

ISLAMIC DEVELOPMENT BANK

INTRODUCTION

The Islamic Development Bank (IDB) was established as an international development finance institution in December 1973 and commenced business activities in October 1975. The main purpose of IDB is to foster the economic development and social progress of its member countries. The Bank currently has 56 member countries.

The functions of the IDB are to provide various forms of development assistance for poverty alleviation through human development, forging economic cooperation through promotion of trade and investment among member countries.

The IDB's principal office is in Jeddah, the Kingdom of Saudi Arabia. Three regional offices were opened in Rabat, Morocco; Kuala Lumpur, Malaysia; and Almatay, Kazakhstan. The IDB is in the process of opening its fourth regional office in Dakar, Senegal

Two years after commencement of activities, the Bank introduced trade financing as part of its normal activities first, as a means of investing surplus funds but soon, this function became a prominent activity of the Bank serving as a means of supporting member countries' initiatives in boosting their share of international trade. This role is complemented by the many activities funded under the Trade Cooperation and Promotion Programme component within the Trade Finance & Promotion Department

WHAT IS YOUR AID FOR TRADE STRATEGY?

The main thrust of IDB's trade strategy is to assist member countries in their efforts towards export development and trade promotion. This is done through extending appropriate financing to economic operators in member countries and also by providing institutional support in core aspects such as capacity building, trade matching and other related activities all aimed at facilitating and promoting trade cooperation, intra-trade among member countries and expanding trade with the rest of the world. These activities are delivered through carefully selected focal points in member countries such as export promotion centers, chambers of commerce, business associations, regional and international trade organizations. The underlying philosophy is to use trade and financing opportunities as a means of complementing policies towards the eradication of poverty. This is done in conjunction with the projects department of IDB most of which are in the social sector and often concessionary.

The Bank's trade finance strategy is guided by various declarations of the member countries. Currently, the main objective is directed under what is referred to as the Makkah Declaration of 2005 within the framework of the OIC Ten Year Plan of Action which seeks among other things to boost

intra-trade to 20% by 2015. The establishment of an autonomous trade finance entity within the IDB Group (International Islamic Trade Finance Corporation) also in 2005 is a major stride in this direction. All trade financing operations performed by various windows of the IDB Group will be undertaken by the ITFC. The new entity has an authorized capital of \$3 billion and an initial subscribed capital of \$500 million. The ITFC is expected to consolidate and enhance the trade financing operations of the IDB Group and strengthen trade promotional activities.

HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?

Total direct funding for trade finance extended by IDB as at end 2006 was in excess of US\$27 billion. This figure excludes funding provided under the Bank's Trade Cooperation and Promotion Programme mainly in the form of grants, which is approximately US \$ half a million per annum.

HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?

Trade finance is extended to both public and private sector entities in member countries for financing both exports and imports. Particular focus is given to the export sector.

Regarding the trade cooperation and promotion aspects, these are delivered through various means such as:

- Coordinating and collaborating with international, regional, local and national organizations on organizing trade activities to assist member countries in promoting their exports;
- Hire the services of experts in the fields of trade promotion and export development to support member countries;
- Facilitate the availability of trade information for the benefit of relevant authorities and trade entities in the member countries.
- Place a lot of emphasis on the planning and implementation of activities (quantity & quality);
- Facilitate trade through capacity building of member countries in trade areas and organizing and implementing different on-the-job training programmes, seminars, business meetings, trade missions and workshops;
- Assist member countries in trade promotion and facilitate the participation of some of their exporting companies, particularly Least Developed Member Countries (LDMCs) from Africa and CIS in international and regional trade fairs to promote their export products;
- Promote IDB's trade finance and promotion programmes through seminars, workshops and business meetings, etc.
- Fund the preparation of studies on various subjects related to trade.
- The IDB also has an extensive WTO related Technical Assistance and Capacity Building Program for its member countries. This program is geared towards enhancing the institutional and human capacity of its member countries on WTO related subjects. One of the objectives of this program is to support the trade enhancement efforts of the IDB member countries.

Overall, UNDP's trade capacity interventions are consistent with the Paris Principles on aid effectiveness.

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

IDB uses the expertise of specialized institutions such as IGEME (Turkey), MATRADE (Malaysia), ITC, Arab Economic Unity Council in facilitating some of the programmes. Also, post-evaluation exercises are conducted to measure the impact of the programmes and lessons drawn to help improve similar activities in the future.