Outline

- IDB and Infrastructure Department
- Financing Instruments
- Public–Private Partnership
  - Criteria of Infrastructure Financing through PPP
  - Due Diligence and Enabling Environment,
- Risk Management in Infrastructure Financing: Process, Supervision, and Project Risks Snapshot
- Potential Collaboration on Infrastructure Projects in Indonesia
Islamic Development Bank

Est. 1975

1,128 staff distributed across entities & regional/ Gateway offices

A Unique Model of South-South Cooperation

Membership 56 Countries Spreading over 4 Continents

4 Regional offices

AAA rating by all three rating agencies

5 new Country Gateway offices starting with Indonesia & Turkey

LATIN AMERICA

AFRICA

EUROPE

ASIA

Rabat, Morocco (1993)

Dakar, Senegal (2006)

Almaty, Kazakhstan (1997)

Kuala Lumpur, Malaysia (1993)

56 Countries

Spreading over 4 Continents

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AAA rating

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1,128 staff distributed across entities & regional/ Gateway offices

A Unique Model of South-South Cooperation

4 Regional offices

5 new Country Gateway offices starting with Indonesia & Turkey

- Balance sheet size was ID 14.79 billion (approx. USD 20.72 billion)
- Equity was ID 7.44 billion (approx. USD 10.42 billion)
- Net Income was ID 141.70 million (approx. USD 198.38 million)
The Infrastructure Department is Responsible for Developing and Implementing the Bank's Strategy in the Infrastructure Sector and PPP Projects Related to Energy, Transport, Urban Development and ICT.

**Organizational Structure**

- Walid Abdelwahab
  Director, Infrastructure

- Irfan Bukhari
  Division Manager, Public-Private Partnerships

- Mohammed Alsayed
  Division Manager, Energy & ICT

- Walid A. Fagih
  Division Manager, Transport

- Nizar Zaied
  Acting Division Manager, Urban Development & Services

**Infrastructure Scorecard**

- Total Financing: US$ 30 bn
- Total Operations: 1,130
- Active Projects: US$ 15 bn
- Active Operations: 230
- Department Staff: 47
• More than USD 3.3 Billion approved so far
• A total of 48 projects, including 13 lines of finance
• Current commitment is more than USD 2.82 Billion*

* Including projects that are currently under documentation process
Islamic Debt Finance:
- Ijara, Leasing (equipment, plant, machinery)
- Istisna’a, Construction finance (civil works)
- Installment Sale

About 55% of IDB debt financing is through Istisna’a, 30% through I.S and 15% through Leasing

Sukuk (Islamic bonds):
- Sovereign Sukuk (by Governments, MDB’s for general budget use)
- Corporate Sukuk (by corporates using their balance sheets)
- Project Sukuk (by project companies, SPV, to finance specific projects)

IDB issued its first local currency Sukuk (Ringitt) to finance toll road in Malaysia.

Equity Finance:
- Direct equity participation (Musharaka, profit sharing)
- Infrastructure Equity Funds
  o Global, e.g., IDB Infrastructure Funds I and II
  o Regional, e.g., IDB-ADB Islamic Infrastructure Fund

IDB sponsors and invests in infrastructure funds managed by external Fund Managers.
A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.
Benefits of PPP

• 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.
IDB’S INFRASTRUCTURE FINANCING CRITERIA - PPP

- Limited/non-recourse long term finance in infrastructure projects
- Risk due diligence is in line with the global Project Finance industry practice
- IDB takes senior and pari passu role
- Financing in compliance with Sharia’ based principles
- Financing is generally extended in USD or Euro and for long term with maximum tenor 18 years
- Untied financing to projects in all IDB member countries
- Sponsors can be from either member or non-member countries
- Co-finance with other Islamic and/or conventional lenders
- IDB participation is maximum 25% of the project cost
DUE DILIGENCE FOCUS

- IDB’s Risk Assessment Tool – The Risk Matrix
- Sponsors
- Governance (Standards)
- Project completion (Sponsor, EPC, EHS, Finance etc.)
- Structure of the project contracts
- Demand & Supply Dynamics
- Environment, Health, and Social Aspects
- Financial viability
- Country & regulatory regime
What We Look For
(ENABLING ENVIRONMENT)

- **Capacity in the Public Sector:**
  - Clear rules / precedence for Infrastructure concessions;
  - Ability to select bankable projects;
  - Well prepared projects with credible & adequate data;
  - Transparent and competitive procurement process; and
  - Oversight regime and procedure.

- **Legal and Regulatory Framework:**
  - Rights of the investors and lenders;
  - Sector Policies;
  - Fiscal and forex regime; and
  - Islamic Finance.
RISKS IN INFRASTRUCTURE FINANCING: EQUITABLE RISK ALLOCATION

- **Project Risk**
  - Construction
  - Operations
  - Financial-Market
  - Technological
  - Force Majeure

- **Country**
  - Regulatory, Political
  - Macro Economics

A risk should be allocated to the entity which is best positioned and has the most influence in managing it.
# Risk Rigor: A Comparison

## Sovereign vs. Non-Sovereign

<table>
<thead>
<tr>
<th>Project Risks</th>
<th>Risk Mitigation Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Sovereign Guaranteed Project</strong></td>
</tr>
<tr>
<td><strong>Country:</strong></td>
<td><strong>Sovereign Structure</strong></td>
</tr>
</tbody>
</table>
| a. War and Civil Commotion | Government Guarantee | • Implementation Agreement  
| b. Transfer and Convertibility | | • Concession Agreement  
| **Legal:**  | | |
| a. Enforcement of Judgments | Government Guarantee | • Implementation Agreement  
| b. Court Procedures | | • Concession Agreement  
| **Construction:** | | |
| a. EPC/ other contracts | Government Guarantee | • EPC Bonds & Guarantees  
| b. Site Conditions | | • Sponsor Guarantees  
| c. Economic Environment | | • EPC Contract  
| **Operation:** | | |
| a. Operations | Government Guarantee | • O&M Contract  
| b. Inputs (utilities) | | • O&M Bonds  
| c. Economic Environment | | | |
| **Financial:** | | |
| a. Repayment Capacity | Government Guarantee | • Assignment over project cash-flows  
| b. Market Risk | | • Implementation Agreement  
| | | • Concession Agreement  
| | | • Off-take Agreement  

**Risk Rigor: A Comparison**

**Sovereign vs. Non-Sovereign**
**PROJECT PROCESS: Typical Project Lifecycle**

**Project Stage**
- Identification
- Initial Review
- Intra-Departmental Review
- Inter-Departmental Review
- Management Review
- Board of Executive Directors (BED)

**Deliverable**
- Project Concept Document (PCD)
- Project Risk Assessment & Recommendations
- Financial Close & Disbursements

**Comments**
- Desk Review by a cross-functional team
- Review of feasibility study and available project docs
- Appointment of consultants
- Coordination with lenders
- Initial Concept Clearance
- Due Diligence: Technical, Legal, Environmental, Social, Financial, Insurance
- Site Visit
- Meetings with stakeholders
- Credit Assessment
- Negotiations of Project Docs & Terms and Conditions
- Approval from Credit Committees and Board of Executive Directors (BED)
- Subsequent to BED’s approval Financing Agreements are finalized.
- Signing
- Satisfaction of conditions precedent to disbursement
- Disbursement
- Regular monitoring by Project Officer through KPIs specified in the Results Analysis
- Impact Analysis carried out by ‘Group Operations Evaluation Department’ after project completion

**Project Processing/ Credit Committees**
- Member Country Partnership Strategy (MCPS)
- Receipt of Request
- Country Programming and inclusion in the yearly work program

**Results Analysis**
- Member Country Partnership Strategy (MCPS)
- Receipt of Request
- Country Programming and inclusion in the yearly work program
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- Disbursement
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Common Security Pool
Sharing of Proceeds: Pari Passu

In the event of a liquidation, the common security pool is shared by all lenders on a pari passu basis.
The Portfolio has been carefully structured to minimize inherent risk

- All Projects are rated and monitored on a regular basis
- Projects in the top 5 exposure countries (comprising about 70% of the Portfolio), collectively have an investment grade rating
- An Early Warning System (EWS) Framework has been developed which entails analysis of:
  - Financial Performance
  - Operational issues
  - Insurance matters
  - Regulatory Compliance
  - Third Party Consultant Technical Assistance
**KEY PROJECT RISKS**

### POWER SECTOR
- Key focus has been on IPP / generation projects
- Thermal, run-of-river hydro, wind power
- Minimum off-take & back to back feed stock supply
- FX risk mitigation
- Feedstock supply, hydro / wind resource risk
- Tariff competitiveness
- Government support
- Land and resettlement
- Counterparties

### TRANSPORT SECTOR
- Regulatory and legal aspects
- Concession, scope and local regulation
- Counterparty dependencies and risks
- Conflict of interest: Project company vs. EPCC
- EHS, mitigation, resettlement
- Existing baseline number and cashflow vs. greenfield
- Quality of traffic survey, WTP
- Traffic forecast, tariff rate & escalation ability, ramp up
- Substitution risk
- Soil tests and detailed design
- Exchange rate and inflation
- Financial model
<table>
<thead>
<tr>
<th>Country</th>
<th>Project</th>
<th>Main Sponsors</th>
<th>IDB Commitment (equivalent USD Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qatar</td>
<td>Ras Lafan C (IWPP)</td>
<td>Qatar Petroleum, QEWC, Mitsui &amp; Suez Energy</td>
<td>150</td>
</tr>
<tr>
<td>Jordan</td>
<td>Qatrana</td>
<td>KEPCO, Xenel</td>
<td>80</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Patrind Hydro</td>
<td>K-Water, Daewoo</td>
<td>60</td>
</tr>
<tr>
<td>Pakistan</td>
<td>New Bong Escape Hydro</td>
<td>Hub Power Co.</td>
<td>37</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Uch II Power</td>
<td>IP / GDF Suez</td>
<td>90</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Foundation Wind</td>
<td>Fauji Foundation</td>
<td>140*</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Summit Bibiyana II Power</td>
<td>Summit Group</td>
<td>60</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>Khauzak-Shady Uzbekistan</td>
<td>Luk Oil</td>
<td>95</td>
</tr>
<tr>
<td>Senegal</td>
<td>St. Louis Rural Electrification</td>
<td></td>
<td>8.7</td>
</tr>
</tbody>
</table>

*including 70 million tranche guaranteed by ADB
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<th>Main Sponsors</th>
<th>IDB Commitment (equiv USD Mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jordan</td>
<td>Queen Aalia Airport</td>
<td>J&amp;P Avax, Abu Dhabi Investment Co., Noor Financials, others</td>
<td>100</td>
</tr>
<tr>
<td>Malaysia</td>
<td>KL-Selangor Expressway</td>
<td>Bina Puri, Arean Irama Bhd</td>
<td>100</td>
</tr>
<tr>
<td>Malaysia</td>
<td>SKV Expressway</td>
<td>Dato’ Rahmat Abu Bakar</td>
<td>90</td>
</tr>
<tr>
<td>Djibouti</td>
<td>Doraleh Container Terminal</td>
<td>Port Autonome, DP World</td>
<td>65</td>
</tr>
<tr>
<td>KSA</td>
<td>Hajj Terminal, Jeddah</td>
<td>Saudi Binladin Group</td>
<td>100</td>
</tr>
<tr>
<td>Senegal</td>
<td>Aeroport International Blaise Diagne</td>
<td>Senegalese Government</td>
<td>91</td>
</tr>
<tr>
<td>Asia</td>
<td>Tintin (code name) (equity in a portfolio of four toll road assets)</td>
<td>n/a</td>
<td>PE Fund: 50 Indir. IDB: 28</td>
</tr>
</tbody>
</table>
Potential Collaboration on Infrastructure Projects in Indonesia

- IPPs Projects to support 35,000 MW electricity program in Indonesia
- Seaport and Airport (Transport Infrastructure) under Concession Agreement
- Toll Road Project Concessions
- Water and Urban Development Project
Thank you

teşekkür ederim

آپ کا شکریہ

terima kasih

ขอบคุณ

شكرًا

спасибо