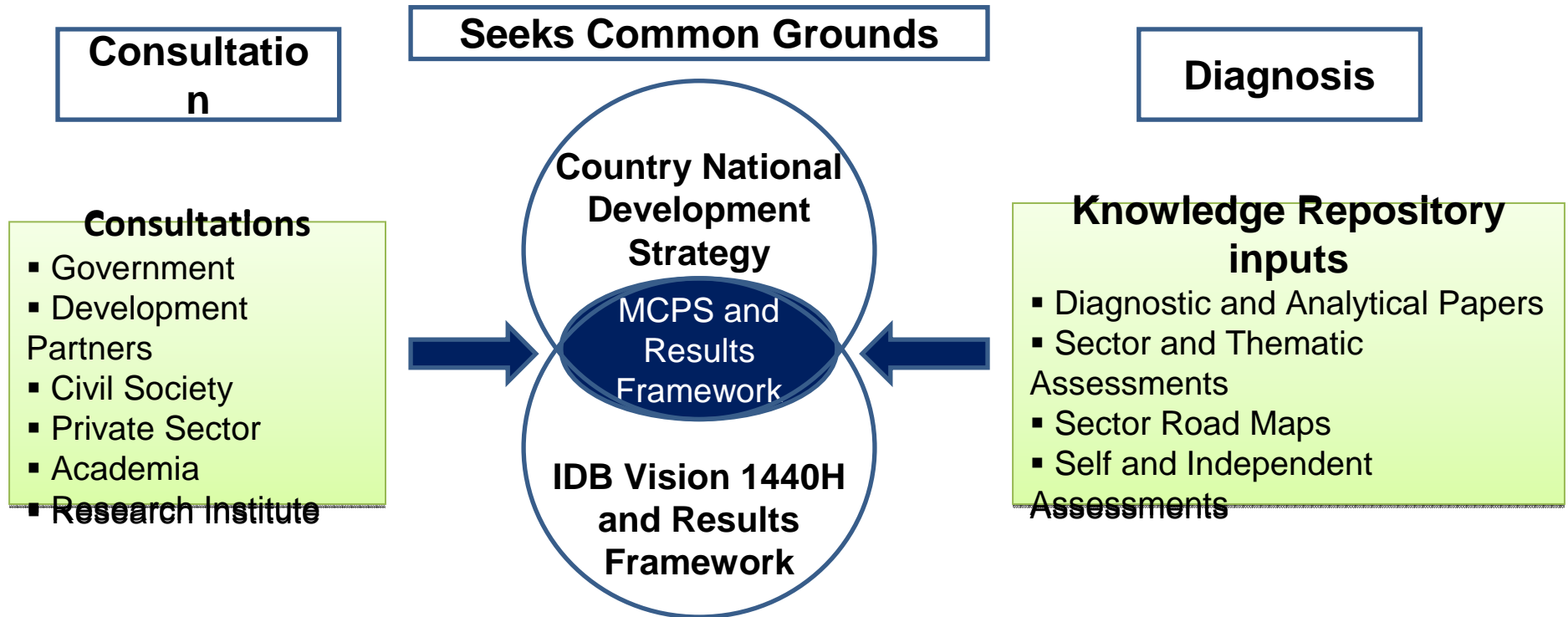
What is Unique about the MCPS? - Reverse Linkage

IDB Group's Strategic Thrust (#8): *“Facilitate integration of IDB Member Country economies among themselves and with the world”*



RLs are mechanisms where a MC, based on its competitive advantage, can offer its expertise, knowledge and know-how to another MC with the IDB Group serving as an “enabler” in a mutually beneficial (win-win) process facilitating strategic alignments between the IDB Group and the

Simple Concept... Complex Process



How Do We Develop an MCPS?

Start with ...

Diagnostic studies
/ desk reviews

Bank-wide “Core &
Multidisciplinary
Team” formation

Leading to ...

Concept Note
(pre-MCPS)
preparation

“Regional
Network” (ReN)
review

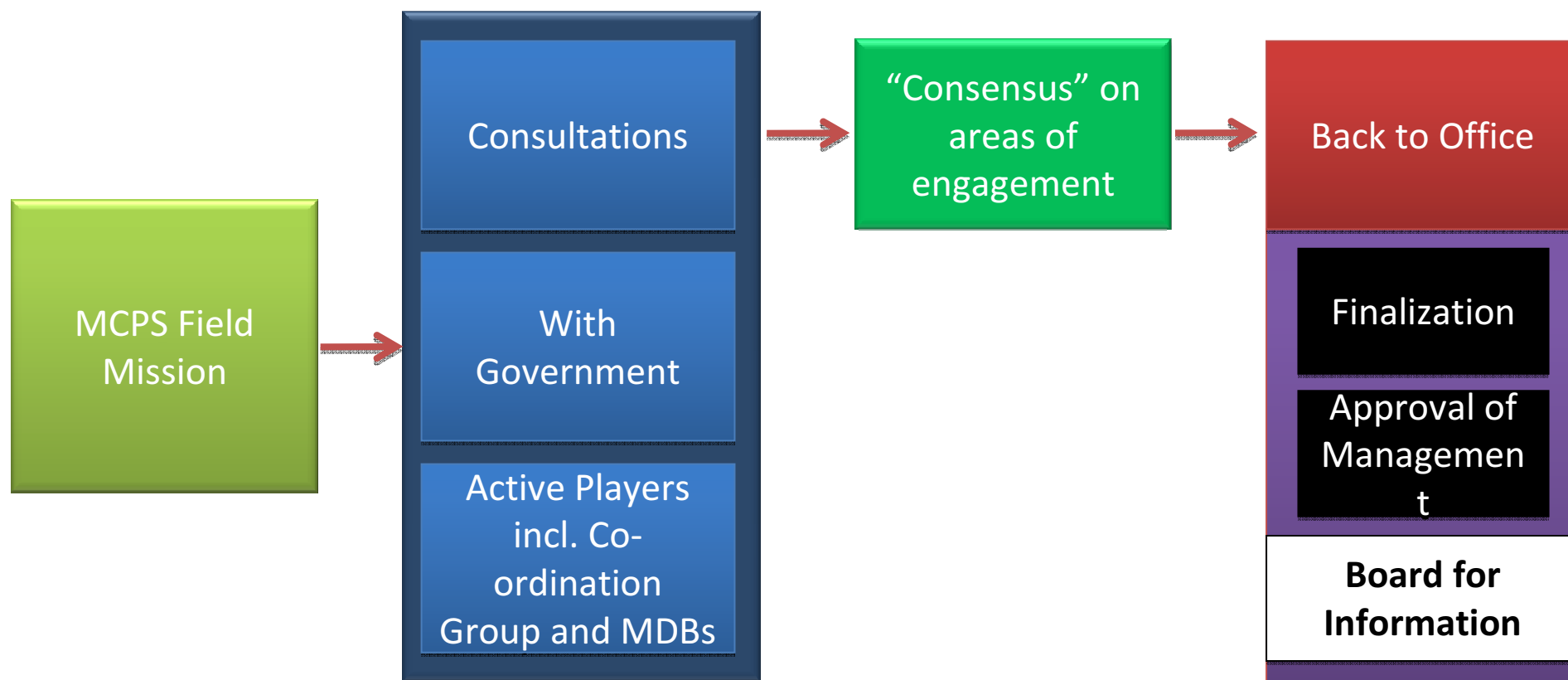
Consultations

Operations
Committee
review

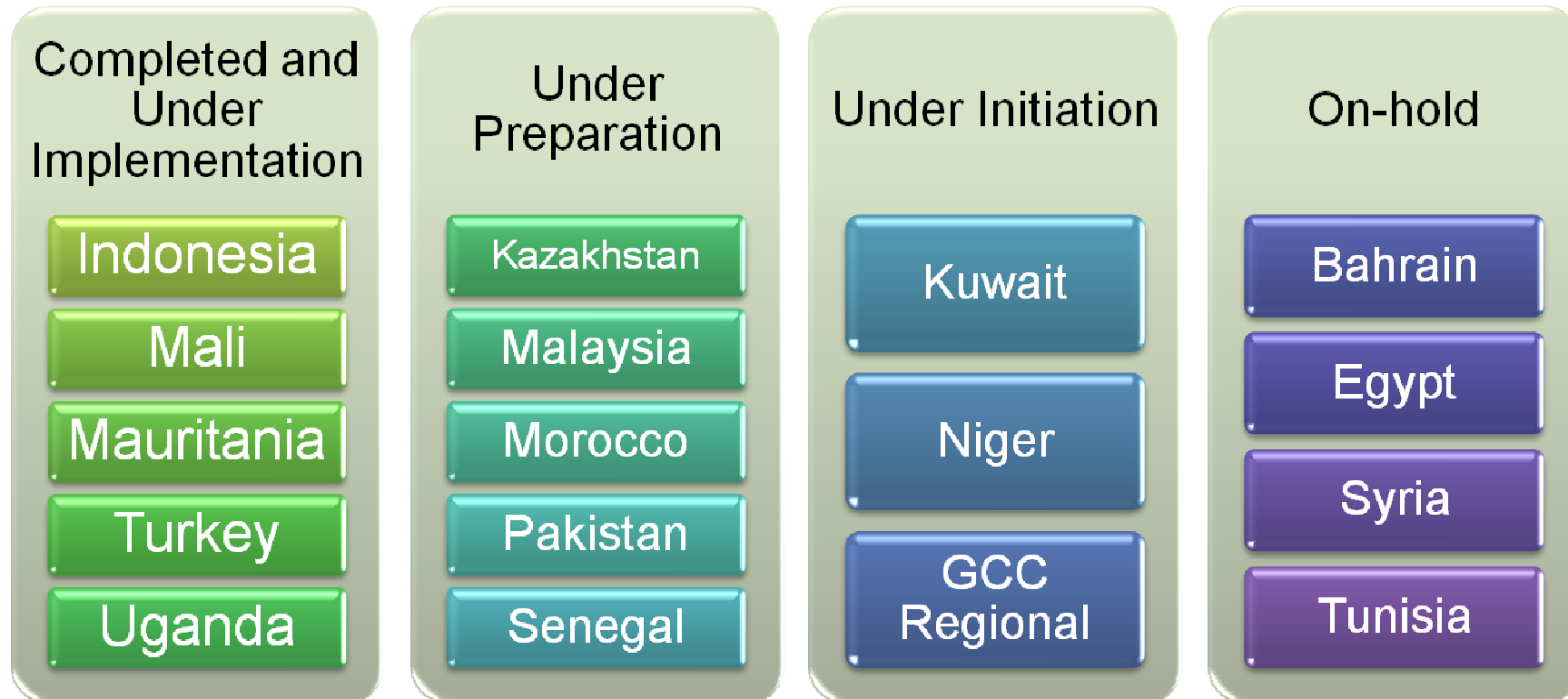
Guidance by
Management on
key policy &
operational
issues



How Do We Develop an MCPS? – Consultation with Client/ Stakeholders



Status of the MCPS Exercise



*An MCPS for **Fragile/Post-Conflict LDMCs** is also under planning



OC Mandate

- **The Complex is the main vehicle for carrying out the Bank's mandate to foster economic development and social progress in member countries:**

- Development financing to support member countries and Muslim Communities in Non-Member Countries
- Technical assistance for capacity development
- Synergy and collaboration with other entities in the IDB Group
- Strategic alliances with external partners



OC Main Products



Products and Services

Program/ Project Financing

- Member Country Partnership Strategy (MCPS)
- Sector Strategy (Cross-country or Country Specific)
- Analytical and Diagnostic Work
- Country Portfolio Performance Review (CPPR)
- Project Implementation Assessment Support Country Systems (Procurement, Financial, Safeguards)
- Environmental Assessment



Products and Services



Project Financing

- Technical Preparation Facilities
- Loans (ISFD, IDB) & Grants
- Ordinary Financing (Istisna'a, Leasing, Installment Sale)
- Equity
- Islamic Instruments (Waqf, Zakat, Sukuk)



Products and Services

Knowledge /Advisory

- Capacity Building
- Assessment & Diagnostic Services (provided on demand from clients)
- Consultancy Services by IDB (to middle and high-income countries)
- Knowledge sharing/Dissemination (Islamic Finance, BOT, PPP, MC Experience Sharing, Best Practices ...etc)



Products and Services

Partnership

- ◆ Co-financing of Operations
- ◆ Harmonisation with other development partners (COMPAS)
- ◆ Joint analytical work & Implementation
- ◆ The Coordination Group (CG)
- ◆ Leading academic and research institutions worldwide.
- ◆ Partnering with the Private Sector and Charitable Institutions, Awqaf and Sadaqa/Zakat institutions in IDB's MCs
- ◆ Strategic alliances for Knowledge Sharing and Joint Impact (Influencing the global development policy debates)
- ◆ Managing Multi donor Trust Funds;



IDB's Development Partners



ARAB FUND FOR ECONOMIC
& SOCIAL DEVELOPMENT



الصندوق السعودي للتنمية
The Saudi Fund for Development

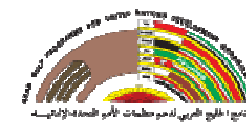


صندوق أبوظبي للتنمية
ABU DHABI FUND FOR DEVELOPMENT



Kuwait Fund For Arab Economic Development

Since 1961
Partners in Development



AGFUND

Arab Gulf Program for Development



Asian Development Bank
FIGHTING POVERTY IN ASIA AND THE PACIFIC



European Bank
for Reconstruction and Development



THE WORLD BANK



IDB

Inter-American Development Bank



Department for
International
Development



European
Investment
Bank



AGENCE FRANÇAISE
DE DÉVELOPPEMENT



IFAD
INTERNATIONAL
FUND FOR
AGRICULTURAL
DEVELOPMENT



JAPAN BANK FOR
INTERNATIONAL COOPERATION



UNITED NATIONS



The Islamic Development Bank Group
<http://www.isdb.org>

معاً نبني مستقبلاً أفضل
TOGETHER WE BUILD A BETTER FUTURE
ENSEMBLE NOUS CONSTRUONS UN AVENIR MEILLEUR

Slide 22

A Vision For Human Progress
VISION
1440H

IDB Regional Offices



In addition, there are field representatives in several countries

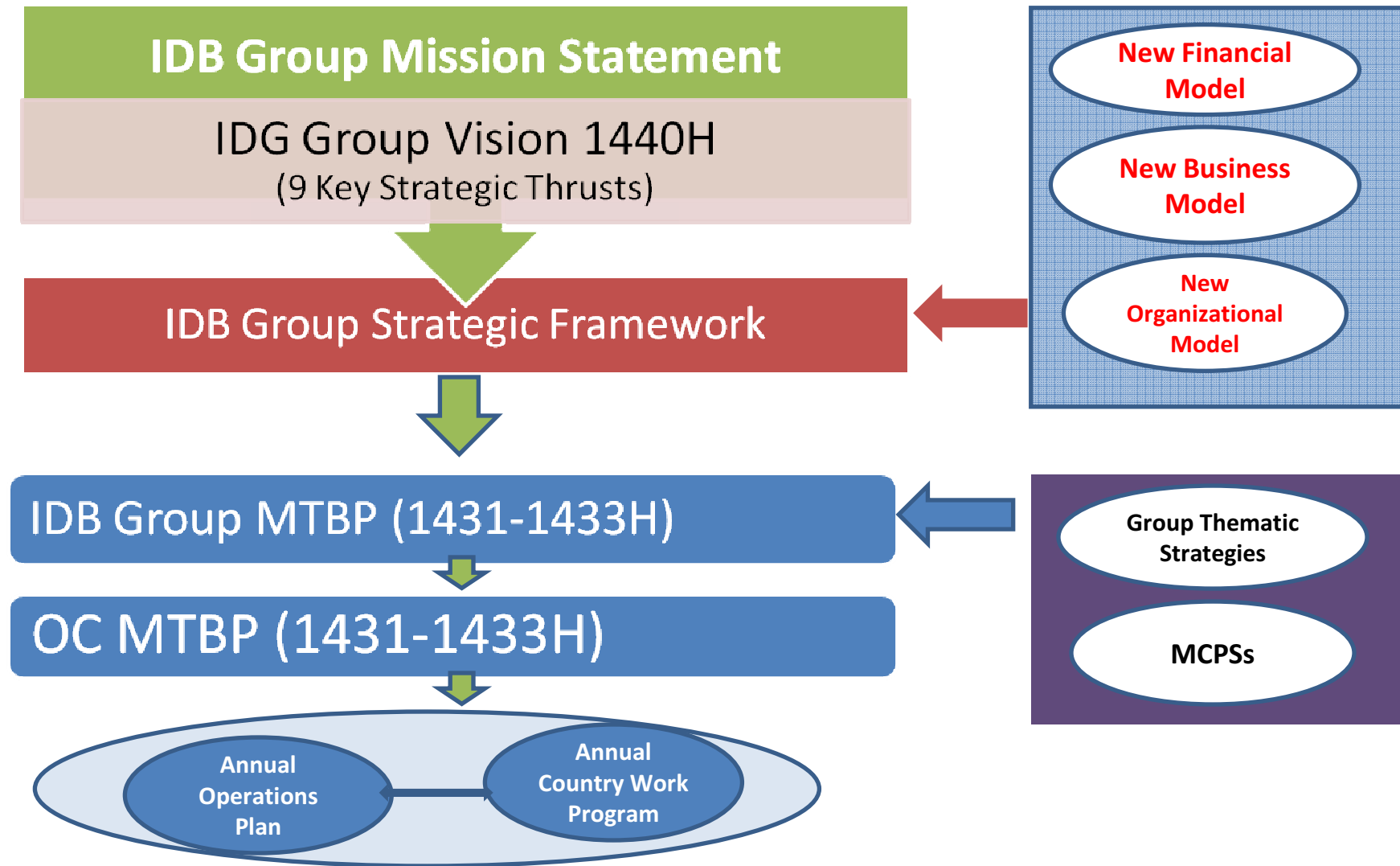


Empowerment of Regional Offices

- ◆ Embarked on a comprehensive decentralization strategy for increased field presence and closer engagement with member countries
- ◆ Completed a study on empowering regional offices and opening up of new Gateway Offices
- ◆ Initiated implementation of the new business models
 - ◆ Dakar Regional Office empowered with delegation of first batch of 37 selected projects. Performance report presented to BED 277
 - ◆ Other 3 Regional Offices are expected to be fully empowered by end 1432H. Business Models endorsed by BED 277
- ◆ Concept Note for IDB Gateway Offices to be submitted to BED 279



New Planning Framework



Group Thematic Strategies (3x3)

Capacity Development

Comprehensive Human Development /
Poverty Reduction

Islamic Financial Sector Development

Infrastructure Development

**Private Sector
Development**

Economic Cooperation and Regional Integration



OC MTBP (1431-33)



Guiding Principles

- Prioritize and Focus
- Scale Up
- Mobilize Resources
- Expand Partnerships
- Harness Group Synergy
- Focus on Results
- Develop Internal Capacity



OC MTBP (1431-33H)

Strategic Goal: Promote Sustained Development for Human Dignity

Operational Objectives

Promote Inclusive Growth for Poverty Alleviation, Employment Generation and Improved living Standards

Re-position the OC through Enhanced Institutional Capacity, Resource Mobilization and Operational Excellence

Programs to Achieve Objectives

Strategic Multi-Level Interventions

1

FOCUS AREAS:

Agriculture & Rural Dev

Human Dev

Infrastructure Dev

CROSS-CUTTING THEMES:

Private Sector Dev

Capacity Dev

Econ Cooperation & Regional Integration

2

Partnerships Building & Resource Mobilization

- Develop strategic partnerships at various levels
- Mobilize resources including raising concessional resources and co-financing with partners

3

Institutional Capacity Development and Performance Improvement

- Strengthen institutional capacity and efficiency
- Enhance effectiveness in delivery, implementation and monitoring



Focus Areas of Operations Plan

Agriculture & Rural Development

- Food
- Water & Livelihoods Security
- Environmental Sustainability

Human Development

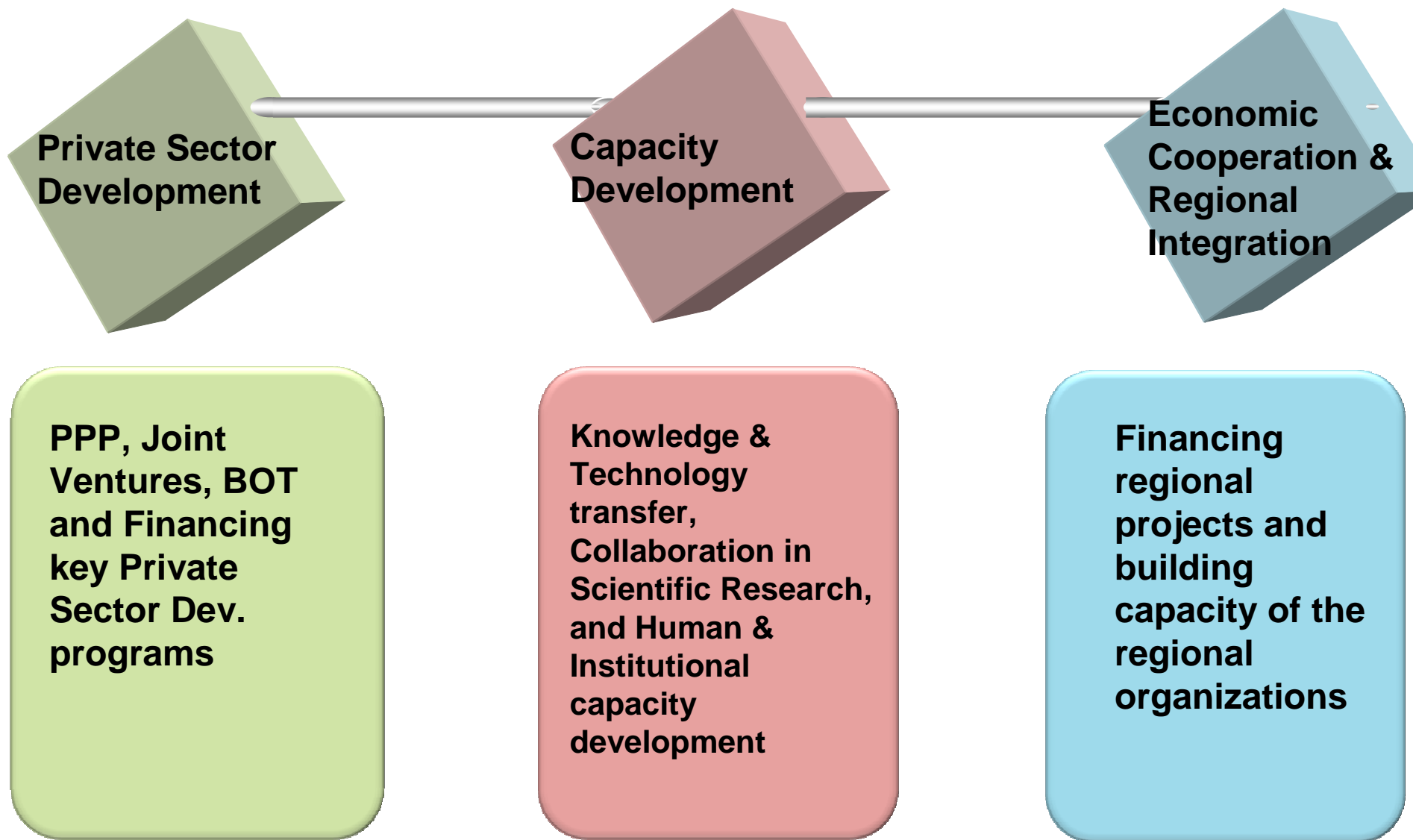
- Basic Education
- Vocational Training & Skill Development
- Higher Education
- Science & Technology
- Health

Infrastructure Development

- Transport
- Water
- Energy
- ICT

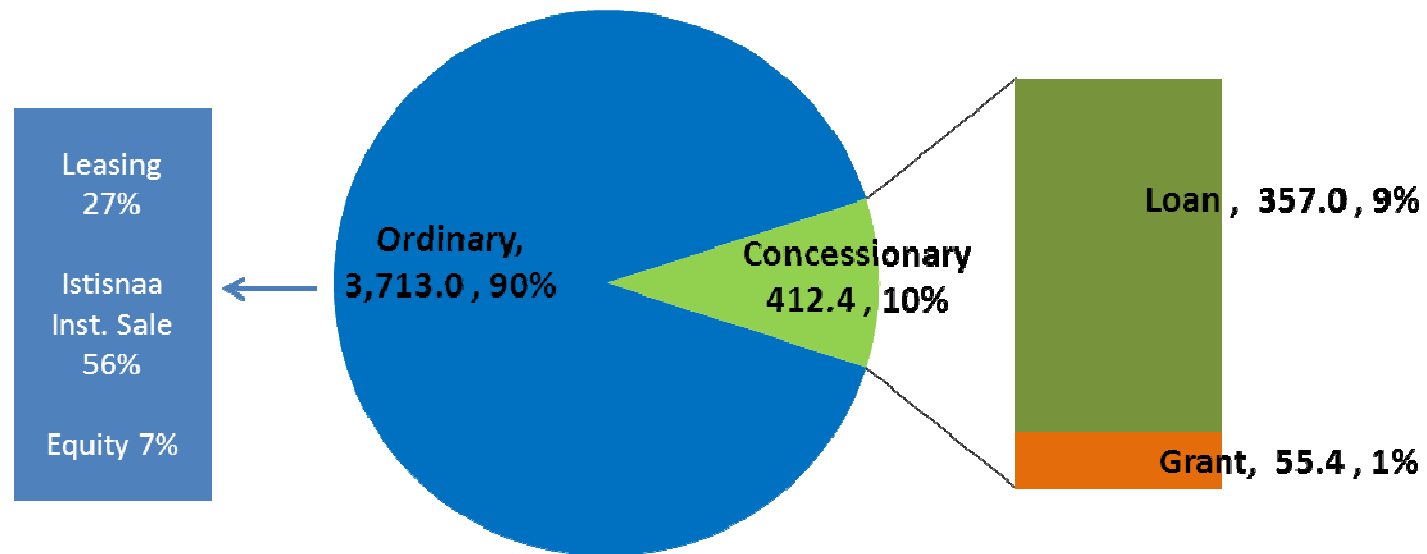


Cross Cutting Areas of Operations Plan



1432H Operations Plan

Original Planned Financing Target of US\$ 4,128 mil.



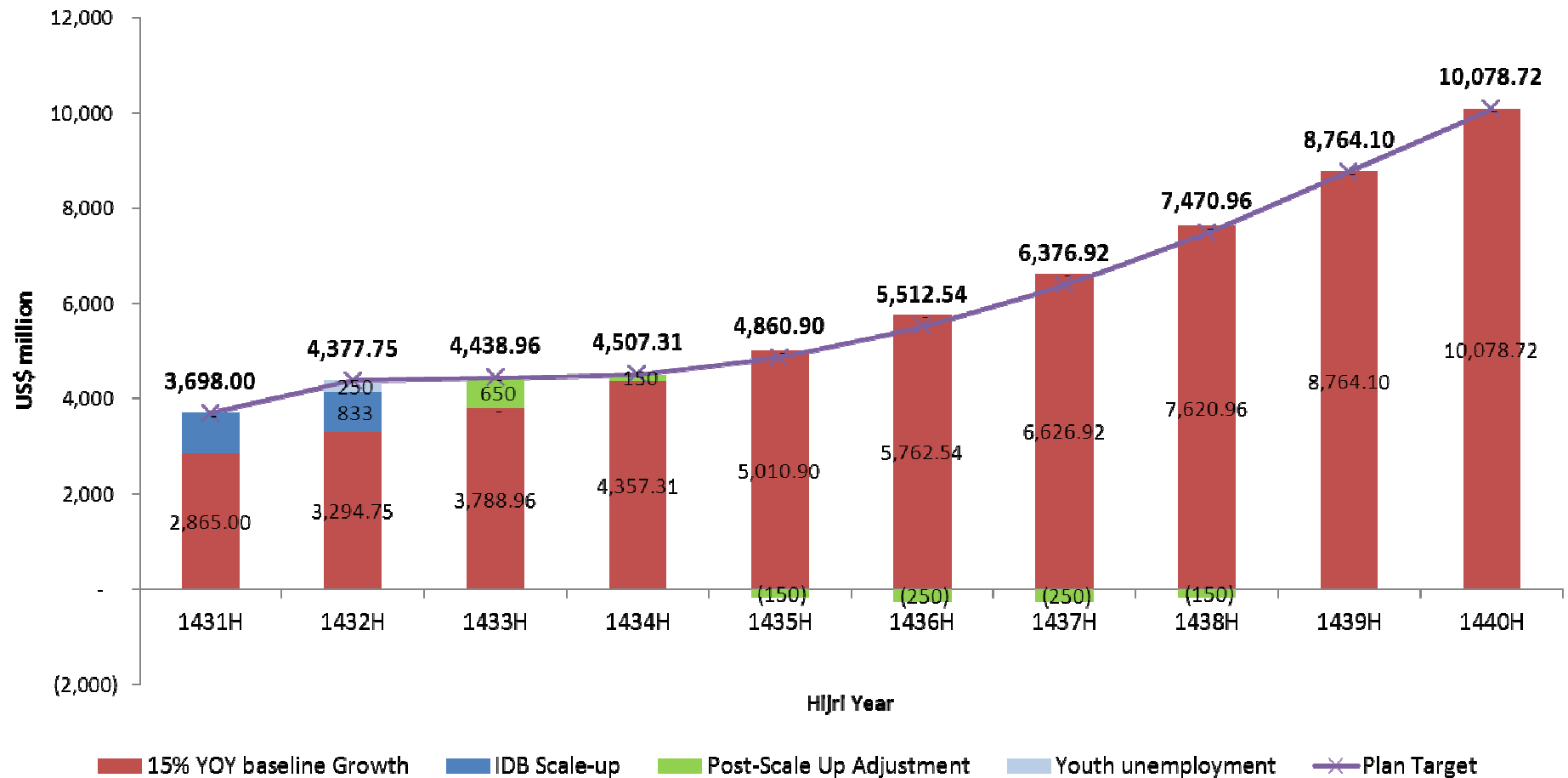
+ Additional financing of US\$ 250 million for *Youth Employment in Arab Countries (YEAC)*

Revised 1432H Op. Plan Target **US\$ 4,378 mil.**



Growth in Financing

OC Operations Plan Targets 1431H - 1440H

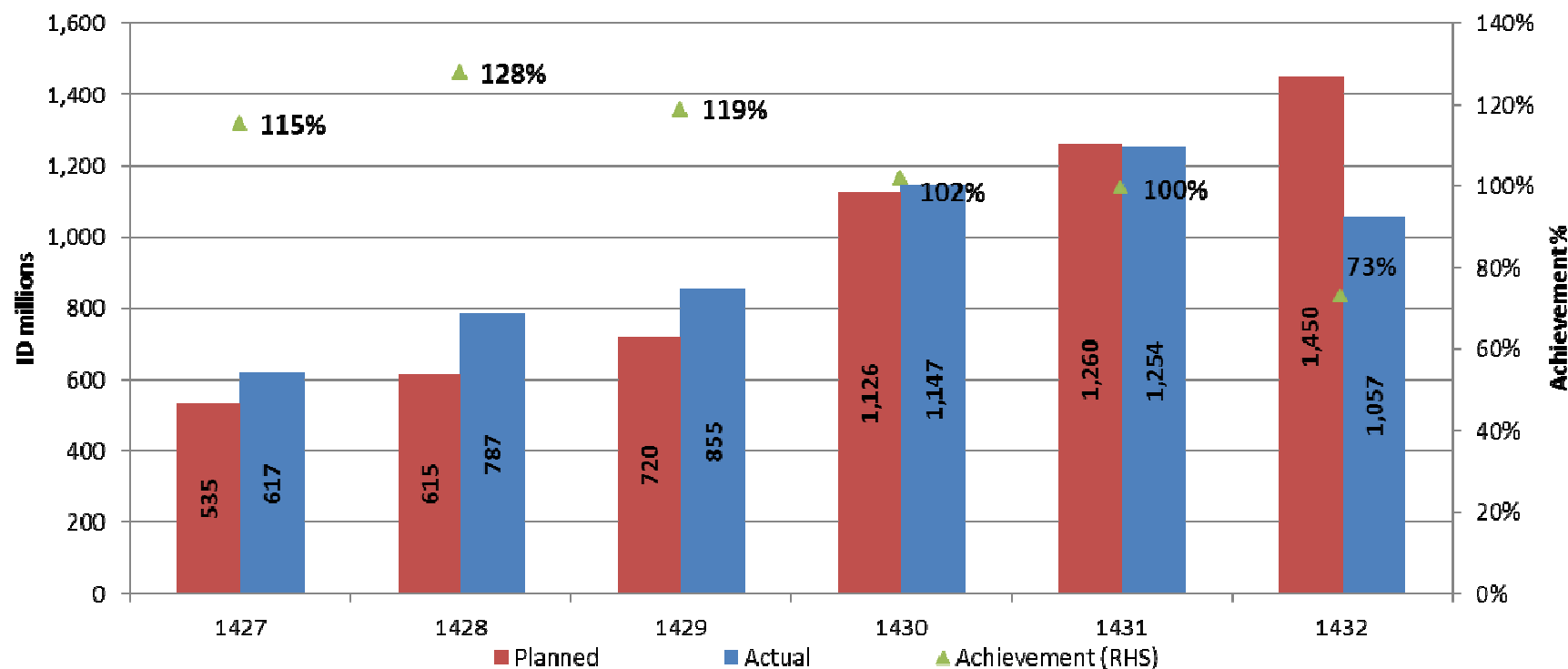


US\$ 60 billion of financing over 10 years



1432H Disbursements

Dibursement - Planned versus Actual



- ID 1,057 mil. disbursed to-date against a target of ID 1,450 mil. (73% achievement rate)



Co-financing Highlights 1432H

- Co-financing mobilized to-date : US\$ 2,118 million for 15 projects
- Equivalent to:
 - US\$ 2.45 of co-financing for every US\$ 1 approved by the IDB (co-financed projects only)
 - 1432H Target : US\$ 4 per US\$ 1 from IDB

Co-financing Partners:

- World Bank Group
- Asian Development Bank

Coordination Group:

- Kuwait Fund
- Arab Fund for Economic and Social Development
- Abu Dhabi Fund for Economic Development

Total Cost of
Projects,
7,720.29

Co-financiers,
5,480.29

IDB Financing,
2,240.00



IDB Group Special Activities

- NGOs and Women-In-Development (WID)
- Science & Technology Program
- Scholarship Programs
- Special Assistance for Muslim Communities in non-member countries
- Trade Cooperation & Promotion Program (TCPP)
- Investment Promotion Technical Assistance Program (ITAP)



Special Programs & Initiatives

- Jeddah Declaration - (1429 – 1433H)
- Special Program for the Development of Africa (SPDA) – (1429 – 1433H)
- IDB Scale-up Program – (1430 – 1432H)
- Youth Employment in Arab Countries (YEAC) – (1432 – Q1 1433H)
- Education for Employment (E4E)
- Bi-lingual Education and Vocational Literacy
- Cross-border Initiative



Jeddah Declaration

- US\$ 1.5 billion from the IDB Group for Food Security – 1429H to 1433H

- **Program**

- IDB US\$1,050 mil. (including US\$ 30 mil. Grants)
- ITFC US\$ 250 mil.
- ICD US\$ 200 mil.
- ICIEC Insurance Coverage

- **Achievements**

- **Overall \$ 569 mil.**
- IDB US\$ 471.8 mil.
- ITFC US\$ 50 mil.
- ICD US\$ 47.4 mil.
- ICIEC US\$ 66.7 (Insurance)



Special Program for the Development of Africa (SPDA)

- Adopted by the BED in 1429H
 - For 22 African Countries (13 West Africa & 9 Sub Saharan Africa)

• Program

- Total financing US\$ 12 bill.
- IDB Group US\$ 4 bill.
- External Partners US\$ 8 bill.

• Achievements

- Total financing US\$ 10.5 bill.
- IDB Group US\$ 3.1 bill. (23% disbursed)
- External Partners US\$ 5.3 bill. (Leverage IDB : Partners - 1:1.7)
- Governments US\$ 2.1 bill.

- Supported by empowerment program of the Dakar Regional Office and IDB Field Representatives



IDB Scale-up Program (1430-1432H)

- Doubling of IDB Financing Growth rate, to alleviate the effect of the Global Economic and Financial Crisis

- **Program**

- US\$ 2.5 bill. of additional financing
- Over 3 years
- For Infrastructure related projects

- **Achievements**

- US\$ 2.54 bill. of Approvals made in 2 years (102%) 1430 -1431H
- For 23 operations
- Co-financing worth US\$ 427 mill.
- 26% Disbursed (US\$ 656 mill.)



Youth Employment in Arab Countries (YEAC) (1432 – Q1 1433H)

- Aim at creating employment opportunities for Youth in Arab Countries

- **Program**

- US\$ 250 mill. of additional financing in 1432H
- Financing provided at concessionary terms
- Administrative cost to be borne by IDB
- Focusing on
 - Micro-finance
 - MSME Development
 - Entrepreneurship development
 - Advisory Services

- **Achievements**

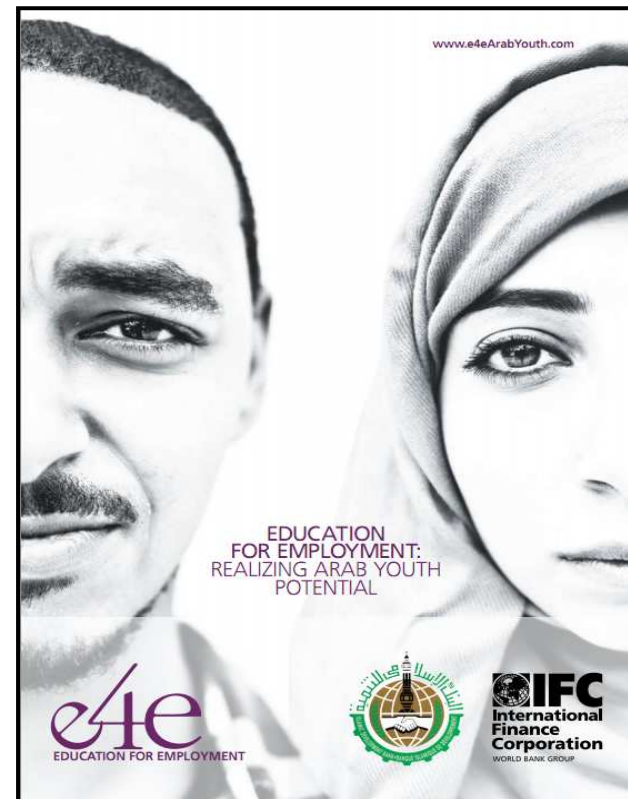
- Overall US\$ 150 mil. of Approvals
- US\$ 50 mil. each for Egypt and Tunisia for MSME and Micro Finance
- US\$ 50 mil. for Arab Regional E4E Programs



Education for Employment: Realizing Arab Youth Potential (E4E)

- Joint initiative between IDB and International Finance Corporation (IFC) – World Bank Group

- To Tackle youth un-employment
- To Unleash the potential of Arab Youth
- To use the private sector as a powerful force for positive change
- To jointly mobilize
US\$ 1.5 – 2.0 bill. for E4E programs



Modes of Financing

Concessionary

- Technical Assistance
- Grants
- Interest-Free Loan

Ordinary

- Leasing
- Installment Sale
- Istisna'a
- Equity
- Line of Financing



Technical Assistance (TA)

- Development of institutions (capacity building)
- Development of human resources (training)
- Pre & Feasibility studies
- Preliminary and Detailed Engineering Design
- Sectoral studies



Grant (TA)

- As a component of the Project.
- As a separate Operation.
- Max up to ID 300,000 to a “Govt. Entity”
- Max up to ID 100,000 to a “Private Entity”)
- The President, IDB authorized approve a TA Grant amounting to ID 200,000, with information to the BED.



Loan (TA)

- Can be granted to a “Govt. Entity” or a “Private Entity”
- All TA Loan are to be approved by the BED.
- Interest free, only service fee to cover administrative expenses (max to 1.5% if calculated on annual basis)
- Repayment period = 16 years
- Grace Period = 2 to 4 years



Interest Free Loan

- Long term financing for development Projects.
- Agriculture, Irrigation Networks, Economic Infrastructure, Social Infrastructure (Health and Education) etc.
- Interest free, only a service fee to cover administrative expenses (max ceiling 2.5% if calculated on annual basis).
- Repayment in equal semi-annual installments.
- Repayment period = 15 to 25 years
- Grace Period = 3 to 7 years



Loan under ISFD

- Interest free, only service fee to cover administrative expenses (max to 0.75% if calculated on annual basis)
- Repayment period = 30 years
- Grace Period = 10 years



Leasing

- Medium/Long Term Mode of Financing.
- Refers to the Rental arrangements for the financing of Capital Goods, Equipment and Other fixed Assets.
 - Industrial Plant
 - Agro-Industrial Plant
 - Machinery and Equipment
 - Oil Tankers
 - Cargo Vessels
- IDB, the Lessor, provide the required assets to be leased for a given period of time against payment of fixed periodical rentals



Leasing (Continued)

- IDB retains ownership of leased assets throughout lease period (up to 20 years including Gestation Period up to 3 to 5 years).
- Mark Up= “Capital Cost” + “agreed mark up” (subject to a floor and cap of 1% and 12% respectively)
- Minimum Lease financing is ID 2.00 million per project.
- Ownership of assets is automatically transferred to the Lessee upon exhaustion of repayments.
- Lessee is to provide Insurance of leased assets during the lease period



Installment Sale

- Medium-Term Mode of Financing.
- Bank purchases Machinery/Equipment and Re-sells to Beneficiary at agreed upon Mark-up
- Beneficiary makes payment at deferred date.
- Bank finances both locally manufactured and imported Capital Assets.
- Maximum financing Per Project is ID 150 million.
- On delivery of the assets to the beneficiary, ownership of the assets is transferred from IDB to beneficiary.



Installment Sale (Continued)

- Maximum repayment period is 20 years including gestation period (up to 3 to 5 years) to cover manufacture and/or delivery of goods.
- Mark up on the IDB financing can be
- [Fixed Rate Mark-up] the Capital Cost plus a mark-up of [agreed percentage] per annum.
- [Swap Rate] Swap Rate equivalent to the prevailing USD 6-months LIBOR for [agreed no. of years] plus [Agreed rate] bps.



Installment Sale (Continued)

- Under the IDB program of Jeddah Declaration
- The Mark-up on IDB financing shall not exceed 2.5% (two point five percent) per annum.
- The period of financing shall be 15 years after a Gestation Period of 5 years.



Istisna'a

- Promote manufacturing and construction capabilities of IDB Member Countries.
- To finance infrastructure projects like: rail, roads, bridges, schools, etc.
- Istisna'a is contract between a beneficiary (The Buyer) and a manufacturer (The Seller) to produce a given product, with given specifications, at a determined price, and a fixed date of delivery.
- The Bank finances usually Civil Works/Construction.
- An agreement between the Bank and the Beneficiary sets the payment conditions.



Istisna'a (Continued)

- Maximum repayment period is 20 years including gestation period (up to 3 to 5 years) to cover manufacture and/or delivery of goods.
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Lines of Financing

- IDB extends Lines Of Financing to:
 - National Development Financial Institutions (NDFIs)
 - Islamic Banks.
 - State Banks.
- To promote the Growth and Development of SMEs and Micro-Enterprises in Industry, Agriculture and Services.



Lines of Financing (Continued)

- Ceilings per Project:
 - Category “A” ID 250,000 to ID 3.5 million
 - Category “B” ID 100,000 to ID 2.0 million
- Delegation of authority to NDFIs:
 - (a) Free limit - Category “A” ID 250,000
Category “B” ID 150,000
 - (b) Full delegation of Authority



Equity

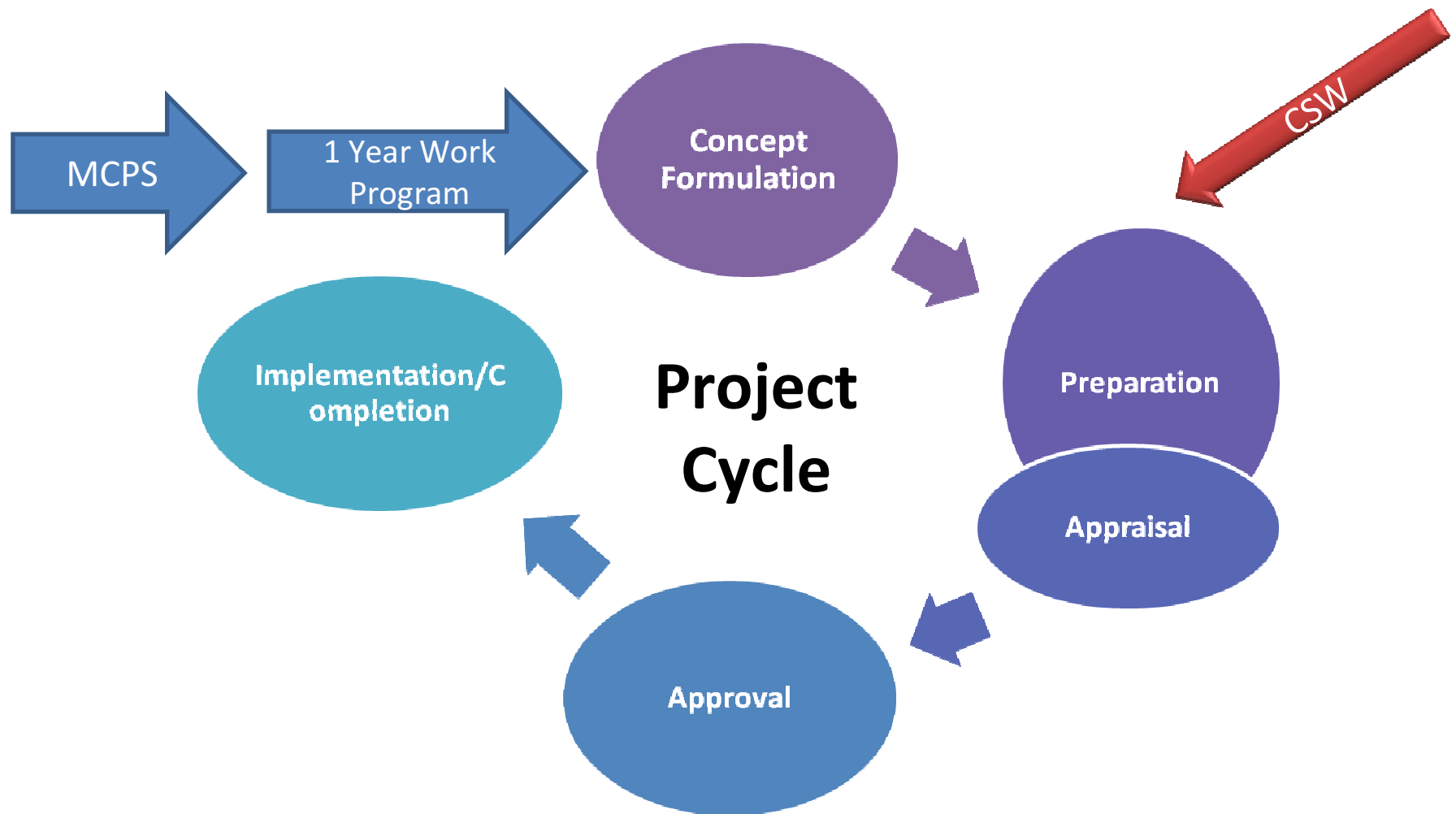
Definition : IDB participates in the equity capital of Companies / Enterprises in Member countries that are Shariah compatible and are projected to have substantial development impact on the economies of their countries.

Terms and conditions :

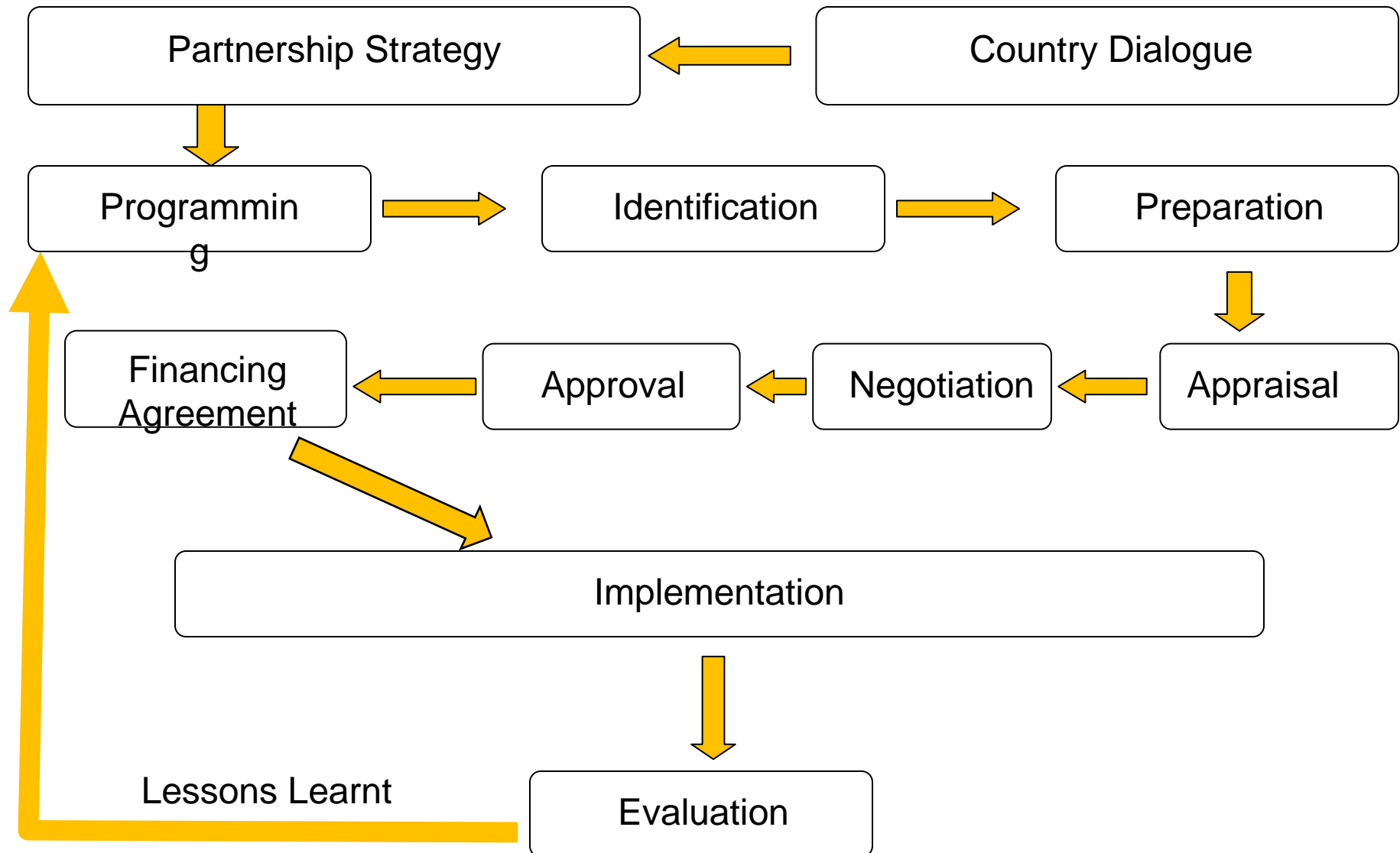
- ✓ IDB's participation is limited to one-third of the equity capital .
- ✓ IDB seeks the right to nominate one or more Directors to the governing body.
- ✓ It is IDB's policies to revolve its resources by selling its shares in Companies at appropriate time .



New Operational/Project Cycle



New Operational/Project Cycle

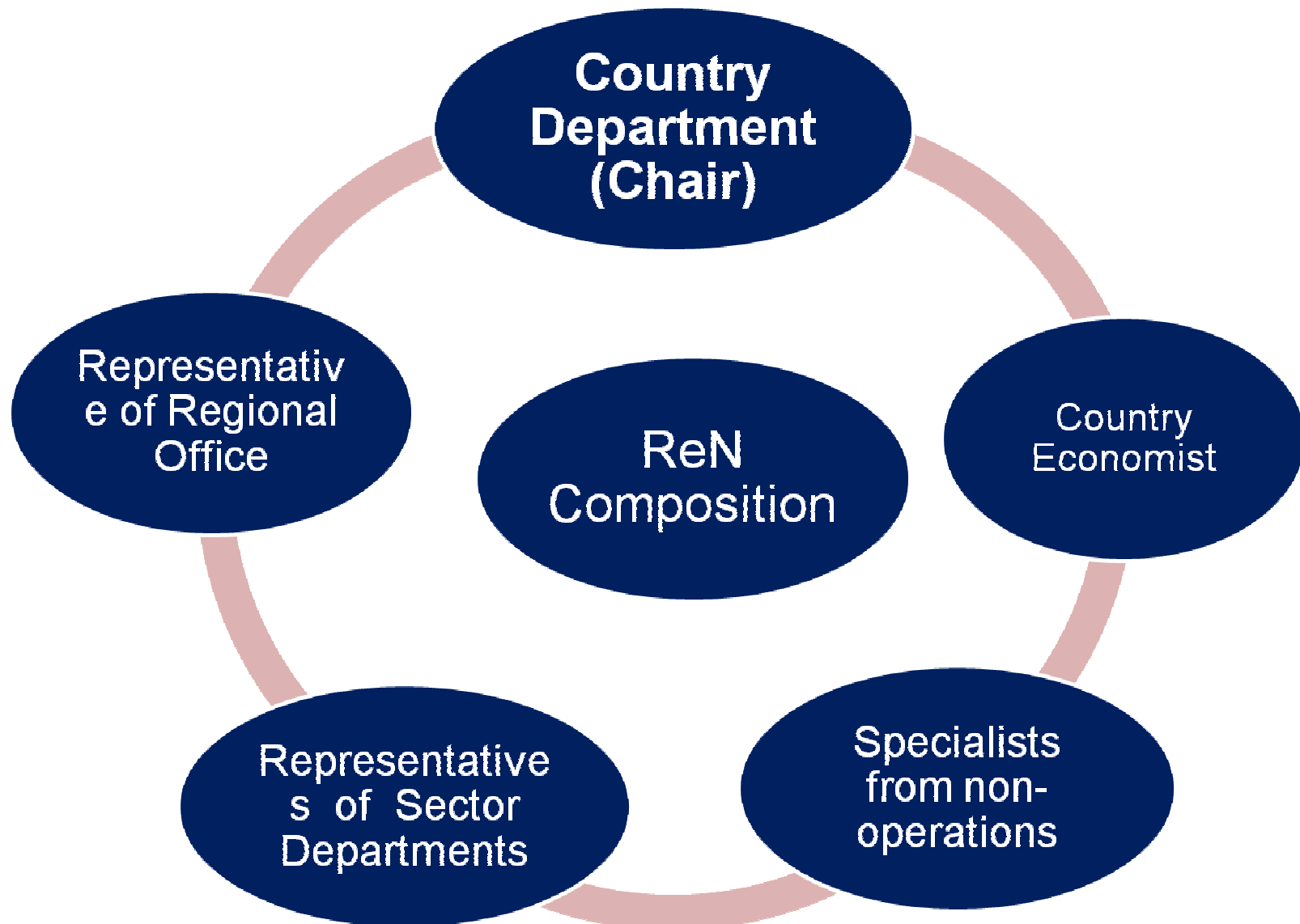


New Business Processes

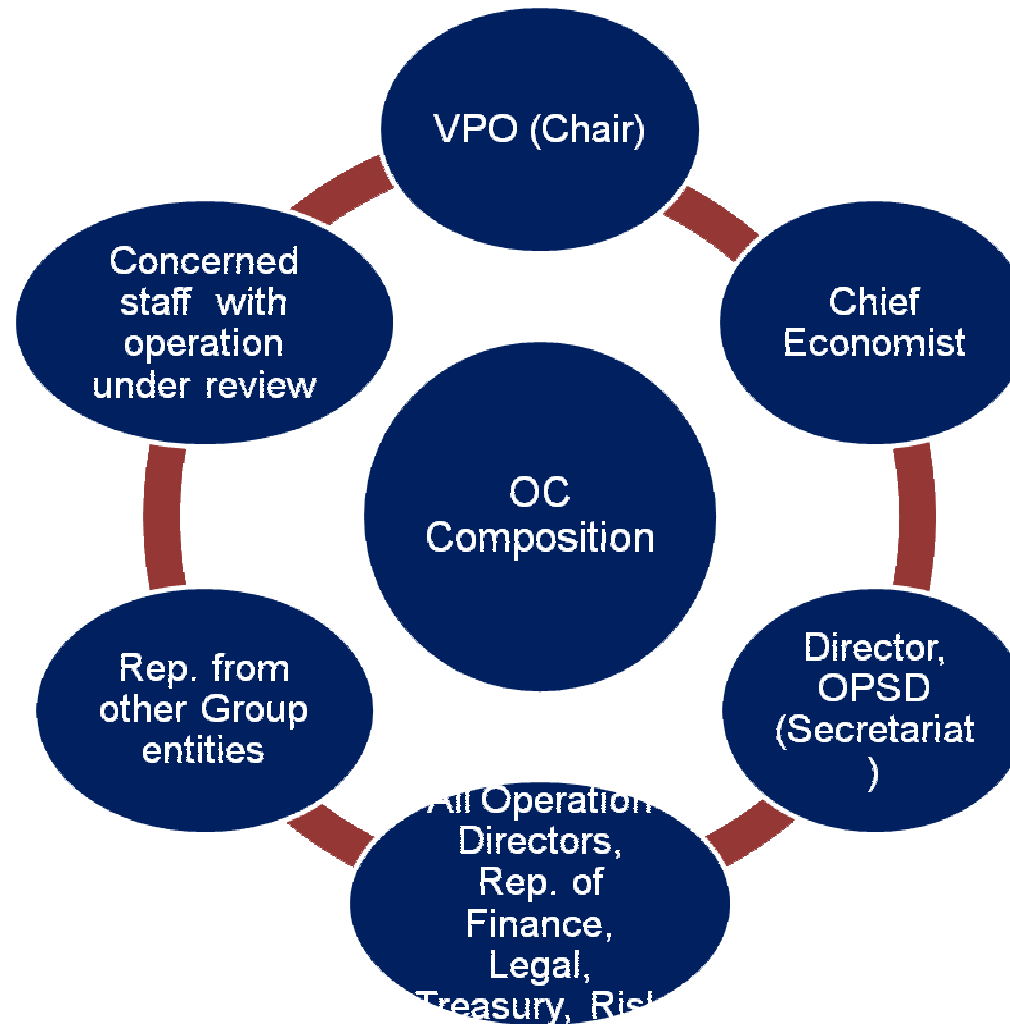
- Review and approval process , with focus on quality and results
- Regional Networks (ReNs)
- Peer Review Process
- Project monitoring tools (at implementation and exit)
- Country portfolio monitoring
- Delegation of authority



Regional Network (ReN)



Operations Committee



Approval

- Pre-approval fax
- Submission to BED (to President if authority is delegated to him)
- Post-approval fax



Financing Agreement

- Finalization of Draft
- Signing
- Effectiveness
- Deadlines for above steps



Implementation

- Start-up workshop.
- Project implementation unit
- Procurement
- Disbursement
- Audit
- Reporting
- IDB missions
- Problem solving
- Completion
- Utilization of savings



Post-Implementation

- Repayment
- Post – Evaluation
- Possible issues post completion



Operations Complex Policy Themes

- Sector/Thematic Policies
- Safeguard and Fiduciary Policies
- Investment Lending Framework and the Operations Manual
- Partnership and Resources Mobilization Policies

GUIDING PRINCIPLES

- Selectivity
- Focus on Results
- Effective Delivery
- Partnership and Harmonization



New Cultural Model



معاً نبني مستقبلاً أفضل

TOGETHER WE BUILD A BETTER FUTURE
ENSEMBLE NOUS CONSTRUISONS UN AVENIR MEILLEUR

Thank You



The Islamic Development Bank Group

Providing resources - Fighting poverty - Restoring dignity

<http://www.isdb.org>

Key Challenges

- Helping LDMCs for Poverty Reduction
 - Concessionary and Grant resource constraints
 - Increased uncertainties and crises
- IDB Pricing for ordinary financing
 - Seen as high compared to other MDBs
 - Implementing MCPS
- Development Effectiveness and Sustainability
 - Ensuring development goals and objectives are met
 - Sustaining the level of financing

