Islamic Corporation for the Development of the Private Sector

Government of Senegal US$ 200 million Sovereign Sukuk

Presentation to IFN Forum

Dubai, November 24, 2013

Summary

Background

- In the context of the promotion of Islamic finance, the Islamic Corporation for the Development of the Private Sector (ICD), a subsidiary of the Group of the Islamic Development Bank, has acquired a network of Islamic banks in Sub-Saharan African countries: Guinea, Mauritania, Niger and Senegal.
- In order to help the banks develop alternative instruments for investing their excess liquidity, ICD initiated the development sharia compliant products.
- Subsequently, ICD and Citi have been mandated by the Government of Senegal in 2010 for the purposes of arranging a USD 200 million " Sukuk", in accordance with the principles of the Sharia as an alternative financing instrument to a traditional treasury bond.
- The proposed transaction is an alternative instrument and not a new debt which is proposed outside the program of indebtedness in course.
- The use of this type of financing is a novelty and a first for a country of the WAEMU region and responds to several objectives among which:
  - The Promotion of the Islamic Finance in Africa
  - Diversification of sources of funding available for the Government of Senegal

Summary

1. Background
2. Main challenges
3. Structure of the transaction
4. Implementation Status
5. Why sukuk are important for the African economies

Main Challenges

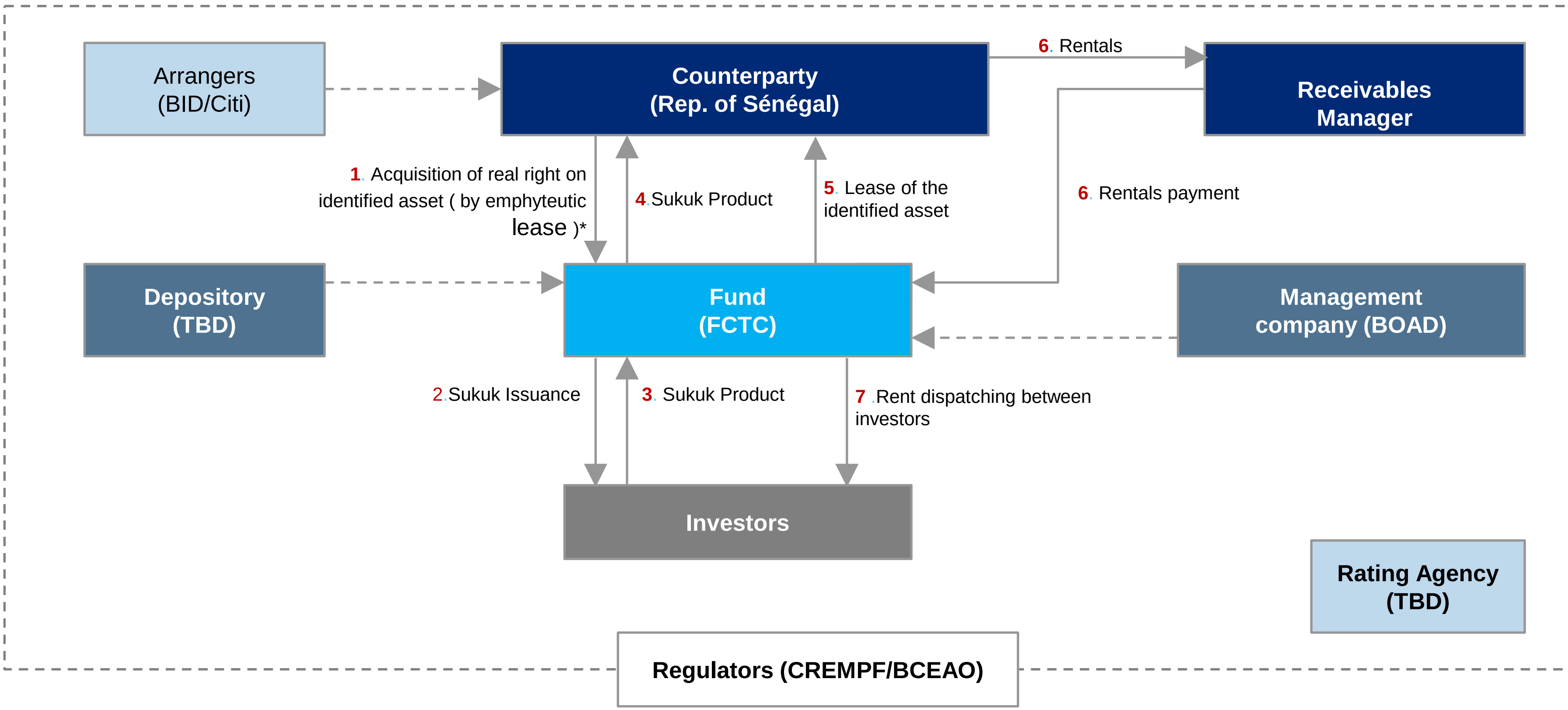
- There is a lack of benchmarking transaction in the WAEMU region
- Central Bank, which is the usual issuer of Sovereign bonds, could not b e part of the issuance process but agreed to grant the repo-financing
- There is no clear regulatory framework for Sukuk issuance

- The co-Arrangers, Citi and the IDB, have decided to put in place an innovative transaction structure by adopting the structure of a securitization as guided by the regulation n ° 02/2010/CM/UEMOA "

Summary

Structure of the Transaction

- The proposed structure aims at reconciling the WAEMU regulatory framework with the Sharia requirements.
- This structure was approved by the regulators and by the Islamic Finance specialists.



Summary

Implementation status – Launch Pre-requirements

Main steps

Agreement CREMPF	• Agreement acquired on March 30th 2012
Approval of the Shariah advisory committee	• Autorization acquired on April 10th 2012
BCEAO Agreement	• BCEAO agreement on the instrument eligibility for financing acquired on March 2012
Marketing Strategy	• Distribution strategy developed with the brokers and communication strategy to be finalized
Market Reading	• Assessment of the market conditions (market study, recent issuance, other considerations…etc.)
Initiation of Investors	• Given the innovative nature of the transaction, we believe that the initiation of investors will be a key element for the success of the transaction. We suggest that the session should be organized in Senegal and in other markets in the region to initiate the potential investors. These sessions will help promote the Islamic Finance in general and the Sukuk in particular.

Main steps before the launch

Summary

Why SUKUKs are Important for the African Economies

Islamic finance by necessarily involving real assets ensures and strengthens the linkage between the financial sector of the economy

Africa substantial infrastructure needs such as new logistic networks linking airports, railways, and warehouses—and new dams and electricity grids to power them, represent a unique case for deploying sharia based project finance solutions.

Africa invests only 4% of its GDP in infrastructure, compared with 14% in China.

Sukuk could be a reliable instrument in bridging the infrastructure gap which in turn could increase GDP growth by an estimated 2 percentage points a year.

ICD intends to scale up significantly infrastructure financing to the continent by leveraging on partnership to develop regional Sukuk issuance programs.

Thank you