

ARAB AND ISLAMIC DEVELOPMENT FUNDS AND FINANCIAL INSTITUTIONS  
ISLAMIC BANKING AND FINANCE

INTRODUCTION

This report contains information on the various Arab and Islamic financial institutions, including development funds located in the Gulf countries (Abu Dhabi, Kuwait and Saudi Arabia). The OPEC Fund in Vienna is included because of the important contributions made by Arab oil-exporting countries and the Fund's participation in consultative meetings with other Arab and Islamic development funds. In addition to information on the organizational structure of these institutions and their procurement rules and procedures, the report addresses the financing of infrastructure privatization projects. We hope it will contribute to the identification of direct business opportunities for Canadian enterprises.

With the growing importance of private sources of financing in the privatization programs in the region and in developing countries, Islamic banking and its creative approaches to new trends in global markets is being examined. Islamic banks are playing an increasing role as providers of capital in the economic development of the region and even in other countries with important Islamic populations. Understanding this role will be crucial for Canadian companies and financial institutions when the financial structuring of a transaction or project proves critical in clinching a deal.

Arab and Islamic Financial Institutions

The Gulf countries, notably the six member nations of the Gulf Cooperation Council (GCC) comprising Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the United Arab Emirates, which depend on their energy sector (oil) revenues for up to 40% of their GDP in some cases, have made considerable efforts to diversify their economies away from oil through the adoption of several measures to promote trade and investment in the region. Investments in the manufacturing sector grew substantially during the past two years and it seems the region is gradually recovering from the aftershocks of the Gulf War. The year 1996 witnessed new developments and efforts towards regional economic integration in the Arab world and the GCC countries: GCC members decided to harmonize trade tariffs and to promote economic cooperation among member states; the Arab League called for the creation of a free trade zone by the year 2008 through the implementation of the inter-Arab trade agreement; the Arab Fund for Economic and Social Development (AFESD) undertook preparatory work for the creation of a financing entity for private sector projects (see report on AFESD); a Business Development Department at the Islamic Development Bank