Session III: Introduction to IMPACT and Overview of IDBG Islamic Microfinance Operations Toolkit

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Islamic Development Bank Group – Global Perspective

- **57 Member Countries**
- **USD 150 billion+ Capital**

- **Headquarter:**
  Jeddah, Saudi Arabia

- **Regional Offices:**
  Almaty, Kazakhstan
  Kuala Lumpur, Malaysia
  Rabat, Morocco
  Dakar, Senegal

- **Gateway Offices:**
  Ankara / Istanbul, Turkey
  Jakarta, Indonesia
  Abuja, Nigeria
  Dhaka, Bangladesh

- **Rated AAA**

\[ S&P \text{ Global} \]
\[ Moody's \]

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Islamic Development Bank Group – Milestones

Lead the Development of a Dynamic and Comprehensive Islamic Financial Services Industry

Provide Shari’ah-compliant Export Credit Insurance and Insurance Facilities

Promote Private Sector Development by Providing a Wide Range of Shari’ah-compliant Financial Products and Services

Encourage Intra-trade among Organization of Islamic Cooperation (OIC) Member Countries

Improve the Income of the Poor by Creating Jobs and Promote the Development of Human Capital
Agenda

1. Why IsDB is going into Islamic Microfinance?

2. IsDB's value proposition on Islamic Microfinance

3. Overview of the IMPACT Program
1 Why IsDB is going into Islamic Microfinance?
The role of Islamic banks and financial institutions should not be restricted to finance big infrastructure projects, but should also be extended to supporting the private sector and particularly the MSMEs, through innovative modes of financing like the Islamic Microfinance.

From Keynote Speech by Dr. Bandar M. H. Hajjar, President, Islamic Development Bank (IsDB) Group at 42nd Annual Meeting of Islamic Development Bank (IsDB) Group in Jeddah, KSA.
The Leadership Support

IsDB in collaboration with other partners is developing the enabling environment for **Islamic Microfinance**, establishing microfinance institutions and financing projects, which have Islamic microfinance as a component for agriculture and rural development.

From Keynote Speech by **Dr. Ahmad Mohamed Ali**, Former President, IsDB Group at Indonesia International Conference on Islamic Finance 2014, in Surabaya, Indonesia
IsDB Group Philosophy

Guinea: 650 Microfinance activities were able to benefit from IsDB’s funding

Bangladesh and Egypt: IsDB funded 2,000 M/SME entrepreneurs on ICT*

Jordan and Yemen: IsDB helped Govts to transform lives of millions in refugee camps (Social Safety Nets program)

Poverty Alleviation

Promotion of IFIS

Cooperation Among Member Countries

Burkina Faso: 211 new water points constructed, 81 repaired, and 277 new pumps installed

Indonesia: Under the ICDD** program, US$450 million was provided to help around 4,700 urban communities

Morocco and Mozambique: IsDB funded projects which brought electricity to the rural

* Information Communication Technology
** Integrated Community Driven Development
Main Priority Areas

- Intra-industry Trade among Member Countries
- Agricultural Development and Food Security
- Infrastructure Development
- Human Development
- Private Sector Development
- Research and Development
2 IsDB's Value Proposition on Islamic Microfinance
Economic Empowerment with Islamic Microfinance

Islamic Finance provides ‘Smart Money’
How IsDB helps MFIs to provide ‘Smart’ Money?

- **LOANS**
  - Debt Oriented Financing
  - Murabaha
  - Qard Hassan
  - Ijarah
  - Salam
  - Istisna’

- **Smart Money**
  - Musharakah Mutanaqisah
  - Musharakah Mudaraba

- **EQUITY**
  - Equity Oriented Financing
How IsDB supports MFIs?

- Lines of Microfinance
- Microfinance Loans
- Restricted Mudaraba
- TA Grants

- IsDB

- Intermediaries
  - Governments
  - Banks

- Providers of Microfinance
  - Top Institutions
  - MFIs

- Microfinance Lines / Loans

- Microfinance Products

- Microfinance Borrowers
  - Entrepreneurial Poor
IsDB's Islamic Microfinance Operations

Guinea  Senegal  Bangladesh
Albania  Tunisia  Mali
Maldives  Tajikistan
Cameron  Jordan
Kyrgyzstan  Egypt
Kazakhstan  Chad

Microfinance Support Program

Youth Employment Support Program

Vocational Literacy Program

Microfinance Development Program

Tunisia
Egypt
Libya
Afghanistan
The Gambia
Sudan  Senegal
Maldives  Guinea
Bangladesh  Indonesia

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IsDB's Flagship Islamic Microfinance Operations

- **Palestine**: USD 30m
- **Tajikistan**: USD 10m
- **Bangladesh**: USD 15m
- **Egypt**: USD 61m
- **Jordan**: USD 10m
- **Kazakhstan**: USD 10m
- **Albania**: USD 5m
- **Libya**: USD 50m
- **Sudan**: USD 10m
- **Tunisia**: USD 50m
- **Benin**: USD 11m
- **Senegal**: USD 18m
- **Chad**: USD 7m
- **Maldives**: USD 10m
- **Indonesia**: USD 50m
- **Libya**: USD 50m
- **Tunisia**: USD 50m
- **Chad**: USD 7m
- **Albania**: USD 5m
Overview of the IMPACT Program
Background of the IMPACT Program

- **2014**: Concept Paper
- **2015**: Working Groups
- **2016**: Project Kickoff
- **2017**: Operation and M&E Toolkit
- **.....**: Management Approval
IMPACT Program & IDBG 10-Year Strategy

- Economic and Social Infrastructure
- Private Sector Development
- Inclusive Social Development
- Cooperation between MCs
- Islamic Finance Sector Development

IMPACT Program

10-Year Strategy
The Goal of the IMPACT Program

A Unique Platform

Tools and Infrastructure

• Toolkits
• Best Practices
• Implementation Standards
• Capacity Building Curriculum
• Technology Systems
Description of the IMPACT Program

PILLARS

• Operations
• Monitoring & Evaluation
• Policy & Standards
• Technology
• Advocacy

OUTCOME

• Toolkits
• Best Practices
• Implementation Standards
• Capacity Building Curriculum
• Technology Systems

Knowledge Development

Streamline into MIS

Capacity Building
Operations Toolkit for Microfinance Institutions

Objective

- Consolidate and Develop Best Practices
- Introduce Shari’ah Compliance
- Product Development

Output

- Deliver an Inclusive Operational Toolkit
Target Users of the Operations Toolkit

The toolkit aims to answer as many questions as possible relating to how a microfinance institution can identify and pursue business opportunities with their clients.

- **Islamic Microfinance Institutions**: Tends to enhance their range of products and services.
- **Conventional Microfinance Institutions**: Interested to introduce Islamic Microfinance products and services.
The toolkit plans to help Microfinance Institutions to improve their efficiency and productivity, including by providing a common Shari'ah Governance Framework.
Content of the Operations Toolkit

- Methodology
- Assessment & Strategy
- Product Manual
- Product Development
- Value Chain
Content of the Operations Toolkit – I

METHODOLOGY

Promoting Islamic Microfinance for the Poor

IsDB Approach in Assisting the Poor with Inclusive Islamic Finance

Smart Islamic Microfinance and Islamic Microfinance Checklist
Content of the Operations Toolkit – II

ASSESSMENT & STRATEGY

Current Situation Assessment

PESTLE and SWOT Analysis

Inception Report Framework
Content of the Operations Toolkit – III

VALUE CHAIN

Value Chain Analysis

Identification of Stakeholders

Market Activation Plan
Content of the Operations Toolkit – IV

PRODUCT DEVELOPMENT

Market Research and Client Surveys

Product Concept, Design, Costing as well as Pricing

Business Plan Template
Content of the Operations Toolkit – V

- Product Manuals for the Various Products
- Shari’ah Compliance Checklist
- Accounts Management Guidelines
Partners and the Way Forward

Amanah Ikhtiar Malaysia

Best Islamic Microfinance Institution Award 2013, 2014 and 2015 by Global Islamic Finance Award (GIFA)

Islam Bank Bangladesh Limited

Largest Islamic Microfinance Institution in the world and the Best Rated Bank Award for CAMELS rating 2012

Palestine International Award for Excellence and Creativity 2011 and Arab Creativity Award 2015

EFICA Award winner and CGAP Islamic Microfinance Challenge Runner-up

DEEP

Deprived Families Economic Empowerment Programme

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