



WORLD BANK GROUP
Finance & Markets

Opportunities for SMEs in the New Era of Islamic Financing

— ABAC Malaysia - SME Finance Forum
Workshop on Innovative Financing for SMMEs
InterContinental Kuala Lumpur, Malaysia

Ahmed Rostom
Financial Sector Specialist
Finance and Markets Global Practice

May 2015



WORLD BANK GROUP

Finance & Markets

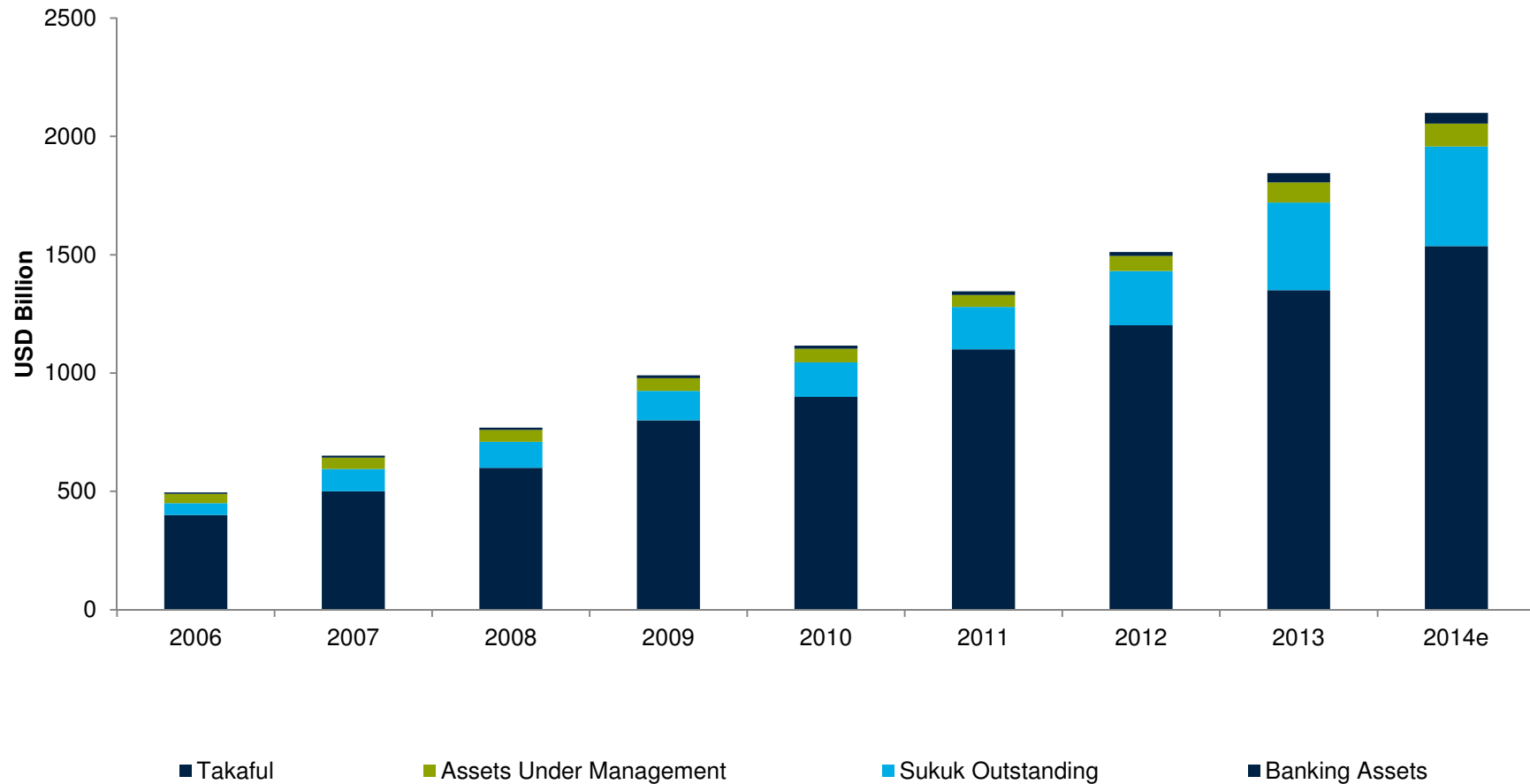
- Shariah Compliant Financing Supports Economic Development
- A Global Snapshot of Islamic Finance
- WBG's multi-pronged approach for Islamic finance activities
- WBG's Lending, Investments and Guarantees for
- Reality Vs. Potential Gap Challenges Islamic SME Financing
- Looking Foreword
- Key Questions Going Forward



WORLD BANK GROUP



A Global Snapshot of Islamic Finance: Uptrend Persists



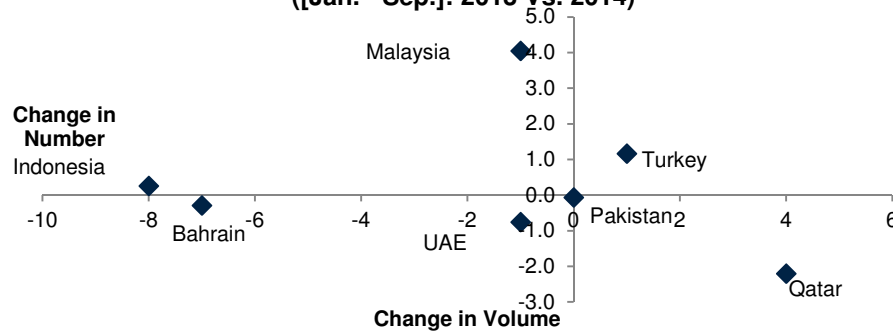


WORLD BANK GROUP

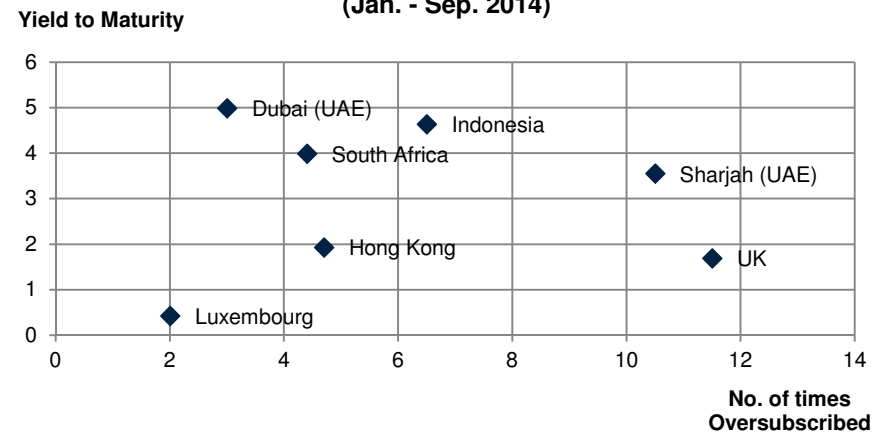
Finance & Markets

A Global Snapshot of Islamic Finance: Sukuk Market is Maturing

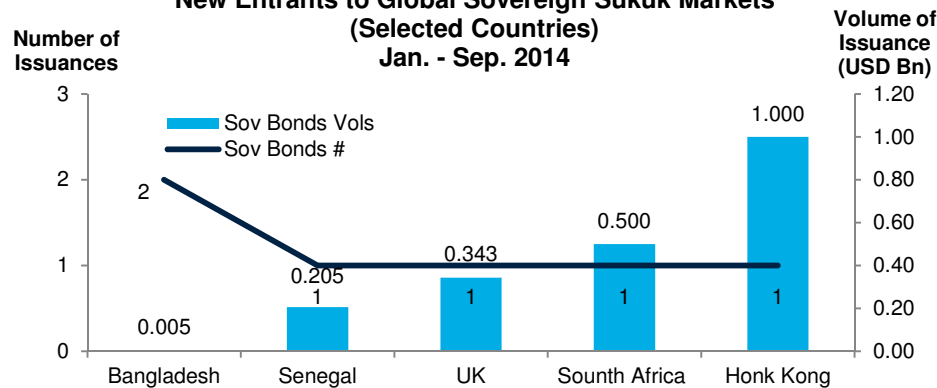
Developments of Sovereign Sukuk Issuances in Selected Countries
([Jan. - Sep.]: 2013 Vs. 2014)



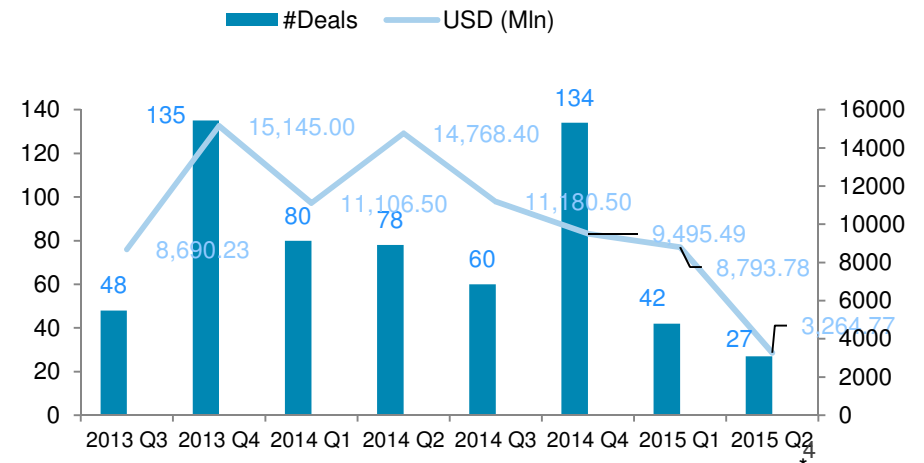
Oversubscriptions Vs. Yields to Maturity
(Jan. - Sep. 2014)



New Entrants to Global Sovereign Sukuk Markets
(Selected Countries)
Jan. - Sep. 2014



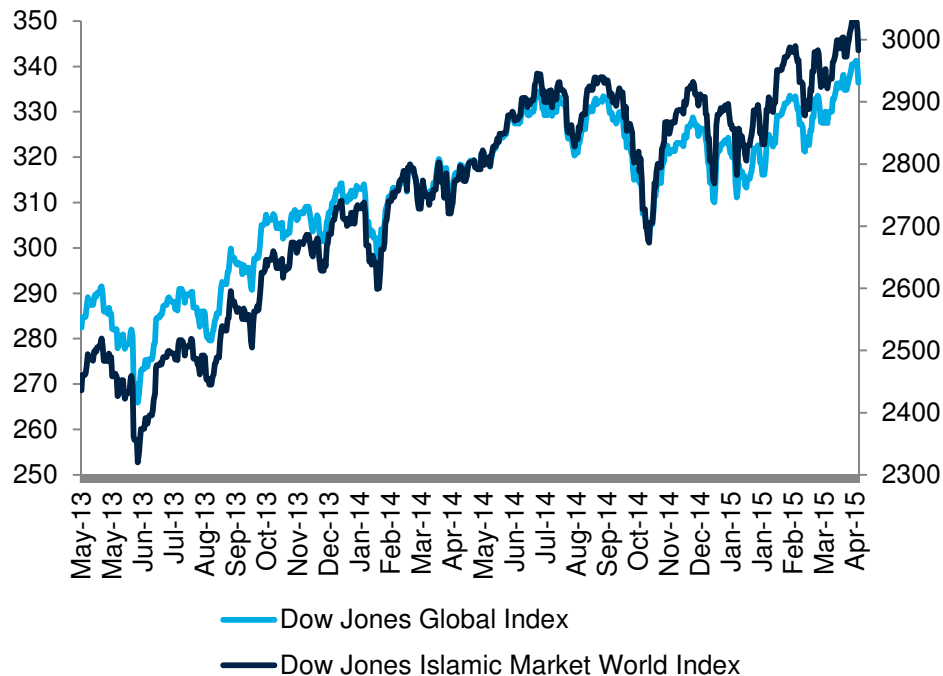
Amount and Number of Deals of Sukuk Issuances*



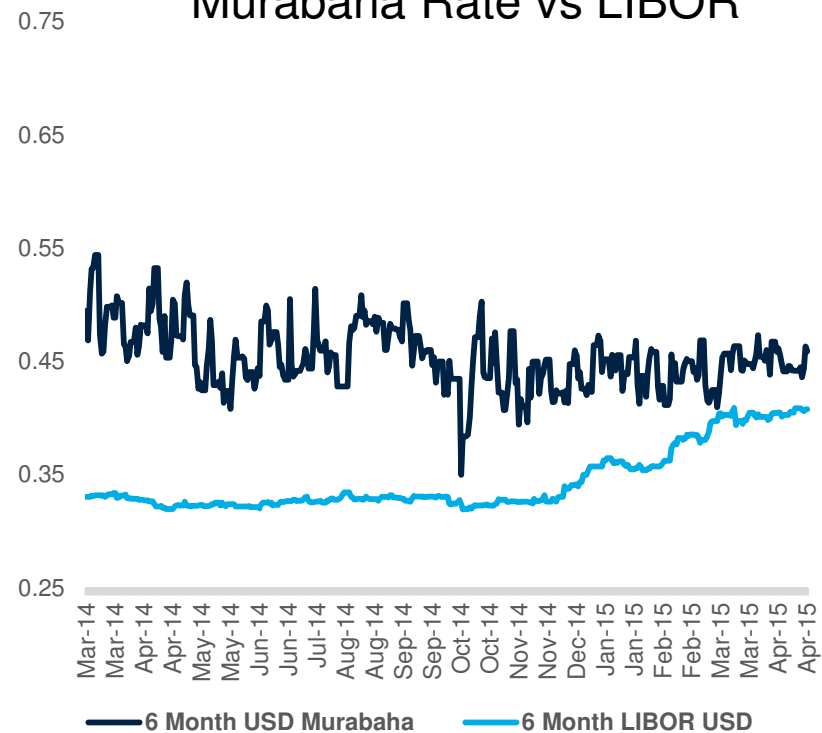


A Global Snapshot of Islamic Finance: Efficiency is Picking Up

Dow Jones Global vs Dow Jones Islamic Indices



Murabaha Rate vs LIBOR



WBG's multi-pronged approach for Islamic finance activities



WBG's Lending, Investments and Guarantees

Egypt: Inclusive Financial Access includes an Islamic finance component providing Sharia-compliant financing to MSMEs

Turkey: The Third Access to Finance for SME Project (SME III) includes an Islamic finance component, whereby Participation Banks (i.e. Islamic banks) will finance leases to SMEs under a Shariah compliant Wakalah contract

Jordan: SME Access to Finance Loan that includes a Shariah compliant component availing finance for rural areas with a Shariah compliant third party guarantee (kafalah)

West Bank and Gaza: Setting up a Shariah compliant partial credit guarantee scheme that allows for financing SMEs affected in Gaza by recent aggressions.

Indonesia: IFC invested in a Mudarabah fund managed by Bank Muamalat for financing SMEs

Global Issuance: World Bank Treasury successfully arranged an SRI Murabahah sukuk to finance immunization in poor countries

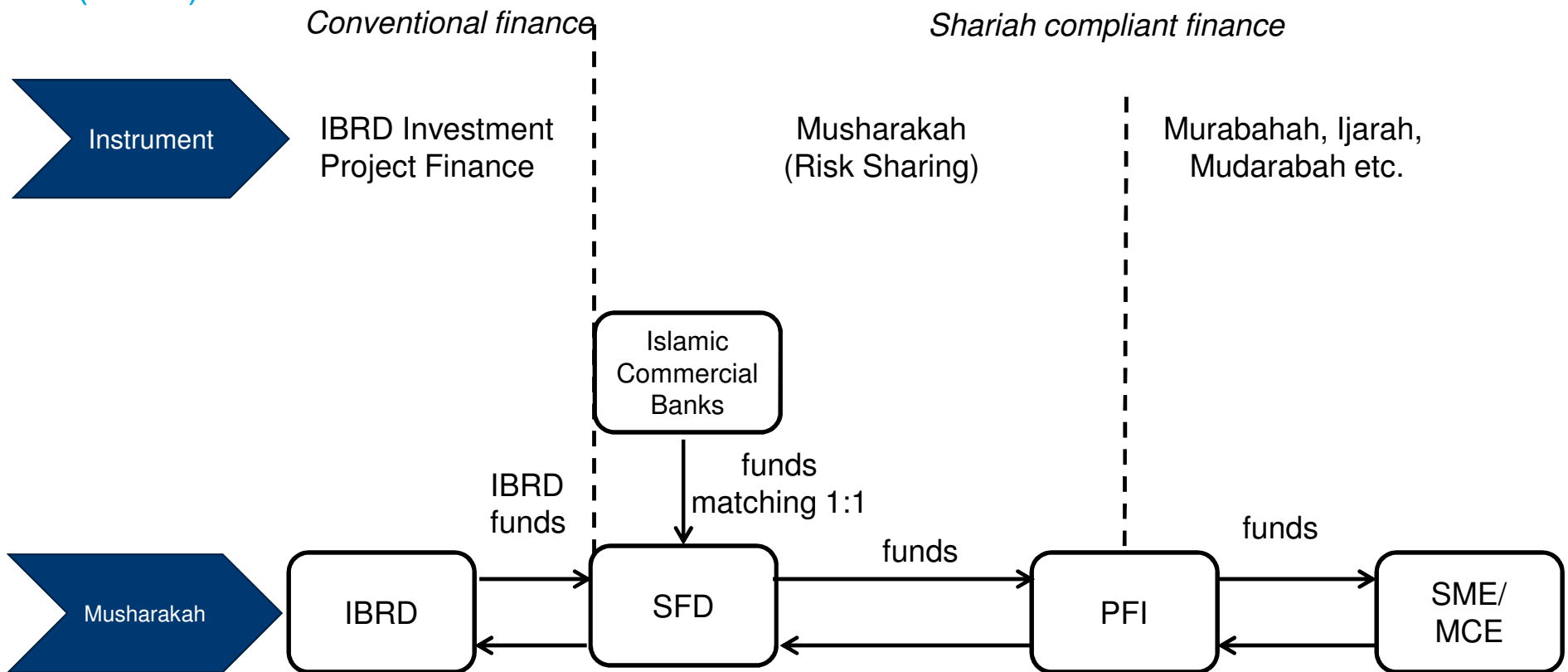
Djibouti: MIGA used an Islamic financing structure to guarantee the construction of the Doraleh Container Terminal in Djibouti and finance Axis Telecoms Project in Indonesia



WORLD BANK GROUP

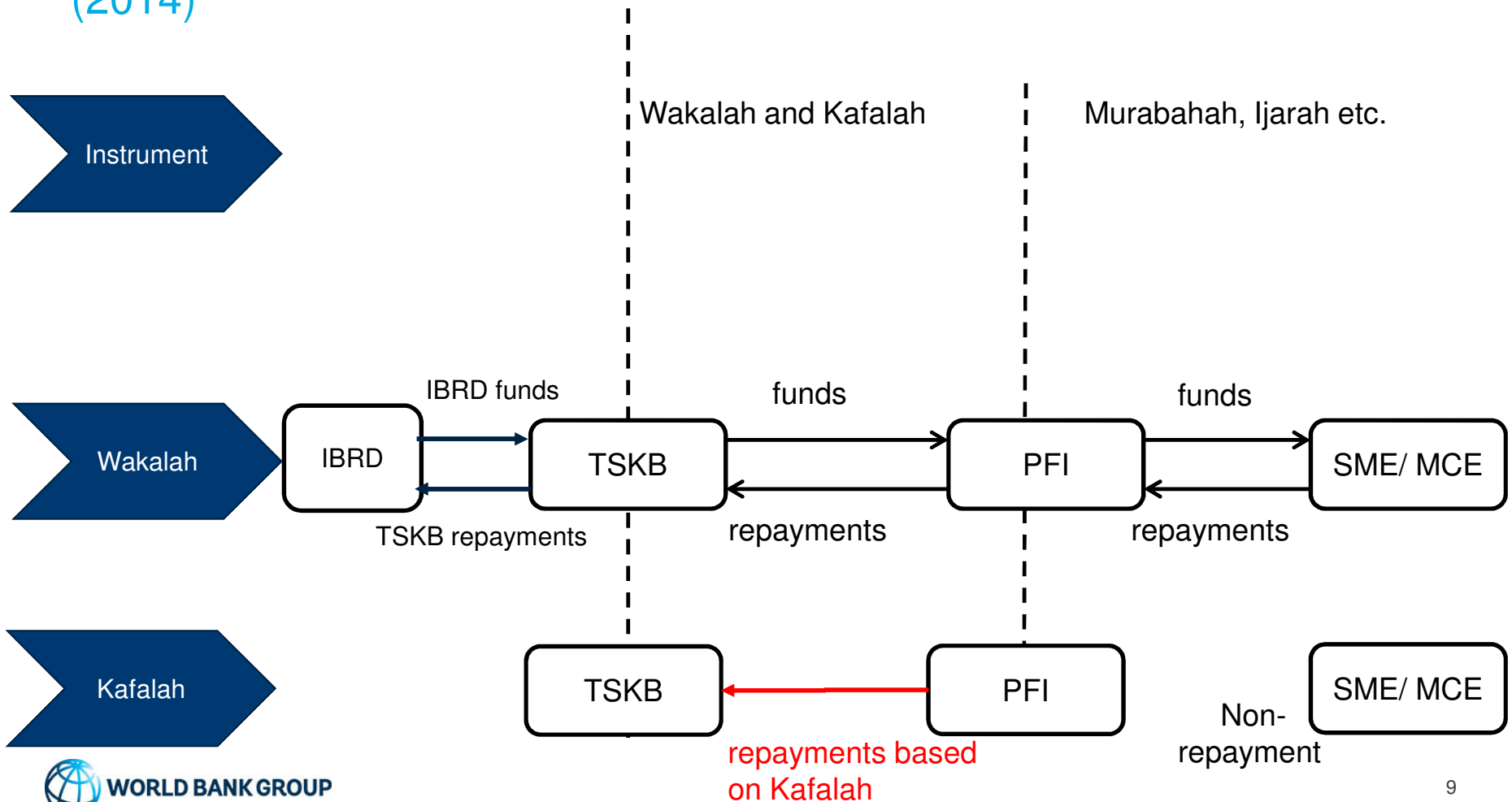
Finance & Markets

Innovative Finance for SMEs: Egypt's Inclusive Financial Access Project (2014)





Long Term Finance for SMEs: Turkey's Access to Finance for SME Project III (2014)

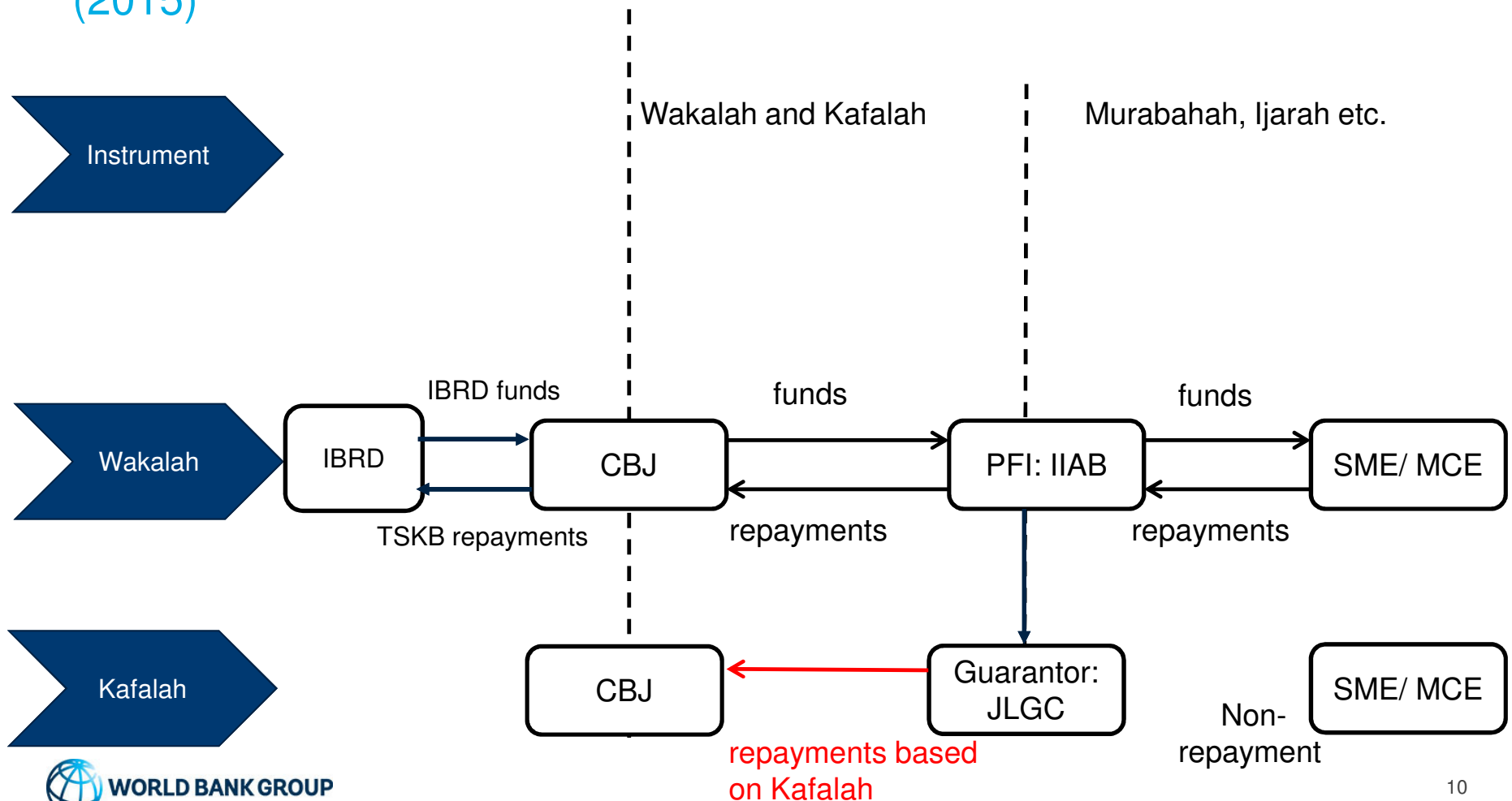




WORLD BANK GROUP

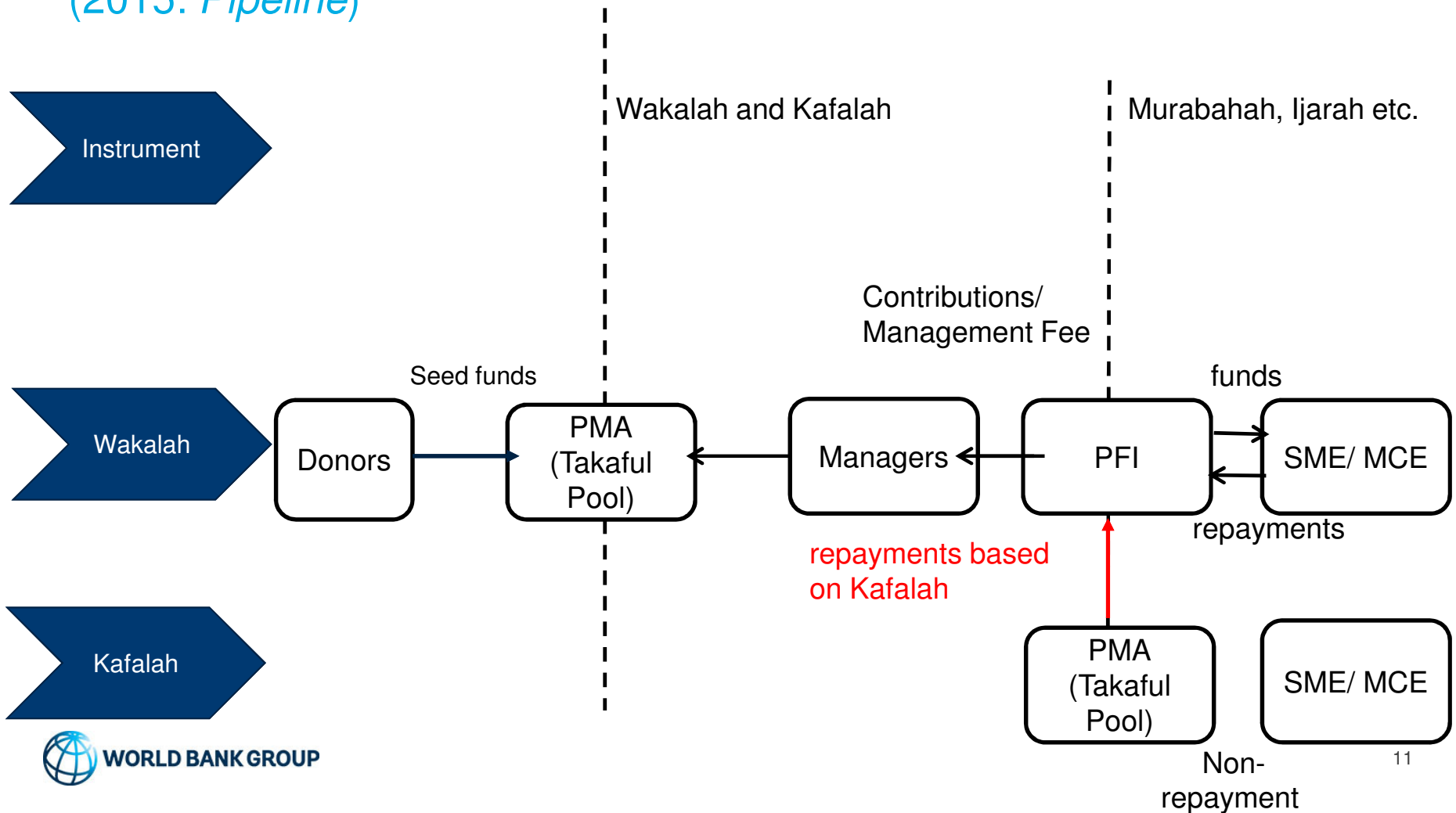
Finance & Markets

Rural SMEs Access to Finance: Jordan's Access to Finance Project (2015)





Shariah Compliant Partial Credit Guarantee for SMEs: Gaza PCG Facility (2015: Pipeline)



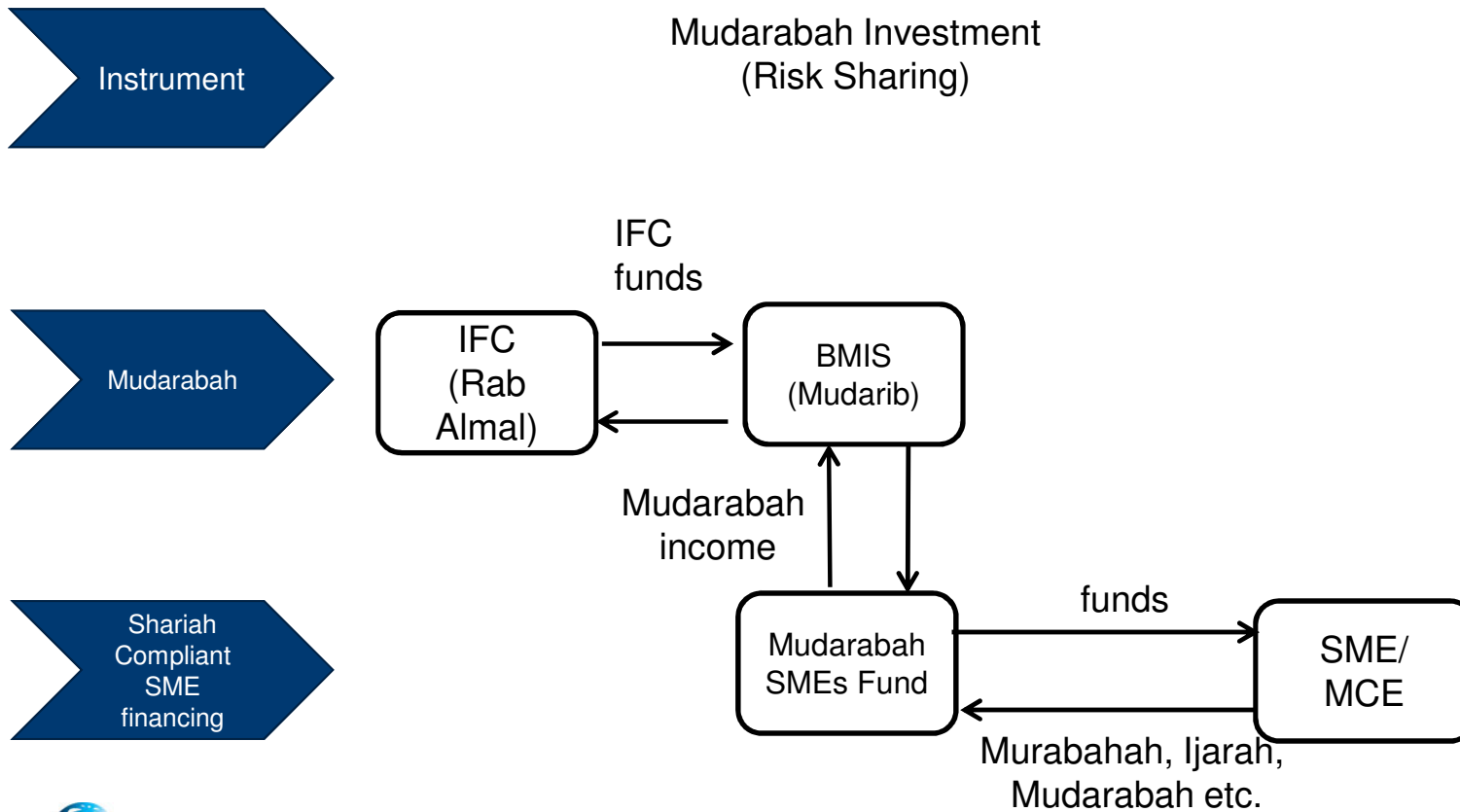


WORLD BANK GROUP

Finance & Markets

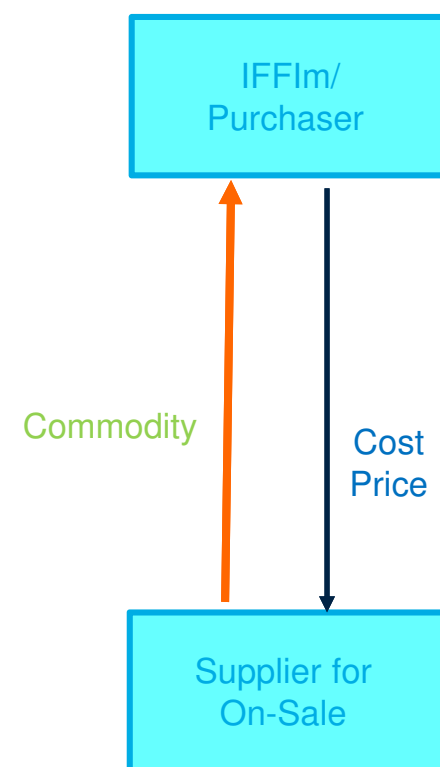
Mudarabah SMEs Fund: Bank Muamalat Indonesia Syariah (BMIS) (2014: IFC)

Shariah compliant finance



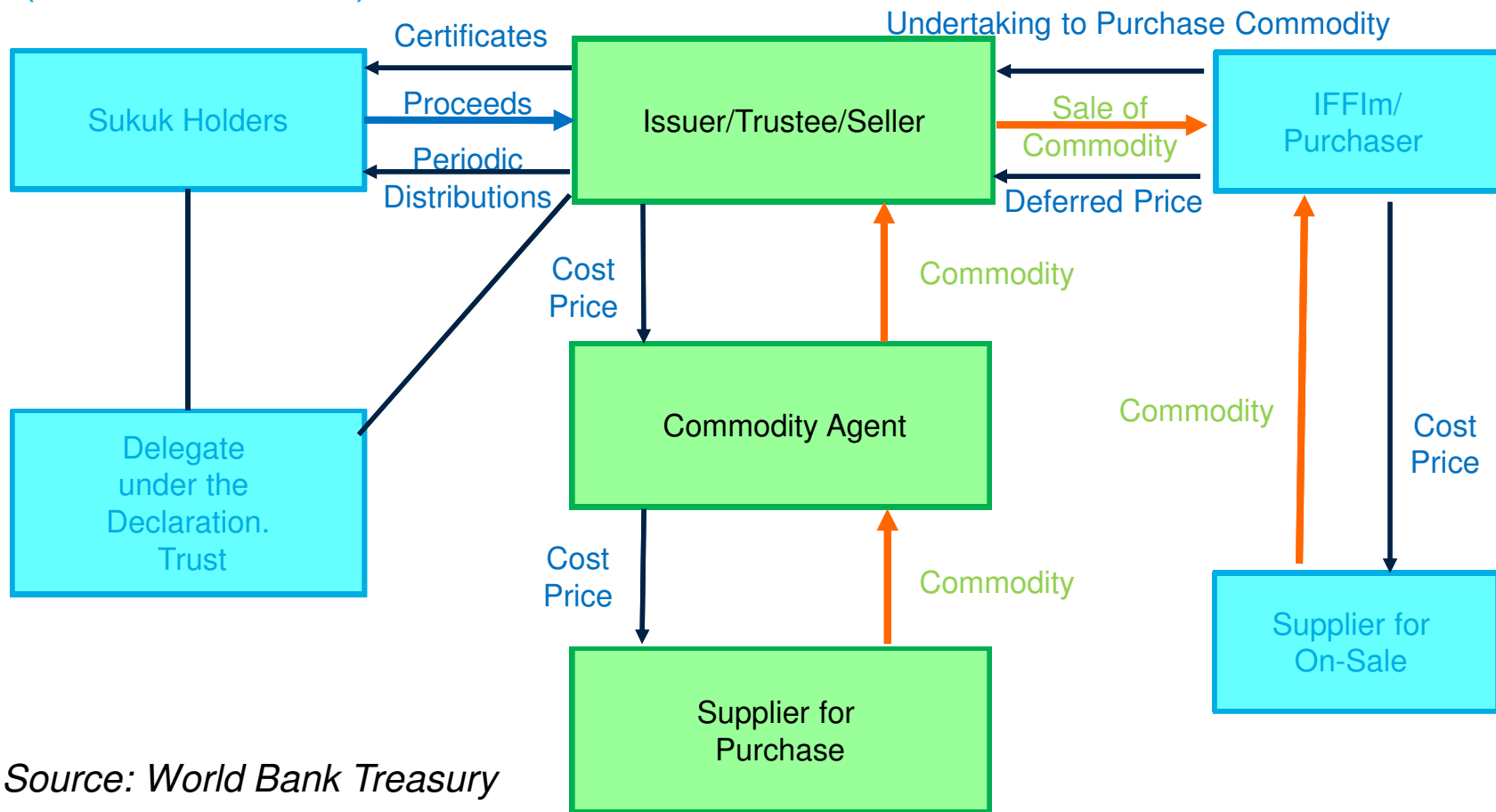
WORLD BANK GROUP

International Finance Facility for Immunization -SRI Sukuk (2015: WB-TRE)





International Finance Facility for Immunization -SRI Sukuk (2015: WB-TRE)

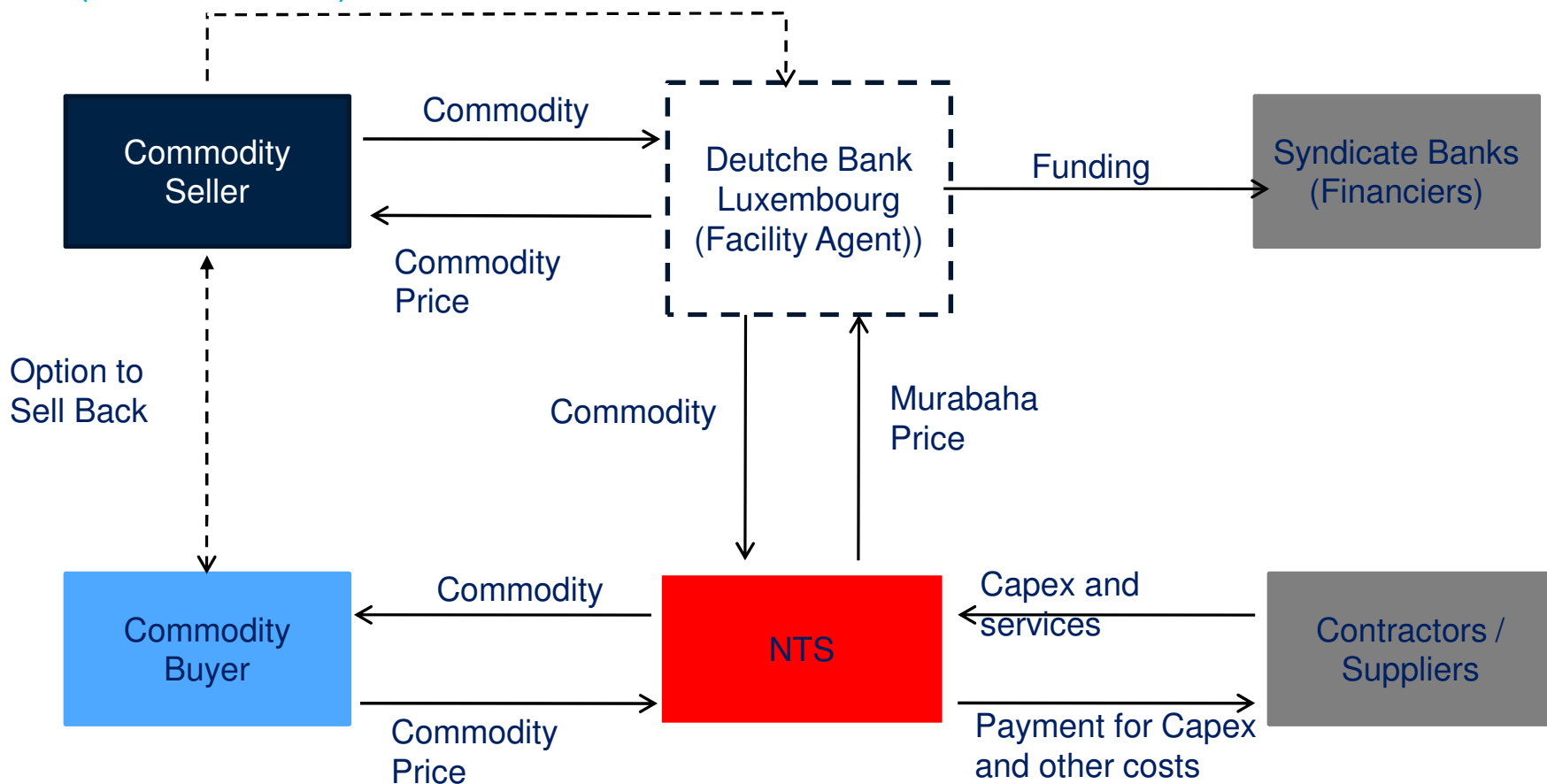




WORLD BANK GROUP

Finance & Markets

Guarantee for SC Financing for Axis Telecoms Project: Indonesia (2011: MIGA)

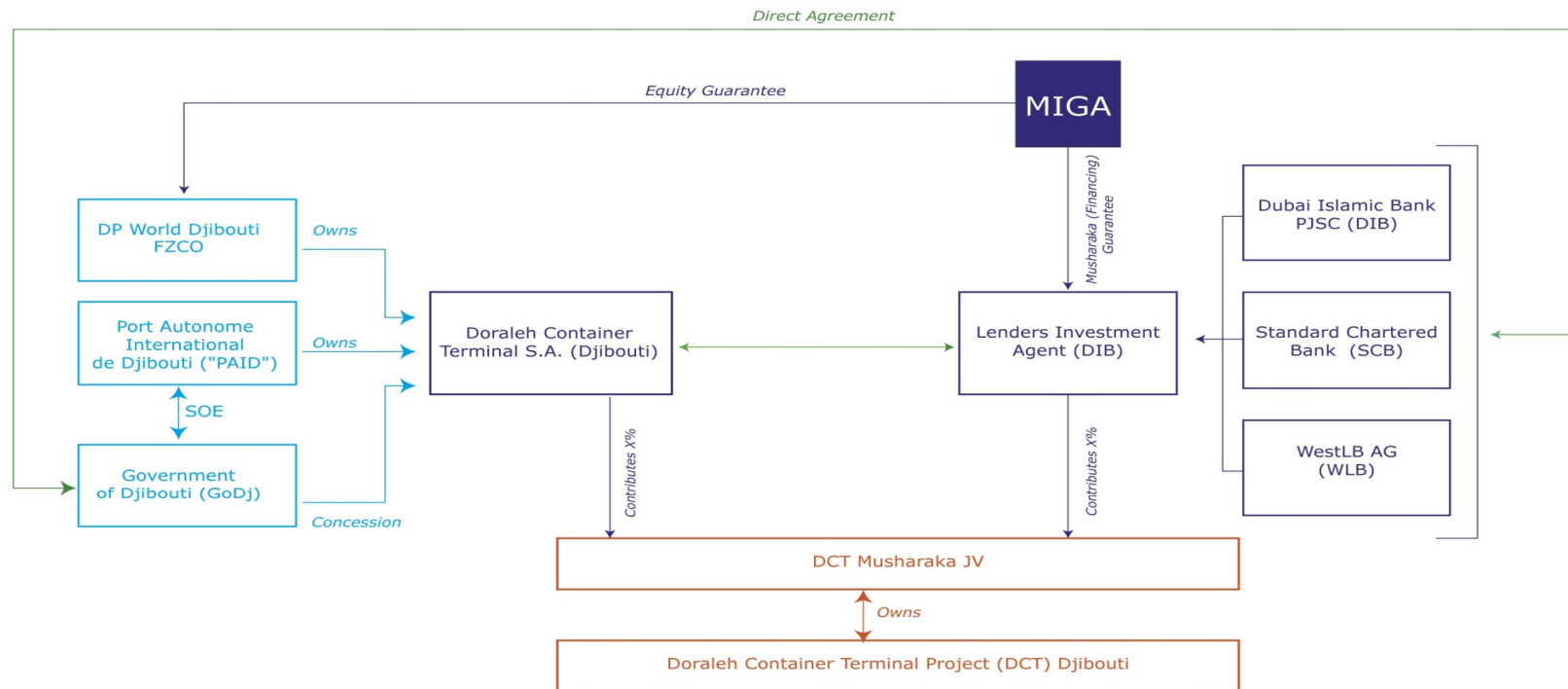




WORLD BANK GROUP

Finance & Markets

Guarantee for SC Financing for Doraleh Container Terminal Project: Djibouti (2007: MIGA)





WORLD BANK GROUP

Finance & Markets

Reality Vs. Potential Gap Challenges Islamic SME Financing

Short term *murabahah* financing is still predominant

Doubts about the consistent application of profit and loss-sharing principle

Increasing tendency to mimic conventional products



WORLD BANK GROUP



WORLD BANK GROUP
Finance & Markets

Looking Foreword: Islamic Finance Development Remains a Function of:

Enhancing corporate governance and risk management

Enhancing the regulatory and supervisory framework

Promoting standardization of products and documentation

Strengthening bankruptcy and insolvency frameworks

Raising public awareness (financial literacy)

Increasing the number of skilled professionals



WORLD BANK GROUP



WORLD BANK GROUP
Finance & Markets

Thank you

