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Bridging the Gap Between OIC Markets: Post-Pandemic Strategies

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Interviewed by: Daud Vicary,
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- ▶ **Effective development of sustainability investments amongst ICD's member nations calls for strategic partnerships and collaboration with other multilateral development banks.**
- ▶ **Due to COVID-19, ICD had to adapt and accept higher risk investment supported by its own rating system to manage the risk.**
- ▶ **"The Bridge" is set to be an online community that will facilitate sharing of knowledge, ideas, technologies, as well as experiences, that will allow businesses across its member nations to learn from each other's successes and failures.**

Role of ICD: Daud Vicary invited Ayman Amin Sejiny to briefly describe the role of the Islamic Corporation for the Development of the Private Sector (ICD), and its main clients and partners. Sejiny stated that ICD is a multilateral development financial institution and a member of the Islamic Development Bank Group (IsDB Group). ICD has five key business service offerings; first, lines of financing (such as Sukuk and Ijarah) that provide funding to 119 financial institutions to further finance the private sector enterprises across 55 countries, with the small and medium enterprises (SMEs) being the key target market. Second, capital market support through offerings of Sukuk and enabling debt capital markets within its member countries. Third, private equity investments with direct transactions into financial institutions and public-private partnership in brownfield projects that have already been in operation for seven to ten years, hence have a proven track record of performance. Fourth, asset management services in which ICD provides bespoke products to support productive capacities, and fifth, advisory services, whereby ICD works on advising financial institutions on creating independent Islamic subsidiaries or windows, and converting conventional financial institutions into Islamic entities in its member countries.

Delving into the discussion, Sejiny highlighted the various areas of focus when assisting different markets in the establishment of Islamic banks, and the levels of challenges faced in this regard. Sejiny stated that these challenges ranged from lack of regulatory policies in place (tax treatment, or Sukuk issuance for example), to human resources and lack of awareness amongst the populations in those countries about the role of ICD. Sejiny noted that ICD seeks to build sound partnerships with financial institutions in its member countries to facilitate effective entry into these markets. ICD takes a back-seat approach, encouraging the respective local institutions to be the face of the change, and therefore play a key role in facilitating and enabling progress. Sejiny added that ICD also offered funding support for these training programmes as needed, further aided by the IsDB Group's own training and programmes.

Incorporation of ESGs and SDGs: Vicary asked Sejiny to share the ways in which ICD reinforced its commitment towards Environmental, Social and Governance (ESG) principles, as well as the United Nations' Sustainable Development Goals (SDGs) into its project financing. Sejiny explained that whilst SDGs were a prime target, ICD's support

teams carried out checks to ensure that all projects were screened and selected based on their inclusion and incorporation of ESG elements along with the achievement of the SDGs. In this regard, Sejiny noted that ICD had an "Effectiveness Department" to monitor and evaluate the effectiveness of ICD's transactions, the results of which are published in an annual Effectiveness Report. Sejiny listed out the internal steps taken to ensure adherence to the relevant SDG goals, with these ranging from screening and concept review, to monitoring the life cycle of intervention, reporting and measurement of effectiveness using a customised rating system developed by ICD. Sejiny added that snapshots of these efforts were included in their annual reports.

Support Strategies: Vicary then inquired as to how ICD was extending support to the Organisation of Islamic Cooperation (OIC) member nations during these challenging times. Sejiny elaborated on the extensive support they offered using a Strategic Preparedness and Response Facility worth USD 250 million from their own resources, particularly for SME financing. Sejiny noted that the response package concentrated on healthcare support, as well as assisting businesses impacted by the pandemic, where Sejiny personally interacted with top officials from affected financial institutions to get a ground-level view of the impacts of COVID-19. Sejiny added that apart from ICD, other IsDB Group members, notably the Islamic Trade Finance Corporation (ITFC) and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) were also involved in collaborative efforts to provide support as required.

Sejiny then went on to share the changes in the ICD's risk acceptance following the spread of the COVID-19 pandemic, highlighting that a higher level of risk was now the norm, and that it was crucial to not only closely monitor these risks, but also to keep a close ear to the ground to identify any sudden market impacts, in order to be able to adapt and react efficiently. Moving onto its post-pandemic strategies, Sejiny explained that apart from the current lines of funding offered to financial institutions, ICD was also prepping to make equity injections into these institutions as required. He added that the focus would be to continuously enable the private sector in assisting businesses to remain afloat, sustainable, and able to rebuild their businesses post-COVID-19. According to Sejiny, ICD is set to take advantage of Fintech through the launch of its new platform "The Bridge" in the coming months. "The Bridge" is set to be an online community that will facilitate sharing of knowledge, ideas, technologies, as well as experiences, that will allow businesses across its member nations to learn from each other's successes and failures. Sejiny stressed on the benefits of this new platform given the spread of ICD's member

countries across a wide geographical footprint and that this kind of collaboration was essential to future success, particularly in the wake of the pandemic. Responding to an audience question on the low industry share held by Islamic fund management within the Islamic finance industry, Sejiny stated that this was an area of development that ICD has planned to take forward but noted that this required effective coordination between all key stakeholders to ensure transparency and proper governance of transactions. Sejiny added that ICD had plans to use "The Bridge" to facilitate the growth of Islamic asset management products, by using the 119 financial institutions to distribute them in their respective countries, thereby allowing their populations to invest. When asked on whether "The Bridge" will serve as a crowdfunding platform and whether this platform would be open to the public, Sejiny responded that all these potential developments are needed to be carried out in phases, with initial access to "The Bridge" provided only to ICD and its 119 financial institution members.

In conclusion, Sejiny explained that whilst ICD had extensive plans to develop "The Bridge", the aim is to gradually open up this platform and increase accessibility. However this required a carefully planned step-by-step approach to ensure that regulatory and compliance requirements are met, and that global standards along with corporate governance requirements were adhered to.

