IsDB’s Activities for Islamic Finance Sector Development

10 February 2022

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STRONG STRATEGIC ANCHOR for IFS Growth & IFI Equities...

1974: Article-2 ‘Functions & Powers’ of IsDB Articles of Agreement, states ‘to participate in the equity capital of productive projects and enterprises in MCs’ as the first activity of IsDB → one of the first IFI investment was in Bahrain Islamic Bank (1979)

2006: IsDB Vision 1440H formalized the significance of Islamic finance sector growth relevance to IsDB’s vision. Key Strategic Thrust No. 7 ‘Expand the Islamic Financial Industry’ → renewed IsDB’s commitment and resources for IFI growth and expansion

2014: BCG 40 years assessment and 10Y Strategy confirmed MCs’ expectations from IsDB to help develop IFS sector and proposed IFS growth as one of 3 strategic objectives and one of 5 strategic pillars in the new strategy map.
Islamic finance sector development activities are carried out in two business units in IsDB:

1. Islamic Financial Sector Development Department
   - *Islamic finance equity investments* 01
   - *Awqaf (endowment) properties investment* 02

2. Islamic Development Bank Institute
   - *Islamic finance Technical assistance* 03
   - Knowledge solutions
   - Research & training
   - Awareness creation
IFI Equity Investment Dashboard

- **ID 234 / US$ 328 Million**: IFI Portfolio Cost/Disbursed Amount.
- **28 IFIs**
- **ID 47 / US$ 66 Billion**: Total Assets of 28 IFIs.
- **ID 121 / US$ 169 Million**: IFIs Portfolio Value.
- **ID 259 / US$ 363 Million**: Cumulative Dividends.
- **ID 108 / US$ 151 Million**: 5Y sale proceeds from 15 Exits.
- > 23 million retail depositors
- > 1.3 million policy holders
- > 46,000 employees
**IFI PORTFOLIO DETAILS**

**Investment Size**
- **Fair Value**
  - ID 0
  - Less than ID 1 mln
  - Between ID 1-10 mln
  - Between ID 11-30 mln
  - Greater than ID 30 mln

- Most investments fair value in the range of ID 1-10 million
- The top exposures include Meezan Bank, Kuwait Turk Participation Bank, Bosna Bank International & Islamic Bank of Senegal
- 7 Investments are fully provisioned.

**Sector**
- (by number of IFIs)
  - Islamic Bank
  - Investment Company
  - Takaful Company
  - Finance Company
  - Islamic Infrastructure Institution

- Portfolio is currently dominated by Islamic banks whereby 16 Islamic banks hold approximately 58% of the portfolio
- Investment Companies come second with 21% of the portfolio followed by Takaful companies holding 10% of the portfolio
- Investments in 4 microfinance institutions transitioned to EDD as part of the transfer of mandate in 2020-21
The equity investments in IFIs are well distributed amongst the six major geographical regions of the Islamic financial services industry.

This distribution offers diversification benefits for the IFI portfolio and demonstrates a commitment by IsDB to develop the industry globally.
IFIs PORTFOLIO - TESTIMONY TO STRONG PARTNERSHIP WITH PSP

IsDB Established IFIs in Partnership with Private Sector Participants (asset size in $)

- UAE: ADIB ($34bn)
- Malaysia: BIMB Holdings Berhad ($19bn)
- Saudi Arabia: Al-Rajhi Company for Industry & Trade
- Kuwait: Islamic Bank of Kuwait ($64bn)
- Bahrain: Shariah-compliant Bank ($27bn)

www.isdb.org
The Awqaf Properties Investment Fund (APIF) was established in 2001 as a unique impact investment fund, specialized in financing Awqaf, and managed by IsDB as the Mudarib.

The purpose of the Fund is to finance financially viable income-generating projects for the development of the Awqaf sector in Member Countries and for Muslim communities in Non-Member Countries.

APIF’s strategy relies on extending financing to develop and invest in accordance with the principles of Islamic Shariah, in revenue-generating Awqaf projects.

APIF has 19 fund participants with a total paid-up capital of US$ 112.44 million in addition to IsDB line of Finance of US$ 100 million to support APIF operations.
APIF supports organizations engaging in developmental activity achieve financial sustainability by purchasing, renovating, or constructing real estate assets that generate income.

After the repayment period elapses, all generated income goes to support the beneficiary’s activity.
As of end of Dec 2021, APIF has approved

55 Projects
27 Countries Globally
1,22 Billion US$

APIF Portfolio Status (Since Inception)

<table>
<thead>
<tr>
<th>Status of Project</th>
<th>Number of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed- Fully Repaid</td>
<td>10</td>
</tr>
<tr>
<td>Completed- Under Repayment</td>
<td>10</td>
</tr>
<tr>
<td>Approved- Disbursing</td>
<td>17</td>
</tr>
<tr>
<td>Approved- Not Yet Disbursing</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>55</td>
</tr>
</tbody>
</table>
107 TA projects worth USD 8.5 Mn have already been completed

58 TA projects are currently under implementation in more than 25 countries with an average of USD 200K per project.
IsDBI Technical Assistance Projects

TA Projects in Implementation by Sector

- Islamic Banking: 2%
- Islamic Infrastructure Institutions (IIIs): 7%
- Islamic Microfinance: 10%
- Islamic Social Finance (Zakat, Awqaf, Philanthropy): 22%
- Islamic Capital Market (Sukuk): 47%
- Multilateral Development Banks (MDBs): 2%
- Takaful: 47%

- 47% of the TAs are for Islamic Banking development followed by 22% for Islamic Infrastructure Institutions (IIIs) e.g. IFSB, AAOIFI etc.

TA Projects in Implementation by Activity Type

- Enabling Environment (Legal, Regulatory, Supervisory and Shari‘ah): 31%
- Sector Assessment, Studies, Policy, Strategy and Master Plan: 17%
- Capacity Building (Workshops, Meetings, and Fora): 17%
- Knowledge product (Publication and translation): 17%
- Capacity Building (Training and Familiarization Visits): 16%
- Other: 9%

- 31% of the TAs are for developing enabling environment followed by 17% each for sector assessment/policy and capacity building.
TA Projects in Implementation by Region

- **Regional**: 25
- **Africa & Latin America**: 20
- **Asia**: 10
- **MENA & Europe**: 5

The green bars represent the **IsDB Contribution** while the gray line indicates the **No. of Project**.
THANK YOU