



## **ICD's Progress Report**

Report Submitted to  
THE 38<sup>th</sup> SESSION OF THE STANDING COMMITTEE FOR  
ECONOMIC AND COMMERCIAL COOPERATION OF THE  
ORGANIZATION OF ISLAMIC COOPERATION (COMCEC)

**26-29 November 2022**

## **Brief Information about ICD**

<b>The Year of Establishment</b>	1999
<b>Headquarter</b>	Jeddah, Saudi Arabia
<b>Member</b>	The Islamic Development Bank Group
<b>Mandate</b>	Support the economic development of member countries through provision of finance to private sector projects in accordance with the principles of the Shari'a law.
<b>Authorized Capital</b>	US\$4 Billion
<b>Paid-up Capital Capital</b>	US\$1.6 Billion
<b>Cumulative Approved Projects Since Inception</b>	US\$6.2 Billion
<b>Cumulative Disbursements Since Inception</b>	US\$4.1 Billion
<b>Cumulative Approvals by Sector</b>	Finance Sector (SME Financing) = 57% Industry and Mining = 14% Energy Sector = 6%
<b>Total Number of Member Countries Served Since Inception</b>	50
<b>Number of Projects</b>	413

1. The Islamic Corporation for the Development of the Private Sector (ICD), a member of Islamic Development Bank (IsDB) Group, currently has an authorized capital of \$4 billion and its shareholders feature 55 OIC member states and 5 public financial institutions. The mandate of the ICD is to support the economic development of OIC member states through the provision of finance, advisory and technical assistance to private sector projects in accordance with the principles of Sharia.
2. Thanks to twenty-two years record of accomplishment of strong developmental and operational footprint, ICD keeps bringing innovative private sector solutions and serve as a bridge between private investment and sustainable development in its 55 member countries. As of end of third quarter of 2022, ICD's cumulative approvals stand at \$6.2 billion, and cumulative disbursements totals \$4.1 billion.
3. As far as ICD's 2022 year-end expected operational results are concerned, the Corporation expects to have a total approval of around \$544 million for the year of 2022. The two core products of ICD, namely, line of finance (LOF) and term finance are expected to make up the bulk of ICD approvals with 50% and 43% share respectively. The equity projects are expected to account for the remaining 7% of total approvals. In addition to the above, during 2022, ICD signed a new sukuk mandate as well as a new advisory transaction. As far as the disbursements are concerned, the Corporation has achieved robust progress during the second half of 2022 and expects to close the year with a total disbursement of around \$354mn.

4. Sectoral as well as regional ICD project distribution was also in line with ICD's 10-Year Strategy. In 2022, more than half of new project approvals are planned to be allocated to the financial sector while non-financial sector investments focused on high-impact sectors including infrastructure and industrial sectors. As far as existing portfolio improvement activities are concerned, the Corporation also managed to achieve successful closure from one of its large portfolio assets. Furthermore, during 2022, and based on the great success of the BRAVE Women Yemen Program, ICD partnered with IsDB to secure additional blended financing of around \$5.5 Million dollar from the Women Entrepreneurs Finance Initiative (We-Fi) Secretariat to develop the 2nd edition (Brave Women Yemen 2.0) of the project.
5. On the partnership development front, ICD achieved important business synergies with ITFC and ICIEC during 2022. The three entities set up a Technical Coordination Committee (TCC) to promote cross-selling and share new deals. The activities of the TCC were quarterly reviewed by the CEOs of the respective entities with clear KPIs for each quarter. Since its establishment, TCC enabled the entities to share more than 40 deals with a total value of around \$2.5 Billion in more than 20 different member countries. In addition, the entities also co-invested in nine sukuk transactions with a total value of more than \$500 Million.
6. During the year of 2022, ICD also witnessed strong financial and political support from its shareholders as evidence of recognition for its imperative role in private sector development. As part of the ICD 2nd General Capital Increase, which was approved by the General Assembly on June 11th, 2015, \$828 million was subscribed out of \$1 Billion capital available for subscription (equivalent to 83% subscription rate). On the payment front, ICD has received a total of more than \$685 million in capital payments from its shareholders since the beginning of the 2nd General Capital Increase.
7. Finally, ICD's financial profile remains strong thanks to its conservative risk management policies. Specifically, its risk adjusted capital adequacy ratio stood above the required level of 35%, while total liquid assets was also recorded above minimum prudential levels.
8. Overall, during 2022, ICD has achieved solid progress in all its three key strategic targets for promoting the private sector in its member countries including operational growth, development effectiveness and financial sustainability. As for 2023, ICD also envisions to achieve robust growth and progress in all its three key strategic targets.
9. ICD fulfills its mandate mainly through two business lines, within the scope of supporting private sector solution offerings: 1) Term Finance, and 2) Line of Finance. On the term finance side, ICD directly extends project or corporate financing to private sector companies. When it comes to line of financing, ICD provides financing to SME extended through local and regional banks.

10. ICD supports private sector projects in real (non-financial) sector through its infrastructure and corporate financing operations in order to enable economic growth and fulfillment of the SDGs.

11. **Improving Access to Energy**

In May 2022, ICD cleared the financing agreement to extend USD 40M financing to one of the conglomerates in Egypt operating in multisector including agribusiness (fertilizer) as well as energy to support its upcoming expansions and growth plans. Besides fertilizer sector, ICD's financing will support extension of projects of exploration and production of natural gas. This project is in Mediterranean Sea at North Sinai, with an area that spans 560 square kilometers and is projected to hold 2,352 bcf in total natural gas resources and 112 MMbbl in condensates.

ICD's impact on both the country and client are evident that the sponsor is involved in strategic sectors such as gas and electricity production and distribution. Hence, the project is in line with the vision of the country to involve the private sector into strategic and important sectors. The company currently employs more than 5,000 direct employees, and growing year-to-year. The support provided by ICD is expected to add another 500 people, and there are thousands of people across different industries who are part of the company's supply chain who contribute to the company's operations.

ICD approved financing agreement in August 2022 for another major energy firm operating in the east Africa region for a project which is a 1,443km pipeline and marine terminal to export energy from Lake Albert fields (the "Upstream Project" or the "Upstream") in Uganda through Tanzania to the international markets. The total pipeline project costs are estimated at USD 5.1 billion, 60% of which is to be funded through credit financing. To achieve this, ICD is considering a USD 50 million participation. With IsDB participation at USD 100 million, the Islamic tranche is expected to reach USD 150 million.

This project aims at contributing directly to SDG 9 (Industry, Innovation, and Infrastructure), SDG 8 (Decent Work and Economic Growth), SDG 7 (Affordable and Clean Energy) and engage partially into SDG 17 (Partnerships for the Goal). This financing will also help Uganda, a member country, to acquire a world-class oil pipeline to export crude oil to international markets, from its yet untapped proven oil reserves in Lake Albert fields. In partnership with DFIs, including IsDB, and commercial banks, the ICD financing would contribute to mobilizing private sector resources and promote PPP based financing. It will lead to creation of 18,000 direct and 60,000 indirect jobs during the construction period and 1,200 direct and 3,000 indirect local jobs during the operations period. This financing facility will also help provide financial return to stakeholders, increase government revenues in form of taxes, attract new business and support the development of energy sector in Uganda.

12. **Financing SMEs through line of finance:**

In 2022, the ICD approved USD 40 Mn line of financing facility to a leading bank in CIS Region for a facility which will be utilized by the Bank to provide financial support and strengthen the private sector, including Small and Medium Enterprises (SME) in Uzbekistan.

Uzbek economy is highly dependent on the private sector entities, especially SMEs, as a key driver for economic growth, job creation and reduction of poverty. After the COVID 19

pandemic outbreak, there is an urgent need to support the SME sector of the country. Indeed, the sectors affected by the COVID-19 Pandemic was supported by this facility. The beneficiary bank has established relationships with MDBs, IFIs, including ICD and this facility also aims to improve the bank`s corporate governance.

As per the request of the IsDB Governor in Uzbekistan, IsDB approved a Technical Assistance to Uzbek Government to support development of the legal framework for Islamic finance. IsDB Institute organized a training on Islamic finance and banking for local key FI players and regulators. Based on growing demand for Islamic finance, ICD has been collaborating with nine financial institutions in Uzbekistan to establish Islamic windows which would allow them to offer Islamic financial products in the local market as soon as the necessary enabling regulation is in place.

The facility will enable the beneficiary bank to grow its Islamic Financing portfolio and operations, contribute to creation of direct jobs at SME level, while providing financial return to stakeholders and increasing government revenues in the form of taxes. This proposal aims to contribute directly to SDG9 (Industry, Innovation, and Infrastructure), engage SDG17 (Partnership for the Goals), while impacting indirectly SDG8 (Decent Work and Economic Growth). The facility will help supporting access to finance for SMEs and some corporates in the Agriculture, Food processing, Pharmaceutical and medical equipment, Textile and Manufacturing sectors. In addition, this facility aims to help those private sector clients, including SMEs, access new international markets, thereby increasing their export sales.

Another transaction approved by ICD in 2022 is to participate in a USD 60Mn syndication with a USD 20Mn line of financing facility to a leading bank in Bangladesh. The facility will be used to support eligible private sector projects sponsored by eligible private sector companies in Bangladesh. The Islamic Finance Sector in Bangladesh faces long standing constraints including a lack of Islamic liquidity management products and an undeveloped Islamic capital market. Thus, financial institutions authorized to undertake banking activities in compliance with the principles of Sharia need external funding support. Providing funding using Islamic financing instruments in Bangladesh will result in positive synergies including sector expansion and coincides with ICD`s mandate of promoting Islamic Finance. The economy of the Bangladesh is highly dependent on the private sector entities, especially SMEs, as a key driver for economic growth, job creation and reduction of poverty.

Private sector development is crucial for the sustainability of the Bangladesh`s economy. For the economy to stay resilient and bounce back after the adverse shocks of the pandemic, private sector support is essential to ensure private sector enterprises remain solvent. This facility will strengthen the short-to-medium term financial resources of the Bank`s Islamic window and help it support its client base during this critical time.

Line of financing facilities lead to creation of direct jobs at the financial institutions level as well as at the clients, providing financial return to stakeholders, increasing government revenues in form of taxes and attracting deposits from customers. Ultimately, this may contribute to (i) awareness of the society about Islamic finance and ICD/IDBG and promotion of Islamic finance through advertisement of Shariah compliant products under ICD Lines of Finance by banks to their customer (ii) further financial inclusion by providing Shariah compliant financing to customers who do not opt to obtain interest-bearing loans, (iii)

strengthening financial position of beneficiary financial institutions and hence further stability in the financial system and economy of the country (iv) modernization of SMEs, and (v) maintaining the existing jobs and/or creation of additional indirect jobs in different sectors of the economy.

### **ICD`s Transition Plan in 2023:**

13. ICD`s strategy and business plan considers and guided by the prevailing macroeconomic environment and urgent demands and needs of our member countries. Accordingly, ICD developed an Operations and Transition Plan for 2023 with two strategic aspirations (goals) in mind: (i) Financial sustainability of the Corporation, and (ii) Realigning the focus and operations with ICD`s core mandate and strategic direction. With these two overarching goals, the 2023 plan has been built on three Pillars, namely:
  - Business and Financial Realignment,
  - Governance Enhancement, and
  - Organizational Excellence
14. During the year of 2023, ICD envisions to approve around \$660million and disburse about \$500million for private sector projects in its member countries. The Corporation plans to focus on credit products (Line of Finance and Term Finance) for new approvals and disbursements, which will constitute almost 90% of the new business activities. Meanwhile, ICD will also continue to create value for its existing equity projects and source new deals on a very selective basis. The credit and equity activities of ICD will be complemented by other products including advisory and syndication. These additional components of its product portfolio reinforce ICD`s presence, visibility, and involvement in private sector promotion in member countries.
15. To address the food security, energy and infrastructure-related challenges of its member countries, ICD will prioritize financing the projects with a clear contribution to access to food and renewable energy. As part of the IsDB Group Food Security Response, ICD already allocated around \$270 million for the period of 2023-2025 to address the food security challenges faced by its member countries.
16. As far as the overall strategic direction and 3-year business plan targets of the Corporation are concerned, ICD aims to grow approvals and disbursements steadily between 2023 and 2025, particularly for Lines of Finance and Term Finance. The Corporation targets total approvals of USD 2.5b and disbursements of USD 2b between 2023 and 2025.

## **Draft Resolutions:**

1- **Appreciates** the financing, advisory, resource mobilization and other development activities of ICD for supporting the private sector in its 55 OIC member countries.

2- **Takes note with appreciation of** the efforts of ICD, which efficiently works towards financing private sector projects including SME projects in its Member Countries. Since its inception in 1999, ICD cumulative approvals stand at \$6.2 billion, and cumulative disbursements totals \$4.1 billion. ICD`s total approvals and disbursements for the first 10 months of 2022 reached USD 330 million and USD 182 million respectively.

3- **Takes note of** the active partnership of ICD with other development finance institutions, where ICD achieved important business synergies with ITFC and ICIEC during 2022. The three entities set up a Technical Coordination Committee (TCC) to promote cross-selling and share new deals. The activities of the TCC were quarterly reviewed by the CEOs of the respective entities with clear KPIs for each quarter. Since its establishment, TCC enabled the entities to share more than 40 deals with a total value of around \$2.5 Billion in more than 20 different member countries. In addition, the entities also co-invested in nine sukuk transactions with a total value of more than \$500 Million.

4- **Commends** on ICD`s 2023 targets to approve around \$660 million and disburse about \$500 million for private sector projects in OIC member countries. The Corporation plans to focus on credit products (Line of Finance and Term Finance) for new approvals and disbursements, which will constitute almost 90% of the new business activities. Meanwhile, ICD will also continue to create value for its existing equity projects and source new deals on a very selective basis. The credit and equity activities of ICD will be complemented by other products including advisory and syndication. These additional components of its product portfolio reinforce ICD`s presence, visibility, and involvement in private sector promotion in member countries.

5- **Takes note of** ICD`s allocated resources of \$270 million for the period of 2023-2025 to address the food security challenges faced by OIC member countries as part of the IsDB Group Food Security Response.

6- **Takes note of** ICD`s 3-year business plan targets of growing approvals and

disbursements steadily between 2023 and 2025, particularly for Lines of Finance and Term Finance. The Corporation targets total approvals of USD 2.5 billion and disbursements of USD 2 billion between 2023 and 2025.

7- **Requests** the ICD to regularly submit comprehensive reports regarding its efforts on financing private sector to the COMCEC Ministerial Sessions and the Follow-up Committee Meetings.