

Islamic Development Bank Group



Business Forum Investment Opportunities in Azerbaijan & Other CIS Countries

Baku, 21-22 June 2010

Agenda

- IDB Group
- IDB Group Subsidiaries:
 - International Islamic Trade Finance Corporation (ITFC)
 - Islamic Corporation for Insurance of Investment & Export Credit (ICIEC)
 - Islamic Corporation for the Development of the Private Sector (ICD)
- IDB Group Intervention in Central Asia Countries
- Private Sector Success Stories/ Case Studies



About IDB Group

Established in 1975 to foster socio-economic development in member countries and Muslim communities in compliance with Shari'ah

➤ From 23 countries in 1975 to 56 countries in 2009

- Africa: 27
- Asia: 26
- Europe: 2
- Latin America: 1

➤ Authorized Capital: ID 30 billion

➤ Subscribed Capital: ID 16.3 billion

➤ Paid-in Capital: ID 3.3 billion

➤ AAA Rating by Moody's, Fitch, S&P

➤ Zero-Risk Rating by European Commission

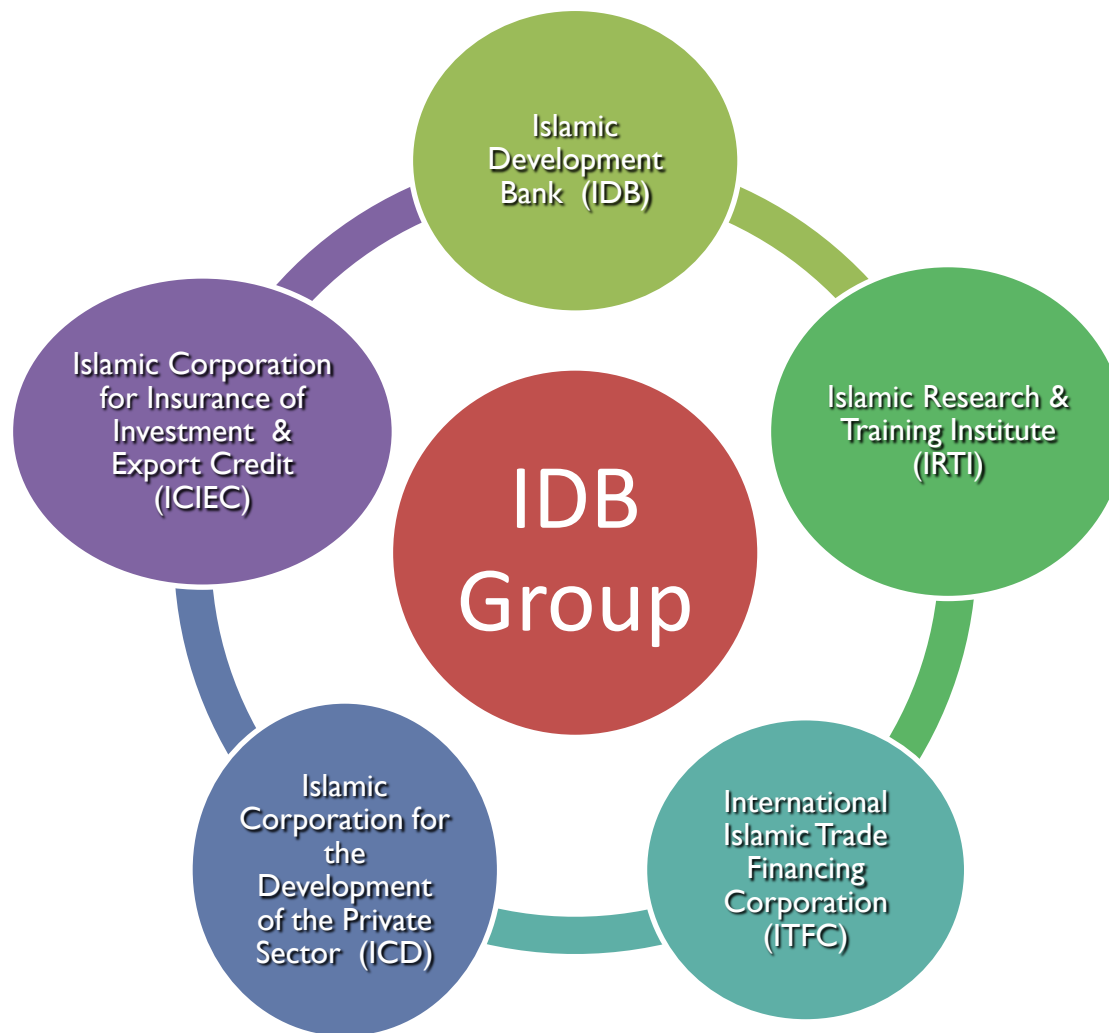


A Unique Model of South-South Cooperation

-56 members spreading over 4 continents

* ID 1 = SDR 1 (~US\$ 1.50)

IDB Group Structure



Products & Services

Services

- Financing of Projects (Public, Private, PPP)
- Promoting the Islamic Financial Industry
- Trade Finance and Promotion
- Capacity Building and Technical Cooperation
- Risk Insurance
- Research and Training
- Fund/ Asset Management
- Special Assistance

Products

- Interest-Free Loan
- Leasing
- Installment Sale
- Construction Finance (Istisna'a)
- Equity
- Credit Lines to commercial banks (SME)
- Technical Assistance (Loan & Grant)
- Trade Finance (Murabaha)

Net Approved Financing IDB Group (Since Inception to End 2009)

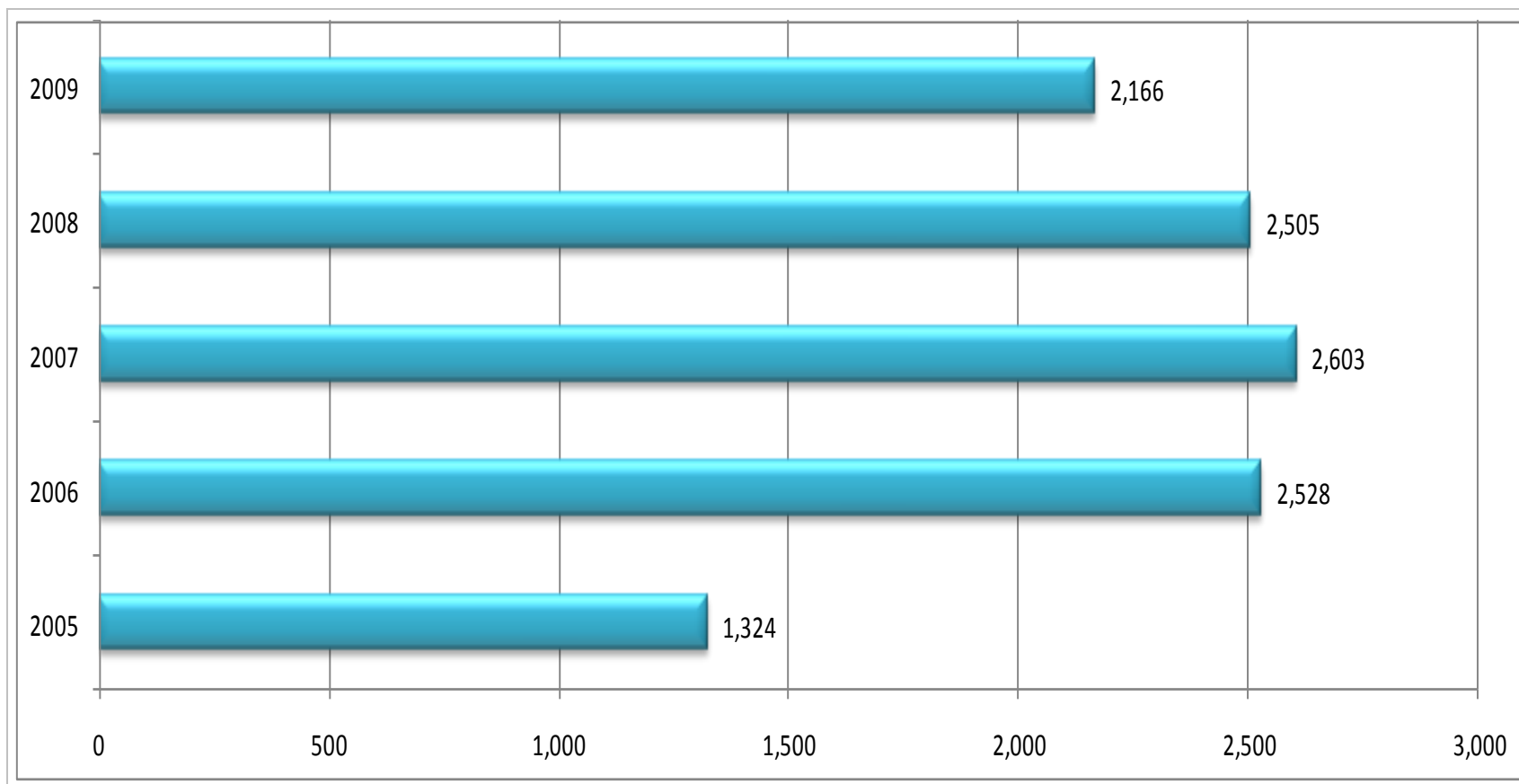
Type of Operation	US\$ billion
1- Development Projects	28.14
2- Technical Assistance	0.29
3- Trade Operations	34.78
4- Special Assistance	0.68
TOTAL	63.90



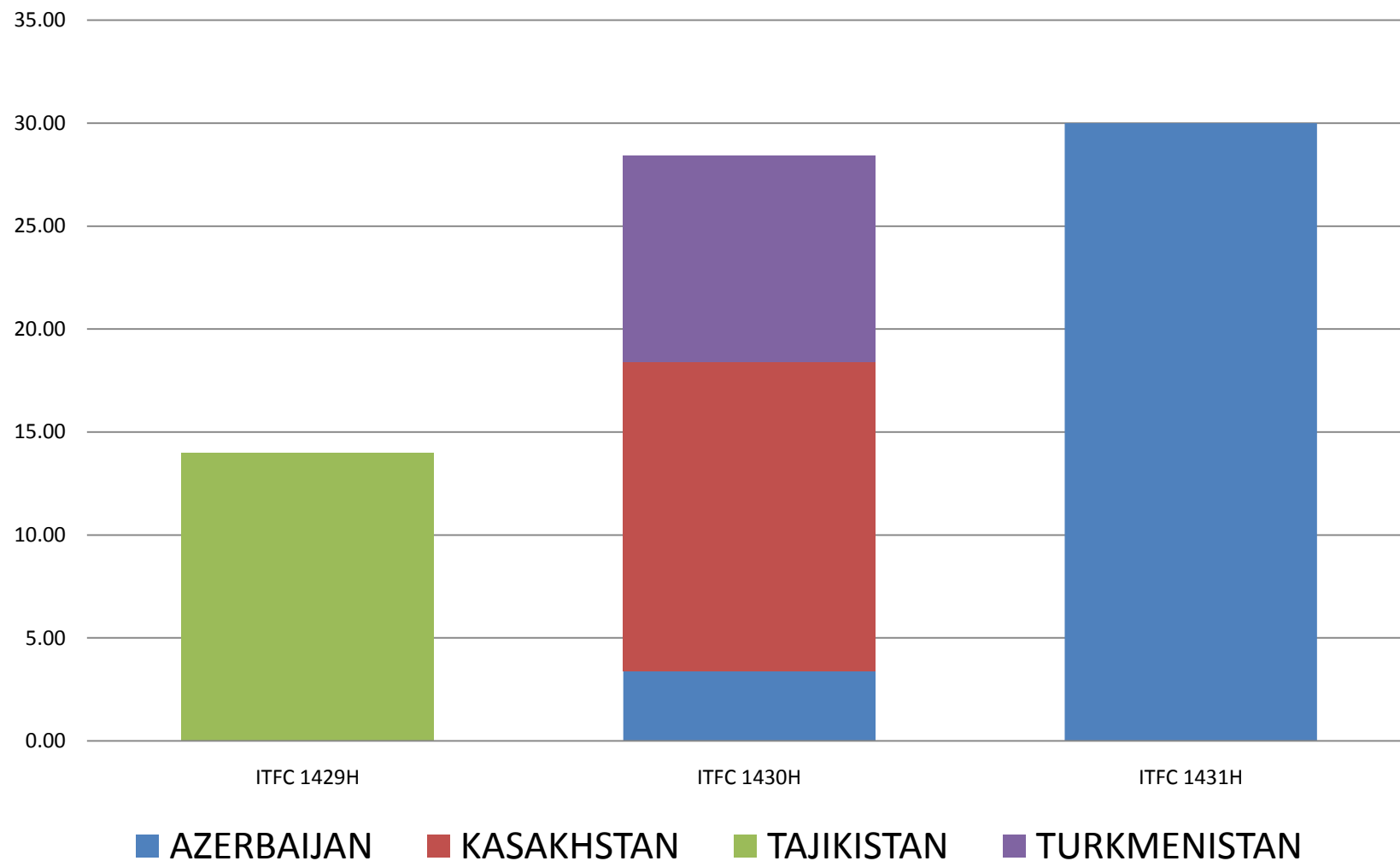
itfc

International
Islamic Trade
Finance Corporation

Trade Finance Approvals since 2005



Trade Approvals in CIS region 2008-2010



ITFC is ready to further support economic operators in Central Asian region through

- Extending Line of Import Financing to local banks to reach SMEs
- Extending direct import financing to eligible companies
- Structuring pre-export financing of strategic commodities



The Islamic Corporation for the Insurance of Investments and Export Credit

The Islamic Corporation for the Insurance of Investments and Export Credit

- Insurance Arm of the the IDB Group
- Established in 1994
- Only Multilateral Shariah Compliant Export Credit Agency in the world
- 67% owned by IDB and remainder by 39 “Organization of Islamic States”
Member Countries
- Rated “Aa3” rated by Moody's,
- Membership in the Berne Union- Observer Status

ICIEC's Mandate

Promote trade and investment flows between OIC members by providing:

Export Credit Insurance

To encourage exports from Member Countries to the rest of the World



Investment Insurance

To Encourage the Flow of Capital and Investments from the World to Member Countries



Credit Insurance- Benefits for CIS Countries

Enhance Trade & Foreign Direct Investment

- CIS Countries would be able to attract More Foreign Direct Investment – Political Risk Insurance
- Exporters from CIS Countries would be able to penetrate into new markets with insured receivables.
- Islamic Financials Institutions can enhance their capabilities for Export Financing schemes.
- ITAP can help CIS sates to triggers the critical variables to create an “Ideal Investment Climate” for international investors.
- Preferred Sectors can be promoted with technical investments to create more Jobs within the country i.e. Azerbaijan and other CIS countries.



المؤسسة الإسلامية لتنمية القطاع الخاص

ISLAMIC CORPORATION FOR THE DEVELOPMENT OF THE PRIVATE SECTOR
SOCIETE ISLAMIQUE POUR LE DEVELOPPEMENT DU SECTEUR PRIVE

An Affiliate of the Islamic Development Bank • مؤسسة تابعة للبنك الإسلامي للتنمية • Filiale de la Banque Islamique de Développement

Background

- A Multilateral financial institution established in November 1999.
- Headquarters: Jeddah, Kingdom of Saudi Arabia.
- Authorized capital: US\$ 2 billion
- Paid up capital: USD728 million.
- Membership: 48 member countries and 5 public financial institutions.
- Total projects approved over 184 for a total amount of USD1.6 billion in 32 member countries
- Project Areas- Islamic Finance, telecommunications, education, transportation, agribusiness, manufacturing, and health care sectors.



Created for the development of the Private Sector in its Member Countries.

Priority Investment Areas

- Islamic Financial Industry
- Modern Manufacturing
- Information Communication and Technology (ICT)
- Power
- Health
- Education
- SME Development
- Advisory



IDB Group Cooperation in Central Asia Countries

Azerbaijan

Largest Active IDB Portfolio in Central Asia and Europe Region

- IDB Membership: July 1992
- IDB: 30 Projects for ID 461.9 mn
 - 17 projects for ID 62.1 mn completed
 - 13 projects for ID 399.8 mn under implementation
- Special Assistance: US\$ 1.99 mn
- ICD : US\$ 50.2 mn
- ITFC : US\$ 3.4 mn



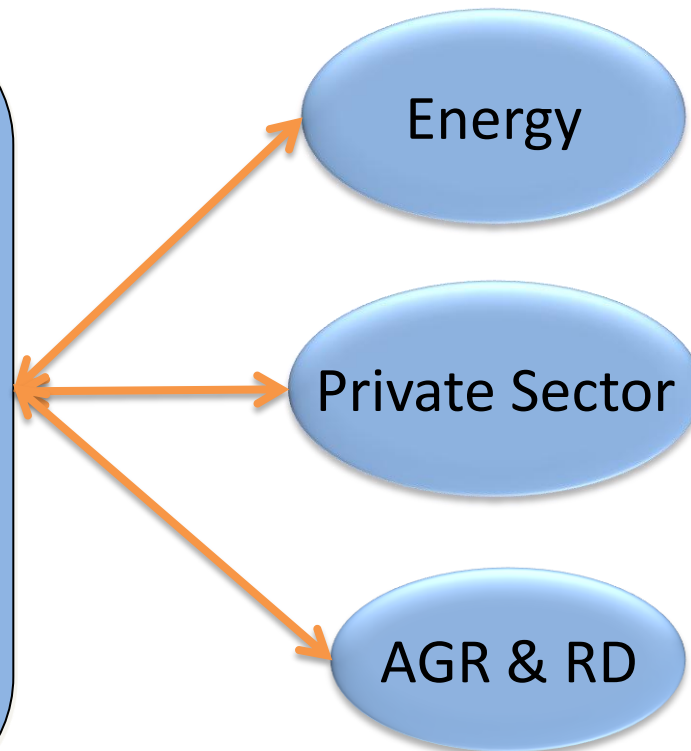
Country Development Strategy and Proposed Partnership Strategy



SPPRSD 2008-2015

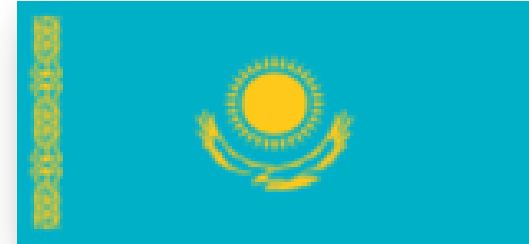
- Sust. Econ. Growth
- Infrastructure
- Public Utilities
- Non oil sector

IDB Proposed Strategy



Kazakhstan

- IDB: 24 Projects for ID 310.5 mn
- 14 projects for ID 56.2 mn completed
- 10 projects for ID 254.3 mn under implementation
 - 5 projects for ID 195.4 mn disbursing
 - 5 projects for ID 58.9 mn non-disbursing
- Special Assistance: US\$ 1.937 mn
- ICD : US\$ 8 mn
- ITFC : US\$ 23 mn
- ICIEC : US\$ 32 mn (*Business Insured*)



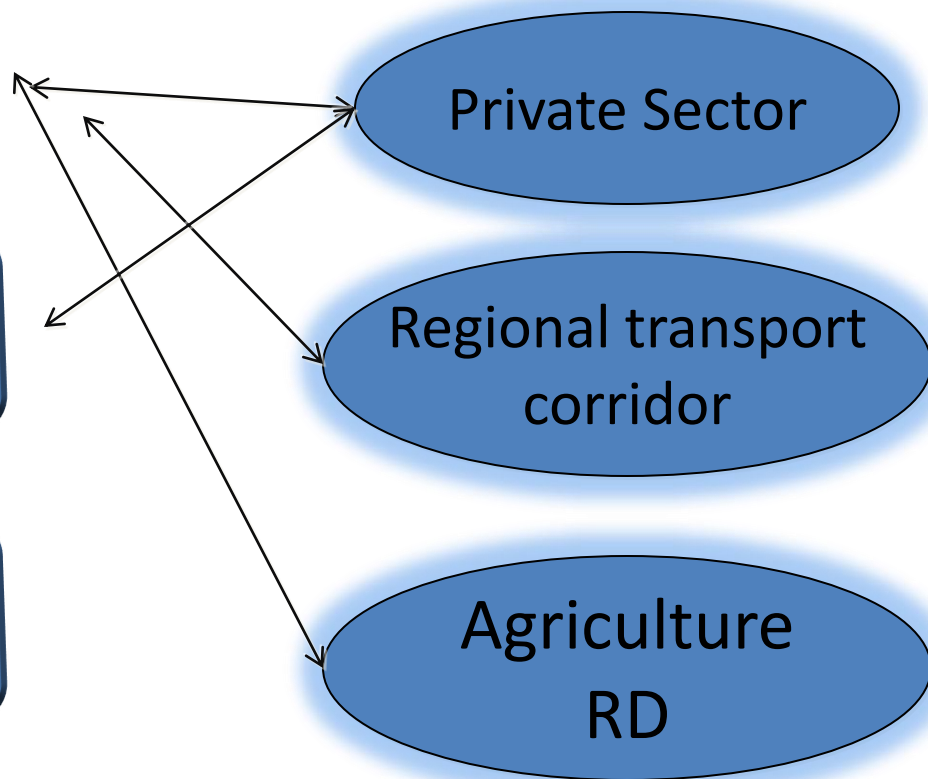
Country Development Strategy and Proposed Partnership Strategy



SIID 2003-2015



IDB Proposed Strategy



Kyrgyz Republic



- IDB: 23 Projects for ID 75.7 mn
- 12 projects for ID 31.2 mn completed
- 11 projects for ID 44.5 mn under implementation
 - 6 projects for ID 30 mn disbursing
 - 5 projects for ID 14.6 mn non-disbursing
- Special Assistance: US\$ 1.66 mn
- ICD : US\$ 15.4 mn



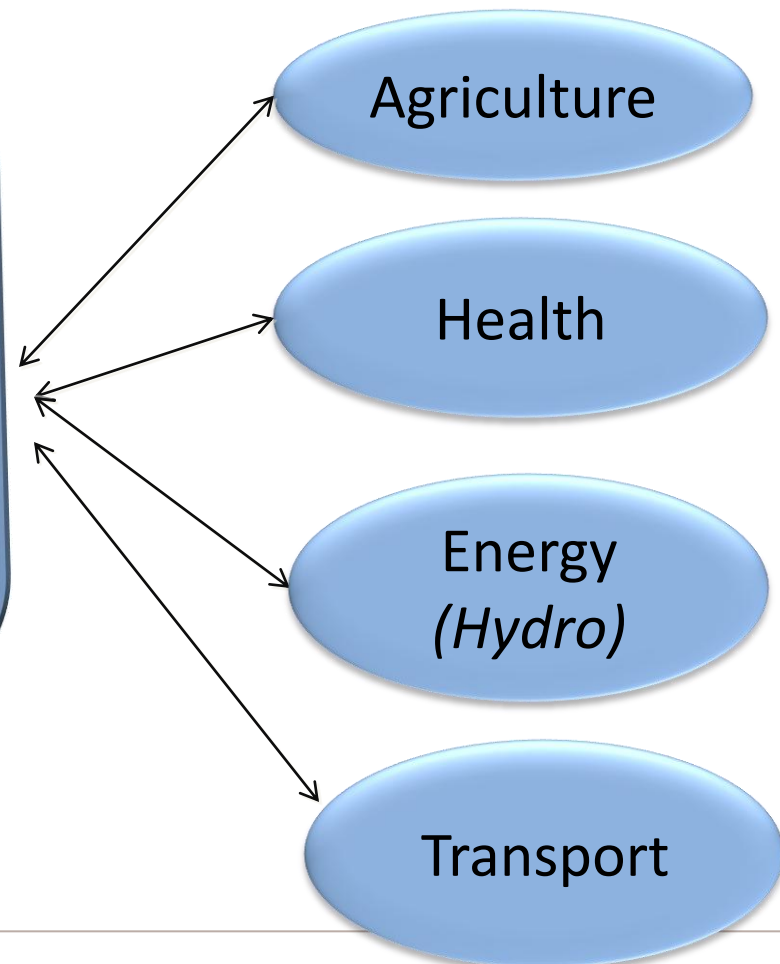
Country Development Strategy and Proposed Partnership Strategy



Country Development Strategy (2007-2010)

- Economic development
 - Agriculture & processing ind
 - Energy
 - Transportation
- Human development
 - Health care

IDB Proposed Strategy



Tajikistan

- IDB: 32 Projects for ID 121.8 mn
- 16 projects for ID 33 mn completed
- 16 projects for ID 88.8 mn under implementation
 - 10 projects for ID 56.9 mn disbursing
 - 6 projects for ID 31.9 mn non-disbursing
- Special Assistance: US\$ 0.48 mn
- ICD : US\$ 2.5 mn
- ITFC : US\$ 14.0 mn



Country Development Strategy and Proposed Partnership Strategy



Country Development Strategy (up to 2015)

- Social Block
 - Health
 - Education
- Production Block
 - Food security & agriculture
 - Transportation
 - Energy

Proposed IDB Partnership Strategy

Health and education

Transportation and energy

Agriculture & RD

Turkmenistan

- IDB: 12 Projects for ID 295.4 mn
- 7 projects for ID 34.9 mn completed
- 5 projects for ID 260.4 mn under implementation
 - 2 projects for ID 28 m disbursing
 - 3 projects for ID 232.4 m non-disbursing



- Special Assistance: US\$ 0.325 mn
- ITFC : USD10m



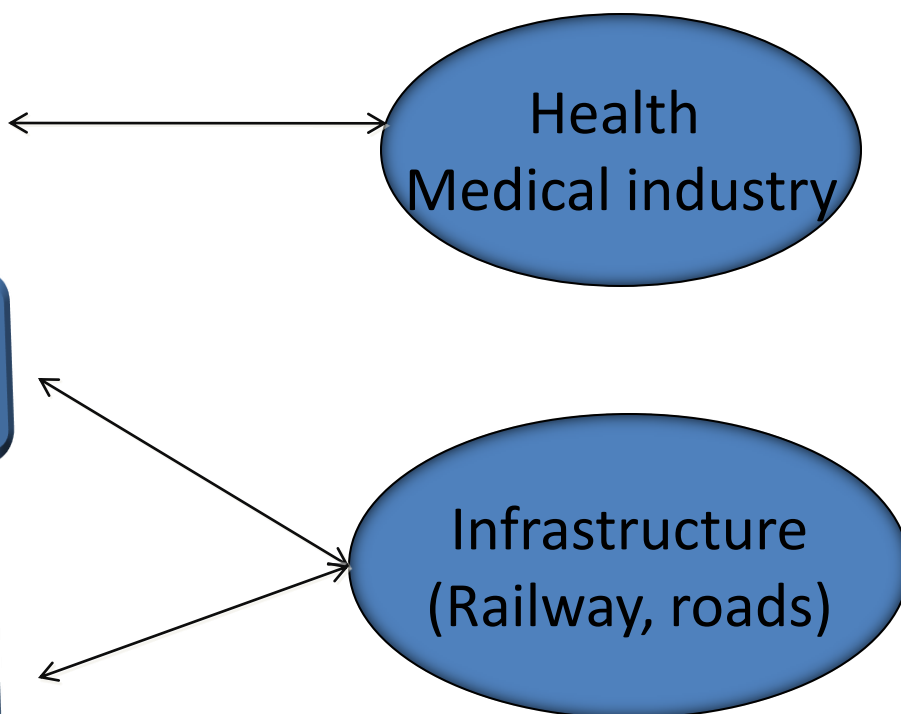
Country Development Strategy and Proposed Partnership Strategy



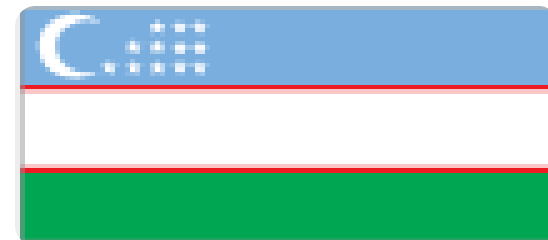
National Development Program 2020



IDB Proposed Strategy



Uzbekistan



- IDB: 19 Projects for ID 181.9 m
- 4 projects for ID 20.9 mn completed
- 15 projects for ID 161 mn under implementation
 - 10 projects for ID 108.9 mn disbursing
 - 5 projects for ID 52.1 mn non-disbursing



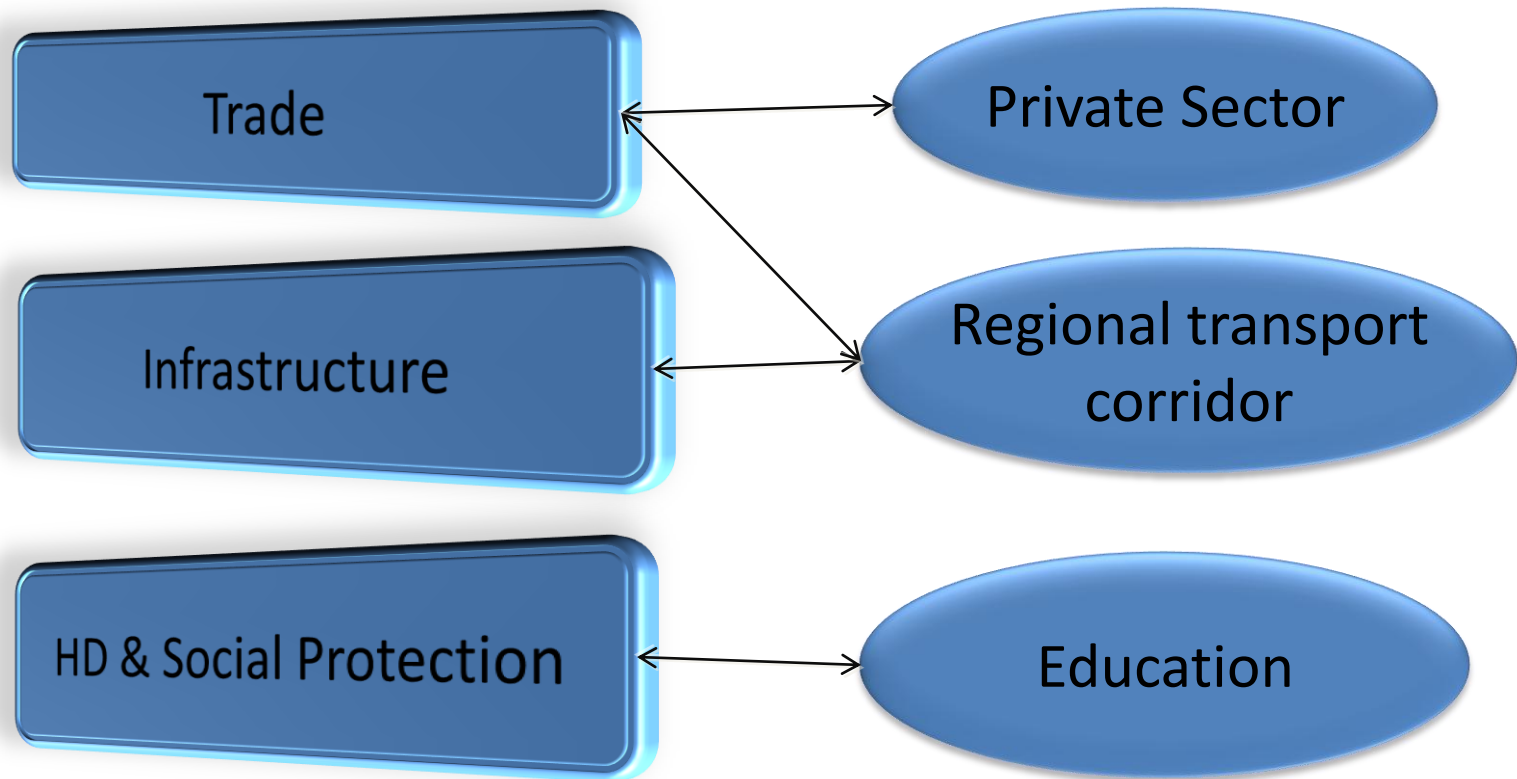
- Special Assistance: US\$ 1.873 mn
- ICD : US\$ 58 mn

Country Development Strategy and Proposed Partnership Strategy



1-WIS 2008-10

IDB Proposed Strategy





SUCCESS STORIES

Case study of ICD's Private Sector Intervention

- ICD private sector support started since 2003 where through extending provided a line of financing to local Azerbaijan financial institution.
- Since then, the assistance in the form of lines of financing, direct investment and advisory has been increased tremendously from a initial of USD0.8 million to more than USD65 million.
- For the past 3 years, ICD had shifted its focus from traditional intervention to a more pragmatic approach towards reaching a wider clients through expanding or establishing new Islamic Financial Institutions. We aim to increase the access to financing to the private sectors.

This resulted in:

- (i) the establishment of the first Syariah compliant investment company
- (ii) first Syariah compliant leasing company

A study on establishment of takaful company underway.

Case study 1- Investment Company



- Founders – ICD & Azerbaijan Investment Company, an investment arm of the Government of Azerbaijan.
- Established in 2008 - an investment company in Azerbaijan with the main aim of investing in non-oil sector in the country.
- Reasons for the creation of CIIC – low level of investment activity of investors from Gulf states
- Solution –an investment vehicle for Middle Eastern and other international investors interested in Azerbaijani economy.
- Investors - Saudi Arabia, Kuwait, Yemen with total investment of USD38 million

Case study 1- Investment Company (Con't)



- All sectors are targeted with the exception of exploration and production of oil and gas resources
- The targeted growth sectors:
 - Agriculture and agri-business
 - Logistics
 - Residential Real Estate
 - Building materials
 - Light Manufacturing

Future plans: Expansion beyond Azerbaijan in the future

Case study 2- Ansar Leasing



ICD established a leasing company, targeting primarily the private sector leasing transactions, especially to SMEs.



Case study 2- Ansar Leasing

Main Products:

- Personal Leasing (Individual)
- Business Leasing (Corporations)
- In short span of 8 months, since starting operation in Sep 09, ALC has processed more than 300 leasing applications from individuals and companies in numerous sectors of the economy such as the transportation, construction, medical, real estate etc
- Since the beginning of 2010, ALC's portfolio has grown by 52% & the trend is expected to continue for the whole year.
- Forecasted 2010 year end portfolio: USD 8 mln and to grow to USD40 million by 2012



Case study 3- Park Bulvar

- The project involves the construction and operation of a beautifully designed shopping mall, named *Park Bulvar*.
- ICD is a debt financier of the project with an investment amount of USD20 million via a unique instrument of a combined Musharakah & Murabaha, in which the project as well as the method of financing, are of the first in its kind in Azerbaijan



Case study 3- Park Bulvar (Con't)

Projects successfully completed



Case study 4- Lines of Financing

- ❑ Small and Medium Enterprises (SME's) have been recognized as an important engine for growth, creation of employment and reduction of poverty.
- ❑ ICD supports the development of SMEs in its Member Countries by providing Lines of Financing to local Financial Institutions (FIs) for on lending to SMEs on Sharia'a principal.
- ❑ 6 banks in Azerbaijan have been benefiting from this lines for their on-lend to 28 SMEs projects.
- ❑ In the pipeline - ICD is currently planning to provide a further facility of approximately USD40 million for Azerbaijan Banks.

Case study 4- Lines of Financing

Bank Name	Amount USD Mn	No of SME Projects
Demir Bank	3.00	4
Bank Standard	3.00	2
International Bank of Azerbaijan	6.50	3
Turan Bank	1.00	2
Unibank	1.70	8
Rabita Bank	1.80	9
Total	17.00	28

ICD Private Sector Partners in Azerbaijan



International Bank of Azerbaijan





THANK YOU!