Statement by

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On behalf of the Islamic Development Bank Group (IsDB Group), I would like to express my sincere appreciation to the World Bank and the International Monetary Fund for the invitation to participate in the 90th meeting of the Development Committee, which provides an opportunity to exchange views and discuss global development issues and their solutions.

The Global Context

Five years into the global financial crisis and the Great Recession, the global economy is still fragile and fraught with uncertainty. Advanced countries’ persistent sluggish growth continued to obstruct global economic recovery. While growth in the first half of the 2014 in the United States, EU, and Japan has suffered setbacks, the emerging economies ---which until recently had recorded high growth and were the main drivers of global growth --- are also experiencing decelerated growth in recent months. This growth slowdown in emerging economies partly reflects increased concerns over the impact of an anticipated rise in the US interest rates as well as geopolitical risks.

Starting from next year, the global economy is expected to break out of its anaemic growth trajectory although with downside risks. The challenge of fighting terrorism in all its manifestations, addressing Ebola epidemic, restoring stability in the MENA and Asia regions, tackling youth unemployment, dealing with climate change and unfinished reform of global architecture of financial system, as well as incessant civil wars, among others, could well be the main drag on the global growth recovery depending on how the international community handles and responds to these issues in a timely and collaborative manner.

The Ebola crisis is particularly a worrisome health and security challenge globally. Urgent concerted efforts are needed to manage and contain the spread of the virus to other parts of the world. This deadly virus, which has already claimed thousands of lives and disrupted economic activities in the affected countries, could further be a clog in the wheel of achieving the MDGs targets and sustainable growth. With the national health systems of the affected countries teetering on the brink of collapse, we know quite well that national efforts are inadequate and so required coordinated international response to stop the wanton loss of innocent lives.
Economic Performance of IsDB Member Countries

Against this backdrop of pessimistic global economic outlook, the economic activity of the 56 IsDB member countries is expected to grow, on average, by 4.1 percent in 2014\(^1\) from 3.9 percent in 2013. Member countries in the MENA region are expected to record an average growth of 3 percent in 2014 up from 2.6 percent in 2013. For Asian member economies, growth will remain flat at an average of 5 percent in 2014. Sub-Saharan African member countries are the fastest growing economies, expected to register a growth of 6.6 percent in 2014 up from 5.8 percent in 2013. In contrast, commonwealth of independent member states (CIS) are expected to record an average growth of 6.1 percent in 2014 down from 6.6 percent in 2013.

Since the economies of IsDB member countries are not decoupled from the rest of the world, the impacts of the global development challenges are transmitted through different channels and vary from one country to another depending on the extent of individual country’s exposure to the global financial markets. Therefore, in the short-term, member countries need to focus on addressing the challenge of terrorism and political instability, strengthening fiscal stability, tackling youth unemployment, and improving food security. In the medium-to-longer-term, they need to address the challenge of demographic transition, bridging infrastructure gap, improving investment climate and the financial sector. They also need to engage in structural reforms to improve productivity and competitiveness.

IsDB Group Responses

To help member countries address their development challenges and achieve balanced, sustainable and inclusive growth, the IsDB Group financed a number of activities and introduced new initiatives as briefly highlighted below:

1. **Scaling-Up Development Assistance:** Despite a challenging financial environment, the volume of IsDB Group financing continued its upward trend and cumulatively reached US$102 billion which financed 8,059 projects and operations as of June 2014. The financing targeted strategic themes such as poverty alleviation, comprehensive human development, capacity development, and private sector development. In 2013, infrastructure received the largest allocation of IsDB’s Ordinary Capital Resources (OCR) totaling US$3.1 billion, representing 73.1 percent, followed by agriculture 16 percent, education 8.5 percent, health 1.6 percent, and others including finance 0.8 percent. Infrastructure approvals covered electricity generation and transmission, transportation, and water & sanitation.

2. **Mobilizing More Financial Resources:** To ensure adequate resources in supporting the economic growth of its member countries, the IsDB adopted resource mobilizing measures to bolster its liquidity, including issuance of Sukuk (Islamic bonds). It also provides advisory services relating to sukuk issuances to some member countries with a view to helping them in their efforts to develop their local sukuk markets. Similarly, it is active in raising finance through direct placements based on commodity and Wakala transactions as a way to mobilize short-to-medium terms funds from the markets. In 2014, the Bank has successfully priced its two public issuance Sukuk of US$1.5 billion each and one Sukuk under private placement of US$100 million, under its US$10 billion Trust Certificate Issuance Program.

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\(^1\) Figures are based on IMF’s World Economic Outlook database, April 2014
In the arena of global development finance, the IsDB and the Bill and Melinda Gates Foundation recently established a US$500 million grant Buy-Down Facility. This Facility will enable the IsDB to deploy up to US$2.5 billion of financing to fight poverty in low-income member countries. The Gates Foundation will contribute 20 percent (US$100 million) which will be deployed alongside IsDB’s own financing to completely offset the cost of financing that countries would otherwise incur. This “buy-down” process will provide premium-free market resources to low-income countries.

3. **40 Years Retrospective Assessment and 10-Years Strategic Framework**: As part of its 40th Year Anniversary, the IsDB Group undertook an unprecedented stakeholder consultation seeking views on both the assessment of its performance over the past 40 years and its next 10-Year Strategy. The IsDB Group 10-Year Strategic Framework has three strategic objectives, five pillars or priority areas, and one crosscutting theme. It also has seven guiding principles for effective and efficient implementation. Its three strategic objectives are Inclusiveness, Connectivity for Growth, and Promoting the Development of the Islamic Financial Sector. Its five strategic pillars are Economic and Social Infrastructure, Private Sector Growth, Inclusive Social Development, Islamic Financial Sector Development, and Cooperation between Member Countries (MCs) and with Muslim Communities in non-MCs. It is envisaged that ten years from now IsDB Group will enhance its status as a partner-of-choice in the development of its MCs, an authoritative reference on Islamic finance, and the most prominent facilitator of cooperation between MCs, and with Muslim Communities in non-MCs.

4. **Promoting Financial Inclusion**: The IsDB Group has for long acknowledged the importance of inclusive financial development as one of the key policy interventions for poverty alleviation in its member countries. To this end, it has undertaken various initiatives for financial inclusion by increasing access to SMEs and providing support for microfinance. It has also extended lines of Islamic financing and undertaken equity participation to improve access to finance for the SMEs. To improve financial inclusion, the IsDB in partnership with CGAP - the Consultative Group to Assist the Poor, has conducted two international competitions for development of Islamic microfinance business models in 2010 and 2013. Other partners in the two competitions were Deutsche Bank, Grameen-Jameel, Al Baraka Banking Group and Triple Jump. As a result of these Islamic Microfinance Challenge competitions, scalable, sustainable and authentic Islamic microfinance business models have been developed to meet the financial needs of member countries.

5. **Fostering Islamic Finance**: The IsDB promotes and advances Islamic financial services industry through partnership with governments, private sector and multilateral financial institutions. It continues to facilitate the development of the sector by providing technical assistance for creating the requisite legal, regulatory, supervisory and Shari’ah frameworks. The various programs for this purpose include improving access to Islamic finance for the poor, supporting Islamic Infrastructure Institutions, participating in equity investments, undertaking research, training and product development. It has also been developing the Awqaf sector for social and economic development specifically education, health, and other development purposes.

6. **Promoting human development for poverty alleviation**: Investments in human development is a key focused area of IsDB Group since its inception. It has continued to place a strong emphasis
on building human capital and improving the well-being in member countries. It supports member countries in human development through two non-income components: health and education. Its interventions in education cover all sub-sectors from primary through higher education including vocational education and training. The Bank is strengthening its intervention in skills development and upgrading to meet labour market requirements. Its interventions in health continues to be driven by regional epidemiological diversity and the wider range of needs of its member countries.

7. **Fostering private sector development**: Private sector development is one of the priority areas of the IsDB Group through which member countries are assisted in sustaining higher economic growth and reducing poverty. The IsDB pursues this objective through the activities of its entities namely the Islamic Corporation for the Development of Private Sector (ICD), the International Islamic Trade Finance Corporation (ITFC) and the Islamic Corporation for the Insurance of the Export Credit and Investment (ICIEC). In 2013, ICD’s support to private sector totaled US$426 million while ITFC’s trade financing operations for both public and private sector was US$5 billion. Similarly, in the same year, ICIEC’s business operations reached US$3.4 billion.

8. **Investing in infrastructure**: Infrastructure development is widely acknowledged as a linchpin for economic growth. The Bank has scaled up its financing for infrastructure in many member countries. In addition, to using its OCR for infrastructure, the Bank has launched other new facilities and funds including: (i) Public-Private Partnership (PPP); Arab Financing Facility for Infrastructure; (iii) New Mudaraba Infrastructure Investment Facility: Islamic Infrastructure Fund; and (iv) IsDB Infrastructure Fund 1 & 2. Through this effort, the Bank aims to facilitate affordable access to energy, foster urban development, and improve transportation networks.

9. **Strengthening regional economic cooperation and integration**: Promoting economic cooperation and integration is an overarching objective of IsDB Group since its inception. It aims to reduce economic barriers among member countries and synergize on each other’s strengths and potentials for mutual benefits through reverse linkage. IsDB Group has been active in supporting its member countries in (i) speeding up their efforts to foster intra-trade and intra-investment facilitation, (ii) moving towards the formulation of an integrated economic and financial markets, (iii) enhancing connectivity across the regions in the areas of transport, energy, labour mobility and ICT, and (iv) increasing investments in regional and cross-border infrastructure with a view to increase cross-border trade and flows.

Going forward, I strongly believe that improving the wellbeing of citizens is vital for promoting inclusive and balanced growth. In this regard, developing countries including IsDB member countries are still facing numerous challenges and a lot needs to be done to close the development gaps. Therefore, I call on the international community to continue their support to the development goals and to contribute more to support the developing countries’ efforts at addressing emerging challenges such as Ebola epidemic.

**Concluding remarks**

I would like to take this opportunity to reiterate that IsDB Group will continue to finance critical economic sectors to achieve higher multiplier impacts on the economies of member countries consistent with their development priorities. It will also continue to forge strategic alliance with other development partners to leverage additional development assistance to its member countries.
On this note, I would like to reaffirm the IsDB Group’s commitment to working closely with the development community in its quest to support inclusive and sustainable economic growth.