Islamic Development Bank Group

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IDB
Islamic Development Bank: Introduction

Snapshot

- Established in 1975; headquartered in Jeddah, Kingdom of Saudi Arabia
- Regional Offices in Kazakhstan, Malaysia, Morocco and Senegal
- AAA Rating by Moody’s, Fitch, and S&P. Zero-Risk Rating by the European Commission
- All financial transactions in compliance with Islamic law (Shari’ah)

Mission Statement

“We are committed to alleviating poverty; promoting human development, science & technology, Islamic banking & finance; and enhancing cooperation amongst member countries, in collaboration with our development partners”

Priority Areas

- Human Development
- Agricultural Development & Food Security
- Infrastructure Development
- Private Sector Development
- Intra-Trade among Member Countries
- R&D in Islamic Banking & Finance

As of 17 December 2009

- Total Assets: US$13.1 bn*
- Authorised Capital: US$46.0 bn*
- Paid up capital of US$5.5 bn*
- Rated Aaa/AAA/AAA
- 1,014 employees

56 Member Countries

27 in Africa:
- 12 in Western SSA
- 10 in Central & Eastern SSA
- 5 in North Africa
- 58% of population
- 56% of area

* US$ figures are approximate only. Original amounts in Islamic Dinar (ID)
IDB’s first project was financed in Africa: US$ 7 million loan for Song-Loulou Hydro Electric Power in Cameroon (October 1976).

2,323 Operations Financed

US$ 21,004 million Total Financing

North Africa, 1,002

Sub-Saharan Africa, 1,321

North Africa $13,505m

Sub-Saharan Africa $7,499

US$ 21,004 million Total Financing

Equity Finance, $201m

Special Assistance, $165m

Technical Assistance, $151m

Line of Finance, $16m

Political Risk/Export Insurance, $1,865

Trade Financing $9,167m

Project Financing, $9,439m
1. **Islamic Corporation for development of Private Sector (ICD) - 2000**
   - **Instruments**: equity investments, term finance, and line of finance.
   - **Highlight**: Actively involved in formation of a holding company for managing four Islamic Banks in West Africa (Senegal, Niger, Mauritania, and Guinea).

2. **Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) - 1994**
   - **Instruments**: Political Risk Insurance (PRI)/ Export Credit Insurance.
   - **Highlight**: PRI for Doraleh Container Terminal covering investment of up-to US$ 50 million.

3. **International Islamic Trade Finance Corporation (ITFC) - 2008**
   - **Instruments**: Ordinary and Structured trade finance.
   - **Highlight**: Awarded the prestigious Euromoney ‘Deal of the Year’ Award 2008 for its trade financing activities in Cote d’ Ivoire.
IDB Group’s Total Financing into Africa

Economic Sectors

- Energy, 23%
- Transportation, 26%
- Agriculture, 15%
- Water, Sanitation & Waste Mgmt, 10%
- Industry & Mining, 9%
- Others, 9%
- Education, 8%
IDB’s Development Programs for Africa

- **Ouagadougou Declaration (OD) – US$ 2 billion – 5-year Program**
  - IDB disbursed pledged US$ 2.38 billion.
  - Programs under the OD:
    - Education
      - Bilingual Education Program
      - Vocational & Literacy Program (VOLIP)
    - Health
      - Roll Back Malaria Quickwin Program
      - River Blindness Control
    - Technical Assistance
      - Capacity Building Program for OIC Countries (CBP4OICC).
  - Key infrastructure projects financed under OD:
    - Mali: Sevare-Gao road, Gao Bridge, Taoussa Hydroelectric Dam
    - Niger: Agades-Zinder road, Kandaji Hydroelectric Dam
    - Chad: Facha Power Plant in Chad
    - Regional: Atlantique Telecom in Benin, Gabon and Niger
IDB’s Development Programs for Africa

- **Special Program for the Development of Africa (SPDA)**
  - Assist in scaling-up interventions in Africa
  - Key focus on
    - LDMCs
    - Agriculture
    - Infrastructure
    - Education
    - Health
  - Related Programs
    - **Program for Infrastructure in Africa (PIDA)** (€ 7.8 million)
      - Support regional infrastructure integration initiatives
    - **Islamic Solidarity Fund for Development (ISFD)** (US$ 10 billion)
      - Endowment fund to reduce poverty
      - US$ 2.6 billion contributed so far. IDB’s commitment is US$ 1 billion
    - **Jeddah Declaration for Food Security (JDFS)** (US$ 1.5 billion)
      - Strengthen food supply by assisting small farmers in acquiring agricultural inputs, support security stocks etc.
IDB’s Strategic Partners in Africa

- World Bank
- African Development Bank
- ECOWAS Bank for Investment and Development (EBID)
- West African Bank for Development (BOAD)
- Food & Agriculture Organization (FAO)
- International Fund for Agricultural Development (IFAD)
- The Coordination Group - an association of:
  - **Three bilateral funds**
    - Abu Dhabi Fund for Development
    - Kuwait Fund for Arab Economic Development
    - Saudi Fund for Development
  - **One monetary agency**
    - Arab Monetary Fund
  - **Five multilateral development institutions**
    - Islamic Development Bank
    - OPEC Fund for International Development
    - Arab Bank for Economic Development in Africa
    - Arab Fund for Economic and Social Development
    - Arab Gulf program for United Nations Development Organizations
# Key Infra Projects in Africa financed by IDB

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Project Name</th>
<th>Country</th>
<th>Description</th>
<th>Total Cost (US$ Mil.)</th>
<th>IDB Participation (US$ Mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>OMVS Electricity Supply</td>
<td>Mali, Senegal, Mauritania</td>
<td>200 MW electricity generation and supply to Mali, Senegal, and Mauritania.</td>
<td>1,206</td>
<td>21</td>
</tr>
<tr>
<td>2.</td>
<td>Tunisan Indian Fertilizer *</td>
<td>Tunisia</td>
<td>360,000 tons per annum phosphoric acid production facility.</td>
<td>290</td>
<td>150</td>
</tr>
<tr>
<td>3.</td>
<td>Heightening Roseires Dam</td>
<td>Sudan</td>
<td>Heightening of dam to intensify irrigation of 1.7 million hectares.</td>
<td>477</td>
<td>80</td>
</tr>
<tr>
<td>4.</td>
<td>Taza-Oujda Segment</td>
<td>Morocco</td>
<td>197 km Taza-Oujda highway segment within Fes-Oujda Highway.</td>
<td>764</td>
<td>157</td>
</tr>
<tr>
<td>5.</td>
<td>Atlantique Telecom GSM*</td>
<td>Benin, Gabon, Niger</td>
<td>Consolidation of 900 MHZ GSM digital mobile telephony networks acquired by Atlantique Telecom in addition to sale and leaseback of existing facility</td>
<td>109</td>
<td>57</td>
</tr>
<tr>
<td>6.</td>
<td>Doraleh</td>
<td>Djibouti</td>
<td>New container terminal with a total quay line of 1.05</td>
<td>397</td>
<td>65</td>
</tr>
</tbody>
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*PPP Projects
## Pipeline Infra Projects in Africa to be financed by IDB

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</table>
| 1.      | OMVG               | Senegal, Gambia, Guinea, Guinea Bissau | a) 128MW hydroelectric plant in Senegal and 240MW hydroelectric plant in Gambia.  
         |                    | Senegal, Gambia, Guinea, Guinea Bissau | b) Regional transmission line, with 15 sub stations, covering Senegal, Gambia, Guinea, and Guinea Bissau |
| 2.      | AIBD               | Senegal                      | New international airport in Dakar with handling capacity of 3 million passengers per annum.      |
| 3.      | Limba Refinery     | Cameroon                     | Capacity expansion of the existing crude oil refining capacity.                                 |
| 4.      | Libya- Niger-Chad Road | Libya                | 1,000 km long trans-national highway.                                                           |
| 5.      | Lilingue-Matam Road | Senegal                      | 200 km long highway.                                                                           |
Challenges

- **Country development plans do not take into consideration regional perspective**
  - MDBs to assist countries in integrating the regional dimension into their development plans

- **Weak regulatory Institutional framework impedes private sector interventions**
  - Sound structures capable of developing large scale PPP project

- **High cost barrier for implementing infrastructure projects**
  - Create critical mass, through regional projects, for contractors, suppliers, manufacturers, etc.

- **Trans-boundaries use/sharing issues**
  - Tackle in participatory manner and use international good practice (Energy Charter Protocol)

- **Alignment of procurement modes between co-financiers**
  - Better assessment of local/ regional capacities and encouragement of south-south collaboration

- **Weak financial standing of public utility Co. with regards to PPA/minimum revenue guarantee**

- **Infrastructure maintenance issue, financial management, poor governance, institutional weakness (PMU and budget)**
IDB Group: Future Strategic Direction

Sectoral Focus in Infrastructure
- Transport
- Water
- Energy
- ICT

- Four Core Sectors
- 80% Financing Allocation

Where
- CIT 20%
- MENA 30%
- Asia 20%
- SSA 30%

Re-balancing Regional Allocation

Scaling Up
- $3.5B
- Leverage ratio 1-2x
- $5.0B
- IDB Group

- $10-15B

Enablers
- Mobilize Private Sector and PPP Financing
- Introduce New Financing Instruments (Guarantees and Syndication)
- Sponsorship and Promotion of Infrastructure Funds
- Internal and External Collaboration
IDB embarked PPP financing in 2006
IDB aims at scaling up its PPP operations in SSA

Why PPP?
- Most MCs in Africa are LDMC’s (18 MCs out of 27 MCs)
- Governments can only borrow on concessional Terms due to HIPC
- IDB has limited concessional funds
- PPP financing can supplement concessional financing, particularly in regional projects

PPP Potential Advantages
- Improve public sector capacity in terms of developing integrated efficient solutions for the society
- Introduce creativeness and innovation to infrastructure projects
- Introduce both time and cost savings in project implementation
- Create equitable risk sharing between the public sector and the private sector
- Bring in large and highly experienced bidders to the projects
- Create transfer of skills, experience, and technology to the public sector
Conclusion

- Development of Africa’s Infrastructure is high on IDB’s Agenda
- IDB initiated/participated in various Special Programs
- IDB is reallocating resources for SSA
- Strengthen IDB’s partnerships in supporting investment flows into Africa
  - Networks integration (road, railway, power, gas, etc.)
  - Thematic studies: border crossing facilitation, and Infrastructure Maintenance
- Mobilize private sector and PPP financing
- Provide support to policy reforms and institutional changes as well as capacity building advocate and create PPP receptive and adequate environment.
THANK YOU
PPP Projects in Africa: Approved Projects

Djibouti: Doraleh Container Terminal

- **Project Description:**
  - Construction of a new container terminal with a total quay line of 1.05 km long.

- **Sponsors:**
  - Port Autonome International de Djibouti (PAID)
  - Dubai Ports World (DPW)

- **Total Amount:** US$ 397 Million
- **IDB Participation:** US$ 67 Million (US$15 M sell down to OFID)
- **Tenure:** 10 years
- **Lenders:** IDB, SC, West LB
Mauritania: SNIM

- **Project Description:**
  - A maintenance and development programme involving the following:
    - Expansion of Iron Ore Mining capacity in the Guelb region (Guelb II);
    - Maintenance and modernization of railways;
    - Building a new Iron Ore Terminal.

- **Sponsor:** SNIM
- **Total Amount:** US$ 840 Million
- **IDB Participation:** US$ 108 Million
- **Tenure:** 15 years
- **Lenders:** EIB, AfDB, FDA, IDB, KfW, BNP Paribas, BHF, Fortis
PPP Projects in Africa: Approved Projects

Tunisia: TIFERT

- **Project Description:**
  - The construction of a new phosphoric acid production facility with a capacity of 360,000 tons per annum (tpa).

- **Sponsors:**
  - Groupe Chimique Tunisien
  - Coromandel Fertilisers Limited
  - Gujarat State Fertilisers & Chemicals Ltd.

- **Total Amount:** US$ 290 Million

- **IDB Participation:** US$ 150 Million (US$ 30 M sell down to OFID)

- **Tenure:** 15 years

- **Lenders:** EIB, IDB