



# Islamic Development Bank

Together We Build A Better Future



ISLAMIC RESEARCH AND  
TRAINING INSTITUTE



*Globally Secure*



Islamic Corporation for the  
Development of the Private Sector



itfc

International  
Islamic Trade  
Finance Corporation



## IDB's mandate is to promote, Comprehensive Human Development in the Muslim World:

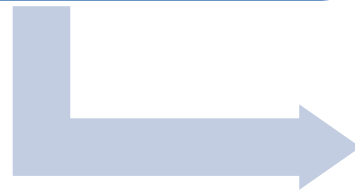
- Offer Development Financing;
- Promote Islamic Financial Services Industry;
- Provide Knowledge Services for Development;
- Build Capacity & Promote Technical Cooperation.

### Inception (1396H/1975G)

> 22 Member Countries

>Authorized:

ID 2.0 billion



### After 37 Years (1433H/2012G)

> 56 Member Countries

>Authorized:

ID 30.0 billion



# 56 Member Countries of the IDB

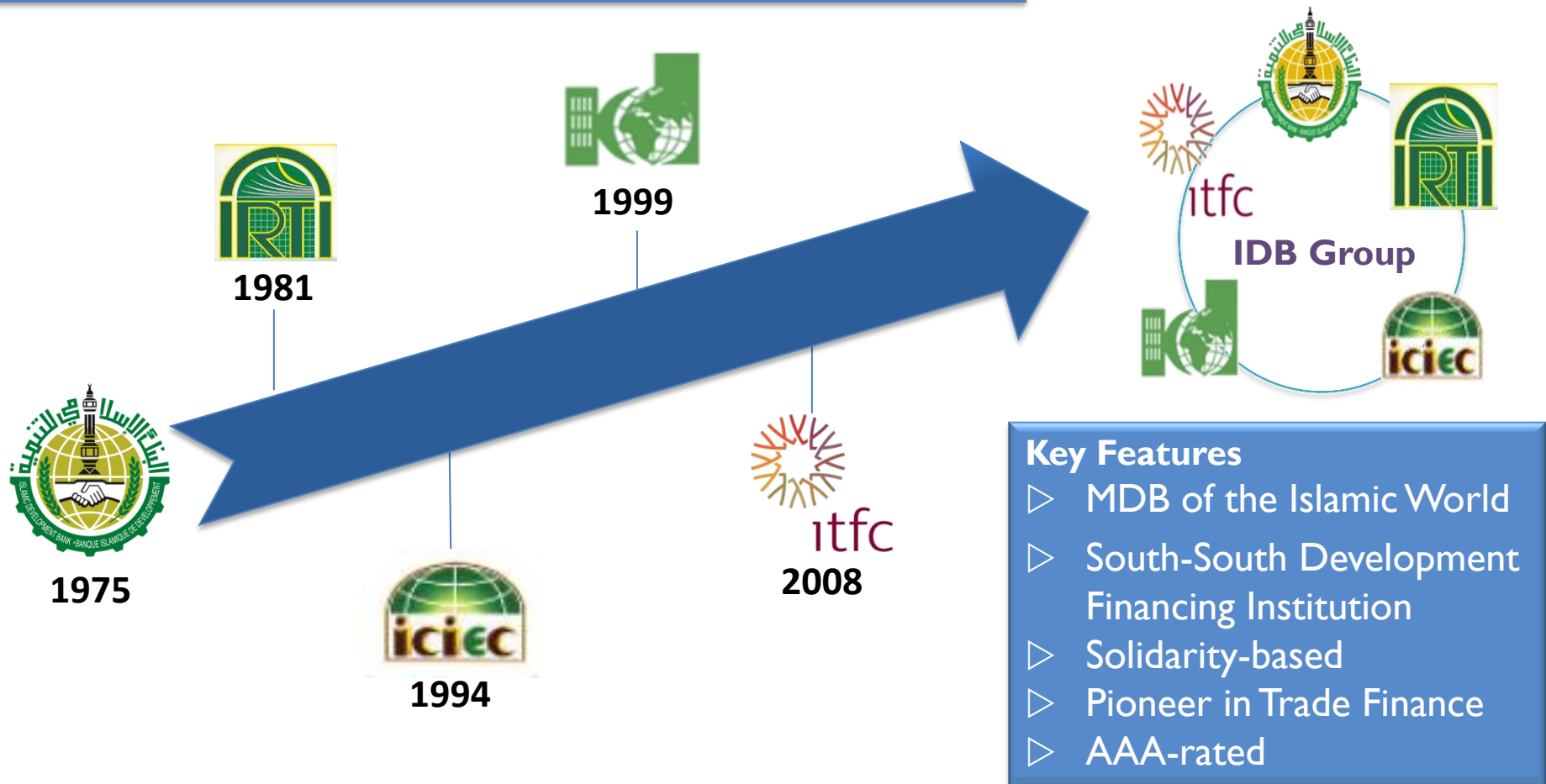
1. Afghanistan
2. Albania
3. Algeria
4. Azerbaijan
5. Bahrain
6. Bangladesh
7. Benin
8. Brunei
9. Burkina Faso
10. Cameroon
11. Chad
12. Comoros
13. Cote d'Ivoire
14. Djibouti
15. Egypt
16. Gabon
17. Gambia
18. Guinea
19. Guinea Bissau
20. Indonesia
21. Iran
22. Iraq
23. Jordan
24. Kazakhstan
25. Kuwait
26. Kyrgyz Republic
27. Lebanon
28. Libya
29. Malaysia
30. Maldives
31. Mali
32. Mauritania
33. Morocco
34. Mozambique
35. Niger
36. Nigeria
37. Oman
38. Pakistan
39. Palestine
40. Qatar
41. Saudi Arabia
42. Senegal
43. Sierra Leone
44. Somalia
45. Sudan
46. Suriname
47. Syria
48. Tajikistan
49. Togo
50. Tunisia
51. Turkey
52. Turkmenistan
53. Uganda
54. United Arab Emirates
55. Uzbekistan
56. Yemen

# IDB Group at a Glance



**37 Years** in the Service of Development

▷ 1396-1433H / 1975-2012G



## Key Features

- ▷ MDB of the Islamic World
- ▷ South-South Development Financing Institution
- ▷ Solidarity-based
- ▷ Pioneer in Trade Finance
- ▷ AAA-rated



# Entities of the IDB Group



## Islamic Research & Training Institute (IRTI)

- ❑ Training, Research, Advisory, Capacity Building, etc.
- ❑ Lead Development of the Islamic Financial Services Industry (IFSI) to support socio-economic development of MCs;



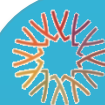
## The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)

- ❑ Mitigate Trade Risks for Member Countries;
- ❑ Offer Shariah-compliant export credit insurance and re-insurance;
- ❑ Provide Political Risk Insurance to encourage FDI in-flows.



## Islamic Corporation for the Devt. Of the Private Sector (ICD)

- ❑ Promote Private Sector Development in Member Countries;
- ❑ Facilitate access to Islamic capital markets;
- ❑ Mobilize additional financial resources for private sector;
- ❑ Promote entrepreneurship, and encourage cross- country investments.



itfc

## International Islamic Trade Finance Corporation (ITFC)

- ❑ Help businesses to better access trade finance;
- ❑ Expand Trade across the Islamic World with Capacity Building;
- ❑ Encourage intra-trade across COI Member Countries;



# Net Approved Financing of IDB Group (Since Inception to November 2011)



Type of Financing	US\$ Billion
1- Projects Financing	36.98
2- Technical Assistance	0.37
3- Trade Operations	39.95
4- Special Assistance	0.73
<b>Total</b>	<b>78.03</b>



# Products and Services



## Project Financing

- *Public (Sovereign)*
- *Private (Non-Sovereign) and*
- *Public-Private Partnerships (PPPs)*



## Trade Financing & Promotion of Intra-Trade between Member Countries



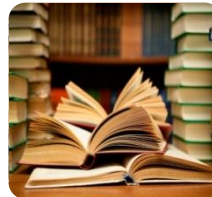
## Insurance of Investment & Export Credit



## Capacity Development & Technical Cooperation



## Fund / Asset Management



## Islamic Economics & Finance Research and Training



## Development of the Islamic Financial Services Industry

## Special Products

- Science & Technology Program
- Scholarship Programs
- Special Assistance



# Special Funds, Programs & Initiatives



## Islamic Solidarity Fund for Development

- Dedicated facility to fight poverty
- Target Endowment of US\$ 10 billion
- Flagships: Integrated Community Driven Development (ICDD), Vocational Literacy (VOLIP), Microfinance



## Special Program for the Development of Africa (SPDA)

- Aims to support investments in social & infrastructure sectors in Sub-Saharan Africa
- Total Size: US\$ 12 billion (US\$ 4 billion from IDB Group) over 5 year



## Jeddah Declaration on Food Security

- Supports Member Countries affected by the global food crisis
- Total Size: US\$ 1.5 billion over 5 years
- Meeting both urgent, medium and long term needs of mainly LDMCs



## Youth Employment in Arab Countries

- High-level of Unemployment amongst Youth in Arab Countries identified as one of the key causes for recent political turmoil and unrest
- Initial Size: US\$ 250 million
- Areas: Micro-Finance, Vocational Training, Entrepreneur development, MSME Development, advisory services





# Major Development Partners

## Coordination Group

ARAB FUND FOR ECONOMIC & SOCIAL DEVELOPMENT

DFID THE OFECD FUND FOR INTERNATIONAL DEVELOPMENT

الصندوق السعودي للتنمية The Saudi Fund For Development

مندوق أبوظبي للتنمية ABU DHABI FUND FOR DEVELOPMENT

BADEA

ARAB MONETARY FUND

Kuwait Fund For Arab Economic Development Since 1961 Partners in Development

AGFUND Arab Gulf Program for Development

## MDBs / Bilaterals / International Organizations

BANQUE AFRICAINE DE DEVELOPPEMENT AFRICAN DEVELOPMENT BANK

ADB Asian Development Bank FIGHTING POVERTY IN ASIA AND THE PACIFIC

INTERNATIONAL MONETARY FUND

UNESCO United Nations Educational, Scientific and Cultural Organization

kfw

THE WORLD BANK

European Bank for Reconstruction and Development

DFID Department for International Development

European Investment Bank

afc AGENCE FRANCAISE DE DEVELOPPEMENT

gtz

IFAD INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

FIAT PANIS

IDB Inter-American Development Bank

European Union flag

jica Japan International Cooperation Agency

UNITED NATIONS

# Modes of Financing



**Grants**

**Loans**

**Leasing**

**Installment  
Sale**

**Istisna'a  
(Construction  
Financing)**

**Equity**

**Profit Sharing**

**Lines of  
Financing**

**Murabaha  
(Trade  
Financing)**

# FOCUS ON PPP



Leasing

Installment  
Sale

Istisna'a  
(Construction  
Financing)

Equity

Sukuk

- Notwithstanding the mode to be used, Risk Assessment and Risk Allocation is key for a Successful PPP Financing.



# Benefits of PPP

- **Creates Improved Public Sector Capacity:**
  - in terms of developing integrated efficient solutions for the society;
  - Creates transfer of skills, experience and technology to the public sector;
  - Supplements limited public sector financial resources.
- **Introduces Creativeness and Innovation to Infrastructure Projects;**
- **Brings in large and highly experienced Constructors and Operators to the market;**
- **Facilitates Adequate and Equitable Risk Sharing between the Public and Private sector;**
- **Ensures Cost Savings and efficiencies in Project Implementation.**

# Adequate and Equitable Risk Allocation

## Basic Requirements for a Successful PPP



- **Project Risk**
  - Construction
  - Operations
  - Financial-Market
  - Technological
- **Country**
  - Regulatory
  - Macro Economics
  - Environment
- **Legal Risk**
  - Documentation

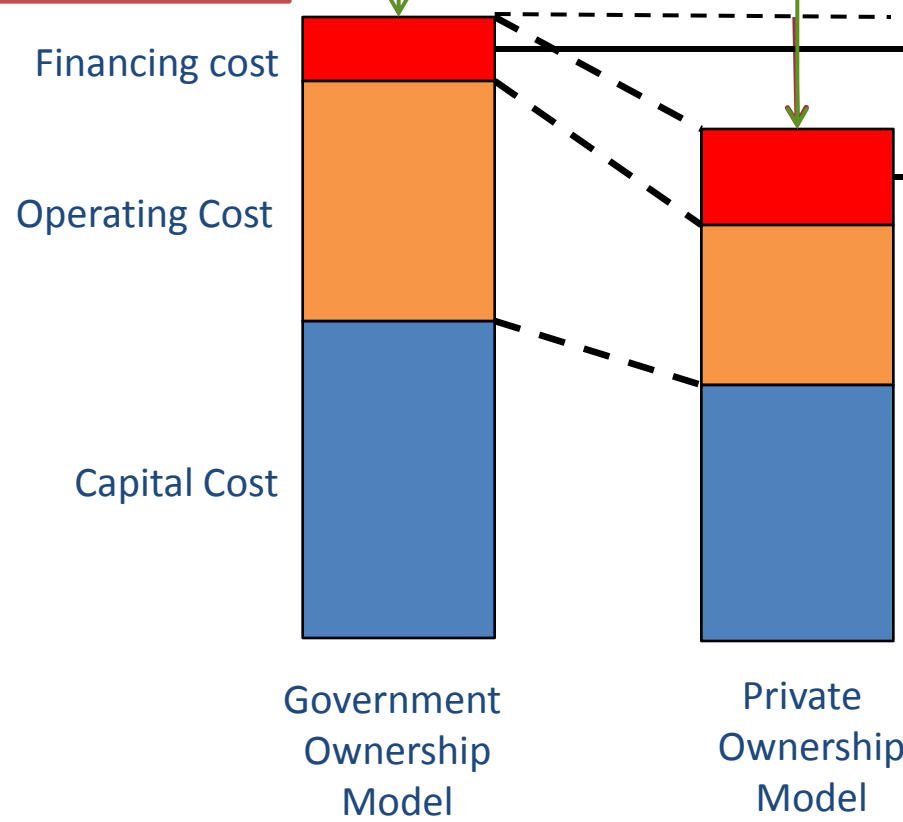
*The Risk Should be*  
**Private Sector** *entity*  
*which is best positioned*  
*and has the most*  
*influence and impact in*  
**Public Sector**





# The Cost Rationale

Total cost of providing a service  
\$/kWh of electricity or  
\$/cum of water  
Or \$/ km of road per year



**The Operating and Capital Costs are lower and therefore, the Cost of Public Service Goods are Cheaper for the Public under the PPP Model, Compared to the Public Sector Model**

Arguably Governments can borrow money at a lower cost but....

# Construction Costs – Public Sector Projects Vs. PPP

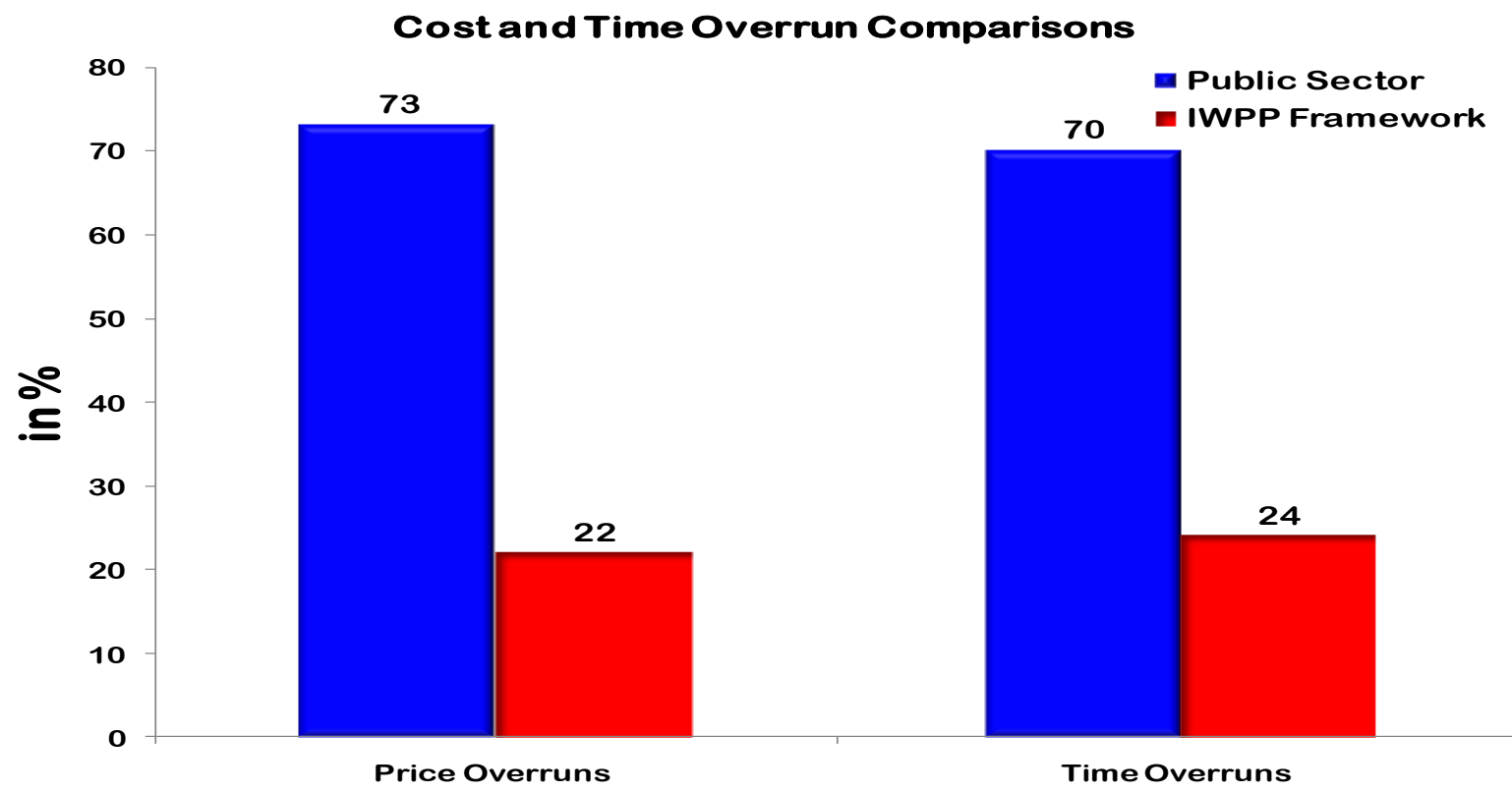


	Public Sector Project -1	Public Sector Project -2	IWPP
Contract Award	1983	1993	2005
Power Capacity (MW)	175	375	900
Water Capacity (m3/day)	225,000	450,000	880,000
Total EPC Cost (SR Billion) original Prices	3.3	3.8	7.0
Construction Period	5 years	9 years	4 years

- Construction cost is 84% lower for power and 135% lower for Water when compared to Public Sector Projects;
- SAR 460 Million (20% of Capex) gas emission clean up equipment installed in IWPP while not in the other two plants;
- Shorter Construction time, for a much larger project.



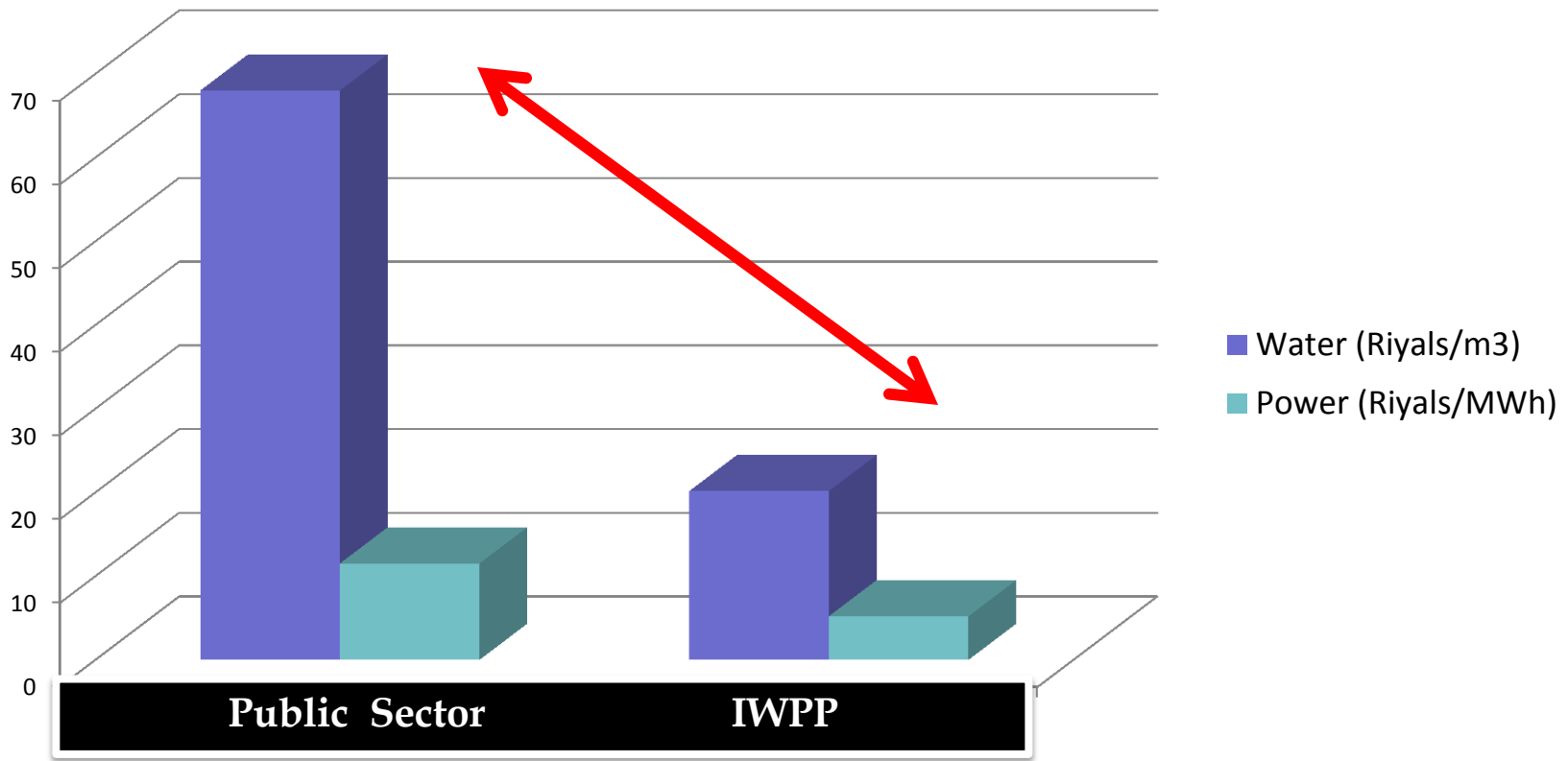
# Public Sector Vs. PPP Ownership



**A report of the UK National Audit Office discovered substantial differences in project delivery between public-private partnerships and public sector projects**



# O&M Cost Comparison – Public Vs. IWPP



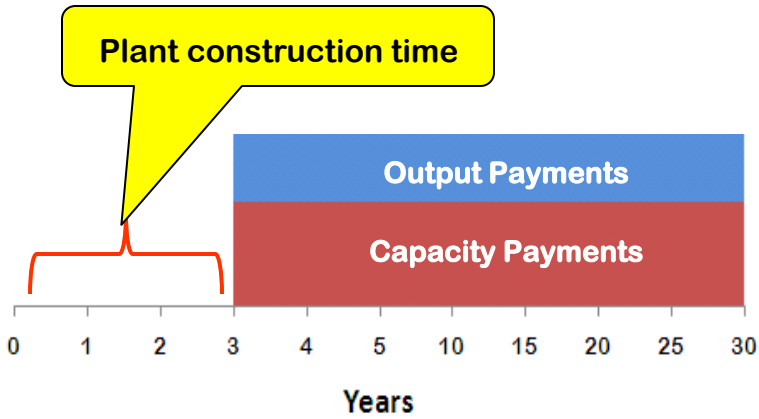
**•O&M Costs:**

- Water is 230% more expensive
- Power is 120% more expensive



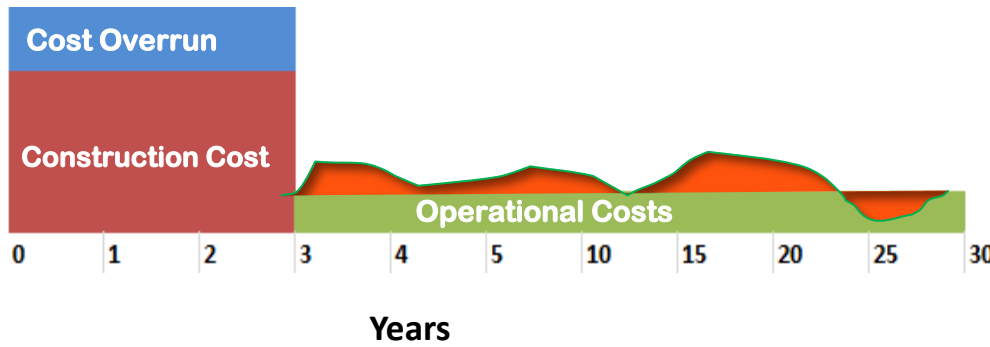
# Public Sector Vs PPP Ownership

## Private Sector Owned Plant/Payments



- Payment is only made where service is being provided; and only if service is provided.
- The Capacity and Output Payments are established at day one from a tender process.

## Public Sector Owned Plant/Payments



- From day one Government pays and keeps paying all costs including cost over run, time delay costs .
- Once operational, there is no clear incentive to operate the plant efficiently



# Introduction to PPP must be Gradual



*Political Will to undertake PPP will underpin Infrastructure Success*

**Public Funding**

**Private Funding**

**Public**

**Risk Transfer Policy of the Government should be Gradual**

**Private**

BUILD PROJECTS WITH PUBLIC MONEY, BUT STRUCTURED AS PPPS, WITH THE VIEW OF INTRODUCING PRIVATE SECTOR FINANCE & EXPERTISE AFTER CONSTRUCTION

Increase public contribution in PPP projects, at least temporarily

Restructure existing PPP portfolio  
Reprioritize PPP projects

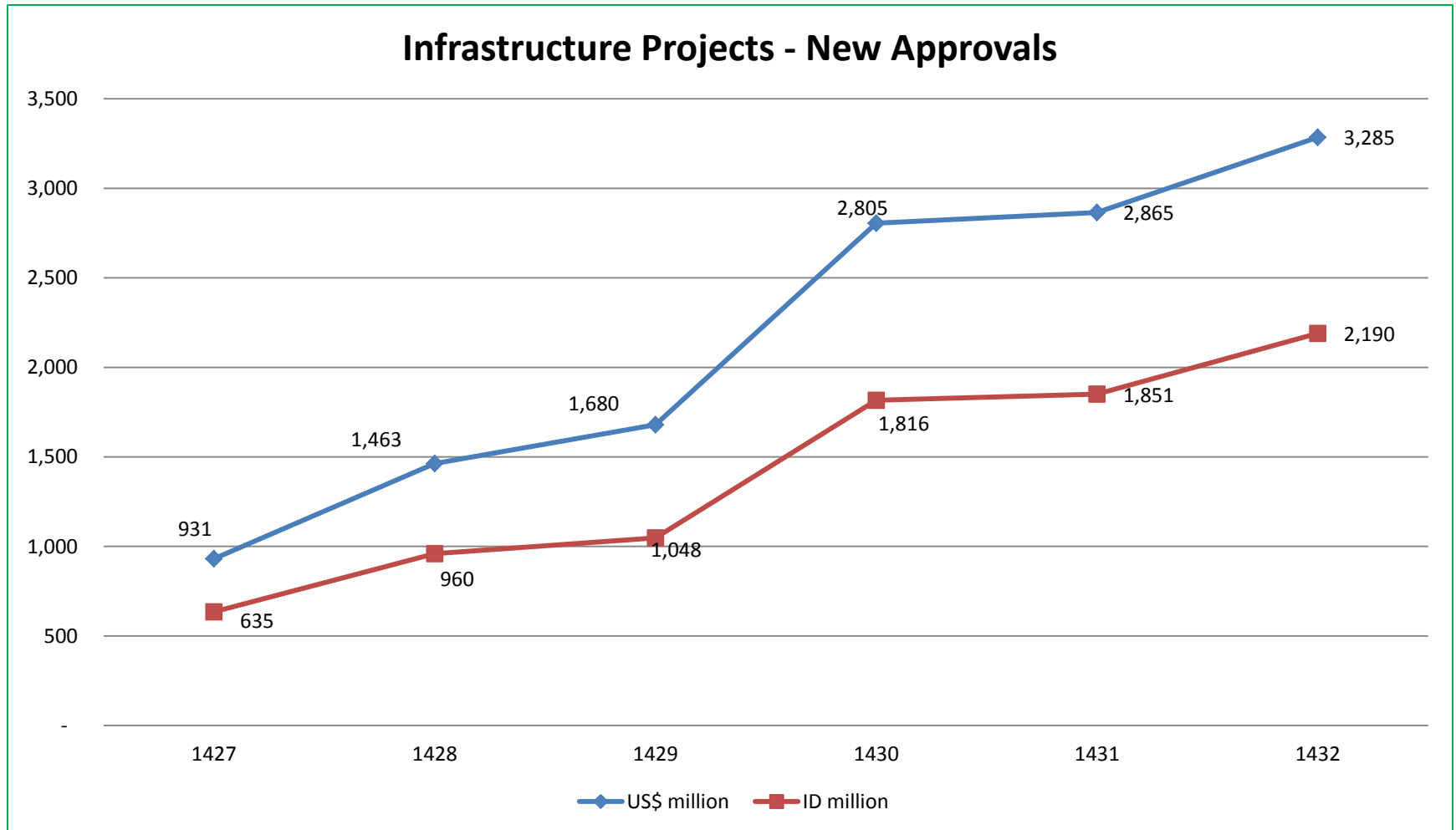
Maximize the use of risk mitigation products and enhance creditworthiness of off-takers

Comfort / attract investors and lenders for upcoming projects

# PPP PROJECTS SUPPORTED BY IDB



## Infrastructure Projects - New Approvals



## Mauritania: SNIM



- Project Description:

- A maintenance and development programme involving the following:

- Expansion of Iron Ore Mining capacity in the Guelb region (Guelb II);
- Maintenance and modernization of railways;
- Building a new Iron Ore Terminal.

- Sponsor: SNIM
- Total Amount: US\$ 840 Million
- IDB Participation: US\$ 108 Million
- Tenure: 15 years
- Lenders: EIB, AdDB, FDA, IDB, KfW, BNP Paribas, BHF, Fortis







## Djibouti: Doraleh Container Terminal

- Project Description:

- Construction of a new container terminal with a total quay line of 1.05 km long.
- Project represents the first ever PPP style financing in Djibouti
- 30 year Concession Agreement
- Considered to be one of the most technologically advanced port



- Sponsors: Port Autonome International de Djibouti (PAID)

Dubai Ports World (DPW)



- Total Amount: US\$ 397 Million

- IDB Participation: US\$ 67 Million (US\$15M sell down to OFID)

- Tenure: 10 years

- Lenders: DIB, SC, West LB, AfDB, Proparco, (MIGA coverage)





## Tunisia: TIFERT

- Project Description:
  - The construction of a new phosphoric acid production facility with a capacity of 360.000 tons per annum (tpa).
- Sponsors: Groupe Chimique Tunisien  
Coromandel Fertilisers Limited  
Gujarat State Fertilisers & Chemicals Ltd.
- Total Amount: US\$ 290 Million
- IDB Participation: US\$ 150 Million (US\$ 30 M sell down to OFID)
- Tenure: 15 years
- Lenders: EIB, IDB



## Malaysia: Kuala Selangor Expressway (KLS )

- Project Description:

- 33 km Expressway
  - 4 Interchanges
  - 10 Bridges
  - 3 Toll Booths
- 40 year Concession Agreement



- Sponsor: Bina Puri Holdings Bhd (50%); Arena Bhd (50%)
- Total Amount: US\$ 448 Million
- IDB Participation: US\$ 92 Million
  - First Local Currency Sukuk
- Tenure: 15 years including 4 years gestation
- Lenders: Bank Pembangunan, CIMB, IDB







# IDB-ADB Islamic Infrastructure Fund (IIF)

## Overview

- Sponsor investors: IDB (US\$150 million) and ADB (US\$100 million)
- Fund size: US\$500 million
- International investor base
  - Leading IFIs in the region
  - CIMB and Standard Bank
  - Institutional Investors (targeted)

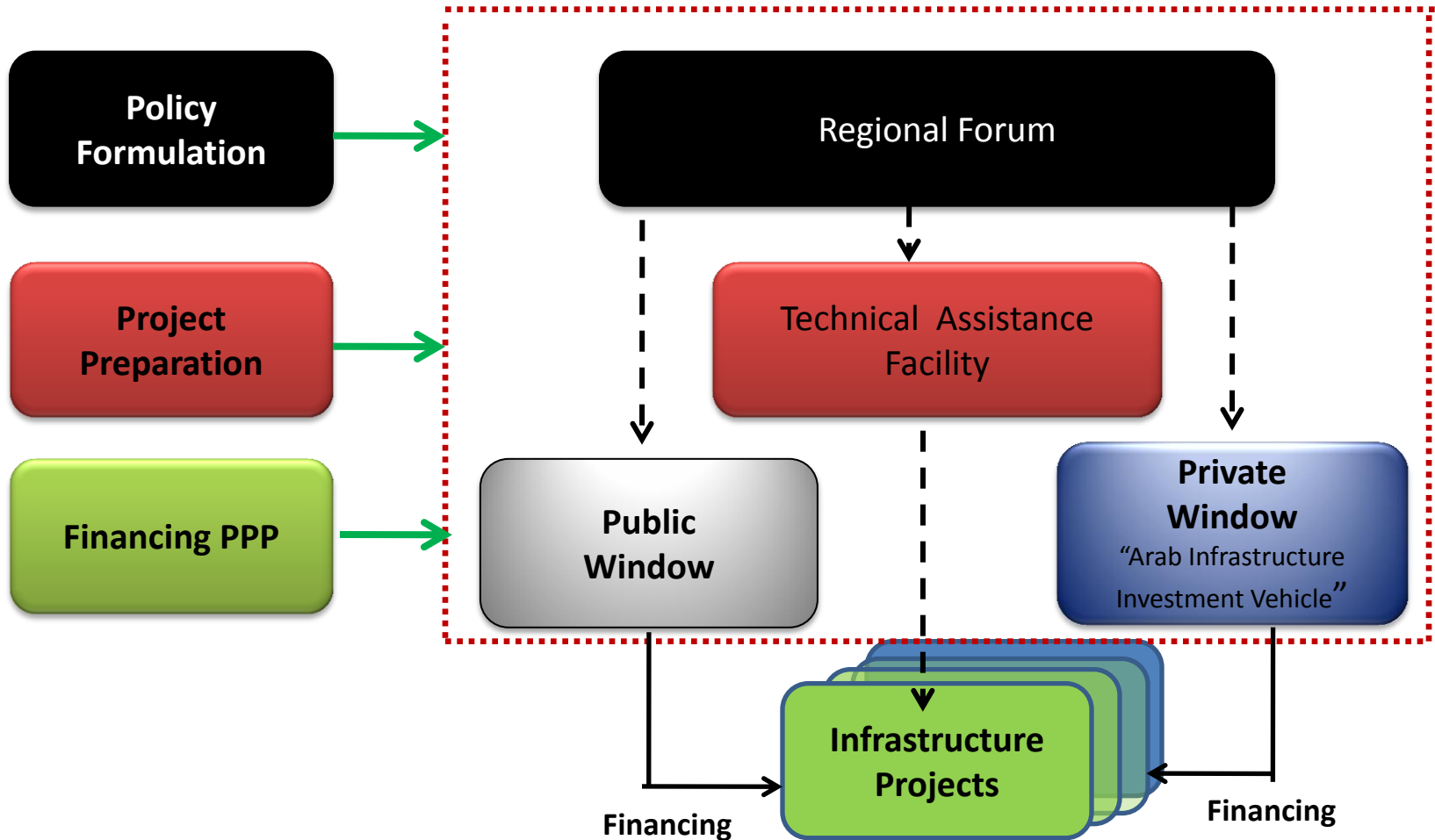


## Geographic and Sector Coverage

- Primary operational focus
  - Indonesia, Malaysia, Kazakhstan, Azerbaijan and Pakistan
- Secondary focus
  - Central Asia (Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan), Bangladesh, Maldives
- Infrastructure
  - Public/PPP infrastructure
  - Mainly middle-market



# Arab Financing Facility for Infrastructure Supporting PPP in Arab League Countries





معاً نبني مستقبلاً أفضل

TOGETHER WE BUILD A BETTER FUTURE

ENSEMBLE NOUS CONSTRUISONS UN AVENIR MEILLEUR

**The Islamic Development Bank Group**

**Providing resources ▪ Fighting poverty ▪ Restoring dignity**