

The Islamic Development Bank

Sustainability Sukuk Helps to Tackle COVID-19 Aftermath

Case Study

The Client	The Islamic Development Bank (IsDB) is a multilateral development bank focused on Islamic finance. It aims to improve people's lives in member countries and Muslim communities worldwide by promoting social and economic development.
The Challenge	IsDB, which is rated Aaa/AAA/AAA by Moody's, S&P and Fitch, sought to raise funds for social projects in its 57 member countries under its Sustainable Finance Framework. Its particular focus was access to essential services, SME financing and employment generation in the aftermath of the COVID-19 pandemic. COVID-19 not only adversely impacted many member countries but also constrained their access to funding, given that during the early stages of the pandemic, markets were volatile and liquidity was constrained.
The Solution	<p>Citi, acting as joint lead manager and joint bookrunner, worked closely with IsDB to structure a five-year Trust Certificate under its \$25 billion Trust Certificate Issuance Program. The project categories of 'SDG-3: Good Health and Well-Being' and 'SDG-8: Decent Work and Economic Growth' were identified according to the standards set by the International Capital Market Association under its Sustainability Bond Guidelines and Social Bond Principles.</p> <p>Following a series of meetings with fixed income investors across Europe, the Middle East, and Asia, IsDB issued \$1.5 billion of Sustainable Trust Certificates in Sukuk format; the issue was the first ever AAA-rated Sustainability Sukuk in the global capital markets. With high levels of demand from investors, including significant participation from Asia and several investors that had not previously held IsDB paper, the deal was priced with an overall profit rate of 0.908% – the lowest profit rate achieved for a USD public Sukuk by IsDB to date.</p>
The Result	The successful issuance formed a key part of IsDB's wide-ranging 'Respond, Restore and Restart' efforts to counter the impact of COVID-19 in its member countries. The Sustainability Sukuk broadened the range of financing tools available to IsDB and helped to establish Sustainability and Social Sukuk as valuable asset classes to address the pandemic. The attractive pricing for the transaction will help to facilitate better financing terms for member countries.