Statement by

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On behalf of the Islamic Development Bank Group, I would like to express my sincere thanks to the World Bank and the International Monetary Fund for the invitation extended to us to participate in the 89th meeting of the Development Committee, an important platform for discussing global development issues and providing solutions.

Global Economy in the Post-crisis Era

This year’s Development Committee meeting is taking place at a period when the world economy is in recovery mode from a protracted global recession. The world economy is expected to pick up in 2014 due to growth in the US and the Euro-area which has ended its prolonged economic recession. The emerging market economies, the engines of global growth, are witnessing slowdown in recent years. In spite of this development, the headwinds facing the world economy include high levels of public debt, volatility of capital flow on the back of U.S Federal Reserve’s announcement of tapering its quantitative easing, high unemployment rates, and continued turmoil to some extent in the Middle East and North Africa. Against this backdrop, the advanced economies face difficult policy choice of striking a balance between the imperative of fiscal consolidation and the need to support a sustainable recovery and growth.

In the post-crisis era, there is a need to focus more on collaborative and collective policy actions to sustain the recovery. In this context, the IsDB Group wishes to reiterate its commitment to further leverage its partnership with the international development community to achieve a sustained global recovery and foster social and economic progress of the poor and the underprivileged people.

Accordingly, I would like to take this opportunity to briefly share the IsDB Group views on the economic prospects of its member countries and the initiatives taken to address their short and long-term challenges.

Economic Prospects of IsDB Member Countries

Based on the recent IMF data, the 56 IsDB member countries are expected to achieve an average growth of 4.5 percent in 2014, well above the world’s average. Member countries from Sub-Saharan Africa
(SSA)\textsuperscript{1} and Central Asia (CIS)\textsuperscript{2} regions will record a growth of 6.7 percent and 6.0 percent in 2014 from 5.8 percent and 5.9 percent in 2013 respectively. The economic growth in the Middle East and North Africa (MENA)\textsuperscript{3} member countries fell slightly in 2013 to an average rate of 2.5 percent due to the ongoing turmoil and the growth is expected to improve to 3.7 percent in 2014. Growth in the Asian member countries\textsuperscript{4} will likely reach 4.8 percent in 2014. However, the medium-term growth prospect of member countries is subject to downside risks due to the fragile international environment and country-specific problems.

Having said this, there are broad development issues that the IsDB member countries are facing which have evolved over the years. Some of the issues are short-term in nature while others are medium-to-longer term. The short-term issues include sustaining growth momentum and strengthening fiscal stability; achieving food security; dealing with youth unemployment. The medium-to-longer-term issues encompass human capital development, enhancing infrastructure development, improving investment climate, declining Official Development Assistance (ODA), addressing climate change, and boosting financial inclusion.

\textbf{IsDB Group Responses}

\textbf{Scaling-Up Development Assistance:} The IsDB Group continued to record strong performance in 2013 despite a challenging global economic and financial environment that posed major challenges to its operations and the economies of member countries. The Bank Group approvals stood at US$10.6 billion in 2013, representing a growth of 6.1 percent over 2012 level. Of this amount, the IsDB’s Ordinary Capital Resources (IsDB-OCR) financed US$5.4 billion while the International Islamic Trade Finance Corporation (ITFC) approved US$5 billion, and the Islamic Corporation for the Development of the Private Sector (ICD) approved US$426 million. In addition, the the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC)’s insurance commitments totaled US$2.2 billion with its business insurance operations amounting to $3.4 billion in 2013. This performance marked the second consecutive year that Group approvals per annum exceeded $10 billion. The IsDB Group extends its support to critical sectors in order to achieve high multiplier impacts on the economies of member countries.

Major thematic areas supported by the IsDB Group are the following:

\textbf{Fostering Inclusive Development:} Inclusive development is critical for poverty reduction. It helps in narrowing deep-seated inequalities, addressing social injustice, and achieving sustainable economic growth. In the face of current and emerging challenges, achieving inclusive development has received considerable attention in IsDB Group financing activities through investing in social sector, particularly education and health. Bank’s financing on education mainly focused on basic, tertiary education as well as vocational training and technical education to enhance the opportunities of all segments of the society. In the area of health, the Bank mainly focused on: (i) prevention and control of both communicable and

\textsuperscript{1} Member countries in SSA are: Benin, Burkina Faso, Cameroon, Chad, Comoros, Cote d’Ivoire, Djibouti, Gabon, Gambia, Guinea, Guinea- Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra-Leone, Somalia, Sudan, Togo and Uganda.

\textsuperscript{2} Member countries in CIS are: Albania, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

\textsuperscript{3} Member countries in MENA are: Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, UAE and Yemen.

\textsuperscript{4} Member countries in Asia are: Afghanistan, Bangladesh, Brunei, Indonesia, Malaysia, Maldives, Pakistan and Suriname.
non-communicable diseases, and (ii) strengthening health system to improve access to quality healthcare services.

Supporting Agriculture Development and Food Security: Agriculture plays a critical role in achieving food security and reducing poverty in member countries. For this singular reason, the Bank has been active in financing the sector with special focus on three major strategic priority areas: (i) supporting rural infrastructure (water, roads, and electricity); (ii) enhancing agricultural productivity; and (iii) supporting rural microfinance and non-farm productive activities. In 2013, significant parts of the Bank’s interventions in agriculture sector were devoted to Smallholder Agricultural Productivity Enhancement Program (SAPEP), East Africa Dry lands Program (EADP), Millennium Villages Program (MVP), Sustainable Village Program (SVP), and Community Driven Development (CDD). The IsDB Group also deepened its collaboration with other key development partners to drive forward its agenda of ensuring food security and rural development in its member countries.

Addressing Youth Unemployment: Given the fact that, in recent years, youth unemployment has become a major development challenge facing member countries, the IsDB Group has formulated two-pronged strategy: a special employment support program to increase job availability and a supply-side initiative built on direct engagement with the youth to enhance skills to better match the needs of employers. The direct engagement strategy has led IsDB to launch “Youth Employment Support (YES) Program for Arab Countries” with a focus on implementing projects in Arab countries in transition to facilitate job creation. On the supply-side, the Bank has developed a special program called “Education for Employment (E4E) Program” to narrow the mismatch between skills and capabilities of the educated people and needs of the labour markets in MENA region. A direct impact of these programs is the expected creation of approximately one million new jobs for the youth in these countries over a five-year period.

Enhancing Infrastructure Development: In recognition of the importance of infrastructure development in stimulating growth, the IsDB’s intervention in infrastructure sector has remained strong and consistent over the years. By the end of 2013, the IsDB has financed infrastructure operations in member countries totaling US$25.7 billion. Interventions in the transportation sector are predominantly in Least Developed Member Countries (LDMCs) in Sub-Saharan Africa (SSA) and Central Asia. Additionally, over the past two decades, the IsDB Group has also facilitated, through political risk insurance cover, over US$4 billion in foreign direct investments (FDI); more than 80 percent of this went into infrastructure project financing. In 2013 alone, infrastructure investments amounted to about $1 billion were supported.

Strengthening Economic Cooperation and Integration: One of the major characteristics that differentiate the IsDB from other MDBs is that all its 56 member countries are from the developing world, including 25 countries considered as ‘Least Developed’. Because of this unique membership, the IsDB is viewed as an exclusive platform and/or model for South-South and Triangular Cooperation. Promotion of cooperation among member countries has always remained the underlying theme of IsDB Group operations since its inception. In 2013, the IsDB has been very active in: (i) promoting regional and inter-regional trade and investment through financing, trade credit and political risk insurance and capacity building for investment promotion agencies in member countries; (ii) supporting cooperation among Islamic banks and other development financing institutions; (iii) improving the exchange of experience and know-how among member countries; (iv) giving high priority to regional projects; and (v) providing Technical Assistance on WTO-related matters, especially for those countries seeking WTO accession.

Fostering Islamic Finance: The IsDB is at the forefront of promoting and advancing Islamic financial services industry through partnership with governments, private sector and multilateral financial institutions. It has also been developing the Awqaf sector for charitable purposes. It continued to facilitate
the development of the sector by providing technical assistance for creating the requisite legal, regulatory, supervisory and Shari’ah frameworks, improving access to Islamic finance for the poor, developing the Islamic finance architecture, supporting Islamic Infrastructure Institutions, participating in equity investments, and creating a common platform for the regulators of the Islamic financial services industry to enhance constructive dialogue. In addition, the IsDB has launched its IsDB-MDP (IsDB Microfinance Development Program) to support expanding access to financial services to those currently not accessing them. The IsDB Group has also established the Financial Product Development Centre (FPDC) to enhance its leadership in the development and promotion of innovative Islamic financial products within the framework of Maqasid Al-Shari’ah. The IsDB Group, in collaboration with the Islamic Financial Services Board (IFSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and other Islamic Financial Institutions, stands ready to assist in mainstreaming Islamic finance in the ongoing restructuring of the global financial system.

**IsDB Group Major Initiatives**

In 2013, the IsDB Group undertook several and diverse initiatives such as capital increase, resource mobilization, reverse linkage program, hosting of the Secretariat of Deauville Partnership, and activities related to the 40th Anniversary celebration. Let me shed some lights on the major ones.

**Capital Increase:** The Board of Governors of the IsDB at its 38th Annual Meeting held on 21-22 May 2013 in Dushanbe, Tajikistan adopted a resolution to increase the authorized capital of the Bank from Islamic Dinar (ID) 30 billion (US$46.2 billion) to ID100 billion (US$154 billion) while the subscribed capital was also increased from ID18 billion (US$27.7 billion) to ID50 billion (US$77 billion). This reflects the Bank’s strong balance sheet and the need to address the ever-increasing development needs of its 56 member countries.

**Resource Mobilization:** Finding new sources of funds either through market or co-financing with development partners have proven to be inevitable and pre-requisite to scaling up the IsDB operations in responding to the current and emerging needs of member countries. Accordingly, the IsDB has been active in the sukuk markets culminating in two landmark transactions in 2013. The first transaction was US$700 million private placement in March 2013 (maturing in March 2018); and the second transaction was US$1.0 billion public placement in June 2013 (maturing in June 2018). The Bank has also issued sukuk for 300 million Malaysian Ringgit (US$92.3 million) with a five-year tenor in the Malaysian capital markets, in July 2013.

**Member Country Partnership Strategy (MCPS):** MCPS is aimed at aligning the IsDB Group activities with the member country’s development plans and priorities through consultative process with all the key stakeholders including public sector, private sector, civil society and development partners. Over the last four years, sixteen MCPSs have been completed and are under active implementation.

**Reverse Linkages:** The Reverse Linkages (RL) initiative is one of the major engagement pillars of the MCPS which aims at sharing knowledge and exchanging experience among member countries. Through the RL initiative, the member countries become the primary, forefront and direct agents in the provision of specific expertise, knowledge, know-how, investments, success stories, best practices and other specialist services to other member countries with IsDB playing the facilitating role. So far, the thematic areas under Reverse Linkages include Islamic financial sector development, poverty reduction, community development, and promoting affordable access of the poor to renewable energy.

**Trade-related Development Assistance:** The IsDB Group believes that Aid for Trade initiative is critically important to help its member countries, especially the LDCs and small and fragile states to benefit from increased trade and economic growth, as well as from economic cooperation and integration.
In this perspective, the IsDB Group, through the International Islamic Trade Finance Corporation (ITFC), has recently launched the Aid for Trade Initiative for Arab States (AfTIAS). It is a multi-donor, multi-country and multi-agency program, aiming to foster Arab trade through enhancing enterprise competitiveness and facilitating trade.

**Secretariat of the G-8 Deauville Partnership IFI Coordination Platform:** The IsDB became the second MDB after the African Development Bank to successfully host the Coordination Platform secretariat from September 2012 to December 2013. During the IsDB-hosted secretariat, a major G8 Deauville Partnership Investment Conference was organized in London, in September 2013, in partnership with the UK G8 Chair and EBRD to promote dialogue between the Arab transition countries and the investment community as well as to showcase investment opportunities. Prior to this event, the IsDB, in partnership with the G8 Chair, OECD and IFIs, also supported the organization of in-country investment conferences in Tunisia and Egypt, in June 2013.

**MDGs and Post-2015 Development Agenda:** Given the fact that the IsDB was not involved in the formulation of the MDGs, but it aspires to be proactive in the process of determining the MDG successor. In this context, the Bank plans to organize a number of events to generate ideas and come up with a set of recommendations on key ingredients for successful contribution to the current and future global conversation related to the post-2015 development agenda.

**Celebrating 40th Anniversary:** The IsDB Group will be celebrating its 40th Anniversary during the 39th Annual Meeting of the Board of Governors, which will take place in Jeddah, Saudi Arabia on 24-26 June 2014. Accordingly, the Bank is conducting an independent study on the IsDB Group’s 40-years performance assessment, in terms of its intervention effectiveness in member countries and Muslim communities, and its strategic direction in the next decade.

**Concluding Remarks**

I would like to take this opportunity to reiterate that the IsDB Group continues intensifying its support to critical sectors for achieving high multiplier impacts on the economies of member countries in alignment with their development priorities. However, we are aware that tackling the diverse development needs of the 56 IsDB member countries is beyond the financial capability of one single institution. For this reason, the IsDB has continued to forge strategic alliance with other development partners to leverage additional development assistance to its member countries.

I am confident that the deliberation of this meeting will be fruitful and its outcomes will proffer solutions to myriad development challenges facing member countries. With this, I would like to reaffirm that the IsDB Group, as always, remains committed to fostering global synergy for addressing the development challenges of our time.