Statement by

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On behalf of the Islamic Development Bank Group (IsDB Group), I would like to express our sincere thanks and appreciation to the World Bank and the International Monetary Fund for extending invitation to us to participate in the 91st meeting of the Development Committee.

The Global Context

More than six years after the Great Recession of 2008-2009, the global economy is yet to break out from the vicious cycle of tepid recovery characterized by weak growth and uncertainty. Since our last October’s meeting, global growth has not picked up sufficiently enough to generate jobs for the unemployed youth across the countries. As a result, jobless growth continues to exacerbate social problems and turbulence in most part of the world where youth unemployment remains stubbornly high.

As we meet today, only two advanced countries have shown signs of growth – the United States of America (where the Fed is preparing to raise short-term interest rate and manage its timing to prevent precipitating crisis in emerging countries as was the case in May 2013) and the United Kingdom (which is ahead with its quantitative easing). The question is how to sustain this growth momentum in the face of recurrent external shocks.

The challenge of plunging oil prices, dollar appreciation, divergent monetary policy (as manifested in Fed’s planned tightening of policy as against widespread quantitative easing in Euro zone, Japan and China as well as in dozens of other emerging markets), geopolitical risks (including terrorism, political instability and conflicts), growth deceleration in emerging economies (especially among BRICS countries), widening income inequality, and upsurge in communicable diseases (such as Ebola crisis) could affect the global economic outlook in 2015 and beyond. Therefore, the international community and development partners need to strengthen their cooperation and collaboration to minimize the impact of these challenges on vulnerable economies especially the least developed and fragile and conflict affected countries.

The year 2015 is a momentous one for the global community as agreements on major international initiatives are likely to be reached. These agreements include sustainable development goals (SDGs) (which are designed to replace the Millennium Development Goals under the aegis of the United
Nations), financing for development and climate change deal to reduce carbon emissions globally. Certainly, this is a year of opportunity which should not slip away as every missed opportunity is an opportunity cost to the global economy and to the millions of people at the bottom of the pyramid whose life are adversely affected by inaction. We should seize the opportunity to move forward and conclude the agreements.

This global context is relevant to the theme of our discussion “From Billion to Trillion: Transforming Development Finance, Post-2015 Financing for Development: Multilateral Development Finance” whose outcome will lead to finding new innovative approaches to financing sustainable development goals (SDGs). To this end, the IsDB Group is ready to work with its development partners to support the efforts of its member countries and international community to achieve the objectives of all the international initiatives.

Economic Performance of IsDB Member Countries

The shift in global economic dynamics is posing increasing risk to the economies of member countries. Accordingly, the uneven growth across various regions of the 56 member countries is due to a number of external and internal factors whose impacts are largely dependent on country specific conditions. Some of the external factors are volatile commodity prices and fragile geopolitical tensions. The internal factors include lack of inclusive growth, lack of economic diversification to weather external shocks, joblessness, deepening inequality, unfavourable investment climate, weak national health systems (as manifested in the outbreak of epidemic diseases especially Ebola in some member countries), among others. To address these challenges, member countries need to undertake structural transformation, institutional reforms, and significant investments in critical infrastructure sector.

IsDB Group Responses

The IsDB Group continues to provide loans and grants to help its member countries foster their socio-economic development as well as support their efforts toward achieving sustainable growth. In this context, the IsDB Group undertook a number of activities and initiatives as follows:

1. **Ebola crisis:** During the outbreak of the Ebola Virus Disease (EVD), the IsDB Group and the Organization of Islamic Cooperation (OIC) co-organized Ebola Donor’s Conference in Jeddah, Saudi Arabia, where donors and philanthropists from across the Muslim world pledged a sum of US$85 million for emergency funding to the affected countries. The IsDB Group is also managing a dedicated US$35 million fund for fighting Ebola donated by late King Abdullah Ibn Abulaziz of Saudi Arabia.

   There are important lessons to draw from the EVD to avoid future epidemic. First, priority should be accorded to strengthening national health system, health data collection system, and disease surveillance system. Second, more investment is needed in health education, equipment and personnel. Third, international coordination needs to be improved as well as financial support in the area of vaccine development, research and humanitarian assistance. The IsDB Group strongly believes that more resources and timely actions are needed to handle future challenges from such epidemic.

2. **Financing for Development:** As the world is about to transition from the era of Millennium Development Goals to that of Sustainable Development Goals (SDGs), the United Nations is gearing up for the 3rd International Conference on Financing for Development in July 2015 in Addis Ababa which will define the financial tools for mobilizing resources for implementation of
the SDGs. This is major shift from the past, when it took the UN two years after the Millennium Declaration was signed in 2000 before it organized its first International Conference on Financing for Development in Monterrey, Mexico.

In recognition of the importance of resource mobilization for financing development activities and the potential role of IsDB Group in this direction, the IsDB Group in collaboration with the UN Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF), organized a roundtable at its headquarters in Jeddah in June 2014 to explore the potential role of Islamic finance in the promotion of sustainable development. The objective of the roundtable was to provide input to the report of ICESDF in the form of identifying Islamic finance tools for resource mobilizations for an effective sustainable development financing strategy. The key messages from the roundtable were that: (i) Solidarity-based Islamic finance such as *zakat* (obligatory charity in Islam) and *waqf* (Islamic endowment) can be used to finance social development and promote financial inclusion as well as be used as additional sources for financing at local levels; and (ii) *Sukuk* (Islamic bonds), by its very nature, can be used to mobilize large resources for infrastructure investment, thereby promoting greater linkage between financial sector and the real economy.

Given that Islamic finance contributes to financial stability and has demonstrated its resilience during global recession, it has potential of making significant contribution to a more stable, inclusive and development-oriented international financial system, based on common interests and shared responsibilities as well as financing sustainable development goals. The IsDB Group therefore calls on international community to consider Islamic finance as part of the tools for implementing SDGs.

3. **40 Years Anniversary and associated initiatives:** The year 2014 was a historic for the IsDB Group as it celebrated its 40th anniversary, which was graced with the presence of the Custodian of the Two Holy Mosques, King Salman Ibn Abulaziz. The occasion offered a unique opportunity to listen to and learn from the Bank's stakeholders and beneficiaries regarding their experiences with and expectations from the Bank's work in various sectors as well as to benefit from their suggestions on the way forward. I take this opportunity to thank all our member countries and development partners for their continuous support for the Bank and its activities.

The past year was also a momentous one for the Bank as it launched landmark initiatives. First, a retrospective assessment of the performance of the IsDB Group was undertaken with a focus on its evolution, achievements, challenges and opportunities. The assessment, which identified the strengths of the Group and areas for improvement, revealed that the Group had shown impressive growth in membership, capital, and operations as well as having undergone significant transformation with a view to serving its mandate better. The study identified three stages of the Group’s evolution and development from the operational growth perspective. These stages were Start-up Stage (1975-1990); Ramp-up Stage (1990-2001); and Acceleration Stage (2001-2013). It also documented the key strengths and uniqueness of the Group as well as the challenges it has faced and the implications of those challenges for its Ten Years Strategy.

Second, a new Ten-Year Strategy Framework was developed and endorsed by the IsDB Board of Governors. The Strategy, which has five pillars -- economic and social infrastructure, private sector development, inclusive social development, cooperation among member countries, Islamic financial sector development, plus a cross-cutting one (capacity development), was designed to position the IsDB Group as a value-added partner in the socio-economic development of its member countries. In order to implement the strategy, the IsDB Group has developed institutional performance indicators and result-based targets for short and long-term actions.
4. **Resource mobilization:** In order to make more financial resources available to its member countries and supplement its own limited resources, the IsDB intensified its resource mobilization effort and diversified its strategy. In 2014, the IsDB issued four series of Trust certificates (sukuk) under its updated Medium Term Note (MTN) program, of which two series were via benchmark issuances of $1.5 billion each while the other two were through private placement. The first public issuance was a $1.5 billion deal in March 2014 (Series 16 maturing in March 2019) and the second transaction was another benchmark issuance of $1.5 billion in September 2014 (Series 19 maturing in September 2019). Both issuances were oversubscribed and issued at an improved launch spread of 23 bps and 10 bps respectively above the prevailing five-year $ mid-swap rate. These global issuances also witnessed participation of new high quality investors which manifested the acceptance of IsDB credit in the global fixed income space. In the private placement area, which is more dedicated for specific investors demand in term of currency and tenor, the IsDB issued a $100 million three-year sukuk maturing in April 2017, as well as a €300 million four-year sukuk maturing in October 2018, the first IsDB’s sukuk denominated in Euro issued directly to a group of private investors in Europe.

This resource mobilization exercise, apart from the fund raising agenda, was also aimed to promote the Islamic financial industry in member countries as well as in the global arena. The IsDB’s sukuk, apart from listed on the London Stock Exchange, are also listed on the member country securities exchange including Bursa Malaysia (Exempt Regime), Nasdaq Dubai and Borsa Istanbul.

5. **Catalyzing development:** The IsDB Group continued to support the ever-increasing development needs of its member countries which culminated in recording an impressive operational growth of 11.7 percent in 2014 to reach $10.9 billion from $9.7 billion in 2013. Of this amount, approvals from the IsDB’s Ordinary Capital Resources (OCR) totaled $5.1 billion, of which infrastructure sector received the largest share of 83 percent, followed by agriculture at 8 percent, education at 4.5 percent, health at 3 percent, and other sectors, including finance at 1.5 percent.

Since inception of the Bank up to the end of 1435H (2014), the IsDB Group approved 7,613 projects and operations totaling $101.7 billion. In addition to this amount, ICIEC’s insurance commitments reached $23.8 billion and business insurance operations for an amount of $22.2 billion.

6. **Bolstering private sector development:** The IsDB Group contributes to the development of private sector 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 2014, ICD approved a total amount of $487 million for 31 projects and maintained a high disbursement/approval ratio of 60 percent as well as introduced new products such as Commodity Murabaha. In creating new channels of operations in member countries, the ICD approved $105.9 million for lines of financing and institutional equity projects, which exceeded its annual target. Similarly, the ITFC has recorded improved growth in its trade operations by more than doubling its operations from $2.2 billion in 2010 to $5.1 billion in 2014 while ICIEC

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1 Defined as an exchange contract trade between an investor (seller) and financial institution (buyer), where the subject matter are base metals listed on the major commodity exchanges (such as the London Metal Exchange).
business insurance operations also increased by 26.5 percent to reach $4.3 billion in 2014 from $3.4 billion in 2013 with new commitments witnessing a substantial increase of 63.6 percent to reach $3.6 billion compared to $2.2 billion in 2013.

7. **Expanding Field Presence:** The IsDB Group has made progress in its outreach to member countries in three key areas: (i) empowerment of Regional Offices, (ii) opening of pilot Country Gateway Offices (CGOs) and (iii) enhancing roles and responsibilities of field representatives (FR). During 2014, the transformation of administrative, financial and operational aspects was completed for the Regional Offices of Dakar, Almaty and Rabat, and initiated for the Kuala Lumpur Regional Office. The CGOs for Turkey and Indonesia were made operational and progress was made on the establishment of three CGOs in Bangladesh, Egypt, and Nigeria. Also, critical constraints to performance of the FRs, including the need to upgrade their office physical infrastructure, were addressed in order to enhance their effectiveness. The increased field presence of the Group is expected to play a critical role in the effective delivery of the development assistance to member countries.

**Concluding remarks**

As the international community looks set to identify and define financial tools to increase funds for member countries to implement a new set of sustainable development goals (SDGs) in post-2015 era, the IsDB Group offers Islamic finance as a proven instrument for mobilizing additional resources as well as for addressing weaknesses in global financial system. It is important at this juncture of looking for means of implementation of the SDGs to explore innovative and alternative financial tools including Islamic finance. To this end, the IsDB Group is willing to share its experiences as well as provide technical assistance to member countries and development partners interested in adopting Islamic finance for financing development activities. Meanwhile, it also recognizes the important role of private sector in financing the SDGs and will continue to promote its development in member countries.

Finally, the IsDB Group reaffirms its commitment to working closely with the development community in their quest to finding lasting solutions to global development issues and also in improving coordination and harmonization of policies to avoid duplication of efforts for better development effectiveness.