



# **ICD's Progress Report**

Report Submitted to:  
THE 39<sup>th</sup> SESSION OF THE COMCEC

**December 2023**

## **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 Shariah 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\$6.7 billion
<b>Cumulative Disbursements Since Inception</b>	US\$4.4 billion
<b>Cumulative Approvals by Sector</b>	Finance Sector (SME Financing) = 51% Industry and Mining = 14% Energy Sector = 6% Other Sectors = 29%
<b>Total Number of Member Countries Served Since Inception</b>	50
<b>Number of Projects</b>	437

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 five 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 Shariah.
2. With a robust track record spanning two and a half decades, ICD continues to introduce innovative private sector solutions while facilitating a crucial link between private investments and sustainable development across its 55 member countries. As of end of third quarter of 2023, ICD has achieved cumulative approvals amounting to \$6.7 billion, with cumulative disbursements totaling \$4.4 billion.

## **Summary Achievements in 2023**

3. ICD has prepared a detailed operational plan for 2023, which is centered on three strategic pillars: 1) Core Mandate Realignment & Financial Sustainability, 2) Governance Enhancement and 3) Organizational Excellence. Detailed achievements under each of these three pillars will be presented in the following sections.

4. As far as ICD's 2023 year-end expected operational results are concerned, the Corporation expects to have a total approval of around \$700 million for the year of 2023. ICD's two core products, namely, line of finance (LOF) and term finance are expected to make up the bulk of ICD approvals, with shares of 59% and 35%, respectively. The remaining 6% of total approvals is expected to be attributed to equity projects. In terms of disbursements, the Corporation has made substantial progress during the first three quarters of 2023 and expects to close the year with a total disbursement of roughly \$525 million.
5. The distribution of ICD projects in both sectoral and regional terms aligns with the objectives outlined in ICD's 10-Year Strategy. In 2023, more than half of new project approvals are earmarked for the financial sector, while non-financial sector investments focused on high-impact sectors including infrastructure and industrial sectors. In the realm of enhancing the existing portfolio and restructuring the balance sheet, the Corporation also achieved successful exits from a set of equity transactions.
6. On the partnership development front, ICD successfully forged significant business synergies with ITFC and ICIEC in 2023. The three entities established the Technical Coordination Committee (TCC) to promote cross-selling and collaborate on new deals. The activities of the TCC underwent quarterly evaluations led by the CEOs of each entity, with well-defined Key Performance Indicators (KPIs) for every quarter. Since its establishment, TCC has enabled the entities to share more than 50 deals with a total value of around \$3 billion in more than 20 member countries.
7. In 2023, 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.
8. 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 were also recorded above minimum prudential levels.
9. Overall, in 2023, ICD made significant advancements across its three key strategic pillars aimed at fostering the private sector in its member countries. These pillars include realigning the core mandate, enhancing governance, and achieving organizational excellence. Looking ahead to 2024, ICD also envisions a strong focus on achieving substantial growth and progress in all three of its key strategic objectives.

## **Core Mandate Realignment & Financial Sustainability**

10. **Operating Model Adjustment:** Non-profitable (corporate equity and funds) and overlapping (relationship management) functions are discontinued and staff therein re-allocated to areas of focus.
11. **Business Model Realignment:** Very strong pipeline developed with a focus on high-quality line of financing and term financing transactions, and detailed funding plan developed based on Prudential Minimum Liquidity requirements.
12. **Closure of Legacy Assets:** Dedicated equity taskforce set up to develop action plan for each equity asset and special operations function set up to rehabilitate non-performing assets. ICD has successfully recovered over \$70 million from NPLs and funds and obtained endorsement from ExCom to divest one of its equity investments.
13. **Increasing Disbursements:** Quality at entry (focusing on co-financing deals with other MDBs and FIs) and process enhancement initiatives on track to increase disbursements and reduce the share of liquid portfolio.
14. **Partnerships:** ICD's partnership efforts have culminated in great results (i.e., 10 CEO-led missions since October 2022, 12 business workshops arranged, 369 action items, 37 leads generated, 1 Country Work Program (CWP) signed, 4 MoU signed) in addition to automating Mission Actions Reporting. Furthermore, ICD has resolved several long-outstanding issues including but not limited to capital contributions arrears (USD 800,000) and the resolution of a legacy investment (Royal Atlantic Residences Limited, RAR).
15. ICD fulfills its mandate through two primary business segments that serve to facilitate private sector solutions: 1) Term Finance: In this segment, ICD directly provides project or corporate financing to enterprises. 2) Line of Finance: When it comes to line of financing, ICD offers financing to SMEs extended through local and regional banks.

## **ICD's 2023 Activities to Promote the Private Sector, Infrastructure & Industrialization**

16. ICD supports private sector projects by engaging in infrastructure and corporate financing activities, contributing to economic growth, and fulfilling the SDGs.
17. In 2023, ICD finalized a financing agreement to provide Egypt Kuwait Holding (EKH) with a \$25 million investment to bolster its forthcoming expansion and growth initiatives. ICD's financing will support the extension of projects related to the exploration and production of natural gas. These projects are situated in the Mediterranean Sea off the coast of North Sinai, covering an area of 560 square kilometers and are projected to contain a total of 2,352 billion cubic feet (bcf) in natural gas resources and 112 million barrels (MMbbl) of condensates.

ICD's impact on both the country and client is evident through EKH's involvement in critical sectors such as gas and electricity production and distribution. This project aligns with the country's vision to engage the private sector in strategic and vital areas. The company currently employs more than 5,000 direct personnel, with a growing workforce year by year. The support provided by ICD is expected to result in an additional 500 employees, and there are numerous individuals across various industries in the company's supply chain who contribute to its operations.

18. In addition, ICD has granted approval for a \$25 million financing for the Al Murabitoun project, designed to establish a warehouse facility in the Kingdom of Saudi Arabia. This project also encompasses storage facilities, which is expected to enhance food security within the country. In this transaction, ICD envisions to mobilize \$25 million on a best effort basis from other financial institutions, resulting in a total financing amount of \$50 million.
19. Furthermore, ICD has extended a \$30 million facility to support one of Bangladesh's largest industrial conglomerates, with diverse business interests in steel, cement, fast-moving consumer goods and ceramics. This company holds a prominent position as the market leader in both the steel and cement sectors in Bangladesh. The provided facility will empower the company to expand its operations, thereby making a valuable contribution to the SDG 9 (Industry, Innovation, and Infrastructure) and SDG 8 (Decent Work and Economic Growth).

#### **ICD's SME Development Interventions in 2023: Financing SME through line of finance**

20. In 2023, ICD granted a line of financing facility totaling \$65 million to three distinct financial institutions in Uzbekistan, namely Microcredit Bank, Ipak Yuli Bank and Infin Bank. These funds will be deployed by the banks to offer financial support and strengthen the private sector, including Small and Medium Enterprises (SMEs) in Uzbekistan.
21. The Uzbek economy is highly dependent on private sector entities, with a strong emphasis on SMEs playing a vital role in driving economic growth, generating employment opportunities, and alleviating poverty. In the wake of the COVID 19 pandemic, there is an urgent need to support the SME sector in Uzbekistan. The three banks that received financing from ICD have established relationships with MDBs and IFIs, including ICD. Furthermore, these initiatives also aim to improve their corporate governance standards.

Upon the request of the IsDB Governor in Uzbekistan, the Islamic Development Bank (IsDB) granted approval for technical assistance to the Uzbek Government to facilitate the development of a legal framework for Islamic finance. The IsDB Institute organized a training on Islamic finance and banking for local key FI players and regulators. In response to 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 regulatory framework is established.

22. These financing facilities will also empower Microcredit Bank, Ipak Yuli Bank and Infin Bank to expand their Islamic financing portfolio and operations. This expansion will lead to the creation of direct employment opportunities at the SME level, generate financial returns for stakeholders, and boost government revenues through tax contributions. Moreover, these financing arrangements will also align with SDG9 (Industry, Innovation, and Infrastructure), and foster collaboration in line with SDG17 (Partnership for the Goals), while indirectly impacting SDG8 (Decent Work and Economic Growth). These facilities are designed to facilitate access to finance for SMEs and various corporations in the agriculture, food processing, pharmaceutical and medical equipment, textile and manufacturing sectors. In addition, these facilities aim to assist private sector clients, including SMEs, in accessing new international markets, thereby increasing their export sales.
23. In addition, in 2023, ICD provided a line of financing to two leading financial institutions in Egypt, Al Baraka Bank Egypt and Banque Misr, totaling \$60 million. These two financial facilities will be directed towards supporting qualified private sector projects sponsored by eligible private sector companies in Egypt. Egypt's Islamic finance sector holds significant growth potential, and ICD's financial support will play a crucial role in fostering this growth and facilitating access to finance for SMEs within the country. Egypt's economy places substantial reliance on private sector entities, especially SMEs, as they serve as fundamental drivers of economic growth, job creation and poverty reduction.
24. Furthermore, ICD provided two line of finance facilities totaling \$60 million to two leading financial institutions in Türkiye, namely Turk Exim bank and Deniz Bank. Private sector development is crucial for the sustainable development of Türkiye's economy. Islamic finance offers significant prospects for economic growth and resilience, and it is anticipated that ICD's financing facilities will enhance the short-to-medium-term financial resources of these two leading Turkish financial institutions.
25. In 2023, ICD's extended line of financing facilities to multiple member countries, totaling over \$350 million, is poised to have several positive impacts. These include the generation of direct employment opportunities at both the financial institution and client levels, delivering financial returns to stakeholders, increasing government tax revenues, and attracting customer deposits. Ultimately, these actions may lead to: (i) raising awareness within society about Islamic finance and ICD/IsDBG, and promoting Islamic finance through the advertisement of Shariah compliant products under ICD's Lines of Finance by banks to their customer (ii) expanding financial inclusion by offering Shariah compliant financing to customers who prefer non-interest-based loans (iii) strengthening the financial position of beneficiary FIs, thereby contributing to overall economic and financial stability of the country (iv) modernizing SMEs, and (v) sustaining existing jobs and potentially creating additional indirect jobs in various sectors of the economy.

## **ICD's Operations Plan for 2024:**

26. ICD's strategy and business plan considers and is guided by the prevailing macroeconomic environment and urgent demands and needs of our member countries. Accordingly, ICD developed its Operations Plan for 2024 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 2024 plan has been built on three Pillars, namely:
- Sustainability (business and financial sustainability),
  - Efficiency (excellence in delivery), and
  - Inclusiveness (stakeholder value maximization).
27. In 2024, ICD envisions to approve around \$750 million and disburse approximately \$600 million for private sector projects in its member countries. The Corporation plans to focus on credit products, primarily Line of Finance and Term Finance, for new approvals and disbursements, which will constitute more than 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.
28. 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 has already earmarked approximately \$270 million for the period of 2023-2025 to address the food security challenges faced by its member countries.
29. Regarding the Corporation's overarching strategic direction and three-year business plan objectives, ICD aims to grow approvals and disbursements steadily between 2024 and 2026, particularly for Lines of Finance and Term Finance. The Corporation targets total approvals of \$2.9 billion and disbursements of \$2.2 billion between 2024 and 2026.

## **Draft Resolutions:**

- 1- **Commends** ICD for its efforts in promoting private sector development and aiding the economic progress of OIC member states by offering financial support and advisory services to the private sector.
- 2- **Takes note with appreciation of** the efforts of ICD, which efficiently works towards financing private sector projects including SME projects within its member countries. Since its inception in 1999, the cumulative approvals amount to \$6.7 billion, with cumulative disbursements totaling \$4.4 billion.
- 3- **Recognizes** the progress made in partnership development, as ICD has achieved significant business synergies with ITFC and ICIEC throughout 2023. Since its establishment, the Technical Coordination Committee (TCC) has facilitated the sharing of over 50 private sector development deals with a total value of approximately \$3 billion across more than 20 different member countries.
- 4- **Applauds** ICD for its 2023 private sector development activities including financing approvals of approximately \$700 million and financing disbursements of about \$525 million for private sector projects within its member countries. The Corporation's strategic focus for private sector helped in creating new jobs, providing access to financing for SMEs and generating revenues by OIC member countries.
- 5- **Commends** ICD's efforts in addressing food security challenge facing OIC member countries including allocation of dedicated \$270 million with a focus on basic food products and agriculture yield enhancement tools.
- 6- **Encourages** ICD to continue its growth momentum for its financing activities during 2024 and following years in order to address the ever increasing challenges facing the private sector of OIC member countries including access to finance and access to affordable infrastructure.