Enhancing The Competitiveness of SMEs in OIC Member States
Ankara June 12-14 2012

Islamic Corporation for the Development of the Private Sector

Member of Islamic Development Bank (IDB) Group

Development – Innovation – Solidarity

Talal Althefery

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ISLAMIC DEVELOPMENT BANK GROUP

Globally Secure

Islamic Corporation for Insurance of Investments and Export Credits (ICIEC)

Islamic Corporation for the Development of the Private Sector (ICD)

International Islamic Trade Finance Corporation (ITFC)

Islamic Research and Training Institute (IRTI)

ISLAMIC DEVELOPMENT BANK

- IDB, headquartered in Jeddah, Saudi Arabia, is a USD 50bn+ bank with 56 member countries mainly located in Asia, Middle East and Africa

- IDB Group Strategic Objectives:
  - Promotion of Islamic financial industry and institutions
  - Poverty alleviation
  - Promotion of cooperation among member countries

- IDB Group Priorities:
  - Human Development
  - Agriculture Development and Food Security
  - Infrastructure Development
  - Intra-trade Between Member Countries
  - Private Sector Development
  - Research and Development in Islamic Economics, Banking and Finance

IDB Group Vision:

To be the leader in fostering socio-economic development in member countries and Muslim communities in non member countries in conformity with Shari’ah Law

ISLAMIC DEVELOPMENT BANK GROUP

The main purpose of IDBG is to foster the economic development & social progress of member countries as well as the development of Muslim communities in non member countries. In doing so, the IDBG has established the following complementary specialized arms to better achieve this purpose & they include:

Islamic Research & Training Institute (IRTI)

Established in 1981 to undertake applied & basic research in Islamic economics & finance activities which include:

- Research seminars
- Conferences
- Training courses
- Publications
- IRTI prize in Islamic economics, banking & finance
- IRTI scholarship for PhD in Islamic banking.

Globally Secure

Islamic Corporation for Insurance of Investments & Export Credits (ICIEC)

Established in 1994 with a capital of USD $225 mn, the ICIEC provides Shari'ah compatible export credit insurance, political risk insurance & technical assistance.

Islamic Corporation for the Development of the Private Sector (ICD)

With USD $2 bn, ICD was established in 1999 to promote private sector development.

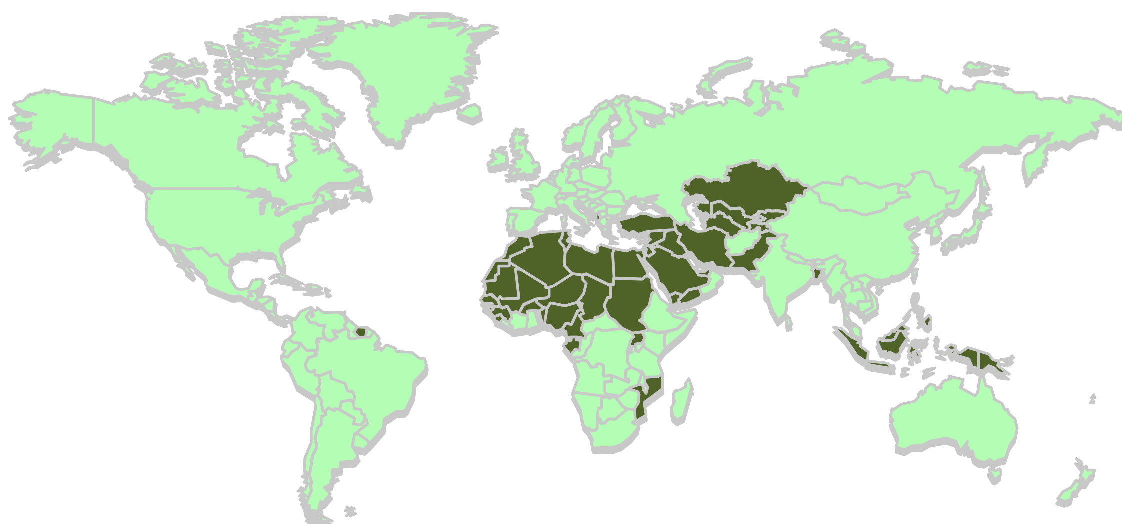
International Islamic Trade Finance Corporation (ITFC)

With a capital of USD $3 bn, the ITFC has commenced its operations in January 2008. Its mission is to promote & enhance intra-trade cooperation among OIC member countries through trade financing & promotion programs.

ICD MISSION & VISION

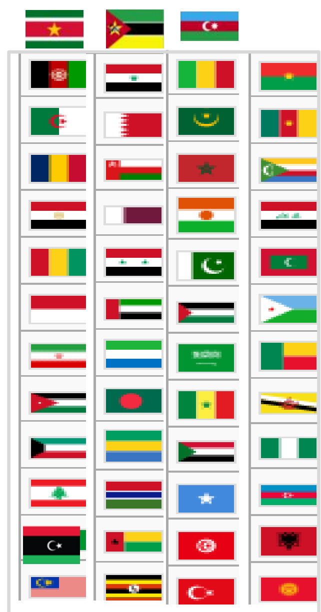
- ICD is the private sector arm of IDB, a multilateral development finance institution
- ICD was established in 1999 with an authorized capital of USD 2bn.
- ICD is 50% owned by IDB, 20% by public financial institutions & 30% by member countries

- ***The Vision of ICD*** *is to be a major player in the development & promotion of the private sector as a vehicle for economic & social growth & prosperity in Islamic countries*
- ***The Mission of ICD*** *is to complement the role played by IDB through*
  - *Providing Islamic financial services & products*
  - ***Promoting competition & entrepreneurship in member countries***
  - *Advising governments & businesses*
  - *Encouraging cross border investments*



ICD MEMBER COUNTRIES

ARAB COUNTRIES |19	AFRICAN COUNTRIES |16	ASIAN COUNTRIES |13	EUROPIAN COUNTRIES |2	SOUTH AMERICA |1
ALGERIA BAHRAIN DJIBOUTI EGYPT IRAQ JORDAN KUWAIT LEBANON LIBYA MAURITANIA MOROCCO PALESTINE QATAR SAUDI ARABIA SUDAN SYRIA TUNISIA U.A.E YEMEN	BENIN BURKINA FASO CAMEROON CHAD GABON GAMBIA GUINEA IVORY COAST MALI MOZAMBIQUE NIGER NIGERIA SENEGAL SIERRA LEONE TOGO UGANDA	AZERBAIJAN BANGLADESH BRUNEI IRAN INDONESIA MALAYSIA MALDIVES PAKISTAN TURKMENISTAN TAJIKISTAN KAZAKHSTAN KYRGYZSTAN UZBEKISTAN	ALBANIA TURKEY	SURINAME



51 Member Countries

OVERVIEW: ICD Goals & Strategic Objectives

ICD strategic objective is to promote private sector by: helping create jobs; providing Islamic financing capabilities in all member countries; and providing access to financing.

1440 Vision

- 1 million jobs created
- 1 million low income families with access to finance
- 50 Islamic finance channels created / developed
- Enabling environment in 10 member countries
- 70% of resources from the market

ICD Goals

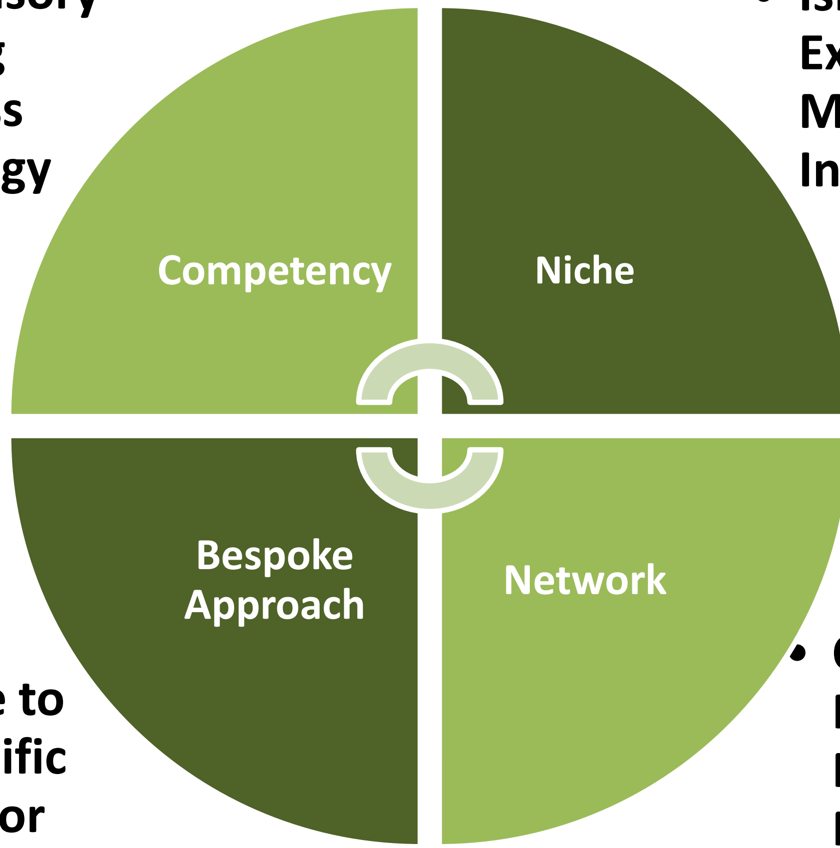
- 1 – 2 channels (financial institution investments) per country by 1440
- 3,000 enterprises per channels

  (SME through to corporations in key sector)
- 1 direct investment per country by 1440(in sectors outside financial services)

WHY ICD?

- Senior Advisory Team Using Best in Class Methodology

- Islamic Finance Expertise as a Multilateral Institution



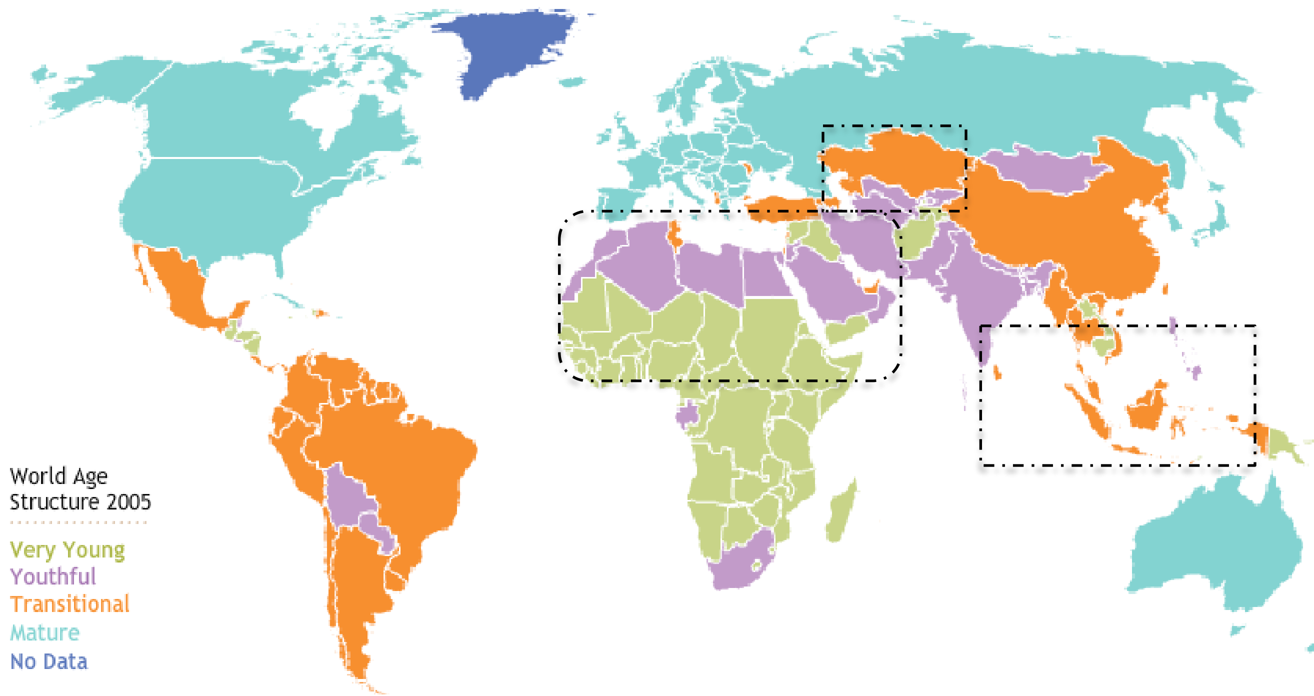
- Leverage Experience to Tailor Specific Solutions for Client

- Compelling Network Presence in MC's

2. CURRENT STATE OF SME SECTOR

TREND ACROSS MEMBER COUNTRIES

Recent unrest in key member countries is led by a young & growing population (the "youth bulge") that is reacting to economic deprivation

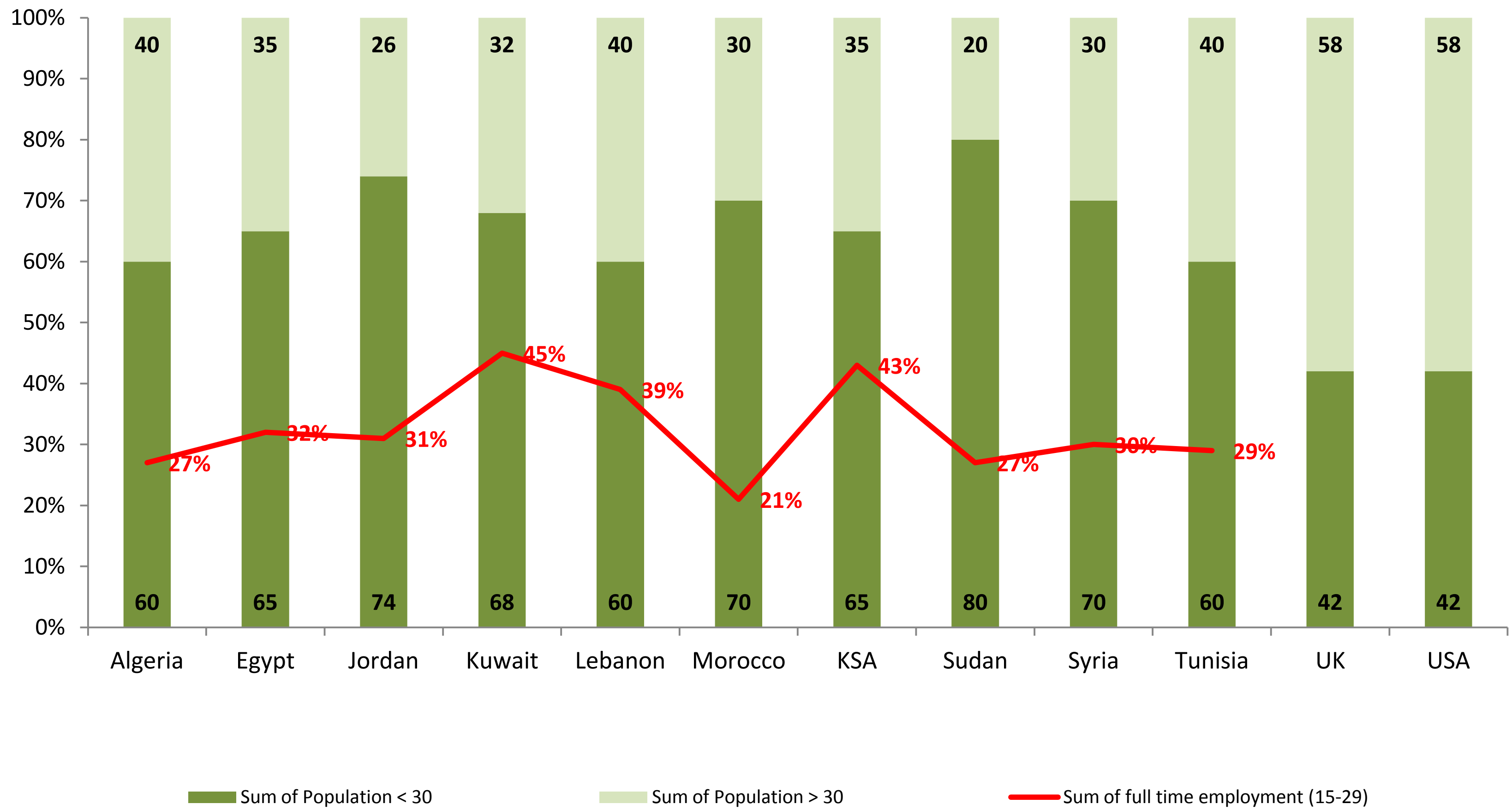


- 60% percent within member countries are under 30 years
- "Youth bulge" is forming with large segment between 15 & 29, with a median age of 24

Source: Population Action International

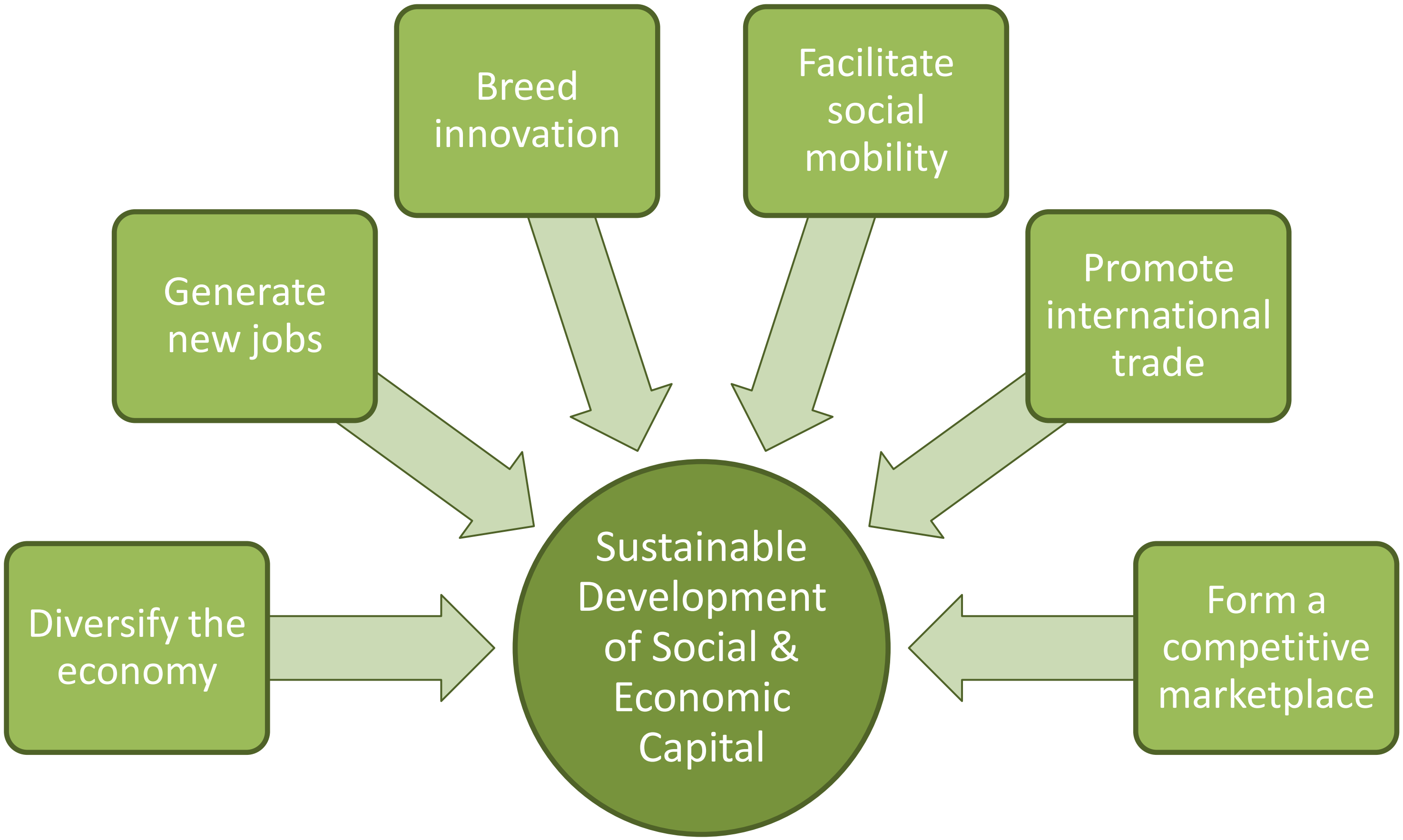
YOUTH BULGE

Unemployment is rampant amongst the youth. As an example, in Middle East and North Africa region, 80-100 million new jobs must be generated by 2020 to keep employment at current levels



SME SECTOR - OPPORTUNITIES

SMEs are recognized as a key source of growth, dynamism, innovation and flexibility. Hence they are what some economists call the "Backbone" of an economy.



CHALLENGES TO THE SME SECTOR

While SMEs are the most viable contributor to development, significant obstacles exist for the SME sector within member countries

Common Challenges in SME Sector Development

Access to Markets

- Underdeveloped domestic markets (lack of domestic demand), and insufficient access to international markets

Education & Training

- Shortage of professional skills and entrepreneurial approach. High ratio of government employment has limited private sector skills

Policy

- Lack of policies for SME formation and growth (e.g., long registration & licensing times)

Support Services

- Basic services (e.g., licensing, lease premises) can take months to secure, burdening newly-formed enterprises

Social

- Entrepreneurship is not a prestigious track amongst the educated
- Comfortable government jobs, when available, are preferred over the hustle of entrepreneurship

Capital

- Limited availability of equity (e.g. seed capital & growth capital)
- Limited bank financing & onerous requirements (e.g., personal guarantees)

SME SECTOR NEEDS

Governments need to remove hurdles to SME development, while promoting policies and development programs to build sustainable competencies

Providing Assistance

- *Establishing programs for financing, training and education*
- *Promoting & advising on public policy to encourage SME growth*

Removing Impediments

- *Removing obstacles to SME establishment & growth – bureaucracy & red tape*
- *Challenging cultural & social stereotypes to entrepreneurship*

SWOT ANALYSIS

OIC Region SMEs Focus

Strength

- Young population
- Rich natural resources
- Political will to improve business environment
- Dynamic Islamic banking industry

Weakness

- Existence of bureaucratic barriers
- Absence of entrepreneurial culture
- Low access to finance
- Weak corporate governance
- Limited R&D expenditures

SME

Opportunities

- Rising intra-OIC trade volume
- Existence of best-practice sharing platforms and mechanisms
- Low carbon dioxide emissions
- Increasing FDI's

Threats

- High unemployment level
- Limited access to information
- Slow progress towards economic cooperation
- High economic dependance on natural resources

POLICY APPROACHES FOR DIFFERENT OIC ECONOMIES

Highly Populated Economies	• Focus on labor-intensive industries • Need for comprehensive policy intervention
Medium Income Economies	• Focus on innovation and partnership • Need for improving/diversifying SMEs’ access to finance
Natural Resource Rich Economies	• Focus on sectoral diversification • Need for encouraging local entrepreneurship
Least Developed Economies	• Focus on economic diversification • Need for capacity building intervention

3. ICD SME PROGRAM

ICD SMEs Development OBJECTIVES

The principle objective of the ICD SME Program is to enhance access to finance for fast-growing SMEs that contribute to job generation, economic development & stability

Objectives

- Foster enterprise development & broad-based economic recovery
- A favorable policy & regulatory environment
- Access to new technologies & know-how education & training programs
- Building entrepreneurial skills & extending networks with support institutions
- Strong, sustainable institutions providing financial assistance with improved market access
- Upgrade & improve the competitiveness of value chains in which SME's participate

SME PROGRAM FRAMEWORK

SME PROGRAM COMPONENTS

FUND MANAGEMENT

- Fund Structuring
- Fund Placement
- Fund Investment

ADVISORY SERVICES

- Policy Advisory
- SME Banking
- Capacity Building

COMPONENT I: FUND MANAGEMENT

To deliver on defined objectives in a meaningful manner, specialist fund management expertise is required. ICD provides this expertise for all financial assistance programs, whether debt finance or equity finance

Establishing Specific Deal Teams in Target Countries

Cross-border Networking under SME Fund Programs

Best Practice Migration across Program Countries

COMPONENT II: ADVISORY SERVICES

ICD practitioners provide advisory on a broad set of solutions ranging from working with governments to establish flagship SME Authorities guiding government activities to providing direct technical assistance services to financial institutions and SMEs

Policy Advisory Focus

- Governments
- Regulators
- Service Providers

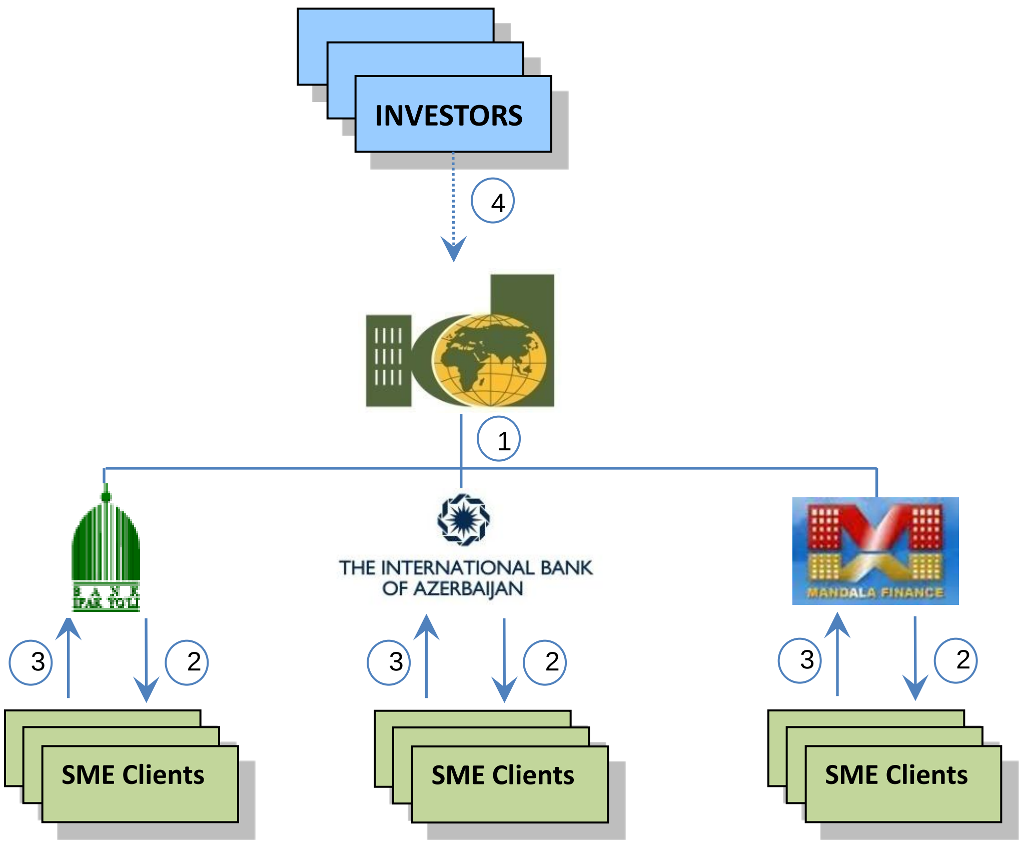
SME Banking Focus

- Financial Institutions

Capacity Building Focus

- Universities
- SME Umbrella Institutions

PROMOTING SME DEVELOPMENT VIA LINE OF FINANCE



1. ICD's disburses line of financing against guarantees from the financial institutions
2. Financial institutions disburse medium term financing to SMEs for expansion, working capital, etc.
3. SMEs pays their medium term financing and the financial institutions will repay ICD for the line of financing
4. Other investors may participate in the line of financing by appointing ICD as the Investment Agent.

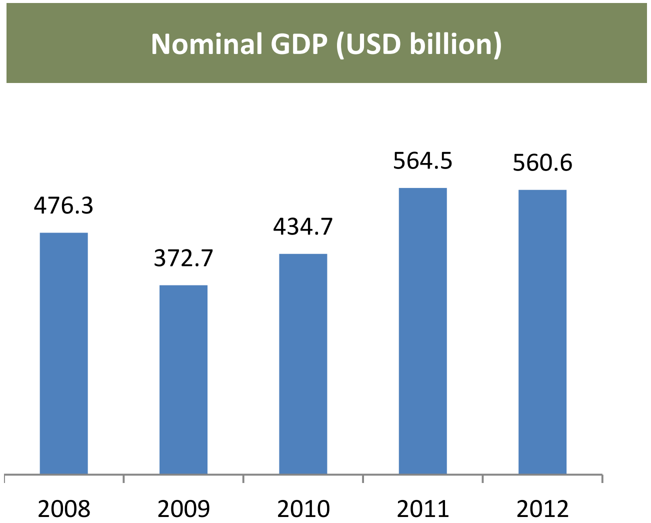
As a result of this ICD helped to:

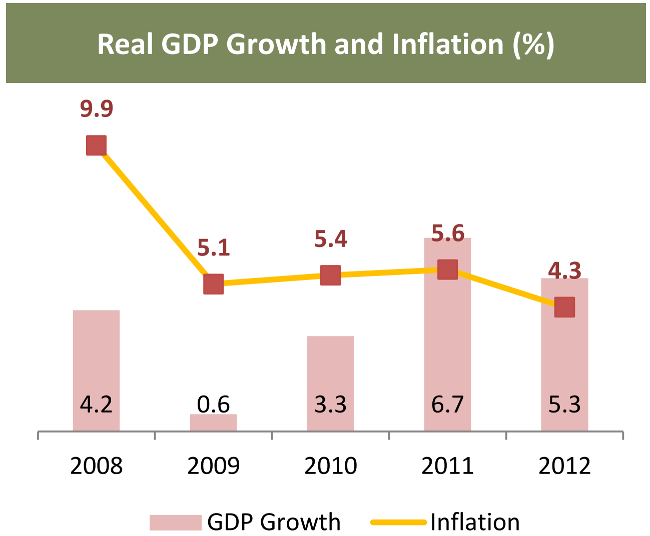
- **Expand SME lending in the CIS and South East Asia regions**
- **Provide financing to 54 SMEs in five member countries (Azerbaijan, Kyrgyz Republic, Tajikistan, Uzbekistan and Mauritania) and over 5,000 motorcycles were financed by PT Mandala Multifinance for the use of small family businesses in Indonesia**

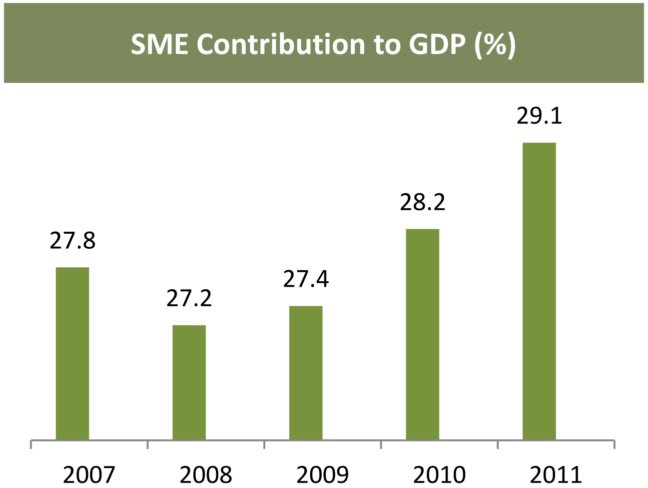
4. Case Study| KINGDOM OF SAUDI ARABIA

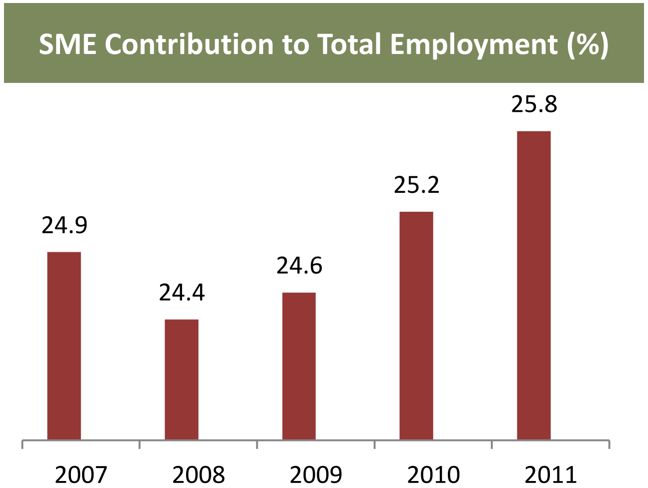
KSA BUSINESS ENVIRONMENT

- Long-term drive by government to encourage a greater role for the private sector by government
- Need to provide employment for the country's young unemployed
- The fiscal boost by recently announced state spending initiatives are forecasted to lift real GDP growth
- Efforts to address this the government will extend financing guarantees to banks offering loans to SMEs <u>to promote entrepreneurship</u>









(Source: ICD, EIU, CGI)

SME SECTOR IN KSA

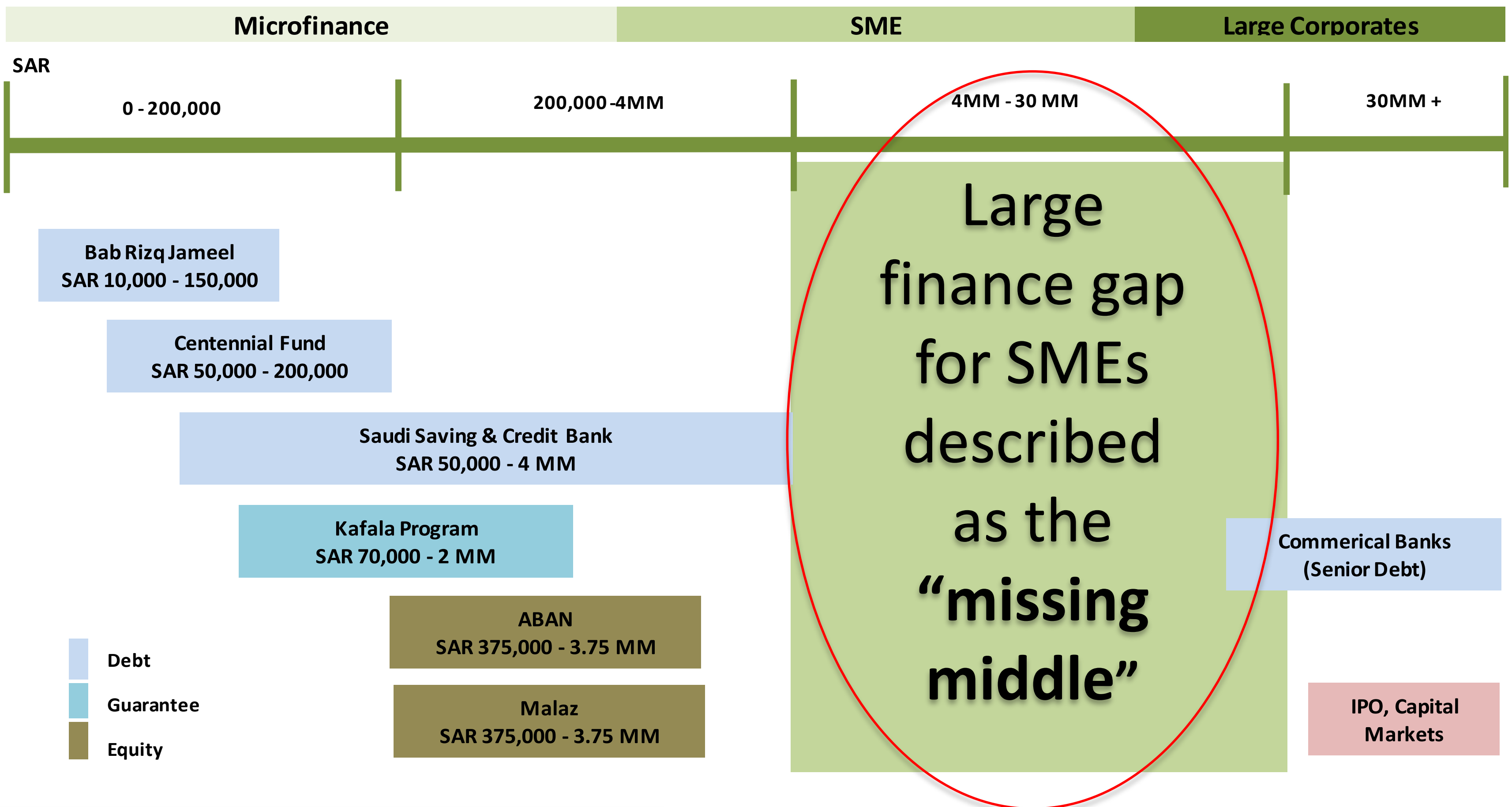
SME Findings in ICD's KSA SME Survey 2011:

- 600,000 SMEs (< 250 employees)
- 97% of total number of enterprises
- 71% of non-oil employment
- 25% of total employment
- 70% do not have formal banking relationships
- 60% believe banks are inflexible & conservative
- 70% access informal sources of finance (self, family & friends)

SME Definition according to ICD:
"A formal enterprise with assets < SAR 50 million **OR** annual turnover between SAR 2.5 million & SAR 100 million employing between 10 & 250 personnel, with no more than 25 percent voting shares owned by a larger entity."

SMES' ACCESS TO FINANCE: EXISTING GAP

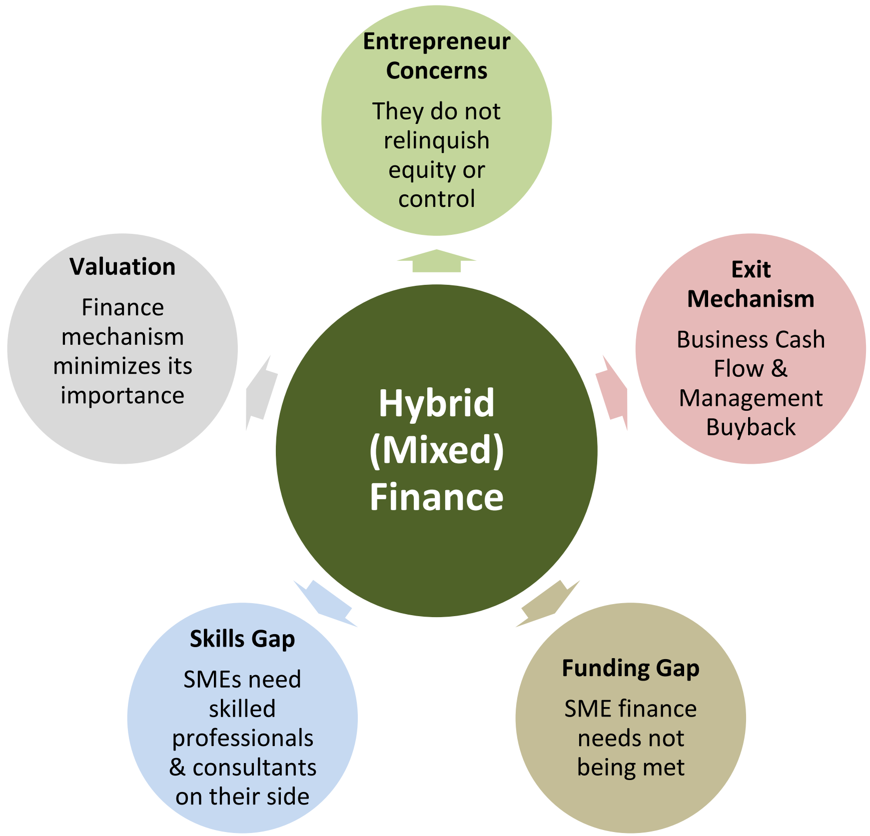
Lending growth will remain slow in 2012, with the bulk of lending going to larger companies creating a finance need for SMEs in KSA



KSA SME PROGRAM –OPPORTUNITY FOR DEVELOPMENT

SME Fund aims to enhance access to finance for fast-growing SMEs that contribute to economic development and job growth by investing in value-adding sectors through Hybrid Finance

SME Life Stage	Target Sectors
Early Stage SMEs **2 - 3 Years**	Media & Design, ICT, Import Substitution & General Manufacturing, Foods, Agribusiness, Aquaculture, Tourism, Transport & Logistics, Healthcare & Medical Sciences, Education, Franchising Operations
Growth Stage SMEs **3 – 5 Years**	Construction-Related , Import Substitution & General Manufacturing, Franchising Operations, Foods, Agribusiness, Aquaculture, Tourism, Transport & Logistics, ICT, Healthcare & Medical Sciences, Education, Financial & Business services
Expansion to Mature Stage **5 Years +**	Industrial Manufacturing, Precision Engineering, Electronics, Automation, Chemicals, Advanced Materials, Alternative & Renewable Energy, Services to Hydrocarbon industry, Healthcare, Education, Environmental & Waste management, Water Technologies and Services, Construction-Related



KSA SME FUND STRUCTURE

Legal Structure	Contractual Fund regulated under Capital Market Authority
Fund Type & Target Size	Shari'ah compliant Closed-ended, SAR 1 billion
Fund Term	Initial term of 8 years, subject to 2 consecutive extensions of one year each.
Investment Horizon & Strategy	Expected investment horizon per investee will be 5-6 years, with the option to make 2 extensions of 1 year each (5 + 1 + 1) SMEs with growth potential and solid financial history
Exit Strategy of Investment	Business Cash Flow, and Internal Management Buy-back
Target Investors	Saudi Public Institutions, Banks and Multi-lateral Development Entities
Investment Size	Investment per account will range between SAR 1 million to 20 million, with an average expected ticket-size of SAR 11 million
Sector Exposure	Maximum 30% exposure per sector
Modes of Finance	The Fund’s investments will be structured mainly by way of Musharakah Mutanaqisah (Diminishing Musharakah), as well as other Shari'ah compliant structures such as Ijarah and Murabaha

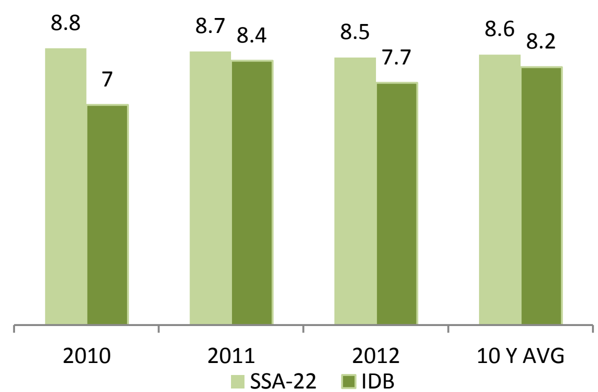
5. Case Study| WEST AFRICA

WEST AFRICA BUSINESS ENVIRONMENT

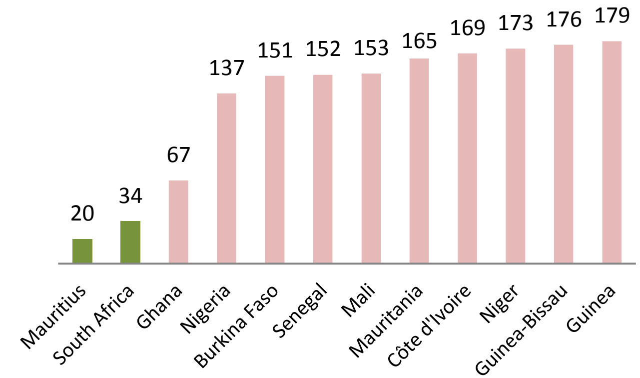
- Population of West Africa now exceeds 265M and is projected to grow by an additional 40M
- SME's provide over 70% of employment for lower income families in much of Sub-Saharan Africa
- They typically represent 90% or more of all companies and one-third of GDP
- Roughly 30% of West African GDP is linked to agriculture, which is twice the level of the rest of Sub-Saharan Africa

Sub-Saharan Africa (SSA-22) Benin, Burkina Faso, Cameroon, Chad, Comoros, Côte D'Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea-Bissau,Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo & Uganda.

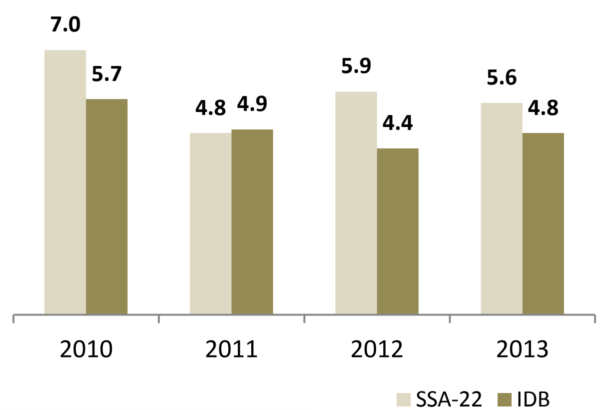
Consumer Price Inflation



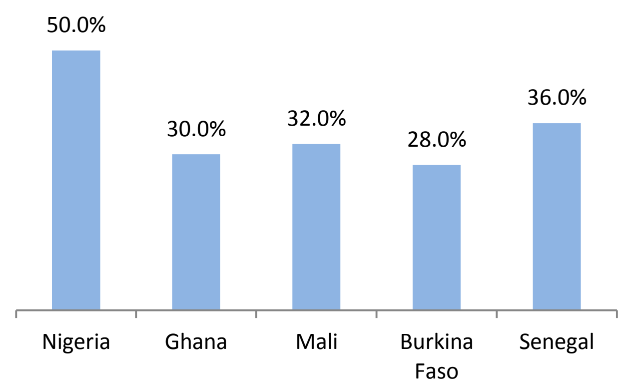
Ease of Doing Business 2011



Real GDP Growth



SME Contribution to GDP (%) (2010)



(Source: ICD, IDB, World Bank, IFC)

ISSUES FACING SME SECTOR IN WEST AFRICA

Despite their vital role in W. African economies & society, SMEs face multiple internal challenges

Staff skills	• Lack of well trained staff locally, given that many emigrate, particularly in rural areas
Management Skills	• Firms often emerge from the informal sector & management staff lack formal skills or even education. There is often a reluctance to pay & retain skilled managers even where resources allow
Organization	• Companies are typically family based businesses and the owner is dominant • Problems are often linked to in-fighting over "succession" & HR processes are rarely in place
Market Knowledge	• West African markets typically very opaque & firms suffer from lack of market data thus finding it difficult to expand. There is little evident propensity to work with other local firms to address this
Access to Finance	• This is a major constraint for over 50% of mid-sized companies & 60% of small companies. Banks are reluctant to lend given poor documentation, perceived risks & the operational intensity of monitoring smaller firms
Technology	• Africa lags most of the world in terms of technology innovation. There is very limited use of IT given a lack of skills & of infrastructure.

WEST AFRICA BACKGROUND

IDBG has historically struggled to identify bankable, high-quality projects & sponsors in Sub-Saharan Africa.

To address this issue, a technical assistance (TA) fund was setup into which it would contribute USD 1.5MM annually for three consecutive years ***(cumulatively USD 4.5 million)****, with one-third contributed by ICD & the remainder from the IDB*

Definition: The provision of technical expertise, means &/or know-how to assist in the preparation or implementation of a small to mid-sized firms, or to help develop the capacity of institutions.

MAIN OBJECTIVES OF WEST AFRICA SME PROGRAM

To support SME private companies in Sub-Saharan Africa to grow & become stronger by helping them prepare sound & “bankable” feasibility studies, conduct internal capacity & governance gap analysis & provide recommendation to “close the gap”.

This will be achieved as follows:

- *Preparation or updating of pre-feasibility/feasibility studies*
- *Help in capacity building & development of private sector in Sub-Saharan Countries*
- *Visible & sustainable developmental impact (~2000 jobs, over $40M in new sales)*
- *Improved financial returns for projects financed by IDB Group of ~$20M over 5 years*
- *Improved access to Islamic finance, complementary to Group channel activities*
- *Vehicle to attract partners & donors & work with FIs on improving bankability*
- *Enhanced institutionalized knowledge of TA, which can be applied in other regions*

CHARACTERISTICS OF PROGRAM

Types of Technical Assistance

- Project-related TA: *This covers preparation of feasibility study & also provides them with integrated business consulting services*

- Corporate Related Technical Assistance Advisory: *It involves recommending a strategy & ways to improve internal Corporate Governance, operations &, provide support in implementing recommendations made in feasibility studies*

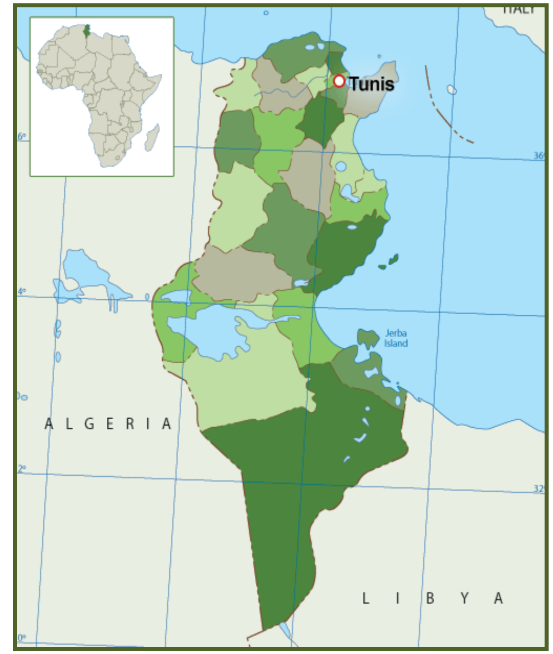
Beneficiaries:

All SME's private sector in Sub-Saharan countries may benefit from Technical Assistance Fund. However, priority will be given to the companies with high growth potential & its business contributes to the national development plans taking into consideration the Shari'ah compliance issues

6. Case Study| TUNISIA

TUNISIA

With strong economic reforms, well structured investment environment, young educated population, a strategic location & a new transparent government with pressure to deliver, Tunisia proves to be an attractive place to invest



- **Tunisia's new future:-** fertile ground for the SME sector to help contribute to lower the high unemployment rates of the youth and create cohesion between all levels and regions of society.

- **Strong competiveness indicators**:- namely good governance, transparency in public institutions, and political feasibility of reforms

- **Access for Islamic Finance:-** Tunisia is increasingly becoming a destination for Islamic Finance tools with a strong local demand for such products.

- **Well positioned economy with proximity to major markets**:- proximity to major markets such as the EU and other MENA

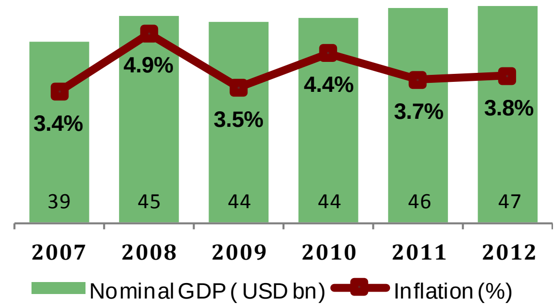
Source : EIU, AfDB

Tunisia: Economic Performance

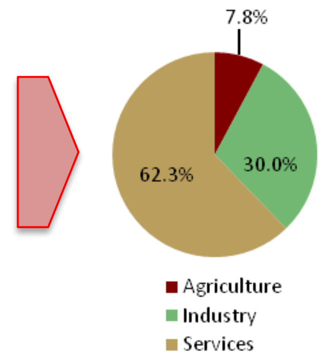
Economic Overview

- Economic growth is fell to -1.8% in 2011, slightly lower than government projections. Real GDP growth is forecast to average 3.7% a year in 2011-20, and to accelerate to an average of 4.3% a year in 2021-30.
- Government expenditure is expected to rise substantially as the interim government implements measures to boost economic growth
- Current account is expected to move into surplus from 2013
- Fiscal policy remains expansionary in the medium term in order to support development expenditure in the interior regions
- Inflation is forecast to average 4% in 2011-2013 as the slowdown in domestic demand should offset, to a large extent, the rise in global commodity prices

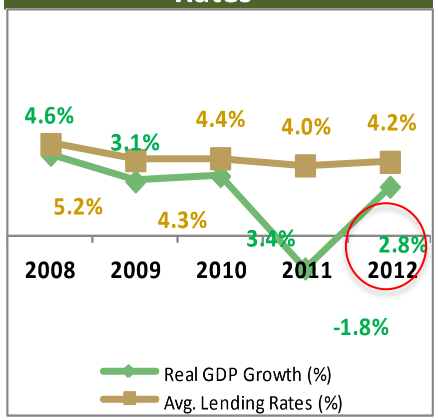
Nominal GDP & Inflation [1]



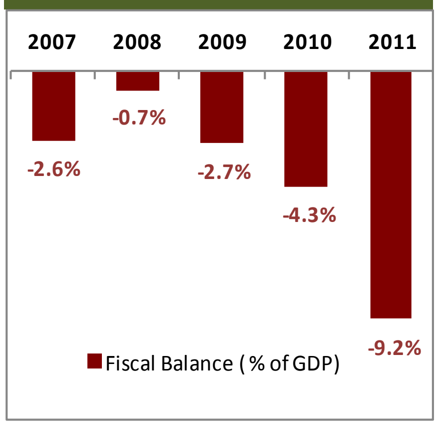
GDP Sectoral Breakdown (%)



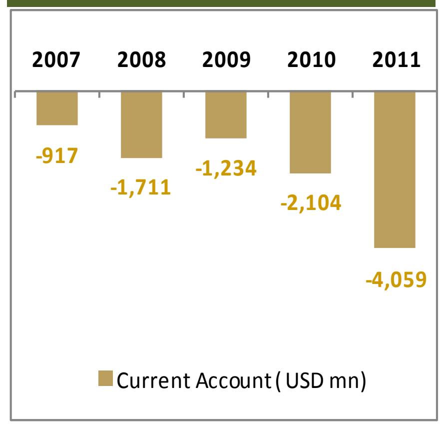
Real GDP Growth & Interest Rates[1]



Fiscal Balance[1]



Current Account Balance[1]



FOREX Reserve[1]

Source : (1) EIU

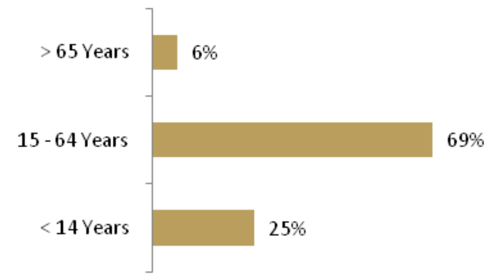
Tunisia: Key Statistics

Overview

- Economic recovery has been mixed as an increase in agricultural output and strong exports have been offset by a loss in tourism revenue and damage caused by the increase in strikes and sit-ins
- In the short term, political uncertainty has a negative impact on economic output, tourism revenue and inward remittances
- Tunisia's medium- and long-term prospects are very promising, both with regard to the political process and the economy
- The government will also focus on job creation

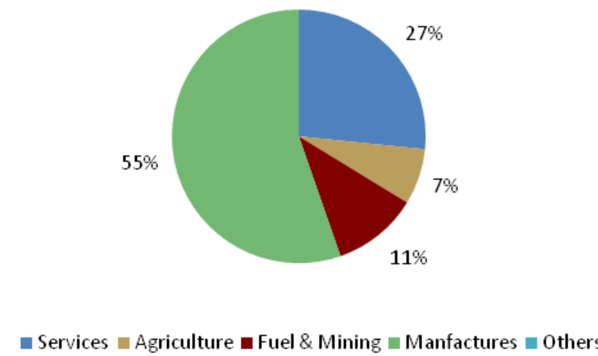
Demographics[1]

Population (mn)	10.54
Growth Rate (%)	1.2
Urbanization (%)	67



Exports[2]

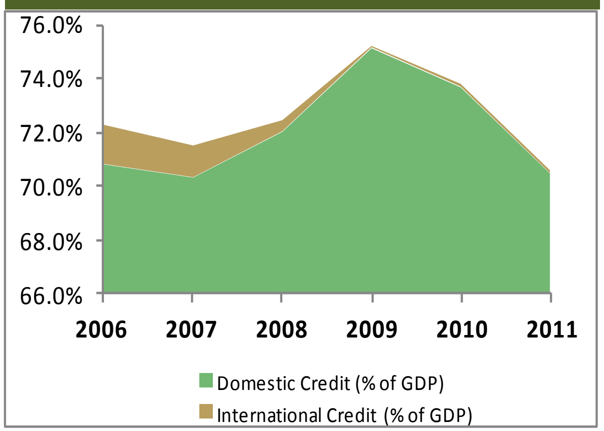
USD 17.86 mn (2011)



WB Doing Business 2012 Rankings

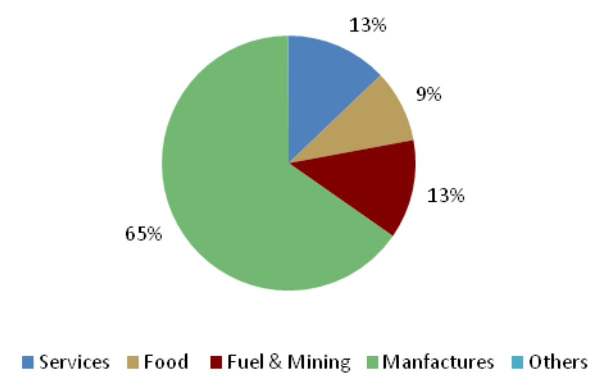
(46 out of 183 economies) [4]

Source of Financing[3]



Imports[2]

USD 23.4 mn (2011)



Source : (1) Population Census Bureau; (2) WTO Trade Stats; (3) IMF ; (4) WB

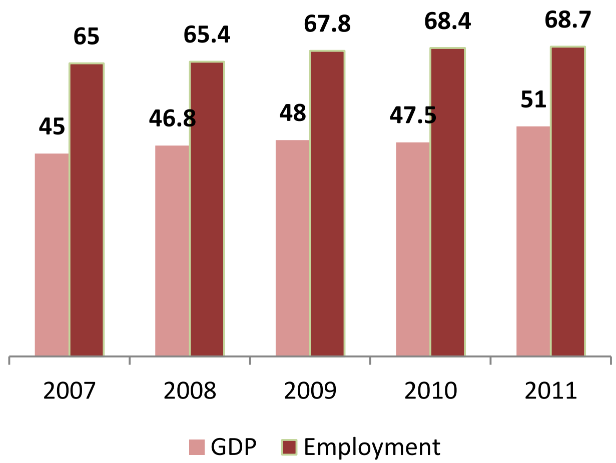
Tunisia: Economic Indicators

Indicator	2010	2011
GDP	$44.027 Billion	$46.3 Billion
GDP growth rate	3.4%	-1.8%
Population (m)	10.4	10.5
GDP per capita (PPP)	$8,665	$8,728
Unemployment Rate	13.0%	16.0%
Inflation Rate	4.4%	3.7%
Account Balance % of GDP	-4.3%	-12.9%
Public Debt % of GDP	48%	51.8%
External Debt	$21.47 Billion	$25.27 Billion
Imports	$21.01 Billion	$23.4 Billion
Exports	$16.43 Billion	$17.86 Billion
Tunisian Dinar (TND) per US dollar	1.431	1.397

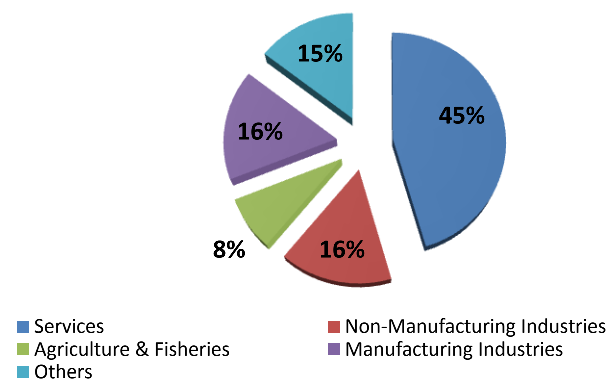
TUNISIA : SME SECTOR KEY INDICATORS

- Long-term focus by government to develop SME sector dating to **early 1990's**
- **1st MENA-12** country to introduce SME dedicated bank (BFPME) 2005
- Efforts to address youth unemployment prompted DFI's and government to extend **financing guarantees** to banks offering loans to SMEs

SME Contribution to GDP (%)

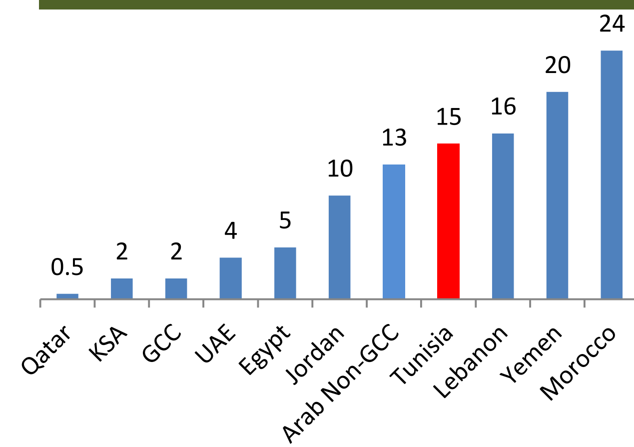


Contribution of SME to GDP by Industry (%)



SME Contribution to GDP & Employment (%) Country Comparison 2010

(%) Bank Loans to SMEs



(Source: ICD, EIU, IFC)

RATIONALE OF THE FUND: DYNAMIC SMEs WITH DIFFICULT ACCESS TO FINANCING

A high concentration of SMEs with few financing options, poor corporate governance and tremendous potential to contribute to the Tunisian economy presents a clear opportunity for an SME fund

Tunisia– Key Stats

- An estimated **60% of the population is under 30**
- Youth unemployment (ages 20-24) represents 2/3 of total unemployed
- Over 41% of those ages 15-19 expressed desire to leave Tunisia
- Over **412,000 jobs needed** just to reduce youth unemployment rates to about 13%

Source : OECD | AfDB

High SME concentration, with strong potential to help reduce unemployment

- SMEs make up > 97% of businesses, contribute to 68% of employment & account for 45% of GDP

Shortage of financing, with significant scope

- Loans to **SMEs account for only 15%** of the total loan portfolio of Tunisian banks
- When granted, loans to SMEs are done on **unfavorable terms**: short maturity, high interest rate

Poor Corporate Governance and procedures

- Most of SMEs are Family owned business or Ventures with poor financial control and procedure
- No independent governing bodies representing Management on the one hand and shareholders on the other

Clear Opportunity for the 50 Million TND SME fund

FUND INVESTMENT STRATEGY

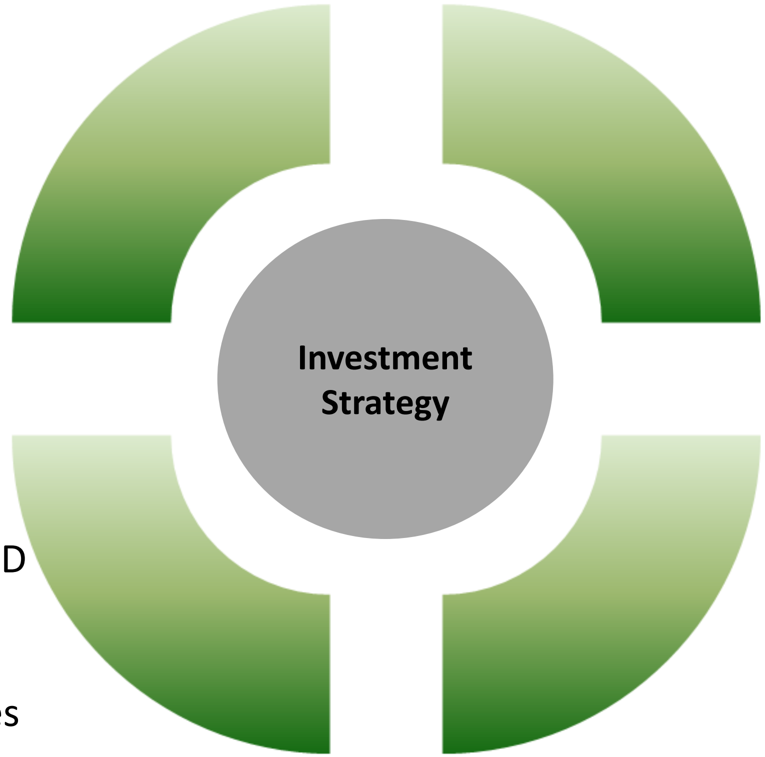
Geographic Reach

- Balanced investment throughout Tunisia
- Local Fund manager employing local professionals

Sectors

Sectors driven by growth in consumer demand with:

- Significant local/regional markets
- Export potential driven by local competitive advantages



Type of Transaction

- Equity investments of TND 0.5-4 million
- Significant minority stakes with strong protection (drag along, pre-emptive rights)

Investee Profile

- Early Stage Growth Capital – provide financial resources for expansion
- Buy & Build – expand local players geographically to regional leaders

PROPOSED SME FUND TERMS

Fund Sponsors	ICD , CDC
Fund Structure	FCPR- Contractual Fund registered in Tunisia, regulated under CMF rules
Fund Size	50 Million TND
First closing	20 million TND shared between ICD and CDC
Purpose	Musharakah & Musharakah Mutanaqisah investments in SMEs in Tunisia in target sectors. The fund will primarily invest in minority stakes
Investment Period/Horizon	18-24 months | 5 years
Life of the Fund	8 years from the initial closing date, subject to 2 one-year extension with the prior consent of the Trustee Committee
Target IRR	15%

- Upon Final closing ICD contribution shall be **no more than 30% of total commitment - TND 15m**

DEVELOPMENT OUTCOME

This Fund will have a positive impact on the Development of Tunisia by investing in roughly 28 companies thereby generating roughly 1000 jobs

Development	How
Job Creation	The investment strategy targets growth transaction with equity financing geared towards expansion investments resulting in job creation
Value Creation in under-developed areas	The investment strategy targets transaction across the entire country
Boost entrepreneurship spirit	The fund may invest on a case by case in greenfield project and ventures
Improve the corporate profile	The ICD through the FM will enhance the processes of the investees and corporate governance

7. SUMMARY

SUMMARY

- **Increasingly apparent to governments that the role of SMEs is essential to the development and growth of any economy**
- **World is ever more globalized through the liberalization of national markets, growth of MNCs, increasing FDI activity , and strategic alliances, the SMEs sector has found itself competing beyond its borders to encompass the world market**
- **MC governments must implement significant structural reforms. These reforms should include liberalization of trade, a complete overhaul of the tax system, restructuring and improving financial sector regulation, and privatization of state-owned enterprises (SOEs)**

MOVING FORWARD

- Islamic Banks in OIC can better facilitate debt side financing for SME funds

- Islamic Banks can act as custodians of such funds

- OIC governments need to enhance private equity and regulatory laws to encompass a friendlier environment for DFI’s such as the IDBG to structure funds

- At the while OIC governments need to reform Islamic Finance laws to generate greater and diversified access to finance products to meet needs of SME sector.

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