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IMPLICATIONS OF THE URUGUAY ROUND AGREEMENTS[1] FOR THE ACTIVITIES OF THE ISLAMIC DEVELOPMENT BANK

Islamic Development Bank

One of the main functions of the Islamic Development Bank is to promote trade among its member countries through a number of trading schemes. The Uruguay Round Agreements are a significant development with far reaching implications for world trade and development. They present opportunities and challenges for the Bank and its member countries. This paper provides a preliminary assessment of the possible direct effects of the URA on the role and activities of the Islamic Development Bank and some ideas on how best the Bank could deal with its members after they adopt the new trading framework.

1. INTRODUCTION

The Islamic Development Bank (IDB), established in 1975, has a membership of 48 countries, of which the majority is either developing or least developed according to international classification. As of January 1995, 26 of the IDB members have signed the Final Act of the Uruguay Round Agreement (URA), including 14 least developed countries.

The main purpose of the IDB is to foster the economic development and social progress of its member countries and of Muslim communities individually as well as jointly in accordance with the principles of Islamic law (Shariah). For this purpose, the Bank can undertake a variety of functions, such as participation in equity capital, granting loans for financing development projects, and operating funds for specific purposes. It is also authorised to accept deposits and mobilise financial resources, promote trade among member countries, provide technical assistance to member countries, extend training to their personnel engaged in development activities, and undertake research in selected economic financial and banking activities in member countries. By the end of 1415H (May 1995), the IDB had approved

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[1]This paper has benefited from some of the information from an on-going study in the Bank dealing with the implications of the Uruguay Round Agreements for the IDB Member Countries.

financing amounting to US$12,945m, of which about 75 per cent was allocated through different trade financing schemes for promoting intra-trade and development in the member countries (see below and Annex 1 also for details).

The IDB views the Uruguay Round Agreements (URA), undoubtedly, as one of the major international developments which are likely to have far-reaching effects on world trade and output in the years to come. However, whether these agreements will have any effect on the role and activities of multilateral development financing institutions like the IDB is a question not widely studied so far. What may be evident is that most multilateral financing institutions cannot remain unaffected by the implications of such a change in the rules governing global economic relations. But how significant those implications could be is a question which can be answered by looking at the case of the individual institution concerned.

This paper presents a preliminary assessment of the possible direct or indirect effects of the URA on the role and activities of the IDB. Keeping in view their main features, the paper tries to see if there is anything in those agreements which might not tally with the IDB's policies and procedures and also how best the IDB could deal with its member countries after they adopt the new trading framework[2]. The major provisions of the URA scrutinised in this paper relate to: (1) general tariff reduction and tariff bindings (i.e., upper limits on tariff rates), (2) agricultural trade, (3) trade in textiles and clothing; (4) trade in services, (5) trade related intellectual property rights (TRIPs), (6) subsidies and countervailing measures, (7) anti-dumping measures, (8) safeguard measures; (9) rules of origin, and (10) technical barriers and standards.

2. TARIFF REDUCTIONS AND BINDINGS

The provisions in the URA to reduce tariffs on industrial and agricultural goods by the developed countries, a major increase in the percentage of items to be covered by tariff bindings by the developing countries, and other measures to enhance market access for the developing countries are

[2]The paper does not discuss all the provisions of the Uruguay Round Agreements as such and assumes that the reader can refer for details of these agreements to other readily available sources.

generally in line with the IDB's policies of trade promotion. The IDB's trade financing schemes such as the Import Trade Financing Operations (ITFO) (for financing imports of developmental nature by member countries), the Islamic Bank Portfolio (IDB) (for both exports and imports), and the Longer Term Trade Financing Scheme (LTTFS) (meant to finance exports of non-traditional goods of OIC member countries participating in the Scheme) would perform better if member countries have greater access to each other's markets and the markets of other countries. Reduction in tariffs could also decrease the financing required for given operations, leading to a more effective utilisation of IDB's resources.

However, for a number of reasons, most IDB member countries may not find tariff reduction and market access provisions under the URA to be unmixed blessings. First of all, not all of them have the required productive capacity to benefit from the available market access. Enhancing such a capacity would require additional resources which may not be available in the short or medium run. In fact, in some cases, tariff reductions could result in revenue losses and a widening of the domestic resource gap. This could adversely affect the ability of those countries to attract foreign investment (including financing from the multilateral financing institutions) and service their existing debts. Secondly, it is not going to be an easy task for most IDB member countries, even with sufficient exportable surplus, to enhance their share of world trade as they could face greater competition from the developed countries after the URA. Moreover, due to their relatively inferior levels of technology, they are likely to suffer from higher costs of production as they race toward industrialisation.

3. AGRICULTURAL TRADE

The inclusion of agricultural trade in the URA may have significant implications for the IDB. Agriculture has been declared a priority sector in the recently adopted Medium Term Strategic Agenda of the IDB. There are at least 20 IDB member countries with potential to benefit from the URA-created market access in developed countries for their agricultural exports[3]. In 1992 for example, their combined agricultural exports were about US$22

[3]These countries are: (1) Benin, (2) Burkina Faso, (3) Cameroon, (4) Chad, (5) Egypt, (6) Indonesia, (7) Malaysia, (8) Mali, (9) Morocco, (10) Pakistan, (11) Senegal, (12) Sierra Leone, (13) Tunisia, (14) Turkey, and (15) Uganda (see Annex 3).

billion (i.e., about 10 per cent of their total exports). Their potential for agricultural exports can be further enhanced by suitable national investment policies and international assistance. The IDB is also expected to play a role in this process. Besides direct project financing, a greater use of technical assistance and technical co-operation programmes could be made to expand the agricultural export capacity of these countries. This would serve the purpose of benefiting from opportunities available in the developed markets as well as meeting the additional demand for food items in member countries as they try to substitute their expensive food imports from the developed countries.

Since the URA allow a longer time for adjustment and a lesser rate of reduction in subsidies to the developing and least developed countries, the interim period can be used to explore alternative sources of food supply within the IDB member countries. The IDB trading schemes can be used to facilitate such trade.

The problem which could raise serious concerns relates to the food security situation in the food deficit IDB member countries. It is being widely observed that a reduction in export subsidies by 36 per cent by the developed countries would directly hit the food importing countries. There are 15 IDB member countries at present whose food imports are 20 per cent or more of their total import bill (Annex 3). As a whole, food imports constituted about 80 per cent of agricultural imports of IDB member countries in 1982. A number of them suffered a decrease in their per capita food availability during the last ten years. In this way their food security problem is serious and can be overcome only through the collective efforts of the international community and the countries themselves. The IDB has already taken a number of steps in this area in the light of the resolutions passed by different Islamic fora on food security. The steps include direct financial and technical assistance to member countries, supporting OIC-level efforts to create food reserves, and co-ordination of efforts of different institutions in member countries in the field of food security.

It is important to mention that the URA provide sufficient scope for the roles of institutions such as the IDB in the area of food security and agricultural development, particularly in the less developed countries. The “Domestic Support Clause” of the URA excludes government support or international measures for research, disease control, infrastructure and food security from the subsidy reduction commitment of the developing countries as long as they have minimal impact on trade. This exemption also applies to direct payment to producers, income support, structural adjustment assistance, direct payments under environmental programmes and under the regional assistance programme. This latest clause provides a lot of room for the role of institutions like the IDB in this sector.

4. TRADE IN TEXTILES AND CLOTHING

The gradual integration of trade in textiles and clothing in the GATT under the URA is a significant development for the IDB. At present there are 8 IDB member countries whose textiles and clothing exports are about 20 per cent or more of their total exports. These countries are Bangladesh, Egypt, Indonesia, Morocco, Pakistan, Syria, Turkey and Tunisia. Textiles and clothing exports constituted about 35 per cent of the total manufactured exports of all the IDB member countries in 1992 (Annex 3). Under textiles, cotton and cotton yarn have been among the major non-oil trade items financed through different trade financing schemes of the IDB (through ITFO in particular) (see Annex 2).

As the URA would allow integration of 51 per cent of textile and clothing exports into GATT by the year 2002, it is estimated that developing countries exports to major OECD countries could increase by 82 per cent for textiles and 93 per cent for clothing over the ten-year implementation period. Hoping that the developed countries do not create additional barriers under safeguards measures, the above-mentioned textiles exporting IDB member countries should expect a significant increase in their trade in this field. Countries such as Bangladesh, Indonesia, Iran, and Jordan which presently depend on imported cotton and other textile raw materials for their textile industries are likely to further increase their imports of cotton and other raw materials for textiles and clothing. But if the countries exporting cotton to the IDB member countries (India, Pakistan, and Egypt in particular) undergo a significant expansion in their domestic production of textiles for exports (as it is most likely going to happen), the cotton-importing IDB member countries would need to explore new sources of supply of raw cotton and cotton yarn. Lately, the Central Asian Republics have emerged as one such source. India, Pakistan and Bangladesh have already established contacts with them to benefit from this relatively less expensive source of cotton supply.

This anticipated increase in activities in the textiles and clothing sector may require greater involvement of the IDB in this area. Besides financing, the IDB's assistance may be sought in developing a common strategy by the member countries to benefit from the new opportunities and to overcome any trade barriers created by the developed countries under the guise of "safeguards" or "international standards" (see below).

5. TRADE IN SERVICES

According to the General Agreement on Trade in Services (GATS), the member countries "shall accord immediately and unconditionally to services and service providers of any other party treatment no less favourable than it accords to like services and service providers of any other country". This is covered under the "most favoured nation" (MFN) treatment clause. Conditions for exemption from MFN treatment are also specified. The member countries are required to publish all relevant laws and regulations. The agreements cover wide-ranging activities including banking, finance, insurance, movements of labour, tourism, travel and telecommunications.

The agreements also contain a clause on "National Treatment Provision" which allows the parties to accord different treatment to domestic service providers without modifying the conditions of competition. This clause is similar to the one adopted by the IDB while awarding contracts to providers of goods and services from the member countries. The IDB's procurement procedures require international bidding and preference is given to local contractors or contractors from a member country without altering the conditions of competition[4].

[4]According to the IDB rules, the IDB's financed projects have been categorised under category (A) and Category (B). Category A refers to projects which are within the capability of member country firms such as simple roads, schools, health and infrastructure. Category B refers to projects complex enough to warrant the participation of non-member country firms such as major dams, bridges, ports and petro-chemical projects, etc. Category (A) projects which are to be exclusively reserved for member country firms offer a preference of up to 15 per cent for local companies of the beneficiary country concerned.

Category (B) projects are open to member country and non-member country firms. If the lowest bid for a tender is from a non-member country firm, then the lowest bidder

For the IDB and its member countries the provisions on movement of labour and financial services are particularly noteworthy. With respect to movement of labour, the agreements permit parties to negotiate specific commitments applying to the movement of people providing services under the agreement. However, it is required that people covered by a specific commitment shall be allowed to provide the services in accordance with the terms of the commitment. The agreements would not apply to measures affecting employment, citizenship, residence or employment on a permanent basis.

There is an annex in the URA on financial services (largely banking and insurance) which lays down the right of parties, notwithstanding other provisions, to take prudential measures, including for the protection of investors, deposit holders and policy holders, and to ensure the integrity and stability of the financial system. However, a further understanding on financial services would allow those participants who choose to do so to undertake commitments on financial services through a different method. The agreements also confirm that commitments in this sector will be implemented on an MFN basis, and allow members to review and finalise their schedules of commitments and MFN exemption lists six months after the entry into force of the agreement on this subject.

Since trade in services has been brought under GATT for the first time, it contains both opportunities and challenges for the IDB and its member countries. Opportunities exist in those service areas that are labour-intensive like construction and software development. However, there may be sensitive issues relating to labour migration which need to be resolved while promoting trade in labour-intensive services. On the other hand, the challenges are to compete with advance suppliers of services in the financial, telecommunications and maritime areas. Tourism is another area where IDB member countries may have to be watchful to avoid undesirable cultural influences.

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from amongst the member-country firms participating in the tender may be requested to bring down its bid to the level of the lowest bid of the non-member country firm (matching down) provided that it is within 10 per cent of that bid. Further guidelines are provided for the actual implementation of these rules.

As far as the IDB is concerned, it has already participated in the efforts made at the level of the Co-ordination Group to promote the interest of contractors and consultants from member countries[5]. A Sub-Committee has been established by the Group to study the revised international Federation of Consulting Engineers' (FIDIC) consultancy services agreements, consultancy services manual, and general standard conditions for the execution of civil works, and in order to introduce the necessary amendments that suit the interests of contractors and consultants from member countries. However, this arrangement came into being before the signing of URA. The IDB may, therefore, be expected to further increase its role by promoting trade in services from member countries to other countries. In particular, co-ordination of efforts to strengthen financial institutions in member countries to make them internationally competitive would be required. At the same time steps need to be taken to promote the activities of Islamic banks in different member countries. This may require special incentives to be provided by the IDB and member countries without prejudice to the provisions of URA on trade in services.

6. TRADE RELATED INTELLECTUAL PROPERTY RIGHTS (TRIPS)

The inclusion of the intellectual property rights in the URA is perhaps one of the most fundamental changes which is going to affect everybody, everywhere, in the world, but particularly in developing countries where intellectual property rights have usually not been respected properly. This provisions of the URA will, under the best of circumstances, lead to a transfer of resources from the developing countries, including IDB member countries, to developed countries, especially the United States. This would include payments for fees and royalties for patents, copyrights, designs, trade marks, computer software programmes, sound recordings, etc.

The IDB has always ensured the protection of intellectual property rights in its internal functioning. The URA, however, would require that, as a responsible international institution, it tries to ensure that, while dealing with its member countries, the provisions on property rights are also equally

[5]The Co-ordination Group consists of IDB, Abu Dhabi Fund for Development, the OPEC Fund for international development, the Iraq Fund for External Development, the Kuwait Fund for Economic Development, the Arab Bank for Economic and Social Development in Africa and the Arab Monetary Fund.

respected. But what may be more important for the IDB is the efforts that have to be made to strengthen the technological capabilities of member countries so that their dependence on developed countries is minimised. The IDB's Medium Term Strategic Agenda has already declared the promotion of Science and Technology as one of the themes which the IDB is going to pursue in its operation on a priority basis. With the URA in effect, the need to actively promote this theme has increased many times.

7. SUBSIDIES AND COUNTERVAILING MEASURES

The URA define a subsidy as "a benefit in the form of a financial contribution by a government, or government revenue programme, a government provision of goods and services, or purchase of goods, or by any form of income or price support". Accordingly, the member countries shall have to eliminate all subsidies that: (1) are contingent upon export performance or upon the use of domestic over imported goods and/or adversely affect the interest of other signatories and cause 'serious prejudice" to the interest of another member. The clause on prohibited subsidies for the purpose of export performance would not apply to the least developed countries and developing countries with a GNP per capita of less than US$1,000 for up to 8 years. Accordingly, only 17 IDB member countries are likely to be affected by this rule, including countries such as Algeria, Jordan, Morocco, Syria, and Tunisia which still need to do a lot to improve their balance of payments positions. The URA rules on subsidies would require them to be more competitive and to find alternative means to promote their exports. Toward these ends, these countries would have to make effective use of the IDB's Technical Co-operation Programme and Technical Assistance facilities. In the long run, however, the member countries would need to make greater use of different trading schemes of the IDB to promote their intra-trade.

With reference to the URA, an important question which may be asked is to what extent the lower mark-up charged by the IDB on exports from member countries contradicts the URA provision on subsidies? In response, looking carefully at the relevant clauses, one does not find the IDB's preferential treatment of member countries' exports as contradictory to the URA rules. To begin with, these rules are silent with regard to financing provided by international institutions such as the IDB. Second, even if one tries to extend the scope of subsidies to include "preferential treatment in financing from abroad", the IDB's current practice of lowering mark-up by one per cent on member countries' exports is well below the "actionable limit" or "serious prejudice"[6]. According to the URA, any subsidy which could result in displacement or impeding imports into the national market or displacement of exports to third country markets could be actionable (or would amount to serious prejudice) if the *ad-valorem* subsidisation of a product (except civil aircraft products) exceeds 5 per cent. In the case of IDB's mark-up, concession in the maximum concession to a member country can be between 2 and 3 per cent of the total value of imports.

It may be worth mentioning here that there are a number of areas stated in the URA in which subsidies are not regarded as actionable. These are mainly promotional and developmental activities and the IDB could continue to operate in those areas as per its rules.

8. ANTI-DUMPING MEASURES

The URA disallow dumping which is considered to have taken place when a product is introduced into another country at less than its normal value, which may cause injury to domestic industry. The margin of dumping is regarded as negligible if it is less than 2 per cent of the export price or if the volume of imports from a particular country accounts for less than 3 per cent (7 per cent in case of several countries) of imports of like products in the importing country. The major focus of IDB's trade financing (under different schemes) has been on industrial raw material and intermediate goods, goods required for developmental needs, and non-traditional exportable items (see Annex 2). The size of individual trade operations is also usually small and there are country exposure limits to regulate the aggregate export financing to be given to different countries. In this way the "dumping problem", as such, was never encountered in the operations of the IDB. But, still, the IDB needs to guard against this problem in its future operations and keep in view the relevant clauses of the URA while approving trade operations, particularly for the private sector.

9. SAFEGUARD MEASURES

[6]Currently the mark-up charged by the IDB on its Import Trade Financing Operations (ITFO) is 6.5 per cent and 7.5 per cent for imports from member countries and non-member countries respectively.

It appears that the agreements on safeguards are meant to protect the developed countries from the influx of imports from developing countries. The countries have been given up to eight years to adjust their industries. Barriers under safeguards in future will be subject to WTO confirmation. The developing countries have been allowed to extend the safeguard measures by two more years, if necessary. The IDB, however, would be concerned if its operations are adversely affected by the unnecessary use of safeguard measures. Therefore, it would need to ensure that its project financing or trade operations in a given country do not lead to “serious injuries” to any industry in other member countries.

10. AGREEMENT ON RULES OF ORIGIN

The URA also provide for harmonisation of rules of origin of goods entering into trade. Different Technical Committees have been set-up to harmonise the definition of commodities being wholly or partially produced by a country. The agreements also set out a common declaration with respect to the operation of rules of origin on goods which may qualify for preferential treatment. Accordingly, preferential rules of origin are defined “as laws, regulations and administration determinants of general applicants applied by any member to determine whether goods qualify for the preferential treatment under contractual or autonomous trade”. The members are also required to notify the WTO Secretariat about their preferential rules of origin.

This provision of the URA may have some bearings on the IDB’s trade operations. The IDB’s Longer Term Trade Financing Scheme (LTTFS) has its own rules of origin. Accordingly, a commodity is considered to have originated in a country participating in the Scheme when it is produced or manufactured there from inputs which originate in that country and/or imported from an OIC country, provided that these inputs are at least 40 per cent of the total FOB value of the finished product. The ITFO and IBP do not have any well-defined rules of origin whereas financing imports from member countries carry low mark-up. A definition of the origin of imports under ITFO and IBP may, therefore, be needed to avoid any ambiguity or misuse. Moreover, the IDB may have to review its rules of origin in the light of the URA rules to be finalised soon.

11. TECHNICAL BARRIERS AND INTERNATIONAL STANDARDS

The URA recognise technical regulations to protect human, animal or plant life or the environment. But the agreement in this area requires that these regulations should not create unnecessary obstacles to trade; they should not be discriminatory, and should be published and known to all concerned.

The agreements on international standards relating to health, sanitary and environment are going to have far-reaching implications for trade from the developing countries, including the IDB member countries. As the standards have markedly varied in the past, any adjustment to new standards is going to require a major increase in cost of production in developing countries. This clause could also go against the interest of small firms, particularly in the informal sector, which do not have access to sophisticated techniques of determining the quality of their products according to international standards. On the other hand, a trend to learn and apply international standards is growing both in developed and developing countries, including the IDB member countries. The costs of learning and implementing these standards are quite high and may be out of reach of the least developed countries[7]. This trend raises three main questions for the IDB. First, to what extent is the IDB going to ensure that commodities exported or imported through its operations meet the required standards? Second, is the IDB going to base its decisions on national standards or international standards? The third relevant question is: what can the IDB do to assist the member countries in developing standards which could be acceptable internationally and at the level of IDB member countries? The answers to these questions require further study and careful thinking. The IDB has already launched a major study to examine the implications of the Uruguay Round for the IDB and its member countries. Some of the questions raised here may be taken up in that study to be completed in the near future.

12. CONCLUSIONS

The URA represent a significant development in the international arena with far reaching implications for world trade and development. As far as the IDB

[7]The training provided in different countries on ISO 9000 cost around US$500 per person per day which is obviously very high for countries where the annual per capita income is less than US$500.

is concerned, most provisions of the URA are consistent with its rules, procedures and policies. However, there are a few areas where the IDB may have to study and review its existing procedures to ensure that there are no conflicts with the URA. Among these there are those which relate to (1) rules of origins of commodities traded, (2) dumping problem, (3) preferential treatment of contractors and suppliers from member countries, and (4) adoption of common international standards (on health, sanitary, environment, etc.).

The major concerns of the IDB, however, stem from the changes in trade and production which the URA are likely to bring about within the member countries. In this respect, the foremost task before the IDB is how to assist its member countries during the process of adjusting their rules and procedures as well as production and trade structures to cope with the provisions of URA. The IDB's Technical Assistance and Technical Co-operation Programme (TCP) may have to play a greater role in this process. Secondly, the changes in trade structures of the member countries could require changes in IDB trade financing programmes and the development of new schemes. There is going to be a greater need to find alternative sources of food imports within the member countries. At the same time, increased financing may be needed to develop agro-industries with export potentials. Trade in textiles and clothing and services may also require more attention than given in the past. But most importantly, the IDB would be required to accelerate its efforts to strengthen the technological capacity within the member countries to minimise the resource flow from member countries on account of the URA provisions on intellectual property rights.

Finally, while it may be true that the URA are going to result in a significant increase in global income, it is equally true that the relative positions of most developing countries are likely to be worsened. The least developed countries, about half of which are IDB members, may in fact lose in absolute terms. This brings us to a fundamental question which the IDB is to face in years ahead. Will it find its role diminished or changed in any significant manner with the world moving toward free trade under the URA? The answer to this question is definitely no. In fact, the IDB may be required to play even a greater role than before in strengthening the relative economic position of its member countries. This could be done particularly by bringing about a significant increase in intra-trade through increased financing and greater use of the IDB's trade financing schemes, trade promotional measures, and by strengthening sub-regional economic co-operation arrangements within the member countries.

ANNEX I

TRADE FINANCING SCHEMES OF THE ISLAMIC DEVELOPMENT BANK

A. Import Trade Financing Operations (ITFO)

The ITFO was introduced in 1397H (1977). It operates according to the dictates of Shariah since it involves the purchase of goods by the Bank, which are then sold to the beneficiary country/institution at a price which incorporates a profit (mark-up), and the payment for the goods is made over a stipulated period (*Bay Al Murabaha*).

There are no restrictions on the types of commodities eligible for financing under the scheme, except that they should be of a developmental nature (e.g., cement, construction materials, crude oil, fuel oil, fertilisers, industrial intermediate goods, industrial raw materials, jute products, refined petroleum products).

Importation from within the Bank membership is strongly encouraged. Although procurement is in most cases done through international competitive bidding, preference is given to member country suppliers. Moreover, imports from non-member countries bear a higher mark-up of one per cent.

The repayment period under the scheme varies between nine and twenty-four months, depending on the type of commodity, and also the exporting country. In general, for a repayment period of one year and above, the period for imports from member countries is longer than for the non-member countries.

Currently, the mark-up on the ITFO is 6.5 and 7.5 per cent for imports from member and non-member countries, respectively. The beneficiaries who complete their repayments either on or before the due date get a rebate of fifteen per cent on the prevailing mark-up. Up to May 1995, the IDB approved ITFO amounting to US$8,826.5m (Annex 4).

B. Longer-Term Trade Financing Scheme (LTTFS)

The LTTFS was introduced in 1408H (1987). The Scheme is a supplement to the Bank's Import Trade Financing Operations and was conceived as yet another facility aimed at boosting intra-trade among OIC countries. The purpose of the scheme is to promote the exports of non-traditional goods and capital goods of the member countries participating in the Scheme. Finance is provided for a relatively longer period than for the ITFO (up to 60 months and the shortest period is of 6 months). The mark-up currently (1995) stands at 6.5 per cent for repayment periods of under 24 and over 24 months respectively. As in the case of ITFO, repayments completed before or by the due date carry a rebate of 15 per cent.

The Scheme operates by purchasing a commodity from an exporter on cash basis and reselling it to an importer with a mark-up on deferred payment terms. Both the importer and exporter must be from member countries, but the exporter should also be a member of the Scheme.

Membership in the Scheme is open to all OIC member countries. Currently, it consists of twenty-two countries and they are all members of the Bank. To be eligible for membership, the country should contribute a minimum of ID1.5m. The total contribution from the members currently stands at ID159m. In addition, the Bank allocated ID150m to the Scheme. The Scheme has its own budget and resources, and is managed and operated under the supervision of the Bank. The Governing Body of the Scheme is the Board of Executive Directors of the Bank.

Initially, the commodities eligible for financing include non-traditional exports which are ready for shipment to an OIC member country. These commodities should not constitute more than 20 per cent of the FOB value of the country's exports during the preceding three-year period. The Government Body of the Scheme may exercise some flexibility in the implementation of this provision. Furthermore, it is envisaged at a later stage to consider financing commodities which are under manufacture (pre-shipment financing).

The Scheme does not cover fully the value of exports for a particular operation. Currently, the coverage is limited to 80 per cent of the FOB value of the export commodity. However, the balance can be covered under other trade financing schemes of the Bank, such as the Islamic Banks' Portfolio.

Up to May 1995, the IDB approved operations worth US$292.32m under LTTFS (Annex 4).

C. Islamic Banks' Portfolio (IBP)

The Islamic Banks' Portfolio (IBP) is an independent fund which was set up in 1408H (1987) by the IDB and 21 Islamic commercial banks, with the IDB as the Manager of the Fund (*Mudarib*). The Fund was set up to cater to the trade financing needs (both imports and exports) of the private sector in OIC member countries, but requests for financing from government and public institutions are also considered. In addition, the IBP provides terms financing for the industrial sector through leasing and instalment sale operations. In recent yeas, the IBP has been active in syndicated financing for both trade and leasing.

The main feature of the IBP is its flexibility with regard to the limits on financing, maturities, returns, guarantees, application formalities and the time taken for approval of the application. The currency used in the IBP is the US dollar and the request for financing is submitted directly to the Bank through one of the participating banks.

Commodities which are financed under the IBP included capital, intermediate and consumer goods, The maximum repayment period varies between 18 months and seven years according to the type of commodity. The maximum period for intermediate and consumer goods is 18 months, and that of machinery, equipment and capital goods is 7 years. The mark-up also depends on the type of commodity, the financial position of the beneficiary, and the type of guarantee provided which should be an unconditional irrevocable bank guarantee issued by a first class bank acceptable to the Bank.

The following are the types of financing under the Scheme:

(i) Direct Financing: This is done solely from the resources of the IBP. The limiting factor is the country's ceiling;

(ii) Joint/Parallel Financing: Financing is provided on the basis of a joint agreement among the donor institutions. However, each party draws up its own contractual terms with the beneficiary since there may be differences in the mark-ups, repayment period, or other terms and conditions; and

(iii) Syndication: This is done under the management of the Bank/Portfolio which invites co-financing banks and financial institutions. There are two agreements involved under the arrangement, namely, between the Bank/Portfolio and the financiers, and also between the Bank/Portfolio and the beneficiary.

Up to May 1995, the IDB approved operations worth US$896m under IBP (Annex 4).

ANNEX 2

BREAKDOWN OF IMPORT TRADE FINANCING OPERATIONS BY COMMODITY FROM 1397H UP TO 1415H (1987-1995)*

	Commodity	Amount (US$ Million)	Share in Total %	Share in Non-oil Commodities %
1.	Crude Oil	3,628.82	41.11	X
2.	Industrial Intermediate Goods	2,190.29	24.81	48.48
3.	Refined Petroleum Products	569.90	6.46	X
4.	Petrochemicals	109.10	1.24	X
5.	Vegetable Oil	738.75	8.37	16.35
6.	Cement	218.18	2.47	4.83
7.	Fertiliser, Phosphoric Acid & Potash	271.93	3.08	6.01
8.	Jute	157.50	1.78	3.48
9.	Cotton	376.13	4.26	8.33
10.	Sulphur	131.50	1.49	2.91
11.	Iron Ore	15.00	0.17	0.32
12.	Rock Phosphate	66.34	0.75	1.46
13.	Ammonia	36.50	0.41	0.80
14.	Clinker, Kaolin	41.40	0.46	0.90
15.	Plywood	37.00	0.42	0.81
16.	Copper Rods	118.45	1.34	2.62
17.	Capital Goods	27.00	0.30	0.59
18.	Others	92.71	1.05	2.05
	TOTAL	8,826.50	100.00	100.00

* Excluding cancellations. Data up to May 1995.
X: Excluded while calculating this column.
URFM.

ANNEX 3

EXPORTS AND IMPORTS OF TEXTILES, AGRICULTURAL AND MANUFACTURED GOOD OF IDB MEMBER COUNTRIES

(Amount in US $ million)

	Exports				Imports		
Country	Total (1992)	Manufactured exports %	Agric. Exports %	Textiles + clothing Exports	Imports (1992)	Agric. imports %	Food Imports %
Afghanistan	999	23.7	28.5c	-	1,692	-	-
Algeria	10,909	2.2	0.5d	0.2d	8,375	31.4	28.5
Azerbaijan	-	-	-	-	-	-	-
Bahrain	3,008	11.6	1.1d	-	4,311	19d	17.7
Bangladesh	2,040	81.2	18.3	72.0	3,732	37.7	16.0
Benin	125	-	-	1.0	736	-	25.0
Brunei	2,365	15.5	-	-	2,281	-	-
Burkina Faso	152	11	69.5c	2.0	515	-	25
Cameroon	1,770	13.4	35.2d?	2.0d?	1,313?	16.7b?	16.3?
Chad	73	9	90.5b	1.0	155	-	18.0?
Comoros	29?	30.1?	63.5d?	-?	130?	-?	-?
Djibouti	58	-	-	-	491	-	-
Egypt	5,172	35.3	14.1	20.4	13,372	35.7	29.4
Gabon	2,316	3.4	11.6d	-	1,073	-	-
Gambia	230	37.2	62.8d	-	385	-	-
Guinea	590	-	-	-	775	-	-
Guinea Bissau	31	-	-	-	126	-	35.0
Indonesia	33,840	47.5	14.8	18.1	27,606	12	6.4
Iran	15,807	3.7	3.4d	3.0	23,196	-	12.0
Iraq	557	1.7	0.8c	0	647	-	15.0
Jordan	1,220	49.7	16.3	4.0	3,257	23.4	21.2
Kuwait	2,990	15	1.4c	0.9b	5,843	20.6b	19.7

	Exports				Imports		
Country	Total (1992)	Manufactured exports %	Agric. Exports %	Textiles + clothing Exports	Imports (1992)	Agric. imports %	Food Imports %
Kyrghyz	-	-	-	-	-	-	-
Lebanon	559	13	30.5b	-	4,203	-	-
Libya	9,740	3.9	0.7d	0.1c	5,293	25.8d	23.8
Malaysia	40,709	60.6	22d	6d	38,927	7.7d	6.6
Maldives	77	-	-	-	178	-	-
Mali	301	6.5?	66.4b?	7.0?	?	-?	-?
Mauritania	507	0.2?	47.2d?	0?	?	-?	20.0?
Morocco	5,749	55.1	29.7	24.8	8,432	19.8	14.1
Niger	202	2	-	1.0	473	-	17.0
Oman	7,800	7.6	2d	0.7d	3,769	19.5d	18.8
Pakistan	7,267	78.8	19.6	69.2	9,375	18.8	15.1
Palestine	-	-	-	-	-	-	-
Qatar	3,488	14.3	0.3d	0.4d	1,880	17.7d	17
Saudi Arabia	51,771	8	0.8	0	37,933	17b	16.2
Senegal	661?	22.5	55.9c	2.5c	1,384	31.7b	28.4?
Sierra Leone	150	26.7	28.1d	-	280	21.8a	20.7
Somalia	109	1.1	97.2e	-	211	-	19.0
Sudan	323	1.4	98d	1.0	1,081	-	19.0
Syria	3,079	35.7	18.2d	25.0a	3,545	33c	31.1
Tunisia	4,182	72.9	10.7	48.0	6,516	12	8.3
Turkey	14,792	71.3	24.1	40.2	24,095	10.7	5.9
Turkmenistan	-	-	-	-	-	-	-
Uganda	173	0.5	99.5d	-	415	-	-
U.A. Emirates	24,747	11.5	2e	-	20,214	16.9	15.9
Yemen Rep.	1,053	33.6	56.2f	-	2,859	-	-

a: Refers to 1985; b: Refers to 1989; c: Refers to 1990; d: Refers to 1991; e: Refers to 1988; f: Refers to 1986.

Source: 1. World Bank, World Development Indication, 1994.
2. UNCTAD, Handbook of International Trade & Development Statistics.

ANNEX 4

DISTRIBUTION OF TRADE FINANCING OPERATIONS OF IDB BY MEMBER VERSUS NON-MEMBER COUNTRIES*

Trade Operations	Total Financing Approved US$ million	Share of Member Countries %	Share of Non-Member Countries %
1. Import Trade Financing Operations (1977-1995)	8826.5	79.13	20.87
2. Longer Term Trade Financing Scheme (1987-1995)	292.32	100.0	-
3. Islamic Bank Portfolio (1987-1995)	897.0	85.5	14.5

* The figures reported here are up to May 1995.

Annex 3 problematic: Check if there is a better copy
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