

# Initiatives in Advancing Islamic Finance in Africa

*By Farid Masmoudi, Director Business Development and Partnerships, Islamic Corporation for the Development of the Private Sector (ICD), IDB Group*

## Islamic Finance News Global Forum

September 15<sup>th</sup>, 2014 – Dubai, United Arab Emirates

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## ABOUT ICD

## ICD'S INITIATIVES IN ADVANCING ISLAMIC FINANCE IN AFRICA

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# ICD IS A MEMBER OF THE LARGEST ISLAMIC FINANCIAL INSTITUTION IN THE WORLD

## THE ISLAMIC DEVELOPMENT BANK GROUP (IsDB)



- 5 regional offices covering MENA, Africa, Asia and CIS regions
- Over 1,100 international investment and financial professionals
- Authorized Capital of USD150 billion
- AAA rating & Zero Risk Weighted Multilateral Development Bank

Islamic Research &  
Training Institute  
(IRTI)

Islamic Corporation  
for Insurance of  
Investments & Export  
Credits (ICIEC)

Islamic Corporation  
for the Development  
of the Private Sector  
(ICD)

International Islamic  
Trade Finance  
Corporation  
(ITFC)



« Islamic Finance  
Research Arm »



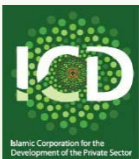
« Sovereign & Political Risk  
Hedging Arm »  
*Aa3 ratings by Moody's*



« Private Sector Arm »



« Trade Finance Arm »



# ...WITH A FOCUS ON THE PRIVATE SECTOR

## Overview

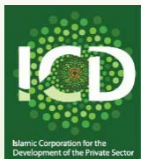
- Established in 1999 and headquartered in Jeddah, the Kingdom of Saudi Arabia
- Multilateral organization affiliated with and 44.7% owned by Islamic Development Bank (“IsDB”)
- Complements the role played IsDB through the development and promotion of the private sector as vehicle for economic growth and prosperity
- Invests in and finances private sector projects, in addition to providing advisory services to public and private sector actors in member countries
- Purpose: To promote growth and development in member countries through the provision of Sharia compliant financing to feasible and viable private sector projects
  - Currently 52 member countries from the Middle East, Africa, the Asia Pacific Region, South Asia, Europe and South America
  - Regional representatives in IsDB offices in Kazakhstan, Malaysia and Senegal
  - All financial transactions are in compliance with Islamic law (Sharia)
- Close cooperation with international financial institutions such as IFC, AfDB, Arab Fund and OFID amongst others

Notes:

\* Iran Foreign Investment Co.

\*\* Public Investment Fund

■ ICD's financial year is the lunar Hijrah year (11 days shorter than the solar Gregorian year)

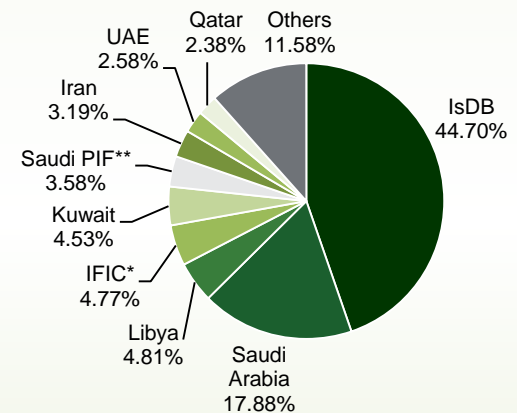


## Key Financial Indicators

As at November 2013 (US\$ million)

Total Assets	1,217
Authorized capital	2,000
Paid-up capital	799
Gross revenues	87
Net Income	24
Employees	110
Member countries	52 representing 1.5bn people

## Ownership



# ICD IS A TOP TIER WORLDWIDE DFI...



# WITH THE AMBITIOUS TO BECOMING A LEADING MULTILATERAL ISLAMIC FINANCIAL INSTITUTION

## Vision

To become a leading multilateral Islamic Financial institution dedicated to the development of the private sector in member countries

Encourage  
cross-border  
investments

Promote private-  
sector  
development in  
member  
countries

Provide and  
promote Islamic  
finance services  
and products

Stimulate  
competition &  
entrepreneurship  
in member  
countries

Support the  
creation of an  
enabling  
business  
environment

Stimulate  
economic and  
social progress in  
member  
countries

## Overall Objective

To support economic development of member countries by providing financial assistance to private sector projects in accordance with the principles of Islamic Sharia

## 2020 Targets

Generate 1m new job  
opportunities in member  
countries

Facilitate access to  
finance for 1m low  
income individuals in  
member countries

Build and develop 50  
Islamic financial  
institutions

Improve overall  
business environment  
in 10 member countries

Mobilize up to 70%  
projects' investment  
needs from the market

# ...WITHIN ITS 52 MEMBER COUNTRIES



*52 Member  
Countries, representing  
1.5 billion people*

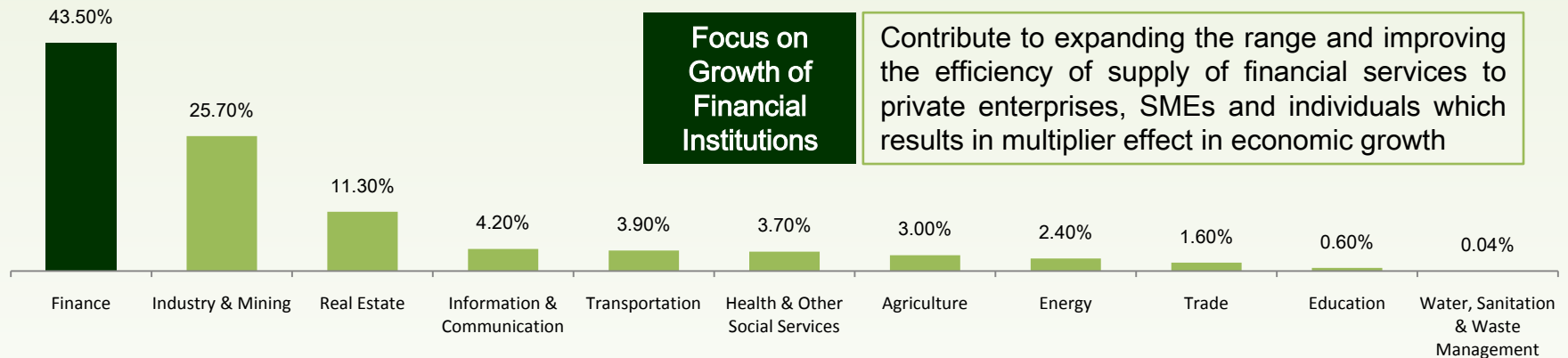
# ICD OFFERS COMPLETE BOUQUET OF ISLAMIC FINANCE AND INVESTMENT PRODUCTS...

	OVERVIEW	NATURE	PRODUCTS	
DIRECT INVESTMENT & FINANCING	ICD provides growth capital in the form of Debt and Equity to clients for projects in industries other than financial sector	<ul style="list-style-type: none"> <li>Equity Financing</li> <li>Medium Term Debt Financing</li> <li>Short Term Debt Financing</li> </ul>	Mudaraba	Istisna
			Murabaha	Ijara
			Wakalah	Bai' Muajjal
			Bai Salam	
FINANCIAL INSTITUTIONS DEVELOPMENT	ICD extends its own reach by setting up, investing, financing and providing expert advice to other Islamic Banks in its Member Countries	<ul style="list-style-type: none"> <li>Direct investment in Islamic Banks</li> <li>Setting up Islamic Financial Institutions</li> <li>Provide Lines of Financing</li> </ul>	Direct Equity	
			Murabaha	
			Wakala	
			Ijara	
ADVISORY & ASSET MANAGEMENT	ICD provides wide range of advisory solutions to its clients and establishes, develops and manages funds that support the growth of targeted sectors in its Member Countries	<ul style="list-style-type: none"> <li>Infrastructure Advisory</li> <li>IFI Advisory</li> <li>SEZ Advisory</li> <li>Sukuk Advisory</li> <li>Private Equity Funds</li> <li>SME and Income Funds</li> </ul>	Project Development & Finance Advisory	
			Islamic Window & Bank Conversion Advisory	
			SEZ Setup Advisory	Sector Based Funds
			Short /Long Term Sukuk Advisory	Income Funds



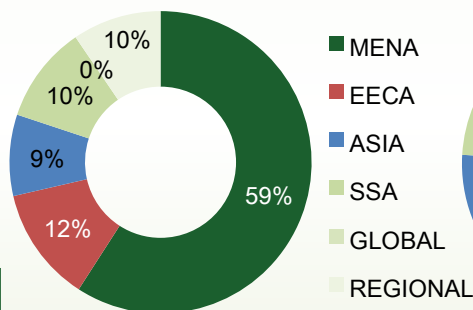
# ...EXPANDING GEOGRAPHIC FOOTPRINT AND ITS SECTORIAL DISTRIBUTION

## Investment Approvals since inception by sectors (%)

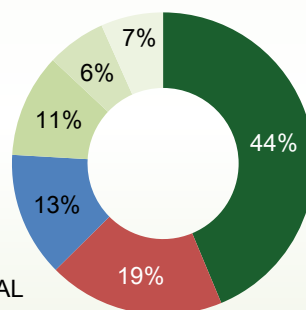


## Regional Focus, approvals by sectors (%)

### Inception - 2010



### Inception - 2013



- Focus shifting away from pure MENA region investments
- Central Asian and **Sub Saharan Countries** offering high growth opportunities
- Increased focus on developing and acquisition of regional expertise in Asia, EECA and SSA region

Sources: ICD Annual Report

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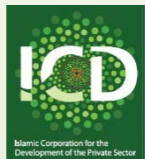
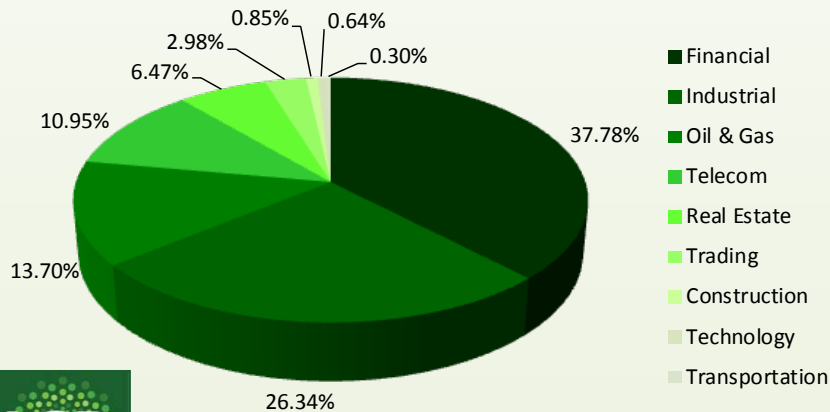
KEY CONTACTS

# ICD'S OPERATIONS ARE SHIFTING TO AFRICA....

## Summary of Activities – *to date*

- Since inception, ICD approved **70 investments** for a total capital commitment of **\$691million** in Africa.
- For **Sub-Saharan Africa countries**, ICD has approved **43 projects** totaling **\$464 million** and in **North African countries** (including Sudan and Djibouti), ICD has approved **27 projects** totaling **\$226 million**.
- ICD thus far has disbursed **\$220 million** for 47 projects in the whole of Africa

## Sectorial Breakdown – *to date*



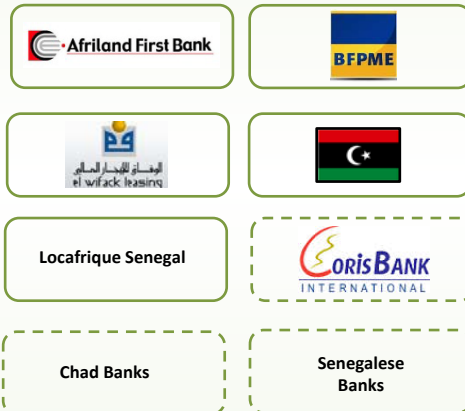
## Islamic Channels



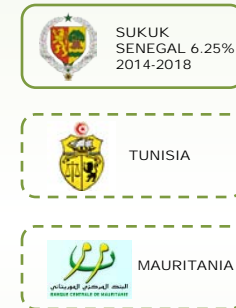
# WITH A STRONG FOCUS ON ENABLING ENVIRONMENT THROUGH PROFILIC GROWTH IN ADVISORY SERVICES BUSINESS

ICD is enabling Islamic Finance Environment with a program based approach ranging from establishing Islamic Window into mobilizing long term resource through sukuk issuance

## 8 Mandates to set up Islamic windows in Africa



## 3 Sukuk Advisory



## 2 Short Term Sukuk Program



Pipeline

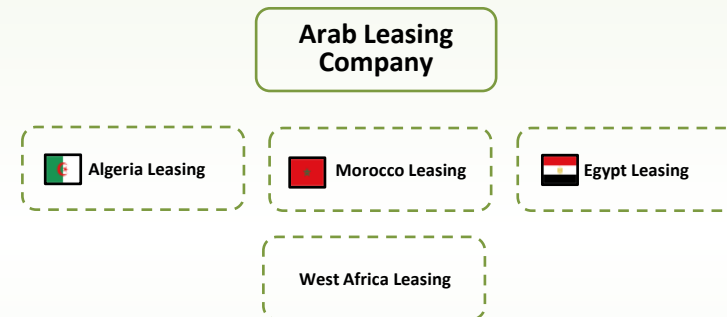
# ICD IS PLAYING KEY ROLE IN THE GROWTH OF ISLAMIC FINANCIAL INSTITUTIONS IN AFRICA...

To date, ICD has committed up to **\$140 million** in establishing Islamic Financial Institutions in Africa

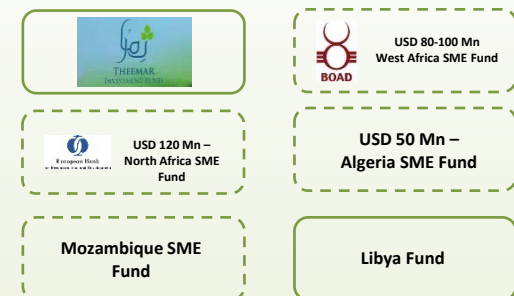
## 9 Islamic Commercial Banks



## 5 Leasing Companies



## 6 Sector Specific Funds



Pipeline

# ...AND IN PROVIDING SHARIAH COMPLIANT CAPITAL TO SMEs THROUGH LOCAL FINANCIAL INSTITUTION

ACCUMULATED APPROVALS OF LINE OF FINANCE	HIGHEST APPROVALS OF	DISBURSALS EXTENDED TO
<b>\$200 Mn</b>	<b>30%</b>	<b>11</b>
SINCE INCEPTION	TO AFRICA REGION SINCE INCEPTION	COUNTRIES SINCE INCEPTION



Being deployed



# AS WELL AS TARGETING DIRECT EQUITY AND FINANCING OPPORTUNITIES TO AFRICAN CORPORATES

To date, ICD has committed up to **\$418 million on 45 Corporates** using Equity and Shariah Financing into **13 African countries**

## 17 Corporate Equity deals



## 19 Term Finance Approved



## 9 Corporate Finance Transactions



Pipeline

# ICD VALUE TO PARTNERS

## YOUR GATEWAY TO HIGH GROWTH AFRICAN MARKETS

**FUNDAMENTALS ABOVE THE NORM** – A track record that will reap rewards to partners from ICDs staggering operational and financial growth. Company is poised to grow even further as it receives more capital, and achieves a premium credit rating

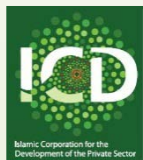
**ACCESS to HIGH GROWTH AFRICAN MARKETS** – a plethora of opportunities exist for partners to enter into new markets and invest profitably and leverage ICD's acumen (leadership, knowledge, advisory, relationships and finance)

**MANAGEMENT, LEADERSHIP EXCELLENCE & STRONG GOVERNANCE** – Sound and diverse leadership (with complimentary skillsets) and strong knowledge base of products, sectors and markets that will drive ICD and its partners into a profitable journey

**IDB SUPPORT** – leverage from the support of our family of organizations ...Established support from the worlds largest Islamic finance multilateral and complimentary support from 3 sister companies (ITFC, ICIEC and IRTI)

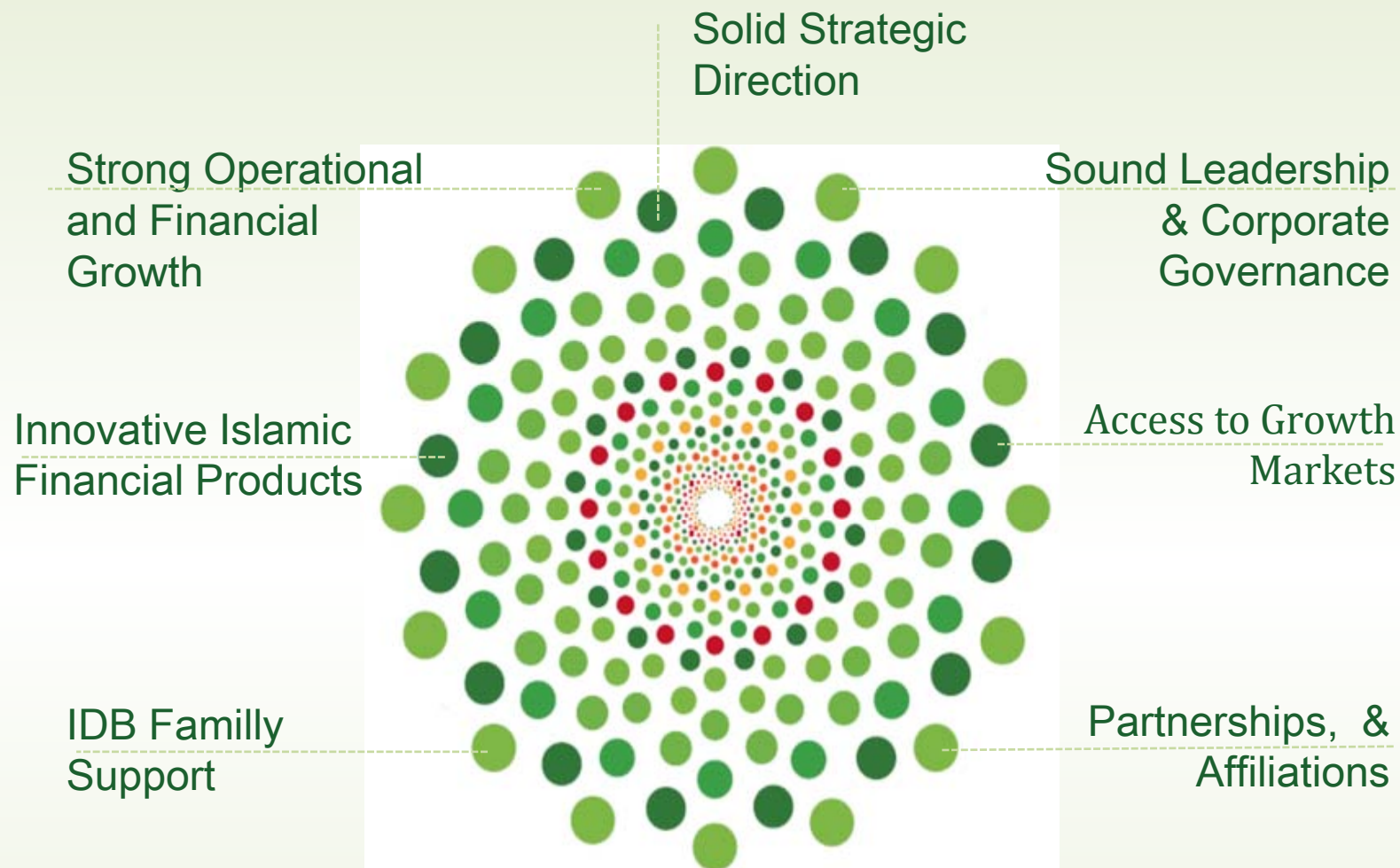
**LONG LASTING PARTNERS** – Leverage our family of partners and exploit our “reverse linkages” ... A list of global partners and affiliates add strategic relationships to our shareholders

**YOU, & YOUR ECONOMIES & COMMUNITIES** – “Doing Good” is our motto ... Fostering economic and social development ..... Our activities and culture revolves around rebuilding “your” communities





# ICD HAS STRONG DIFFERENTIATORS THAT RELIES ON.....



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# CASE 1: ISLAMIC BANKS IN FRONTIER MARKETS



## TRANSACTION OVERVIEW



Shareholders

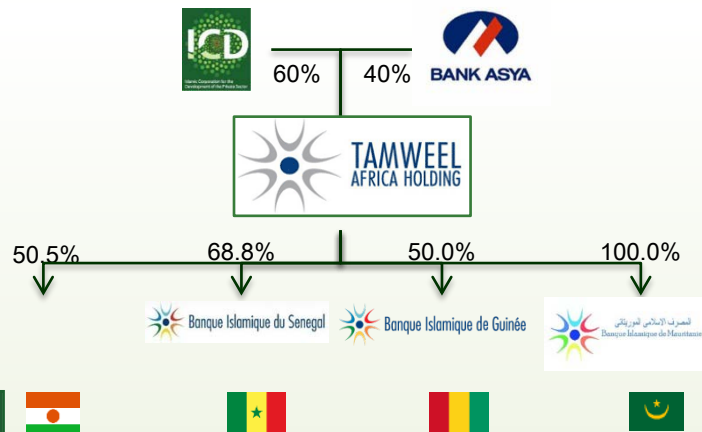
ICD : 60%  
Bank Asya : 40%

Sharia-compliant activities  
Entity – Holding Company  
Legal entity – Limited Company  
Banking and financial activities in west Africa.

ICD's investment – USD 41 million  
Total Equity – USD 80 million  
Total Assets – USD 325 million  
Number of affiliates – 4 banks

**Expansion - 2 banks in the pipeline**

## GROUP FOOTPRINT

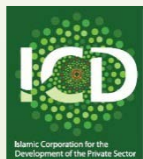


## COMPANY OVERVIEW

- Tamweel Africa Holding (TAH) S.A is a limited company with a Board of Directors, incorporated in the Republic of Senegal with its head office located in Dakar,
- TAH is a holding company whose mission is to promote Islamic Finance in Sub Saharan Africa by building modern, dynamic and strong Sharia compliant banks as a key contributor to socio-economic development in the countries in which it operates.
- TAH objectives for its affiliates for the next five years include:
  - Gaining significant market share (minimum of 6%) in terms of credit and deposits in the respective countries in which they operate.
  - Providing customers with a wide range of competitive and high quality Sharia' compliant products and services and be recognized in the market as a reference bank.
  - Creating an exciting and appealing work environment to attract top talent and be recognized as an employer of choice in the banking sector.
  - Creating significant value for the shareholders.

## DEVELOPMENTAL IMPACT

- Fostering and Developing Shariah Compliant Banks in West Africa

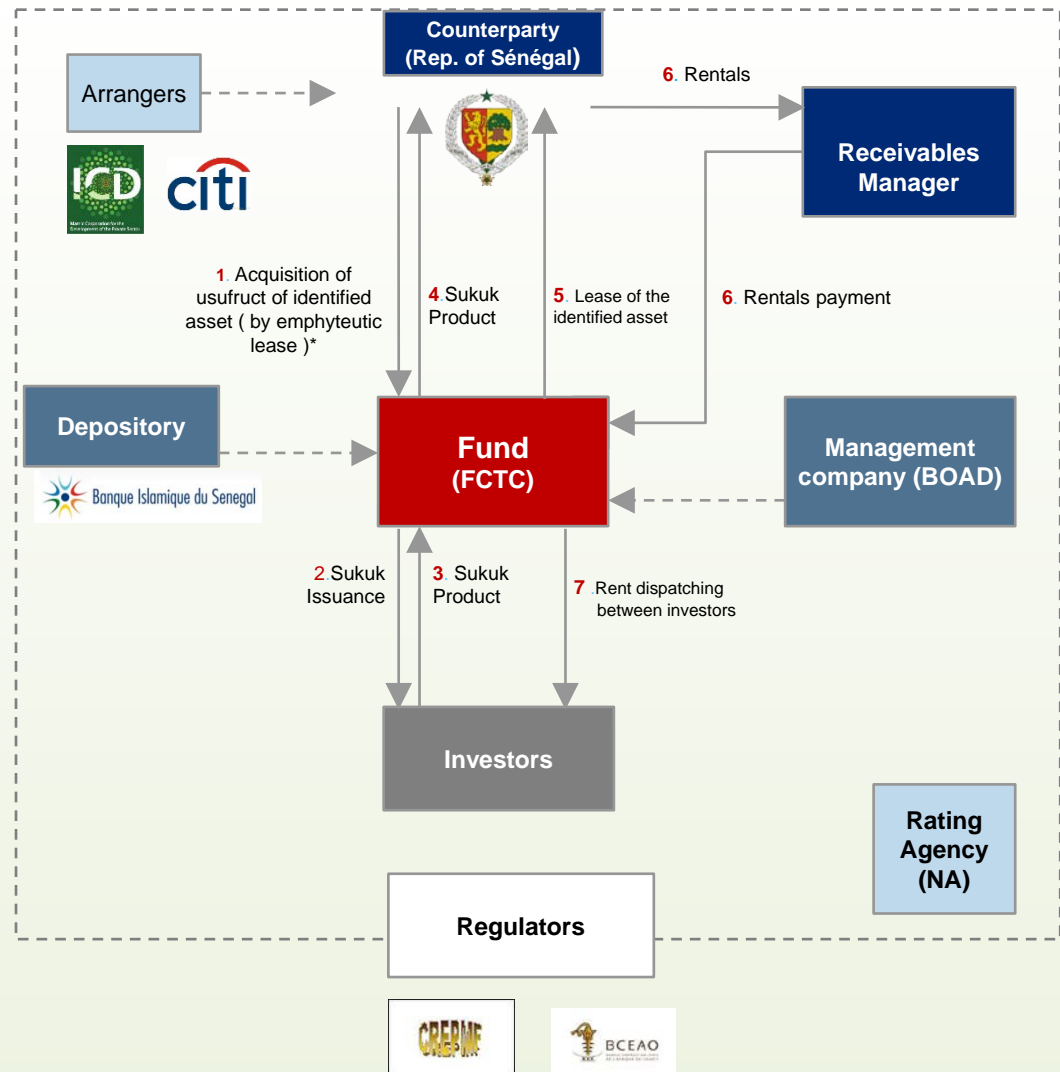


# CASE 2: SOVEREIGN SUKUK ISSUE IN FRONTIER MARKETS

## SUKUK SENEGAL 6.25% 2014-2018

Obligor	Republic of Senegal
Issuer	FCTC Sukuk Etat du Senegal 6.25%
Profit	6.25% p.a
Currency	CFA Franc
Maturity	4 years
Distribution	Public Offering

- The FCTC will issue asset leasing certificates "Sukuk" to investors in return for cash proceeds
- The FCTC uses the proceeds from the issuance to purchase the Usufruct of the Real Estate Assets (the Sukuk Assets) and to lease it to the Republic of Senegal
- The Republic of Senegal as Lessee will pay rent to the Issuer on Real Estate Assets. The Issuer uses these proceeds to make payments of the Periodic Distributions to the Sukuk holders
- Upon redemption or the occurrence of a dissolution event, the Republic of Senegal buys back the Sukuk Assets from the Issuer as set out in the Purchase Undertaking



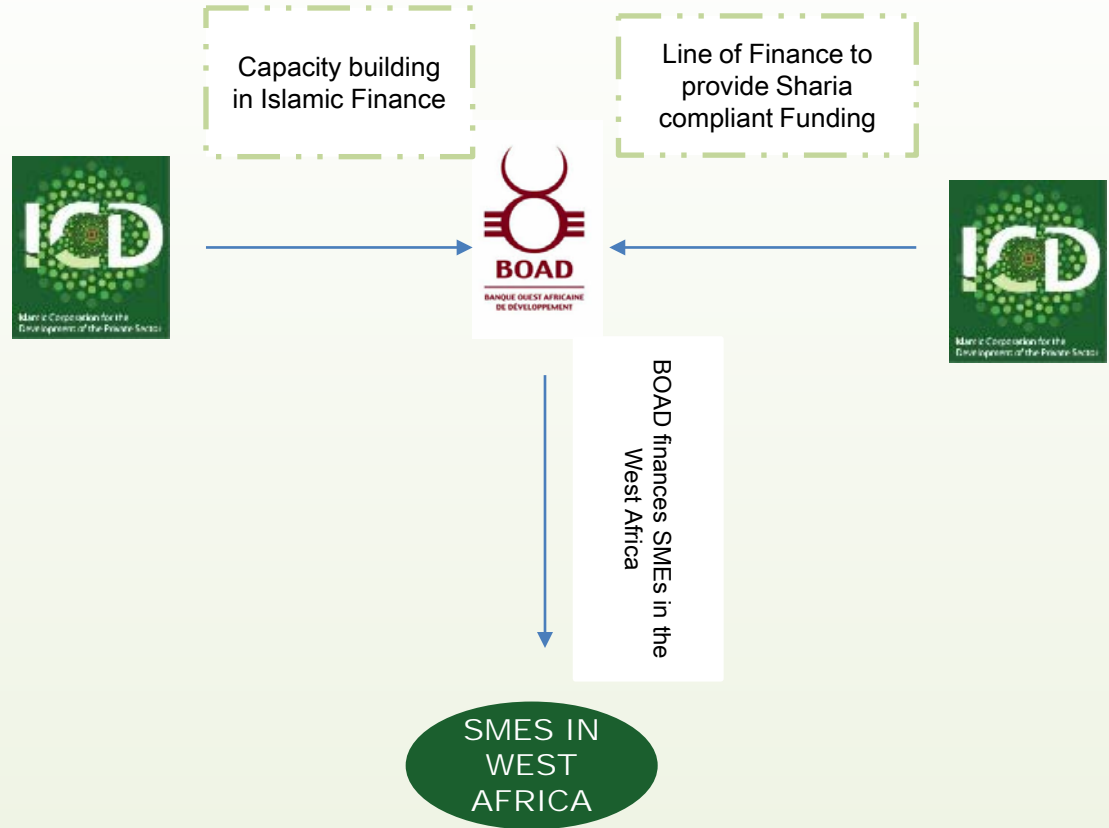
# CASE 3: PROMOTE THE DEVELOPMENT OF SMES IN THE WEST AFRICAN MARKETS

## CAPACITY BUILDING

- BOAD is the West African Development Bank with 8 French speaking members countries
- ICD is providing a technical assistance for capacity building in Islamic Finance
- Three main activities under the technical assistance:
  - ✓ Training in Islamic Finance delivered to BOAD' staff in the bank HQ in Lome, Togo;
  - ✓ Field visit in Jeddah, Kingdom of Saudi Arabia to understand IDB Group operations
  - ✓ Visit to Kuala Lumpur to learn from a well develop Islamic finance market.

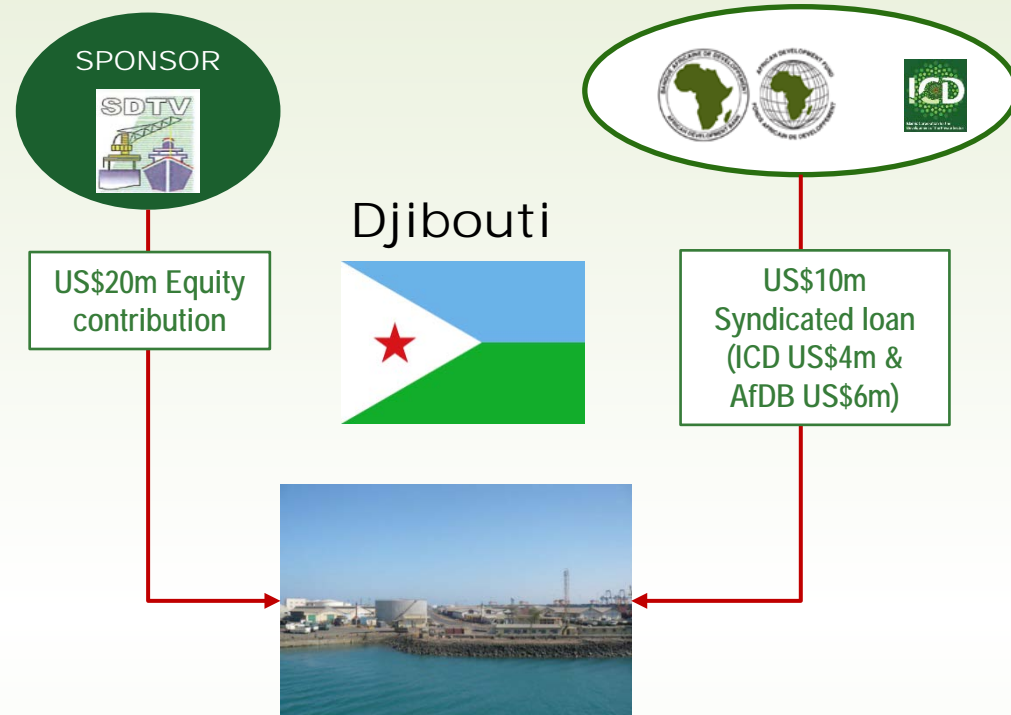
## LINE OF FINANCE

- ICD has granted a Euro 30 million equivalent to USD 40 million to BOAD to on lend to local SMEs
- Advantaged to reach small size projects
- Promote Sharia compliant mode of finance



## CASE 4: PROMOTING INFRASTRUCTURE DEVELOPMENT

- ICD and AfDB have provided financing of US\$10m for the construction of a bulk terminal in Djibouti;
- The marine terminal had a capacity of processing 1 million tons per year of farm inputs and grain. It covers an area of 42,000 m<sup>2</sup> at the Port Autonome International and is managed by the SDTV;
- The terminal allows the processing of inputs and grain to Ethiopia and the sub-region



LOWER COST OF FARM INPUTS & GRAIN IN DJIBOUTI AND ETHIOPIA BY REDUCING STORAGE COSTS

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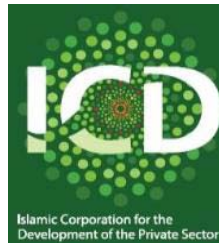
*Farid MASMOUDI*

*Director – Business Development & Partnerships*

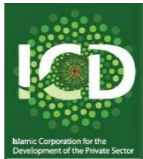
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*Tel : +966 12 646 8113*

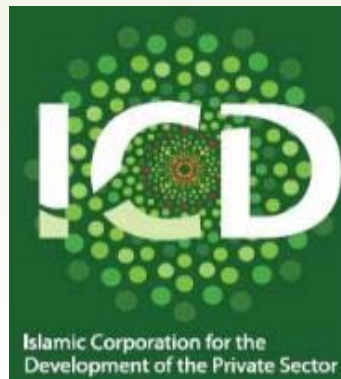
*E-mail: [fmasmoudi@isdb.org](mailto:fmasmoudi@isdb.org)*



Enabling Enterprise - Building Prosperity







## Enabling Enterprise - Building Prosperity

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