

BACKGROUND

The Islamic Corporation for the development of the Private Sector (ICD), an affiliate of the Islamic Development Bank (IDB), is an international multilateral financial institution created for the development of its member countries through the provision of investment financing and financial services to the private sector.

MISSION

To complement the role played by the Islamic Development Bank through the development and promotion of the private sector as a vehicle for economic growth and prosperity.

VISION

To become a premier Islamic multilateral financial institution for the development of the private sector.

INVESTMENT PRODUCTS

The major investment products of the ICD are as follows:

- i. Equity: Participating in investment through modes such as *sher capital* (*Musharaka*), profit sharing with declining participation.
- ii. Term financing such as leasing, installment sale, *istisna'a*, *salam* and parallel *salam*, *murabaha*.
- iii. Quasi-equity in the form of term financing convertible into equity at some stage of the project life.

CURRENCY DENOMINATION

The US Dollar is the currency of account of ICD and its financing will be extended in either US Dollar, or in any other convertible currency.

ELIGIBILITY CRITERIA

Countries: All member countries of the ICD
Sectors: All sectors with the exception of recreation and defence.
Clients: The client must operate in an ICD member

country and the majority of its share capital should be owned by the private sector entities of ICD member countries.

Activities: All productive or service activities that are Shari'a compliant, legal, and have a development impact.

Ownership: Investment can only be made in privately owned companies or in companies where the government ownership does not exceed 49% of voting stock.

Types of Projects: Both Greenfield or expansion projects may be considered as well as cross-border investment within ICD member countries.

TENURE OF FINANCING

The tenure of ICD's financing shall be based on the specific conditions of the project and will normally be in the range of five to seven years inclusive of the gestation period. However, longer tenure can be approved on an exceptional basis.

MINIMUM AMOUNT OF INVESTMENT

The average size of the investments to be undertaken by the ICD will be USD 5 million

Investment that meet the eligibility criteria, but with a total cost lower than USD 2 million, may benefit from an indirect financing through specific funds set up by the ICD or via financing facilities granted to financial intermediaries.

Maximum Amount of Investment

The maximum investment by the ICD in a single project should not exceed the following:

Equity and Quasi Equity

Under equity participation in the share capital of a company, ICD's investment shall not exceed 33% of the company's paid-up share capital. Moreover, the ICD's shall never be the largest single shareholder.

Term Financing

Under term financing, ICD's exposure shall not exceed

the following:

- 40% of the project investment cost for greenfield projects.
- 50% of the project investment cost for expansion/rehabilitation of the existing projects.

COLLATERAL

ICD may accept any of the following forms of collateral/guarantee for its financing:

- i. Land (real estate within the boundaries of a municipality)
- ii. Building
- iii. Plant and equipment
- iv. Quoted shares
- v. Unquoted shares
- vi. Bank guarantee
- vii. Corporate guarantee
- viii. Assignment of receivables
- ix. Any other acceptable security

The amount of financing granted will be dependent on the type and value of the collateral provided.

COVENANTS

ICD will include in its terms and conditions both positive and negative covenants to ensure that its interest as a financier/investor is protected.

These covenants shall cover amongst others the following areas:

- i. Use of financing proceeds.
- ii. Maintaining specific levels of financing ratios so as to ensure the financial viability of the project/ company.
- iii. Continuous commitment of the original shareholders.
- iv. Major changes in business affecting its financial position.

Further, certain identified pre-disbursement conditions will be imposed before the utilization of the financing by the client and in case where the regulatory requirements are not satisfactory to the ICD, additional covenants will be included.

EXIT STRATEGY AND REPAYMENT PROGRAM

Equity and Quasi-Equity

A clear and definitive exit strategy must be foreseen prior to ICD undertaking any equity investment. In any event, the point of exit must not exceed seven years from the date of implementing the investment.

The exit route may be through any of the following:

- i. Public flotation on a stock exchange.
- ii. Private placements.
- iii. Put options/Buyback options to be entered with the sponsors of the project/company.
- iv. Redemption of the investment by the company (for quasi-equity)
- v. Management Buyouts.

Term Financing

The structuring of the repayment program should be based on the repayment capability of the client and will either be in the form of:

- i. Equal installments (either monthly, or quarterly or any other fixed interval period)
- ii. Repayment in the form of ballooning basis.
- iii. Lump sum (bullet) repayment from definite sources.
- iv. Repayment through redemption of certain percentage of revenue stream.

OTHER PRODUCTS

Indirect Financing through Funds

ICD may establish funds, on a country or regional basis, in promising sectors, such as telecommunications, new technologies, health, etc. The objective of establishing such funds is to make a development impact on the concerned country through contributing in the capital of successful companies and achieve capital gains for ICD.

Co-Financing and Syndication

ICD can participate in co-financing of projects with other financing institutions. In some cases, ICD shall play a catalyst role in mobilizing other financiers in favor of a project.

ICD can structure and participate in syndications to

mobilize additional resources in favor of its clients and facilitate their access to the Islamic capital markets.

Securitization

ICD may carry out securitization as a means to mobilize resources for its own operations or as a remunerated service to its clients.

PROJECT INFORMATION BRIEF

The ICD cares about the efficiency in dealing with its clients and aims at having a prompt project processing cycle and decision making process. As a result, the ICD gives prime importance to the relevance, quality and accuracy of the project information provided by the clients in relation to any project.

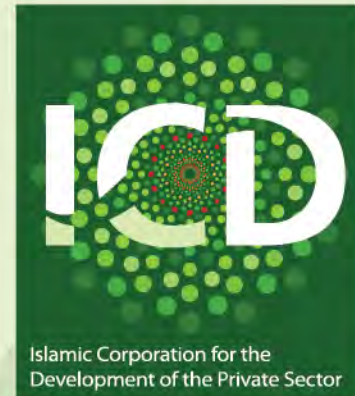
When undertaking a preliminary evaluation of a project, the ICD requires the following information:

- i. Description and objectives
- ii. Details on company and sponsor
- iii. Ownership structure
- iv. Market
- v. Project cost
- vi. Financing requirements

Further, following a first expression of interest in the request by the ICD, the basic information on the project has to be complemented by a feasibility study and other relevant information that the ICD may request.

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