Statement by

Dr. Amadou Boubacar Cisse
Vice President (Operations)
Islamic Development Bank
STATEMENT OF Dr. AMADOU BOUBACAR CISSE
VICE PRESIDENT (OPERATIONS), ISLAMIC DEVELOPMENT BANK
TO THE 67th MEETING OF THE DEVELOPMENT COMMITTEE
(WASHINGTON D.C., APRIL 13, 2003)
The Islamic Development Bank (IsDB) has the pleasure to participate in the 67th Meeting of the Development Committee, which will discuss, among others, mechanisms for enhancing the voice and participation of developing countries and economies in transition in the decision-making process related to the provision of development assistance. Obviously, this agenda item assumes special significance for all these countries, including IsDB member countries, as it is considered at the moment when we continue to address the substantive issue of achieving the Millennium Development Goals (MDGs) by accelerating progress towards education for all, combating the HIV/AIDS, and improving access to water and sanitation. As expected, the agenda of our meeting also cover other equally important issues, which require further discussion and are related to the collaboration between Bretton Woods institutions and other multilateral financial institutions, including the IsDB Group. These issues include progress in supporting enhanced HIPC Debt Initiative and in harmonizing operational policies and procedures.

As our member countries are expecting fruitful debate and suitable decisions from our gathering, the IsDB would like to briefly give its view on recent economic performance and trends in the transfer of resources and comment on each item on the agenda, highlighting its current position and identifying areas for further cooperation and partnership.

**Recent Economic Performance**

To begin with, IsDB member countries, like other developing countries, have benefited from the recovery from the short-lived recession experienced by the global economy in 2001. The global GDP growth recovered from 2.2 per cent in 2001 to 2.8 per cent in 2002. With this economic recovery and a turnaround in high-tech markets in industrial countries, world trade in goods and services increased in volume terms by 2.1 per cent in 2002, also recovering from a negative rate of growth in 2001.

Concomitant with the world economy, the real GDP growth rate of IsDB member countries as a group increased from 3.4 per cent in 2001 to 3.7 per cent in 2002. However, although the overall economic performance of member countries in terms of GDP growth rate was higher than the growth rate of the world as a whole, it remained below the growth rate of developing countries. The real GDP growth rate for the developing countries as a group increased from 3.9 per cent in 2001 to 4.2 per cent in 2002.

**Achieving the MDGs and Related Outcomes**

Regarding the first major item on the agenda of our meeting this year, the IsDB expresses its concern about the significant gaps in the achievement of the MDGs, particularly in Sub-
Saharan Africa. Accordingly, the IsDB supports the efforts for developing a framework for monitoring policies and actions aimed at achieving the MDGs in general as well as at scaling-up activities in the areas of education for all, health, HIV/AIDS, water and sanitation. The IsDB is confident that all these efforts will contribute in accelerating the progress and mitigating the risks towards attaining the MDGs. No doubt, this acceleration is crucial for our credibility after the commitments made in various fora, including Doha WTO Ministerial Conference, Monterrey Conference, Johannesburg Conference, and more recently Rome High-Level Forum on Harmonization and Kyoto World Water Forum.

**A Framework for Monitoring Policies and Actions**

Although the IsDB has not been directly involved in the elaboration of the conceptual framework for the monitoring of the essential policies and actions for achieving the MDGs and for assessing the status of their implementation by developing and developed countries, it agrees with the general approach and shares the idea of instituting a regular reporting mechanism to the Development Committee. In reality, the priorities for action highlighted by the Bretton Woods institutions in the proposed framework are already subject to a large consensus. No doubt, better progress on achieving the MDGs may be made possible if priority is given to accelerate economic growth, enhance the capabilities of poor to participate in growth, improve the environment for private sector by strengthening the rule of law and infrastructure, improve the quality of governance and the capacity of public sector, increase the effectiveness of the delivery of services to poor people, provide better market access to developing countries, and improve aid effectiveness.

While the IsDB is confident that adequate solutions will be found for resolving the technical issues related to the development of a monitoring and reporting framework for tracking implementation of agreed policies and strategies, it expresses its desire to be associated with this process along with all concerned stakeholders. In this context, we fully agree with the idea to give the leadership for monitoring work in a specific area on the basis of institutional comparative advantage and expertise. As one of the partner agencies, the IsDB stands ready to contribute in impact analysis of its developmental assistance towards achieving MDG targets within its available financial and human resources. Among others, the IsDB may participate in enhancing the statistical capacity building of its least developed member countries (LDMCs) through its technical and cooperation programs.

In this context, the IsDB Group will also continue to distill and learn from the experience of Bretton Woods Institution and other multilateral institutions in monitoring policies, actions and outcomes related to the achievement of MDGs. Obviously, learning from this experience is very useful for the IsDB Group, which is currently in the process of finalizing a new vision, mission and strategic framework and exploring ways and means for increasing the developmental impact of its technical and financial assistance.

**Progress Report and Critical Next Steps in Scaling Up**

Like other stakeholders, the IsDB is aware of the difficulties encountered in achieving outcomes commensurate with the scale of the challenges in areas such as education for all,
health, HIV/AIDS, water and sanitation. It fully supports the efforts at national, regional and international levels for accelerating the process of scaling-up in these crucial areas for socio-economic development. However, the IsDB do agree with the idea of adopting a performance-based approach to scaling-up if this approach does not lead to tougher conditionalities and remains flexible to cover slippages due to exogenous shocks or external factors.

The IsDB supports the efforts for scaling-up and would like to remind on the need for mobilizing adequate concessional resources. This mobilization effort is required to fill the residual financial gap, estimated at more than US$20 billion in incremental annual ODA to finance the scaling-up in the context of education for all, health, HIV/AIDS, water and sanitation. In this regard, the IsDB considers that a realistic approach should be adopted because raising undue expectations on resource mobilization may lead to frustration and loss of momentum. Moreover, the IsDB wishes that the resources to finance the cost of scaling-up in these specific areas should constitute additionality rather than substitute the resources needed for financing programs aimed at achieving other MDGs and objectives, especially poverty reduction targets. Given the critical situation of LDMCs in the African region, the IsDB contributed in the scaling-up of development assistance in the context of NEPAD initiative.

As a development financing institution, IDB extended a cumulative amount of US$3.5 billion for project financing in the African region, 60 percent of which was on concessional terms to the least developed African member countries. The outcome of IDB’s developmental assistance in the African region resulted in the building of 6000 km of roads, about 3700 water points, 3300 class rooms, nearly 200 health care centers, and a quarter million of hectares of irrigated land.

In partnership with NEPAD, the IDB Board of Governors in its 27th meeting of October 2002 held in Burkina Faso issued a declaration on “IDB Group Cooperation with Africa”. This declaration commits the IDB Group an additionality of financing resources amounting to US$2 billion to be allocated to African least developed member countries over a period of five years. The IDB Board of Governors requested the Executive Directors to adopt policies and procedures so as to ensure expeditious and efficient utilization of financing resources, integrate financing aspects with the required supporting measures, and to focus project financing in line with the NEPAD sectoral priorities. While seeking to accelerate economic growth, the focus of IDB’s development assistance in the African least developed member countries will be in areas of technical education and vocational training, spreading the system of primary health care, development of water resources in agriculture sector, and promotion of private sector activity, particularly at the level of small and medium size enterprises. All these areas of focus are expected to provide a sustainable basis for poverty reduction by improving employment and income-generating capacity in rural areas.

_Education For All_

The IsDB attaches a great importance to the ongoing activities aimed at promoting education in developing countries, including mainly actions taken so far for implementing the Education For All Fast Track Initiative. It shares the concern arising from the high number of
countries that are at risk on achieving universal primary completion by 2015. But, at the same time, the IsDB shares the idea that the achievement of the MDG in this area remains within reach because it is always possible to increase primary completion rates by 3 per cent yearly as has been successfully achieved by many countries during 1990s. Of course, this requires a transformation of the existing education systems, taking into consideration the situation and conditions of each country.

The IsDB is pleased to learn that among the first seven countries which qualify for the Education For All Fast Track Initiative, four are members of the Bank, namely Burkina Faso, Guinea, Mauritania and Niger. We will continue to support other member countries, which are behind the MDG target of universal primary completion, in their efforts to develop good education policies and be, therefore, included in the Initiative for receiving quick and additional technical and financial support from the development community. It is highly commendable that in the first year of implementation of the Fast Track Initiative, there has been significant progress. One important contribution of the Initiative has been to galvanize global momentum on Education for All.

Since inception, the IsDB has made serious efforts to promote education in its member countries as part of its overall human development strategy. It has financed many projects and technical assistance in education sector, particularly in primary and vocational education. Our LDMCs have benefited from around one third of total approvals which were mainly financed through concessional financing from our ordinary resources as well as through our Special Assistance Operations in Muslim communities in non-member countries.

Health, HIV/AIDS, Water and Sanitation

The IsDB expresses its deep concern about the rapid spreading of the disease in all regions and particularly in Sub-Saharan Africa. In 2002, available data show that this region suffered about 3.5 million new infections and lost 2.4 million people because of AIDS. It appears, therefore, that despite the efforts made towards achieving the MDG of halting and reversing the spread of HIV/AIDS by 2015, the epidemic continues to increase in Sub-Saharan Africa where now more than 29 million are living with the infection, including around 3 million aged under 15.

Recognizing that the rapid expansion of HIV/AIDS has negative effects on building human capital in Sub-Saharan Africa and in other regions, the IsDB considers that greater efforts are still needed to elaborate efficient strategies at the national, regional and international levels by taking into consideration, among others, the actual factors explaining the deterioration of the situation leading to the increased incidence of such diseases. In this context, it is hoped that besides the ongoing efforts to bridge the financial gap between the available funding and the needs, UNAIDS and its partners will explore a more concrete course of action.

For its part, the IsDB will continue to adopt a comprehensive approach to health sector, including HIV/AIDS through the provision of technical and financial assistance to its member countries in general and its LDMCs in particular for strengthening their health human and
physical infrastructure. Within its Strategic Agenda, the IsDB has focussed on supporting primary health in its member countries as one of the priority sector for allocating both its OCR and special funds. Accordingly, its health projects and programs have constituted an important proportion of its portfolio and covered various kinds of diseases and health problems and benefited both the rural and urban population.

Concerning water and sanitation, the IsDB has actively participated at the Third World Water Forum held in Kyoto, Japan, and welcome the shift of emphasis to action. This shift is timely because urgent solutions should be found to better satisfy one of the basic human needs and succeed in reducing, among other, the number of children killed by diarrhea. Currently, around six children per minute die from disease caused by unsafe water and inadequate sanitation. Many IsDB member countries are clearly falling well short of the MDGs in water and sanitation. For instance, in member countries in the Middle East and North Africa region, which is considered as a region of water scarcity, the quantity of water per inhabitant will likely continue to fall, reaching only 500 cubic meters per year in 2025 from 3430 cubic meters per year in 1960.

Accordingly, the IsDB considers that, in order to address effectively this deteriorating situation, collective actions are required on both the demand side and the supply side of the water equation. In this regard, the IsDB took note of the strong commitment to achieve sustainable access to water and sanitation in developing countries, including IsDB member countries, as well as of the progress of scaling-up in this area. It understands that changes and reforms should cover, among others, consumption behaviour and demand management as well as water supply infrastructure and storage capacity. This implies that one of the major challenges is to increase development assistance in this area. In this respect, while the IsDB is still in the process of analyzing various alternatives for mobilizing additional concessional resources, it will seek to target and support water supply and sanitation projects on sustainable basis, taking into consideration the specific needs of each region. For instance, in the Middle East and North Africa region, to which more than 50 per cent of our total water-related investments are devoted, the IsDB has moved away from an emphasis on irrigation development towards funding more projects to supply urban water and sanitation and to control pollution.

**Enhancing the Voice and Participation of Developing and Transition Countries**

The second major item on our agenda does not really need very detailed comment from our part. It is obvious that better cooperation between the World Bank and IMF is essential for broadening and enhancing the participation of developing and transition countries in their decision-making process. This enhanced participation is consistent with the current efforts for improving development assistance effectiveness.

While the IsDB is confident of the capacity of the Bretton Woods institutions to adopt the necessary changes in order to strengthen the participation of their developing and transition countries, joint efforts are necessary to overcome differences between these institutions and other multilateral development banks and financial institutions.
In fact, the IsDB does not really face internally this kind of problem since its membership is composed exclusively of developing countries and countries with economies in transition. Unlike other regional development banks, such as the African Development Bank and the Asian Development Bank, there are no developed countries as non-regional members in the IsDB. However, some of the issues raised under this subject are also relevant to the IsDB Group. These include mainly the voting structure and strength, the capacity for owning programs and projects financed, the level of decentralization, the degree of transparency, the diversity of staffing, etc. Like for Bretton Woods institutions and other multilateral development institutions, the voting structure in IsDB is dependent on the number of shares subscribed. However, the tradition to rely more on consensus rather than on majority has facilitated the participation of all IsDB member countries in the process of decision-making both at the level of the Board of Governors and Board of Executive Directors. In addition, the increase in the number of Executive Directors, the establishment of regional offices and the diversity in staffing have improved the participation of LDMCs and member countries in transition from Eastern Europe and Central Asia in the activities of the IsDB Group.

On the other hand, this subject is relevant to the IsDB as far as the relation of its member countries with major international institutions is concerned. The IsDB is fully aware of the concerns expressed by developing countries about the weaknesses of their voice in various fora as well as the solutions that they have already suggested in view of improving their participation in the global process of decision-making. In this regard, the IsDB has already responded at its level by putting in place various programs aimed at enhancing the voice and participation of its member countries in designing the new economic, financial and trade order. For instance, the IsDB continues to assist its member countries in general and the LDMCs in particular, in strengthening their negotiation skills and institutional capacities in order to successfully face challenging negotiations with their partners from developed countries under WTO. Within the framework of its WTO-related technical assistance program, the IsDB has helped its member countries in coordinating their positions on major issues put before WTO Ministerial Conferences. In particular, it has organized several consultative meetings of OIC member countries in order to provide a forum for the exchange of views on agenda items of these conferences.

In sum, the IsDB welcomes the efforts of Bretton Woods institutions in enhancing the voice and participation of developing and transition economies in their decision-making process and suggests that these efforts should be extended to cover other leading multilateral financial institutions as well as major international organization such as WTO. Accordingly, we stand ready to learn from the experience of Bretton Woods institutions and other organizations in this important area for our countries.

Other Business

HIPC Initiative

Concerning the first item under other business relating to the progress in the implementation of the HIPC Debt Initiative, while we would like to express our satisfaction for
the success of Benin in recently reaching its completion point under the enhanced HIPC Initiative, joining other IsDB member countries, namely Burkina Faso, Mauritania, Mali, Mozambique and Uganda, we think that the process is still not as fast as expected. It is to be noted that after the launching of the enhanced HIPC Debt Initiative in 1999, only eight developing countries have reach their completion point.

For its part, the IsDB has already committed itself to support its fourteen member countries, which had qualified so far for debt relief under the enhanced HIPC initiative. For these countries, the cost to IsDB is estimated at around US$ 123.9 million in NPV terms. In this context, the Bank has approved and in some cases fully implemented debt relief packages for Benin, Burkina Faso, Cameroon, Chad, Gambia, Mali, Mauritania, Niger, Senegal and Uganda. While for Mozambique the IsDB has no exposure at the country’s decision point, debt relief packages for three other member countries, namely Guinea, Guinea Bissau and Sierra Leone are expected to follow in 2003-2004. As general policy, the IsDB will continue to provide its debt relief in the form of rescheduling of the debts over a period of 25 years, applying the front-loading of debt assistance to arrive at reasonable repayment timeframe and providing, if necessary, additional concessional loans targeted at programs identified in Poverty Reduction Strategy Paper. Additional concessional loans are provided when there are shortfalls in debt relief through rescheduling and when the concerned country has an adequate repayment capacity.

The Rome High-Level Forum on Harmonization and the Results Agenda

Concerning the second item under other business relating to the Rome High-Level Forum on Harmonization, the IsDB, which actively attended this important gathering, expresses once again its agreement to the new orientation given to the efforts in this area. In this regard, instead of continuing the efforts started few years ago which consisted in reducing differences in operational rules and requirements among multilateral development banks themselves, the focus is now on harmonizing the operational policies, procedures, and practices with those of beneficiary countries. This new approach is not only consistent with the Monterrey consensus but will better contribute to achieve the MDGs and improve the effectiveness of development assistance. The most challenging task ahead of us is to ensure that the techniques and project harmonization capacities in the member countries are built-up and sustained. It is, therefore, crucial for multilateral development banks to support the recipient countries in building their institutional capacities.

In this context, while we recognize, like other multilateral and bilateral donors, that many issues require urgent collective action, we think that it is unrealistic to expect significant progress since the Rome High-Level Forum, which has just finished its deliberations on 25 February 2003. Obviously, more time is needed in order to tailor our practices to those of our member countries and remove the constraints to better country ownership and leadership of development assistance. Among others, many of our member countries have not yet adopted international standards and good practices and our capacity building assistance in this area is limited by the availability of concessional resources.
It may be of interest to the Development Committee that the IsDB has recognized the need and importance of harmonizing the operational policies and procedures with its major financing partners, i.e. with the Arab Coordination Group, comprising the Saudi Fund for Development, the Arab Fund for Economic and Social Development, the Abu Dhabi Fund for Development, the OPEC Fund for International Development, the Kuwait Fund for Arab Economic Development and the Arab Bank for Economic Development in Africa. Beginning 1995, the IsDB together with the Arab Coordination Group have undertaken to harmonize their policies, procedures and practices in the appraisal of development projects, consultancy services, procurement and disbursement procedures. Presently, the Arab Coordination Group has eight sets of common procedures, guidelines and modalities of agreements for project appraisal, consultancy services for feasibility studies and detailed engineering design and supervision, guidelines for procurement of civil works, post-evaluation of completed projects, disbursement procedures and standardization of roster of consultants.

The IsDB is committed to work with the multilateral development banks in the harmonization process and will render all support that is considered necessary for successful implementation of the harmonization policies with our development partners in the shortest possible time. In this regard, the IsDB has already adopted measures to facilitate harmonization through several policies and decisions in procurement and disbursement, financial management and audit and in the disclosure of information for combating corruption and fraudulent practices.

While the IsDB Group stands ready to further harmonize its policies and procedures with those of the other multilateral development banks and share its modest experience in this area, it is pleased to stress that it has entered with the World Bank Group into new frontiers of cooperation not only in the field of harmonization, but also in joint cooperation in operational matters in the common member countries, exchange of staff and staff training. The World Bank has already provided the IsDB with the services of experts in information technology, financial management and audit, activity-based budget and procurement. With the assistance of the World Bank, a modern Distance Learning Centre and a live database have already been set up at the IsDB Headquarters in Jeddah, Saudi Arabia. The videoconference facilities are being actively utilized, beginning with the harmonization virtual meetings among the World Bank, Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and IsDB. The IsDB-World Bank partnership is also embarking on joint CAS missions and has already completed a joint country review for Jordan. These are few examples of cooperation between the World Bank and the IsDB, which will be further extended to other sister institutions and multilateral development banks.
In conclusion, all the items on our agenda are important for the IsDB Group and its member countries, particularly for its least developed countries and have provided us the opportunity to share our experience and to further coordinate our efforts in enhancing the effectiveness of our development assistance. Accordingly, the IsDB Group is confident that the discussion in the 67th Meeting of the Development Committee will contribute to enhance, among others, the voice and participation of developing countries not only in the process of achieving the Millenium Development Goals but also in designing the new global economic order and financial architecture.

-----------------------------------------------