



## ADB, ISLAMIC DEVELOPMENT BANK TO SET UP SHARI'AH-COMPLIANT INFRASTRUCTURE FUND

**MANILA, PHILIPPINES (2 June 2009)** – The Asian Development Bank (ADB) and the Islamic Development Bank (IDB) today agreed to set up Asia's first major multi-country Islamic infrastructure fund.

The Islamic Infrastructure Fund, targeted at \$500 million, will make Shari'ah-compliant equity investments in the 12 countries that are borrowing members of both development banks; currently Afghanistan, Azerbaijan, Bangladesh, Indonesia, Kazakhstan, Kyrgyz Republic, Malaysia, Maldives, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

Most of Asia is in urgent need of additional spending on infrastructure but the conditions of infrastructure in the target countries are frequently worse than the Asian average.

"In Indonesia, only 39% of urban dwellers have access to piped water, only 9.5% of roads in Afghanistan are paved and only 42% of Bangladesh's population has access to electricity," said Robert van Zwieten, Director of ADB's Capital Markets and Financial Sectors Division. "Without added investment to change that, economic growth and poverty reduction will be held back."

The investment marks ADB's first Shariah-compliant fund. Such instruments are structured to comply with Islamic law, which bars investment in interest-bearing securities or in forbidden activities such as gambling.

"With increasing demand for Islamic finance by both investors and clients, we expect the Fund to attract capital not only from the Islamic world, notably the Middle East region, but from a wide range of institutional investors all over the world," said Walid Abdelwahab, Director of IDB's Country Operations Department (Asia). "Despite the tightening liquidity around the world, there is still a substantial amount of wealth and many investors are increasingly interested in putting their money to work in a way that complies with their faith."

It is estimated that the sovereign wealth funds in the Gulf Cooperation Council countries totaled \$1.2 trillion at the end of 2008.

The two development banks announced the plan during the 34<sup>th</sup> Annual Meeting of the IDB Board of Governors in Ashgabat, Turkmenistan currently underway.

ADB, based in Manila, is dedicated to reducing poverty in the Asia and Pacific region through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members – 48 from the region. In 2008, it approved \$10.5 billion of loans, \$811.4 million of grant projects, and technical assistance amounting to \$274.5 million.

IDB, headquartered in Jeddah, Saudi Arabia, started operations in 1975. It has 56 members and aimed to foster the economic development and social progress of member countries and Muslim communities in accordance with Shari'ah, or Islamic law.

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