ADB

Report and Recommendation of the President to the Board of Directors

Project Number: 42911
April 2009

Proposed Equity Investment
Islamic Infrastructure Fund, L.P.
(Regional)

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 21 March 2009)

Currency Unit	–	ringgit (RM)
RM1.00	=	$0.27432
$1.00	=	RM3.64535

ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	–	country strategy and program
DMC	–	developing member country
DMF	–	design and monitoring framework
EIA	–	environmental impact assessment
EMDP	–	ethnic minority development plan
EMP	–	environmental management plan
ESMS	–	environmental and social management system
ESS	–	environmental and social safeguard
IDB	–	Islamic Development Bank
IPDP	–	indigenous peoples development plan
IPO	–	initial public offering
IRR	–	internal rate of return
ISFB	–	Islamic Financial Services Board
LTSF	–	long-term strategic framework
SEASAF	–	South East Asian Strategic Assets Fund
TA	–	technical assistance

NOTE

In this report, “$” refers to US dollars.

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[CONFIDENTIAL INFORMATION HAS BEEN DELETED]

I. INVESTMENT PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed equity investment in the Islamic Infrastructure Fund, L.P. (the Fund) of up to $100 million.

II. RATIONALE: SECTOR PERFORMANCE, PROBLEMS, AND OPPORTUNITIES

A. Challenges and Opportunities

2. **Importance of Infrastructure.** Since its inception over 40 years ago, the Asian Development Bank (ADB) has invested extensively in infrastructure. This long-term commitment to the sector, through both the bank's public and private sector departments, results from ADB's conviction regarding the critical importance of infrastructure to economic growth and poverty reduction.

3. **Infrastructure Needs in Asia.** Across ADB's developing member countries (DMCs), the state of infrastructure (in the roads, water and sanitation, power, and telecommunications sectors) is often poor. Appendix 1 provides country- and sector-specific information on the state of infrastructure in each DMC; highlights of particular sectors in particular countries include:[1]

(i) **Roads.** The percentage of roads that are paved in countries like Bangladesh (23.7% in 2006) and Afghanistan (9.5%) is far below the average even for the South Asian region (56.9%, which is itself well below other regional averages). In the Kyrgyz Republic, only 11% of the road network is in good condition, with 51% in poor or very poor condition.[2]

(ii) **Water and Sanitation.** ADB DMCs include some of the poorest performers in the world with regard to access to clean water and sanitation. In Indonesia, piped water supply reaches only 39% of urban dwellers, and only 1.5% have access to sewage coverage.[3] Central Asia generally ranks relatively well with regard to water and sanitation, but even there, some areas face challenges; in 2005 in the Kyrgyz Republic, only 53% of the urban population had access to sanitation.[4]

(iii) **Power.** Electric power consumption per capita in many countries is low compared to regional averages, and DMCs across the region often have minimal access to power (e.g., Bangladesh, where 42% of the population has access to electricity,[5] and Indonesia, with a 53% electrification rate[6]), while others (such as Azerbaijan) experience power outages on an ongoing basis.

(iv) **Telecommunications.** Telecommunications penetration rates are low in many DMCs as well, and the proportion of the population that subscribes to fixed line and mobile services in many countries is well below 20%—e.g., 19% in Kyrgyz

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[1] Unless otherwise footnoted, the percentages in this paragraph, available in Appendix 1, are from the World Bank Group's "Private Sector at a Glance" data tables from 2006, available on the World Bank's website at: http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:21323532~menuPK:1192714~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html (March 2009).

[2] ADB. 2007. *Country Strategy and Program – Joint Country Support Strategy (2007–2010): Kyrgyz Republic.* Manila.

[3] ADB. 2006. *Country Strategy and Program (2006–2009): Indonesia.* Manila.

[4] ADB. 2007. *Country Strategy and Program (2007–2010): Kyrgyz Republic*. Manila.

[5] ADB. 2008. *Country Operations Business Plan (2009–2011): Bangladesh*. Manila.

[6] ADB. 2006. *Country Strategy and Program (2006–2009): Indonesia.* Manila.

Republic, 8% in Tajikistan, and 10% in Uzbekistan[7]—while only 25% of people in Bangladesh use cellular services.[8] The cost of telecommunications services in many DMCs (as measured by the cost to place a call to the United States) is far higher than regional averages, and higher than averages for comparable income groups. Even in Malaysia, a regional leader in the quantity and quality of infrastructure, progress needs to be made to meet the country's own objectives in areas like information and communications technology.

4. **Infrastructure Investment Demand.** Worldwide demand for infrastructure investment is enormous, with estimates of global infrastructure needs by organizations such as ADB,[9] the Japan Bank for International Cooperation, the World Bank, and the United Nations as high as $130 billion–$600 billion annually. Estimates of infrastructure demand in Asia and the Pacific alone are exceptionally large, with some estimates ranging as high as $1 trillion over the coming decade.[10] Using techniques applied in other regions, in 2007 ADB calculated that the total infrastructure finance requirements for Asia and the Pacific averaged more than $250 billion per annum ($125 billion in East Asia, $76 billion in South Asia, $42 billion in Southeast Asia, and $12 billion in Central and West Asia).[11] Even removing the huge needs of India and the People's Republic of China from the survey totals, well over $50 billion annually is needed for the region's smaller economies.

5. **Country-Specific Investment Needs.** Several country-specific examples provide a vivid illustration of the scale of investment needed to build new and maintain existing infrastructure. For example, the World Bank has stated that underperformance of Pakistan's transport infrastructure costs the economy $5 billion a year, and that the aging and inadequate irrigation and water infrastructure deficit alone is estimated at an aggregate of approximately $70 billion.[12] The Institute on Research and Information Systems for Developing Countries in India estimated in a February 2009 presentation that the infrastructure investment needed annually between 2008 and 2012 was $11.6 billion in Bangladesh, and $13.3 billion in Pakistan.[13] A 2005

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[7] This data is from the World Bank's 2006 data set. ADB Uzbekistan Resident Mission has noted that, as of 31 December 2008, there were 12.7 million mobile subscribers and 1.84 million fixed line subscribers in Uzbekistan.

[8] Central Intelligence Agency. 2009. *The World Factbook*. Washington, DC. Available: https://www.cia.gov.

[9] Settle, William Graham, et al. 2008. *Market Survey of Subnational Finance in Asia and the Pacific.* Manila: ADB. This study, submitted to ADB's Board in November 2007, surveys the demand for subnational financing, using infrastructure and utilities as a proxy for the magnitude of financial demand by subnational entities in the region. The survey serves as the source of many of the statistics in these paragraphs. The survey is available at http://www.adb.org/Documents/Papers/Market-Survey-Subnational-Finance/market-survery.pdf; the survey references the following quantitative infrastructure studies that served as starting points for infrastructure demand calculations ADB DMCs: (i) ADB, JBIC, and World Bank Infrastructure Flagship Study. 2005. *Connecting East Asia: A New Framework for Infrastructure.* Manila; (ii) United Nations Economic and Social Commission for Asia and the Pacific. 2006. *Enhancing Regional Cooperation in Infrastructure Development Included that Related to Disaster Management.* New York; (iii) Fay, Marianne and Tito Yepes. 2003. Investing in Infrastructure: What is needed from 2000 to 2010. *Policy Research Working Paper No. 3102*. Washington, DC; (iv) Yepes, Tito. 2005. *Expenditure on Infrastructure in East Asia Region 2006–2010.* Washington, DC: World Bank; and (v.) Agarwala, Ramgopal and Prabir De. 2005. Reducing Global Imbalances and Accelerating Growth: The Role of Regional Cooperation in Asia. A paper written for the *Fourth High Level Conference on Asian Economic Integration: Towards an Asian Economic Community*. New Delhi.

[10] Similar evaluations and methods conducted by ADB's Operations Evaluation Department (OED) yielded quantities for annual infrastructure demand in ADB DMCs in line with the estimates found in the *Market Survey of Subnational Finance in Asia and the Pacific* (footnote 9). ADB. 2006. *OED Special Evaluation Study on Urban Sector Strategy and Operations*. Manila (June).

[11] ADB. 2007. *Market Survey of Subnational Finance in Asia and the Pacific*. Manila.

[12] Pakistan Ranked 67th in basic infrastructure: World Bank report. 2008, 23 January. *Pakistan Defence.* Available: http://www.defence.pk/forums/economy-development/9338-pakistan-ranked-67th-basic-infrastructure-category-world-bank-report.html.

[13] RIS. 2009. *Financial Crisis Global Economic Governance and Development*. Available: http://www.ris.org.in/.

presentation by the Indonesian Coordinating Ministry of Economic Affairs identified the gap between investment demand and identified sources of supply to be 62% ($90 billion); most of that gap will have to be closed by the private sector.[14] Finally, the United Nations Economic and Social Commission for Asia and the Pacific estimates annual average infrastructure investment needs in Central Asia of $46 billion, or 6.9% of GDP, between 2006 and 2010.[15]

6. This gap in infrastructure investment means there is a large stock of infrastructure projects seeking financing, including greenfield projects, upgrades, expansions, refinancings, brownfields, etc. ADB itself receives much greater deal flow (investment proposals) than it could conceivably finance with available resources.

7. **Infrastructure Finance Supply.** The existing supply of infrastructure finance does not come close to meeting the scale of demand described above. Between 1992 and 2003, approximately $280 billion was invested in infrastructure projects in Asia and the Pacific. About 22% of this came from the private sector, 70% from the public sector, and 8% from official development assistance.[16] To put this in perspective, the $280 billion of aggregate infrastructure investment made over the course of a decade is approximately equal to the projected amount needed in the region per year over the next decade. Aggregate capital flows into ADB DMCs (i.e., for infrastructure and all other sectors) increased from $32 billion in 2000 to $160 billion in 2005, with private sector investors comprising an increasing percentage of that total (footnote 16). The Institute for International Finance substantiates this recent trend, noting that net private sector flows to emerging Asian markets has continued to rise, increasing from $259 billion in 2006 to $315 billion in 2007.[17] Private capital flows are notoriously capricious, however, and contracted sharply in response to the 2008 global financial crisis. The Institute for International Finance estimates flows for 2008 at only $96 billion, and projects that they will fall in 2009 to a mere $65 billion.[18] These figures—which refer to all investable sectors, including infrastructure—are tiny compared to the level of demand in the region for infrastructure investment alone. Substantial debt and equity are needed on a long-term basis, both to maintain existing infrastructure and to build new capacity, and neither debt nor equity comes close to meeting projected demand. In particular, many countries have great difficulty accessing private equity funding; these underserved countries include many of the countries across South, Southeast, and Central Asia. Very few funds globally have investment strategies that target these regions.

8. **Capital in the Islamic World.** Great wealth exists in many Middle Eastern countries, generated in large part from substantial oil revenues, which have greatly increased the fortunes of high net-worth individuals and sovereign wealth funds. The Council on Foreign Relations estimates that the sovereign wealth funds in the Gulf Cooperation Council countries[19] held $1.2 trillion in 2008. This actually represented a decrease of approximately $100 billion from 2007, reflecting $300 billion of inflow (driven by average oil prices of $100 a barrel throughout 2008), offset by the mark-to-market losses on their equity portfolios.[20] The size of these funds may

[14] Infrastructure Summit. 2005. *Infrastructure Development Strategies in Indonesia.* Available: http://jakarta.usembassy.gov.
[15] ESCAP. 2006, March. *Enhancing Regional Cooperation in Infrastructure Development Including that Related to Disaster Management.* Available: http://www.unescap.org.
[16] Settle, William Graham, et al. 2008. *Market Survey of Subnational Finance in Asia and the Pacific.* Manila: ADB.
[17] Institute of International Finance. 2009, 27 January. *Capital Flows to Emerging Market Economies*. Available: http//www.iif.com.
[18] Ibid.
[19] Bahrain, Kuwait, Oman, Quatar, Saudi Arabia, and United Arab Emirates.
[20] Council on Foreign Relations. 2009, January. *GCC Sovereign Funds Reversal of Fortune.* Available: http://www.cfr.org.

contract further in 2009 due to prevailing lower prices of oil, which may result in a more subdued pace of future asset accumulation in the next few years. Despite this recent volatility, great wealth still resides in the region, and investors are increasingly interested in channeling this capital into investment opportunities that comply with Shari'ah law and values. Accenture estimates that demand for Islamic finance products has grown by up to 15% a year; households alone could direct as much as $24 billion of savings per year into Islamic savings products by 2020. As recently as 2005, however, Shari'ah-compatible traded stocks amounted to only $300 billion, and Islamic mutual funds amounted to only $11 billion.[21] In order to attract that money to Asian investment opportunities, suitable investment vehicles must exist to tap that capital.

9. **Unlocking the Capital.** Institutional investors in many Middle Eastern countries that might otherwise have appetite for investment risk in the Fund's target countries require Shari'ah-compliant investment opportunities, and are thus precluded from investing in traditional private equity funds that are not specifically structured to accommodate that requirement. Indeed, the number of private equity funds set up to accommodate Shari'ah-compliant investment is limited. Project sponsors across ADB DMCs, constrained by the general undersupply of risk capital in their regions (particularly given recent reversals in capital flows), are eager to tap into the large pools of wealth that exist in many countries throughout the Middle East, but are unable to access that money in the absence of suitably structured funds that can serve as intermediaries between investors and project sponsors. To help bridge this gap, ADB will collaborate with IDB to establish a Shari'ah-compliant private equity fund (the Islamic Infrastructure Fund, L.P., or the Fund) to invest in infrastructure projects across those member countries common to both institutions. By structuring the Fund to accommodate the needs of investors for Shari'ah-compliant investment vehicles, the Fund will "unlock" for project sponsors in the target region a large pool of money seeking investment opportunities. This will in turn channel more equity capital into infrastructure projects throughout the region, and will also allow project sponsors specifically seeking Islamic funding access to financing tools structured around their particular requirements.

B. Consistency with ADB Strategies and Approaches

10. Given the crucial role of infrastructure in economic growth and poverty reduction, ADB has affirmed its commitment to assist in developing infrastructure throughout Asia and the Pacific in virtually all of its strategic documents, including its long-term strategic framework 2008–2020 (Strategy 2020),[22] as well as its specific country strategies and programs (CSPs). The project is also aligned with ADB's approach to Islamic finance, and to using private equity funds for specific purposes.

1. Long-Term Strategic Framework

11. This initiative is fully aligned with ADB's strategic priorities, as reflected in Strategy 2020, which was approved by ADB's Board in 2008, and which articulates infrastructure as the first of five priority areas for ADB over the next 12 years. Strategy 2020 states that "ADB investment in infrastructure is fundamental to achieving poverty reduction and inclusive growth,"[23] and mentions specific areas of operational focus, including: transport and communication connectivity within and between DMCs; energy supply (including clean energy), and promotion

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[21] Accenture. 2007. *Islamic Finance: From niche to mainstream.* London.
[22] ADB. 2008. *Strategy 2020: the Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila. Available:http://www.adb.org/Documents/Policies/Strategy2020/Strategy2020-print.pdf.
[23] *Strategy 2020* (footnote 21), p. 13.

of energy efficiency; public health, through investment in water, sanitation, and waste management; rural infrastructure, including irrigation and water management, rural roads, and rural electrification; and urban infrastructure, focused on water supply, sanitation, waste management, and urban transport.

12. In addition to affirming ADB's commitment to infrastructure, Strategy 2020 provides guidance regarding appropriate investment modalities. It affirms the importance of both public investment and an expanding role for private capital and markets, noting that: "ADB's infrastructure operations will emphasize public–private partnerships and private sector engagement. ADB will promote a larger role for the private sector in financing infrastructure, either as a project sponsor or an institutional bond or equity investor. The latter role carries great promise for augmenting the supply of capital for infrastructure in developing the region."[24] This project is consistent with the long-term strategic framework because it positions ADB to play a catalytic role in mobilizing, through the Fund, additional private sector resources into infrastructure projects, alongside the commitments made by ADB and IDB.

2. Country Strategies and Programs

13. The CSPs for virtually all ADB DMCs identify infrastructure as a target sector. Some examples from the Fund's target countries include the following:

(i) **Kazakhstan**.[25] Kazakhstan's most recent CSP targets private sector infrastructure operations focused on water, wastewater, solid waste, power, airports, toll roads, rail, ports, and oil and gas operations.

(ii) **Pakistan.** Pakistan's CSP for 2006–2008 emphasized lending for economic infrastructure, with a primary focus on water resources, power, transport and communications, and urban renewal and development, and states that "ADB views itself as one of Pakistan's strategic development partners for infrastructure development."[26] Regarding private sector operations in particular, the CSP mentions that consideration was being given to supporting investment projects in water, power, and energy infrastructure.

(iii) **Indonesia**. ADB's Indonesia strategy for 2006–2009 (footnote 6) targeted improvements to infrastructure and infrastructure services, mainly through public sector operations, to be delivered primarily through the Infrastructure Reform Program cluster.

(iv) **Kyrgyz Republic**.[27] The CSP for the Kyrgyz Republic stated that ADB's Asian Development Fund financing would focus on several sectors, including road transport and communications, noting that roads play a particularly crucial role for a landlocked country's economic growth.

(v) **Uzbekistan**.[28] The CSP for Uzbekistan identifies ADB's focus on transit and transport in the region, with a particular focus on regional transport corridors, identifying technical assistance (TA) for preparing a transport sector strategy, a

[24] *Strategy 2020* (footnote 21), p. 18.
[25] ADB. 2005. *Country Strategy and Program Update (2006–2008): Kazakhstan*. Manila.
[26] ADB. 2005. *Country Strategy and Program Update (2006–2008): Pakistan*. Manila, p. 2.
[27] ADB. 2007. *Joint Country Support Strategy (2007–2010): Kyrgyz Republic*. Manila.
[28] ADB. *Country Strategy and Program (2006–2010): Uzbekistan*. Manila.

regional road project, and a regional railway rehabilitation project, which were all under development at the time of writing of the CSP.

3. Islamic Finance

14. This project aligns with several other initiatives undertaken by ADB related to Islamic finance. In 2004, ADB provided TA to the Islamic Financial Services Board (IFSB), which sets regulatory standards for Islamic financial institutions. The TA funded technical experts to work on a number of regulatory concerns, and resulted in new transparency and market discipline standards, financial soundness indicators for Islamic institutions, and assessments of the potential for Islamic asset securitization.[29] ADB and IFSB have agreed to continue this collaboration under a new TA, approved in March 2009, which aims to follow up on and expand upon earlier initiatives.[30] The new TA will address development of prudential and supervision standards for Islamic financial markets, and is cofinanced by ADB and IFSB; the IFSB funding is being provided by IDB. To complement regional initiatives, ADB is also working directly with a number of financial sector regulators, such as in Indonesia and Pakistan, to develop an enabling legal and regulatory framework for Islamic finance. ADB has thus been involved in several initiatives that have assisted in opening the Asian market to Islamic financing sources. This project will be ADB's first involvement in parallel private sector efforts to develop the market.

4. Use of a Private Equity Fund

15. Although substantial direct work in the infrastructure sector is undertaken directly by ADB through its public and private sector infrastructure divisions, ADB has elected in this case to utilize a fund (or indirect investment) structure. The primary reason for creating a fund is that ADB is seeking to mobilize Islamic financing capital into the underlying transactions (paras. 8–9), which it would be unable to mobilize into its own conventionally structured transactions. A fund structure permits ADB to mobilize Islamic financing capital into suitable projects in the targeted countries. Additionally, the creation of a fund that mobilizes third-party capital (both private sector commitments to the Fund and additional Islamic debt used in the Fund's transactions) generates a multiplier effect beyond what could be achieved through direct ADB interventions.

C. Development Impact

1. Development Impact

16. ADB's mission is poverty reduction in its DMCs and each intervention that the bank undertakes should relate—either directly or indirectly, and immediately or over the long-term—to

[29] ADB. 2007. *Technical Assistance Completion Report Development of International Prudential Standards for Islamic Financial Services*. Manila. Specifically, the TA addressed a number of regulatory concerns, including (i) gaps in regulatory frameworks; (ii) lack of comparability of Islamic financial products across borders; (iii) the risk of regulatory arbitrage; (iv) lack of a level playing field with conventional financial products; and (v) the absence of reliable data on Islamic financial institutions and countries—or among banks within a country—due to differences in accounting standards and weak accounting and auditing environments. The TA funded technical experts who provided assistance to the IFSB to (i) develop a new transparency and market discipline standard to more effectively address the unique mix of risks that arise from the contractual design of instruments based on Shari'ah principles, which was subsequently adopted after widespread consultation with IFSB members; (ii) develop a compilation guide for an Islamic financial database modeled on the International Monetary Fund's financial soundness indicators, which was approved by the IFSB in March 2007 and issued as an IFSB guide; and (iii) conduct a cross-country assessment of the legal framework for Islamic asset securitization as a first step in developing an appropriate legal framework. The assessment was presented at the 2007 IFSB annual meeting.

[30] ADB. 2009. *Technical assistance on Development of Prudential and Supervision Standards for Islamic Financial Markets*. Manila.

achievement of that mission. In this transaction, ADB's establishment of and investment in this infrastructure fund is ultimately intended to help increase the set of economic opportunities available to the inhabitants of the Fund's targeted DMCs. This set of linkages, as detailed in the design and monitoring framework (DMF, see Appendix 2), can be understood as follows:

(i) **Output**. The output of the project will be that this Fund is established as anticipated in this proposal; that it identifies, screens, and evaluates investment opportunities; makes investments; and divests from those projects over time.

(ii) **Outcome**. The outcome of the project is an expanded and improved stock of basic infrastructure in the Fund's targeted DMCs.

(iii) **Impact**. Long-term, it is anticipated that accelerated infrastructure development will increase access to economic opportunities for the inhabitants of the Fund's targeted DMCs.

17. The logic of the DMF implies that infrastructure investment results in economic growth and poverty reduction through an expansion of economic opportunities. This logic can be summarized as follows:

18. **Infrastructure and Growth.** Infrastructure investment contributes to economic growth in a number of ways. Most fundamentally, infrastructure services, such as transport, water, and electricity, are intermediate inputs to production, and any reduction in these input costs raises the profitability of production, thus allowing higher levels of output, income, and/or employment. Infrastructure services also increase labor productivity by (i) reducing workers' commuting time, travel costs, and travel stress (via improvements to roads and bridges); (ii) increasing output and efficiency via introduction of electricity; (iii) increasing agricultural productivity through investment in irrigation facilities; (iv) improving information flows through telecommunications; and (v) creating economies of scale and scope. The links between improvements in infrastructure and economic growth are numerous and apparent.

19. **Economic Growth and Poverty Reduction.** Economic growth has the effect of raising the incomes of all members of society, including the poor, thereby reducing poverty. Richard Adams, of the World Bank's Poverty Reduction Group, summarizes this by stating that "[e]conomic growth reduces poverty in…developing countries…because average incomes of the poor tend to rise proportionately with those of the rest of the population."[31] The relationship between economic growth and poverty reduction has been consistently substantiated by empirical evidence.

20. **Infrastructure and Poverty Reduction.** In addition to the indirect link described above that ties infrastructure to economic growth, and thereby to poverty reduction, infrastructure investment is also more directly linked to poverty reduction: (i) electricity and gas allow poor people to heat their homes and cook their food more efficiently, and use electrical appliances to generate self-employment income; (ii) roads and urban mass transit allow people access to employment and markets, as well as to health and education services; and (iii) clean water and sanitation lead to improved health outcomes. These are only a few of the ways in which infrastructure investment has the potential to result in improved socioeconomic conditions for the poor.

[31] Adams, Richard H., Jr.. 2003. *Economic Growth, Inequality, and Poverty: Findings from a New Data Set.* Washington, DC: The World Bank.

21. **Further Developmental Impact.** Finally, although the DMF captures only the core logic of this project related to economic growth and poverty reduction, there are a number of additional indirect development outcomes anticipated from the transaction. These include: (i) an increased use of private equity funding in ADB DMCs, [32] and (ii) mobilization of capital from the Middle East into the rest of Asia.[33] Indeed, a key developmental aspect of this transaction is that ADB's participation in the Fund will help widen access to finance for groups that would otherwise be unable to utilize Shari'ah-compliant financing for infrastructure projects, by leveraging new sources of financing into the region. Additionally, ADB's participation and policy requirements will assist in the development of international best practices for Shari'ah-compliant funds.

2. Value Added by ADB

22. **General.** ADB will add value to the Fund in a number of ways. ADB's principal additionality comes in the form of sponsoring and establishing the Fund from the outset; without ADB's support, the Fund would not exist. Through its investment, ADB will demonstrate its confidence in the transaction, which may by example encourage further investment by other development institutions and institutional investors. ADB will assist in deal sourcing on an ongoing basis, and its seat on the Fund's investment committee will allow ADB to comment and vote on each transaction contemplated by the Fund.

23. **Environmental and Social Safeguards.** Environmental and social safeguard (ESS) issues are of great importance to ADB, and are an active focus for ADB's private equity funds portfolio. The Fund Manager has been an active partner in ADB's efforts to ensure the Fund complies with ADB's ESS requirements. Activities in this regard have included: (i) providing the Fund Manager with, and incorporating their feedback on, ADB's ESS management system framework; (ii) providing the Fund Manager with guidelines for annual reporting on ESS issues; (iii) fielding a mission to Kuala Lumpur to deliver a one-day training on ADB's ESS policies, and on the Fund's responsibilities in complying with those policies; (iv) developing a flow chart delineating the responsibilities of the Fund Manager, the portfolio companies, and ADB in complying with the relevant policies; and (v) providing samples of standard documents used in various parts of the process. The Fund Manager will ensure that the Fund's investments comply with ADB's ESS policies. ADB will monitor the Fund Manager's compliance with ADB policies throughout the life of the Fund.

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[32] The Fund will provide financing specifically in the form of private equity, which confers benefits (such as expertise, advice, mentoring, and strategic inputs) beyond those that accrue to other forms of financing (e.g., debt and public equity). In *Private Equity Impact 2008*, Venture Intelligence summarizes the comments of private equity-funded infrastructure companies regarding the particular advantages of private equity. Those managers stated that private equity firms add value in a number of key areas, including: (i) expertise in valuing infrastructure projects, (ii) advice in fine-tuning business models, (iii) improvements in operational efficiency, (iv) strengthening of corporate governance, (v) mentoring for management teams, (vi) assistance in accessing follow-on financing, (vii) expertise in tapping public markets, (viii) strategic inputs to identify new opportunities, and (ix) working with regulators and the government to speed up clearances. Venture Intelligence. 2008. *Private Equity Impact 2008.* Chennai.

[33] By structuring this Fund to accommodate the needs of investors for Islamic investment vehicles, and by soliciting investment from third-party investors, the Fund will help mobilize Middle Eastern capital into productive investment opportunities in ADB's DMCs, thus "unlocking" for Asian project sponsors a large pool of new capital. As described above, there are large pools of untapped wealth across the Middle East in search of appropriate investment opportunities, with sovereign wealth funds controlling trillions of dollars (much of it in Islamic countries), and oil revenues across the Arab states amounting to hundreds of billions of dollars per year. Investors in these countries are increasingly interested in investing in Shari'ah-compliant projects. Asian project sponsors are eager to tap into these large pools of wealth, but are unable to access this capital in the absence of suitably structured Shari'ah-compliant private equity funds that can serve as intermediaries between investors and sponsors.

III. THE PROPOSED INVESTMENT

A. Overview

24. **Strategy and Objective.** The Fund will make strategic, Shari'ah-compliant investments in infrastructure projects in countries that have membership in both ADB and IDB, namely: Afghanistan, Azerbaijan, Bangladesh, Indonesia, Kazakhstan, Kyrgyz Republic, Malaysia, Maldives, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan, and such other countries that may become common member countries of ADB and IDB in the future. The Fund's sector focus will comprise transport; telecommunications; energy; and water supply, sanitation, and waste management.

25. **Size.** The Fund will have a first closing of $260 million, including an investment of up to $100 million from ADB, and a $150 million investment from IDB.

26. **Anchor Investors.** As anchor investors, ADB and IDB have taken the lead in the structuring and documentation of the Fund, and will contribute to the operations and governance of the Fund in a number of ways. IDB, headquartered in Jeddah, Saudi Arabia, is a multilateral financial institution that started operations in 1975, and is owned by its 56 member countries. The IDB's objective is to foster the economic development and social progress of member countries and Muslim communities, in accordance with the principles of Shari'ah, or Islamic law. The functions of the IDB are to participate in equity capital and provide loans for productive projects and enterprises, and to provide other forms of financial assistance to member countries for the purpose of economic and social development.

B. Fund Manager

27. **CIMB Standard (the Fund Manager).** CIMB Standard Islamic Infrastructure Fund (General Partner) Limited (the General Partner) is a joint venture established by CIMB Group and Standard Bank, which will act as the general partner of the Fund. The Fund Manager was selected for this project due to several key competitive advantages. It is one of the only fund management teams in Southeast Asia specifically focused on infrastructure, and is currently managing The South East Asian Strategic Assets Fund L.P. (SEASAF), a private equity fund focusing on provision of growth and expansion capital to energy, infrastructure, natural resources, and associated industries in Southeast Asia. The team has in-depth expertise in core infrastructure, as well as significant financial engineering expertise in investment structuring. CIMB Standard is also well positioned for deal sourcing; deal referrals from CIMB Group and Standard Bank (as well as the parent institutions' strong presence in the geographic areas targeted by the Fund) are anticipated to grant the Fund Manager privileged access to deal flow. Finally, due to the Islamic finance capabilities of its parent institutions, the Fund is well established to source and execute Shari'ah-compliant transactions.

28. **CIMB Group**. CIMB Group is one of Southeast Asia's leading universal banking groups, and the second-largest financial services provider in Malaysia, with over 36,000 employees in nine countries. As of year-end 2008, it had total assets of over $55 billion, market capitalization of over $6 billion, and revenues of over $2 billion. CIMB Group offers a full suite of services in banking, capital markets, and asset and fund management. It has financed the largest infrastructure projects in both Malaysia and Indonesia, and has received multiple awards, including "Bank of the Year," "Best Investment Bank," and "Best Equity House," among others, in 2007 and/or 2008. CIMB Group's high profile gives its various businesses access to key

dealmakers, and facilitates cross-border deals due to the depth of its relationships. Within its corporate umbrella, CIMB Group owns CIMB Islamic, a leading Islamic bank which has pioneered the development and provision of a complete suite of Shari'ah-compliant services. CIMB Islamic has won international recognition for its role in many groundbreaking Islamic transactions, and has structured dozens of Shari'ah-compliant funds. CIMB Group has over $5 billion in assets under management (20% of which is Shari'ah-compliant), comprising about $4.5 billion in publicly traded funds and $0.5 billion in private equity.[34] (See Appendix 3 for more details on CIMB Group.)

29. **Standard Bank**. Standard Bank is listed on the Johannesburg Stock Exchange and has a global presence in 38 countries across Africa, Asia, the Americas, Central and Eastern Europe, and the Middle East, with over 48,000 employees worldwide. It had assets of over $174 billion as at 30 June 2008, and a market capitalization of over $7 billion as at 20 February 2009, placing Standard Bank in the top sixty global banks by market capitalization. It has consistently achieved headline earnings growth and return on equity in excess of 20% for 20 years.[35] It is an established emerging markets bank providing a full spectrum of financial services, including banking, advisory, capital markets, and investment and asset management services. Standard Bank was the winner of the "Emerging Markets Bank of the Year" in The Banker Awards in 2007, and The Banker's "Bank of the Year" award in multiple African countries in both 2007 and 2008 (as well winning other awards in other years). The bank has broad and deep infrastructure experience in power, concessions, telecommunications, and export finance. Since 2003, it has transacted over a hundred deals worth in excess of $40 billion in 32 countries, and is the lead African project finance franchise, with rapid expansion into other emerging markets, including Central Asia. Standard Bank, which focuses its fund management on emerging markets and the infrastructure sector, has over $2 billion in funds invested and under management, which it plans to grow to $5 billion in the medium term.[36] (See Appendix 3 for more details on Standard Bank.)

C. Governance Structure

30. **Fund Manager.** The Fund Manager will: (i) provide general business advice, including identification of, and recommendations concerning, investments and potential investments; (ii) supervise the preparation of and review all documents required to complete each investment; (iii) monitor the performance of each portfolio company; (iv) provide advice and recommendations concerning the disposition of investments; (v) provide strategic and financial planning; and (vi) other activities as appropriate. The Fund will have an investment committee, an advisory board, and a Shari'ah supervisory board.

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[34] CIMB Group's previous experience with funds includes management of CIMB Mezzanine Fund, CIMB Private Equity Fund I, CIMB-Mapletree Real Estate Fund I, CAV Growth Buyout Fund, Commerce Technology Ventures Fund, Commerce Agro Ventures Fund, Commerce Khazanah Agro Teroka, Commerce-KPF, and C-Bat / I-BAT Fund. These funds focus or focused on Malaysia and Association of Southeast Asian Nations member countries, and in various sectors, including growth capital, buyout, pre-IPO, real estate, and small and medium enterprises. CIMB Group thus has institutional commitment to the private equity business. Since these funds were not managed by the Fund Manager of this Fund, their full track records have not been presented in this RRP.

[35] Normalized for adjustments, unaudited.

[36] Standard Bank's previous experience with funds includes management of Emerging Africa Infrastructure Fund, GuarantCo, Gulf Cooperation Countries Energy Fund, SU Turkish Private Equity Opportunities Fund, Standard Africa Development Fund, and Standard Bank SA proprietary investments. These funds focus or focused on Africa, the Gulf Cooperation Countries, and other emerging markets, and in various products and sectors, including debt and mezzanine, guarantees, private equity, and energy and energy-related businesses. Since these funds were not managed by the Fund Manager of this Fund, their full track records have not been presented in this RRP.

IV. INVESTMENT BENEFITS, IMPACTS, ASSUMPTIONS, AND RISKS

A. Social and Environmental Safeguard Policies

31. ADB's investment in the Fund is classified as category FI (financial intermediary) under ADB's *Environment Policy* (2002), as category C under ADB's *Involuntary Resettlement Policy* (1995), and as category C under ADB's *Policy on Indigenous Peoples* (1998). The Fund Manager will be required to adopt an environmental and social management system, and will ensure that all investments comply with ADB social safeguards policies, and that all necessary assessments have been made and appropriate mitigation measures have been taken. In addition, the Fund will not invest in activities set out in ADB's list of prohibited investment activities.

B. Anticorruption, and Combating Money Laundering and Financing of Terrorism

32. The Fund Manager was advised of ADB's *Anticorruption Policy* (1998, as amended to date) and the policy relating to the *Combating Money Laundering and the Financing of Terrorism* (2003). Consistent with its commitment to good governance, accountability, and transparency, ADB will require the Fund Manager to institute, maintain, and comply with internal procedures and controls following international best practice standards for the purpose of preventing corruption or money laundering activities or the financing of terrorism and covenant with ADB to refrain from engaging in such activities. The investment documentation between ADB and the Fund will allow ADB to investigate any violation or potential violation of these undertakings.

V. ASSURANCES

33. Following the approval of the proposed investment by ADB's Board, ADB will enter into suitable investment documentation, and ensure that such documentation and other principal agreements relating to the Fund will be on terms and conditions acceptable to ADB and incorporate all relevant ADB policies.

VI. RECOMMENDATION

34. I am satisfied that the proposed equity investment would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the equity investment of up to $100,000,000 in the Islamic Infrastructure Fund, L.P., from ADB's ordinary capital resources, on terms and conditions as are substantially in accordance with those set forth in this report, and as may be reported to the Board; and

Haruhiko Kuroda
President

x April 2009

INFRASTRUCTURE DATA IN ADB'S DEVELOPING MEMBER COUNTRIES

Table A1: Infrastructure Data on Roads, Power, and Telephony[a]

Country	Income Group	Paved Roads (% of total roads)		Electric Power Consumption (kWh per capita)		Power Outages in a Typical Month (number)		Fixed Line and Mobile Subscribers (per 100 people)		Internet Users (per 100 people)		Cost of Telephone Call to US ($ per minute)		$2 / Day (% of population)[b]
		2000	**2006**	**2000**	**2006**	**2000**	**2006**	**2000**	**2006**	**2000**	**2006**	**2000**	**2006**	**2005**
Afghanistan	LI	13.3	23.7	—	—	—	—	0	10	0.0	2.1	—	0.39	—
Azerbaijan	LMI	92.3	49.4	2,040	2,407	—	—	15	53	0.1	9.8	7.10	4.18	0.27
Bangladesh	LI	9.5	9.5	96	136	—	101.6	1	13	0.1	0.3	4.14	2.02	80.32
Indonesia	LMI	57.1	55.3	400	509	—	—	5	35	0.9	7.3	3.90	2.79	53.80
Kazakhstan	UMI	86.5	84.0	2,650	3,206	—	—	14	70	0.7	8.1	2.76	—	10.39
Kyrgyz Republic	LI	91.1	—	1,904	1,842	—	—	8	19	1.0	5.7	9.84	5.40	51.93
Malaysia	UMI	75.3	81.3	2,743	3,262	—	—	42	91	21.4	43.2	2.37	0.71	7.81
Maldives	LMI	—	—	—	—	—	—	12	98	2.2	6.8	11.72	5.86	—
Pakistan	LI	56.0	64.7	374	456	—	—	2	25	0.2	7.5	3.60	1.03	60.31
Tajikistan	LI	—	—	2,177	2,267	—	—	4	8	0.0	0.3	8.10	7.84	50.88
Turkmenistan	LMI	81.2	—	1,698	1,731	—	—	8	10	0.1	1.3	—	—	31.49
Uzbekistan	LI	87.3	—	1,780	1,659	—	—	7	10	0.5	6.4	13.95	—	69.73
Income comparators														
Low-income			—		391				17		4.2		1.99	
Lower middle-income			65.8		1,502				60		11.4		2.08	
Upper middle-income			—		3,131				88		22.2		1.06	
High-income			90.9		9,760				143		59.3		0.77	

Note: Figures in italics are for years other than those specified. — = not available.

[a]Infrastructure data source: World Bank, Development Data Group and IFC Small & Medium Enterprises Department.
http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:21323532~menuPK:1192714~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html

[b]Poverty ($2/day) data source: World Bank PovcalNet site.
http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTPOVRES/EXTPOVCALNET/0,,contentMDK:21867101~pagePK:64168427~piPK:64168435~theSitePK:5280443,00.html

Source: World Bank.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
Impact Accelerated infrastructure development increases access to economic opportunities for the inhabitants of targeted DMCs	Improvement in access to infrastructure services, compared with the following 2006 baselines (increase of at least 5% for Kazakhstan and Malaysia, and at least 10% for all other countries):[a] - Percent of paved roads: Indonesia (55.3%), Kazakhstan (84%), Pakistan (64.7%) - Electric power consumption, in kWh/capita: Indonesia (509), Kazakhstan (3,206), Pakistan (456) - Telephone connectivity (fixed and mobile subscribers, per 100 people): Indonesia (35), Kazakhstan (70), Pakistan (25) At least 5% decline in the percentage of people living on less than $2 per day, versus the following 2005 baselines:[b] Indonesia (53.8%), Kazakhstan (10.4%), Pakistan (60.3%).	World Bank Development Data and “Private Sector at a Glance” data World Bank PovcalNet database DMC government reports	**Assumptions** Access to infrastructure services contributes to increased economic opportunities Data on access to infrastructure services and on employment is measured and reported ADB’s DMC governments maintain legal and regulatory environments that facilitate private equity investment in infrastructure projects **Risk** The global recession lasts for the medium term, limiting the available economic opportunities

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
Outcome The stock of basic infrastructure in targeted DMCs is expanded and improved	12–15 Shari'ah-compliant infrastructure investments have been made by 2015 Up to 40% of the Fund invested in frontier countries The Fund leverages Shari'ah-compliant funding of up to $1 billion	The Fund's quarterly and annual reports	**Assumptions** Adequate demand exists from project sponsors for Shari'ah-compliant transactions Investment opportunities exist in frontier countries Islamic debt is available to provide leverage for the Fund's investments
Outputs 1. The Fund is established as planned 2. The Fund Manager identifies, screens, and evaluates investment opportunities 3. The Fund Manager makes financially viable investments 4. The Fund Manager monitors the portfolio and adds value to investments 5. The Fund Manager divests from investments	Fundraising will mobilize Middle Eastern capital, and the Fund will double in size to $500 million by 2010 Investors' committed capital is fully drawn down by 2015 At least 80% of the Fund is invested in hard infrastructure Projects the Fund invests in comply with ADB's environmental and social guidelines The Fund achieves a net IRR to investors of 12%, by 2020	Reports on investment status and deployment of the Fund Annual reports on environmental and social compliance	**Assumptions** There is interest in the market to invest in a Shari'ah-compliant infrastructure fund The Fund Manager finds attractive infrastructure investment opportunities The Fund Manager invests the Fund in opportunities capable of generating commercially attractive returns The Fund Manager is able to find appropriate exit routes for investments
Activities with Milestones 1.1 Operational arrangements Legal documentation (limited partnership agreement, subscription agreement, fund management agreement, etc.) are signed between ADB, IDB, and the Fund as appropriate by 15 May 2009. Incorporation, registration, and other activities needed to establish the Fund are completed by 15 May 2009.			**Inputs** ADB: $100 million IDB: $150 million Fund Manager: $10 million

Activities with Milestones	
1.2 Financing arrangements ADB invests $100 million by 15 May 2009. IDB invests $150 million by 15 May 2009. Fund Manager invests $10 million by 15 May 2009. Other investors invest up to $240 million by 15 November 2010. 1.3 Investment activities The Fund promotes itself in the market, and attracts attention from project sponsors on an ongoing basis (June 2009–June 2014). The Fund evaluates these opportunities and selects projects for financing as appropriate (June 2009–June 2014). The Fund adds value to investments over time (2009–2014). The Fund seeks appropriate exit opportunities, such as contacting strategic buyers or preparing companies for initial public offerings, and achieves exits from investments (2014–2020).	

ADB = Asian Development Bank, DMC = developing member country, IDB = Islamic Development Bank, kWh = kilowatt-hour.

[a] The country and sector baselines provided here are examples. Since the specific projects and countries of investment by the Fund are not yet determined, appropriate baselines will have to be determined during the Fund's life when particular investments have been made. The methodology described above, however, can be applied to any country and sector in which the Fund invests, using the 2006 baselines indicators in the World Bank's "Private Sector at a Glance Data" in Appendix 1. This data is similar to the Level 1 indicators of the draft ADB Results Framework. Data available at: http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:21323532~menuPK:1192714~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html (March 2009).

[b] Data available at: http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTPOVRES/EXTPOVCALNET/0,,contentMDK:21867101~pagePK:64168427~piPK:64168435~theSitePK:5280443,00.html (March 2009).

OVERVIEWS OF CIMB GROUP, CIMB ISLAMIC, AND STANDARD BANK

1. **CIMB Group.** CIMB Group is Malaysia's second largest financial services provider and one of Southeast Asia's leading universal banking groups, and the largest universal bank in Malaysia, with over 36,000 employees in nine countries, and offices in Brunei, Indonesia, Malaysia, Singapore, and Thailand. CIMB Group has total assets of over $55 billion and revenues of over $2 billion in the financial year ended 31 December 2008. It had a market capitalization of over $6 billion as of 20 February 2009. It offers a full suite of services in (i) debt and equity markets; (ii) corporate advisory services; (iii) retail, corporate, business, and private banking; (iv) private equity and fund management; (v) Islamic banking; and (vi) research in debt and equity markets. It has received multiple awards, including "Bank of the Year", "Best Investment Bank," and "Best Equity House," in 2007 and/or 2008. It was also awarded the "Best Islamic Bank in Asia" and "Best Sukuk House" in 2008. Its financial expertise extends throughout and beyond Asia, and across diverse industries. Table A3.1 presents financial results and ratios for Bumiputra-Commerce Holdings Berhad, the listed holding company of CIMB Group.

Table A3.1: Bumiputra-Commerce Holdings Berhad's Financial Results and Ratios
(Ringgit million)

Item	2008	2007	2006
Total assets	206,735	182,801	156,952
Loans, advances, and financing	117,382	95,904	90,335
Deposits from customers	153,425	126,867	104,219
Total shareholders' equity	17,064	15,710	11,785
Net interest income	4,661	4,396	3,656
Non-interest income	3,079	4,614	2,736
Net profit	1,952	2,793	1,504
Return on average equity (%)	12.3	20.1	14.0
Cost/income (%)	53.3	46.9	52.5

Source: Bumiputra-Commerce Holdings Berhad Annual Report 2008.

2. CIMB Group has been credited with pioneering the development of Shari'ah-compliant Malaysian infrastructure transactions, and has added Shari'ah-compliant elements to many deals, including very large infrastructure and utilities deals. CIMB Group has financed the largest infrastructure projects in both Malaysia and Indonesia, and transacted the first Malaysian ringgit debt issuances for the World Bank and International Finance Corporation. Although much of the Group's well publicized business has been debt and debt capital markets transactions, they have also been very active in equity transactions.

3. **CIMB Islamic Bank.** CIMB Islamic, the global Islamic banking and finance franchise of CIMB Group, was established in 2005. It employs over 100 investment bankers and specialists committed to Islamic banking and provision of Islamic-focused services in Southeast Asia, the Middle East; Hong Kong, China; the United Kingdom; and the United States. It is a globally recognized market leader in Islamic banking, and has been a pioneer in the development and provision of a full range of Shari'ah-compliant services, including asset management, Islamic securities, banking and takaful products, equity derivatives, and Shari'ah audit services. CIMB Islamic is the largest issuer of sukuk in Malaysia and globally, with an average annual market share of 50% and 20% respectively. CIMB Islamic has won international recognition for its role in promulgating the adoption of Shari'ah-compliant instruments, has structured dozens of Shari'ah-compliant funds, and has been involved in many groundbreaking Islamic transactions (the world's first or largest in various Islamic asset classes).

4. **Standard Bank.** Standard Bank is listed on the Johannesburg Stock Exchange and has a global presence in 38 countries across Africa, Asia, the Americas, Central and Eastern Europe, and the Middle East, with over 48,000 employees worldwide. It had assets of over $174 billion as of 30 June 2008, and a market capitalization of over $7 billion as of 20 February 2009, placing Standard Bank in the top sixty global banks by market capitalization. For 20 years it has consistently achieved headline earnings growth and return on equity in excess of 20%. The bank is dedicated to personal, corporate and investment banking; investment management; and life insurance; and offers international corporate and investment banking services focused on the energy, infrastructure, and resources sectors in emerging markets. Standard Bank provides a full spectrum of financial services, including foreign exchange, debt and capital markets, corporate lending, corporate advisory, and asset and wealth management. It was the winner of The Banker's "Emerging Markets Bank of the Year" in 2007, "Africa Bank of the Year" in 2008 and "Bank of the Year" in multiple African countries in both 2007 and 2008 (as well as multiple other awards in other years). In 2008, it signed a strategic partnership with Industrial and Commercial Bank of China, the world's largest bank by market capitalization. Table A3.2 presents financial results and ratios for Standard Bank Group.

Table A3.2: Standard Bank Group's Financial Results and Ratios
(Rand million)

Item	2008	2007	2006
Total assets (banking activities)	1,296,819	969,171	773,346
Loans and advances (net of credit impairments)	790,087	637,868	501,506
Ordinary shareholders' equity	85,902	58,406	48,352
Total headline earnings	14,150	13,153	10,818
Profit attributable to ordinary shareholders	14,065	14,083	11,148
Return on equity (%)	18.2	24.8	25.4
Capital adequacy (%)	12.9	11.6	14.8
Cost-to-income ratio (%, for banking activities)	49.2	51.6	52.5

Source: Standard Bank Group Annual Report 2008.

5. Standard Bank has extensive infrastructure experience. Since 2003, it has transacted over 100 deals worth over $40 billion in 32 countries, and is the leading African project finance franchise, with rapid expansion into other emerging markets. It has 65 project finance specialists providing advisory services, 30 investment bankers working on global power and infrastructure origination and coverage, the ability to source local and international debt and equity, and advisory services for limited recourse project financing. Standard Bank has deep skills and experience across power and infrastructure, concessions, export finance, and telecommunications. It is notable for having transacted deals in challenging markets such as Afghanistan, Congo, Lesotho, Malawi, Mozambique, Swaziland, Uzbekistan, and Zimbabwe, and has broad reach into Central Asia. It has consummated transactions in virtually every Islamic country in the world, and has received awards for many of these deals. Although Islamic financing remains a relatively new area for Standard Bank, it is a key focus, and the bank transacted the first Islamic currency swap in the world.