



DEVELOPMENT COMMITTEE  
(Joint Ministerial Committee  
of the  
Boards of Governors of the Bank and the Fund  
on the  
Transfer of Real Resources to Developing Countries)



**SEVENTY-FOURTH MEETING  
SINGAPORE – SEPTEMBER 18, 2006**

DC/S/2006-0064

September 18, 2006

Statement by

**Dr. Ahmad Mohamed Ali**  
President, IsDB Group



# **ISLAMIC DEVELOPMENT BANK GROUP**

**Statement by Dr. Ahmad Mohamed Ali  
President, IsDB Group**

**to the 74<sup>th</sup> Meeting of the Development Committee  
held on 18<sup>th</sup> September 2006, Singapore**

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**Mr. Chairman and Distinguished Delegates,**

The Islamic Development Bank (IsDB) Group has the privilege and honour to participate in the 74<sup>th</sup> meeting of the Development Committee, which has on its agenda the following items: (i). *Strengthening Bank Group Work in Governance and Anticorruption* and (ii). *Strengthening the World Bank's Engagement with IBRD Partner Countries*. In addition, following Progress Reports are submitted for the consideration of the Development Committee: (iii). *An Investment Framework for Clean Energy and Development*, (iv). *Progress Report for the Education Fast Track Initiative*, and (v). *Doha Development Agenda and Aid for Trade*. These two agenda items and the three Progress Reports address major development challenges facing the developing countries, including the IsDB member countries. The Reports provide insights in terms of enhancing the effectiveness of assistance provided by multilateral development banks, including the IsDB Group.

Developing countries and the international community are ten years away from the target date of the U.N. Millennium Declaration. The adoption of the MDGs galvanized the development community and focussed attention on poverty alleviation and social progress in the developing world. Indeed, many regions and countries have achieved significant improvements in various socio-economic indicators. Efforts by the development community, including the IsDB Group, to assist the African countries by way of supporting human development initiatives, enhancing capacity and expanding market access opportunities, and strengthening external sector sustainability by way of debt write-off have certainly assisted in the revival of economic growth and social progress across many regions. Indeed, progress towards achieving MDGs-related targets by some African countries have started to show some progress yet, for many, the serious slippages warrant major concern and redoubling of efforts.

On this occasion, the IsDB Group wishes to reiterate its commitment to forge further collaboration with the development community in the common cause of social emancipation and economic progress of the poor and the underprivileged people in the developing world. Along with other participants, the IsDB Group welcomes the opportunity to participate in the discussion on the major developmental challenges during the 74<sup>th</sup> meeting of the Development Committee. The IsDB Group would like to briefly update the recent economic performance of the IsDB member countries, to share its perspectives on the agenda items, and to identify areas for further cooperation and partnership.

**I. Recent Economic Performance of IsDB Member Countries**

According to the latest estimates, the global economic growth during 2006 is expected at 5.1 percent and is projected to slowdown to 4.9 percent in 2007. Given the sustained global economic growth over the past four years, it appears that output gaps are narrowing with

attendant concerns over inflationary pressures, vulnerability to shocks in the oil market, and potential disorderly conditions in the foreign exchange markets owing to the persistent global imbalances.

In line with global trends, the real GDP growth of fifty-six IsDB member countries, as a group, decelerated from 6.2 percent in 2004 to 5.6 percent in 2005 with a 5.8 percent upturn expected during 2006. In contrast, economic growth in the twenty-eight least developed member countries (LDMCs)<sup>1</sup> accelerated from 6.4 percent in 2004 to 7.9 percent in 2006. Inflationary pressures in IsDB member countries which used to be traditionally higher as compared to developing countries, as a group, now appear to moderating as the inflation rate in IsDB member countries, as a group, after rising from 7.2 percent in 2004 to 8.4 percent in 2005 declined to 7.3 percent in 2006.

The upturn in economic growth in IsDB member countries, as a group, appears to be led by an increase of over 1 percentage point of investment to GDP ratio. Current account surplus of IsDB member countries surged from 5.5 percent of their combined GDP in 2004 to 11.3 percent in 2006, which is owing mainly to higher revenues of oil-exporting member countries. Fortuitously, the current account deficit of LDMCs, as a group, was reduced from 4.6 percent of their combined GDP in 2004 to 3.9 percent in 2005 and is expected to further fall to 1.7 percent during 2006. The flow of net foreign direct investment (FDI) to IsDB member countries rose from a paltry amount of US\$5.6 billion in 2000 to its record level at US\$42.5 billion in 2006. In recent years, the annual increase in the stock of external debt of LDMCs, as a group, ranged between \$3 to \$4 billion, which appears to be sustainable owing to a steady debt servicing ratio.

For the IsDB member countries, uncertainties arising from global financial imbalances generate concerns for the future economic development prospects. During the last two years, as a result of tightening global liquidity conditions accompanied by rising energy prices, global economic growth appears to be slowing down, particularly in the developed economies. A global slowdown of economic growth could setback the gains achieved by developing countries through macroeconomic stability, wide-ranging market reforms, and trade liberalization measures. In recent years, there has been sustained economic growth in the developing world, with oil-importing developing countries holding up well as their exports, capital inflows and aid provided cushion against higher energy prices.

Developing countries have generally mitigated external sector vulnerabilities through accumulation of foreign exchange reserves. However, in some developing countries there remains the worrying tendency for government spending and public debt to rise simultaneously. This could be potentially worrisome in the wake of tightening of global liquidity conditions. A major lesson of emerging market crises, such as the Latin American debt crisis and the Asian financial crisis, were associated with reversals in private debt flows and the lagged effects of global liquidity tightening. In the present situation, this suggests that those developing countries are at serious risk which are more dependent on external financing, more open to trade, and more vulnerable to commodity price declines.

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<sup>1</sup> Of the fifty-six member countries, the IsDB Group classifies 28 countries as the 'least developed member countries' (LDMCs), which makes them eligible to receive concessional financing and flexible terms and conditions on other modes of financing.

The stalled Doha Development Round is most unfortunate as further growth impetus, particularly in the Africa region, would have come from the elimination of trade-distorting subsidies. Nevertheless, the emergence of major growth nodes in the Asian region provides an opportunity to other least developed countries, including the LDMCs, to diversify and strengthen new economic and trade relations. In this regard, the IsDB Group would like to call upon the major economies in the Asian region to launch an initiative for granting of unhindered market access to exports from the least developed countries, in particular to exports of Sub Saharan African countries. Such an initiative by the major emerging Asian economies will most likely accelerate growth impetus of Sub Saharan African countries, assist in the attainment of MDGs, and strengthen South-South cooperation.

## **II. Strengthening Bank Group Work in Governance and Anticorruption**

The IsDB Group would like to compliment the World Bank for preparing a well researched document which addresses complex set of issues related to governance and corruption. Good governance creates an enabling environment for sustainable development and emergence of a competitive and dynamic private sector. During the last three decades, greater role of private sector in economic activities in the developing countries, including the IsDB member countries, makes it imperative to strengthen and enhance governance regime. A transparent economic governance regime is essential to ensure that the fruits of economic growth are equitably distributed.

Good governance simply means that rules of business in all spheres of activities are codified, widely and transparently understood, effectively implemented along with strong commitment to the institution of accountability. In the absence of progress towards the goal of good governance, the incentives for private sector activities become distorted. These distortions may manifest themselves in various forms with varying intensity such as brain drain, investing in speculative activities which generate relatively high short-term profits, pursuing rent-seeking economic activities, and seeking to profit from capture of regulatory institutions.

It is important to highlight risks posed by weak governance and corruption to ensuring equitable gains from the development process. Given the complexity of development process, improving governance parameters can occur over longer term. Under deteriorating governance parameters, the challenge is to continue partnership with authorities and yet bring about mutual accountability, transparency, and strengthened state institutions. Unbundling governance status across different sectors and setting benchmarks of good governance can garner greater support from various stakeholders. However, effective and sustained improvements in governance will also require a better and nuanced understanding of social norms and values.

As a project financing institution, the IsDB Group has put in place a comprehensive system to ensure good governance in its operational activities in member countries. In particular, various guidelines exist to ensure transparency in the procurement phase and accountability of the project implementation unit in the beneficiary countries. The guidelines aim to ensure that gains from implemented projects indeed reach the intended beneficiaries and scope for cost-related slippages are minimized.

In addition, during 2004-05, the IsDB Board of Executive Directors adopted information disclosure policy which aims at bringing about transparency and enhance public knowledge about the Bank's activities. As part of its efforts to bring about greater disclosure, the IsDB Group is seeking mandatory permission of member countries for releasing information about the various approved projects.

### **III. Strengthening the World Bank's Engagement with IBRD Partner Countries**

The World Bank paper raises major operational issues of relevance to the MDBs/MFIs in terms of broadening relationship with the middle-income countries (the IBRD partner countries). It is estimated that middle-income countries (MICs) produce about 20 percent of the world output but where 70 percent of the world's poorest also live. Major development challenges faced by MICs include shortfalls in physical and social infrastructure, high rates of unemployment and vulnerability to exogenous shocks, etc. If development challenges are not properly addressed, they can hamper the extent to which MICs will be able to achieve the Millennium Development Goals (MDGs). In addition, access of MICs to international capital markets is mostly uneven. Financing terms are not consistent with long-term development projects as many MICs borrow at market rates. Therefore, a major area of operational concern to the MDBs/MFIs is how to address the evolving financing, and in some cases non-lending, needs of MICs.

In the case of the IsDB Group, 24 of its 56 member countries fall in the middle income group, of which eighteen are classified as lower middle-income and six are classified as upper middle-income countries. These member countries constitute around 30 percent of the total population and more than 60 percent of the total GDP of all IsDB member countries.

In cumulative terms up to the end February 2006, the IsDB Group has approved development assistance amounting to US\$15.5 billion to lower middle-income member countries, which constitute about 38 percent of total net approvals. In the case of upper middle-income member countries, the development assistance totaled US\$7.1 billion, which corresponds to a share of about 17 percent of total net approvals. Recognizing the development challenges faced by the middle-income member countries, the current strategic plan of the IsDB Group focuses on increasing both the average size of projects and to deliver niche knowledge-based services. The IsDB Group also aims to achieve greater developmental impact through improvements in quality-at-entry of projects and more effective supervision during the project implementation stage. In terms of sectoral allocation, IsDB Group development assistance to the public sector in MICs is mainly in the areas of physical infrastructure, health, education, energy, and transport and communication.

The IsDB Group is committed to alignment with the MFIs and other donors concerning the commitments made in the Forum which included, among others, the implementation of common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows; and working together to reduce the number of separate duplicative missions to the field and diagnostic reviews; and promoting joint training to share lessons learnt and building a community of practice. The IsDB Group, along with the MFIs, is fully active in the alignment of operational procedures, particularly in MICs. We fully support increasing aid effectiveness through greater use of country systems, harmonization of donors procedures, and reducing the

reporting burden of beneficiaries in MICs. The IsDB Group hosted a regional consultation on harmonization and alignment targeting donor institutions in the Middle East and North Africa region in February 2005. The outcome of this regional consultation fed into the Paris Declaration on Aid Effectiveness adopted at the High Level Forum on Aid effectiveness (HLF-2), which was held in March 2005.

In order to provide development assistance on competitive terms to operations in MICs, the IsDB introduced during 2004-05 new features and flexibility in the terms of modes of ordinary financing. As a "AAA" rated institution, the benefit of relatively lower cost of resource mobilization by the IsDB is passed on to the beneficiaries in member countries. In order to be competitive and achieve social goals, the IsDB Group has a long experience of blending different modes of financing to support development projects in member countries, especially to invigorate economic activities in depressed areas in middle income member countries.

The IsDB Group has undertaken a number of inter-related initiatives to support the growth of private sector, particularly in the form of public-private partnership in infrastructure development. Between 1996-2002, public-private investment in telecommunication, energy, transport, water and sanitation sectors in IsDB member countries has been on the rise totaling about US\$87 billion. In order to support and further enhance public-private investment in IsDB member countries, the Bank launched an IsDB Infrastructure Fund with a total size of US\$930.5 million. The Fund mobilized public-private resources to finance infrastructure projects in power, petrochemicals, telecommunications, transport, and mining sectors in MICs. In addition, given the significant availability of liquidity in the Middle East region, the IsDB is seeking partnership to mobilize additional resources for infrastructure development in its member countries.

In partnership with the MDBs, IsDB Group has been supporting member countries' efforts to enhance the impact of its development assistance in terms of making progress towards poverty reduction and improving socio-economic conditions of the people. In this regard, Country Assistance Evaluation (CAE) studies provide a comprehensive analysis of projects in terms of design, implementation, achievement of objectives, performance assessment, and sustainability. With a view to adding value to its evaluation activities, the Bank jointly conducted CAE studies for Jordan and Tunisia with the World Bank during 2002-03 and 2003-04, respectively. In 2004-05, the Bank conducted joint CAE for Mauritania with the African Development Bank. These joint analytical work with other MDBs provided valuable lessons and areas for improvement such as to pay greater attention to project selectivity, capacity assessment of the executing agency, and to ensure robust project follow-up and supervision.

#### **IV. An Investment Framework for Clean Energy and Development,**

Global economic performance during the last two years has been resilient in the face of rising energy prices. In the context of rising incomes and improving social indicators in the developing countries, meeting the energy needs of underserved population could lead to both massive environmental degradation and soaring prices. Such a vulnerability to long term economic growth can be addressed by forging an equitable global energy compact that embodies security, access, and greater investment in developing alternative sources of energy.

The Progress Report on Investment Framework for Clean Energy and Development highlights that there remains large investment gap in the energy sector amounting to about US\$80 billion. Currently, there are 1.6 billion people without access to electricity, mostly residing in South Asia and Sub-Saharan Africa regions. The need for new investment to meet the growing energy needs can be significantly reduced through demand management, planning, and cross-border trade in electricity through regional projects. According to the International Energy Agency (IEA) estimates, improved energy efficiency in buildings, industry, and transport could lead to between 17 and 33 percent lower energy use by 2050. Achieving these savings would reduce carbon emissions, decrease import bill of energy-deficient developing countries, alleviate affordability constraints for the poorest households, and increase the competitiveness of local businesses.

Nevertheless, an investment framework is needed that is predicated on diversification of sources of energy, utilization of clean and efficient energy technologies, addressing impact of energy on climate change and mitigating greenhouses gases. For energy-deficient developing countries, including many IsDB member countries, some of the major options to gain energy efficiency are:

- develop clean energy alternatives particularly ethanol;
- promote use of flex-fuel passenger and transport vehicles; and
- invest in energy-related R&D for sustainable development.

In addition to reforming energy policies and development of energy sector at the national level, there is a clear need to develop regional approaches for meeting the energy requirements of developing countries. For instance, developing energy corridors between west/central Asian region and the rest of Asian countries offers not only attractive investment opportunities but it also utilizes cleaner energy sources beside being potentially cost effective for meeting energy needs of the poor. In addition, involvement of MDBs in financing of nuclear-based parks for energy generation, *albeit* under international safeguards, could also be considered as a viable option for generating efficient and clean energy.

IsDB Group's energy sector cumulative financing totaled US\$2.9 billion for 177 operations up to the end-1426H (Feb. 2006). Financing of energy projects by the IsDB accounted for 21 percent, followed by the IsDB Infrastructure Fund at 15 percent and the ICD at 4.3 percent. At the IDB Group level, energy financing represents about 7 percent of the cumulative net approvals. In supporting energy-related operations in member countries, the IsDB Group is guided by the following major considerations:

- support and participate in R&D development of clean energy alternatives;
- finance development of new refinery capacities of member countries as a means of alleviating the adverse effects of rising global energy prices; and
- establish strategic alliances in the area of energy security with member countries particularly those that depend on oil imports.

The very first project funded by IsDB, in 1976, was in fact a hydropower project, namely, Cameroon's Song Loulou Hydropower scheme. Since then, Bank's operations in the energy sector have traditionally focused on power generation and transmission in middle-income member countries (e.g., Arab states region) and power distribution in low-income member countries (e.g., sub-Saharan Africa). The Bank has strongly supported (regional) hydropower development in sub-Saharan Africa, including programs along the Senegal, Niger and Gambia Rivers (e.g., OMVS, NBA, OMVG). Furthermore, the Bank supports the development of regional power grids and other regional power projects.

In recent years, the IsDB Group has been involved in financing of clean energy projects in its member countries. For instance, IsDB, in November 2005, approved financing of its debut private sector 80 megawatt run-of-the-river hydropower project in Pakistan, which will not involve any resettlement, displacement or construction of a new dam. During 2005-06, the IsDB Group approved financing of \$150 million in a refinery and petrochemical project in Saudi Arabia. With increased global refining capacity, this project will contribute to alleviating the current supply-side constraints. As part of its advocacy efforts to develop clean sources of energy, the IsDB organized in 2005, a Roundtable with MDBs and regional donors to discuss the financing package for construction of two major dams, namely, the Taoussa (previously Tossaye) Dam in Mali, and the Kandadji Dam in Niger.

Recently, the IsDB participated in the World Bank-spearheaded "Clean Energy and Development Investment Framework" initiative. In doing so, IsDB collaborated in the mapping exercise led by the World Bank. The Bank is currently involved in discussions with regional partners on the implementation of the Clean Development Mechanism (CDM), which is the overarching theme of a major international conference to be hosted by Saudi Arabia, in partnership with OPEC and the European Commission which will be held on 19-21 September 2006 in Riyadh. CDM is a mechanism, within the Kyoto Protocol, which underpins the development of a carbon finance market.

## **V. Progress Report for the Education Fast Track Initiative**

The 'Education for All' initiative was launched by UNESCO to assist countries in two education related MDGs: achieving universal primary education by 2015 (MDG 3), and eliminating gender disparity at all levels of education no later than 2015 (MDG 4). The Fast Track Initiative (FTI) is a global partnership of major donors led by the World Bank to accelerate education related spending by providing adequate and predictable funding to sound multi-year education programmes. So far, twenty countries have endorsed FTI, of which nine are IsDB member countries while 15 more member countries are expected to join by 2008.

The IsDB Group would like to commend the World Bank for the progress made in education outcomes in the FTI-endorsed countries. Based on the measurement of indicative benchmarks in a sample of eleven countries who have been participating in the FTI for more than two years, significant progress has been noted in education outcomes indicators such as enrolment, primary completion rate, teacher pupil ratio, scaling up and delivery of teaching materials. A cause of concern is the projected financing gap for fully funding the education programmes in the twenty FTI countries. For instance, the total primary education programme cost in twenty FTI countries is estimated at US\$5.1 billion in 2006 which is projected to rise to US\$5.4 billion in 2008. To

implement this programme, however, there exists a financing gap from donors estimated at US\$513 million in 2006 and, based on current commitments, is projected to further rise to US\$752 million in 2008. The IsDB Group would urge the international community to fully commit to funding the implementation 'education for all' programme in the twenty FTI countries.

The IsDB Group supports comprehensive vision of human development through acceleration of literacy and expanding the coverage of quality healthcare. Over the past decade, the overall adult illiteracy rate in member countries has declined from 43 percent in 1990 to 30 percent in 2005. Life expectancy has also improved from 59 years in 1990 to 62 years in 2004. Despite the overall progress in human development, the Bank has up-scaled its efforts to alleviate widespread poverty in member countries through sustained support aimed at improving primary education and healthcare services.

In providing human development related assistance, IsDB ensures quality-at-entry of projects in terms of their potential impact or outcomes in the education-related operations in member countries. Beginning from 1420H, the Bank has substantially increased its net approvals in the education and health sectors. Up to the end-1426H, the cumulative assistance provided by the Bank in the education sector in member countries totalled US\$1.5 billion for 288 operations. Beside supporting the education sector, a unique feature of IsDB human development approach is *qard hasan*<sup>2</sup> based scholarship programme in non-member countries and two scholarship programmes for students from member countries in the various areas of science and technology. So far, 4,809 students have been awarded scholarships.

A landmark decision was adopted by the IsDB Board of Governors during the 31<sup>st</sup> Annual Meeting held in Kuwait in May 2006 to launch an IsDB Poverty Alleviation Fund (PAF). Currently, preparatory work to establish PAF are underway and the size of the Fund is tentatively expected to range between US\$5-10 billion. With the expected establishment of PAF by the end of 2007, the IsDB Group looks forward to substantially scaling up operations in MDGs-related sectors, including the promotion of learning-based outcomes in the education sector of least developed member countries.

## **VI. Doha Development Report and Aid for Trade**

The launch of the new multilateral trade negotiations in Doha, 2001, was deemed to be a major step towards achieving the objectives envisioned by the Marrakech Declaration at the conclusion of the Uruguay Round of trade negotiations. The Doha Development Round focuses on the developmental aspects of its work programme. Hence, when the Doha Round of trade negotiations started in 2001, developing countries, and the LDCs in particular, expected that the outcome would meet their economic development needs. The expectations of the developing countries were, that the Doha Round would help to remove supply-side constraints, improve trade-related infrastructure, diversify export capacities, enhance productivity and competitiveness, and above all improve their market access.

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<sup>2</sup> The students receive loans at zero cost who upon their employment refund the loan. The refunded loans are deposited in trusts to give scholarships to other students.

Given that the WTO Ministerial Conferences in Seattle and Cancun faltered, the Hong Kong Ministerial Conference in December 2005 gained added importance. Despite strenuous efforts, the Doha work programme related negotiations are now in a state of suspension, which has raised questions regarding the credibility of the multilateral trading system. The suspended negotiations mainly resulted from the failure of major trading countries to agree on targeted reductions in tariffs and domestic support in the agriculture sector. It is generally hoped that, by the end of this year, the negotiations will again commence in earnest by exercising political leadership on many difficult and vexing questions.

The IsDB Group welcomes the progress made in the area of “aid of trade”, especially the work of the WTO’s Integrated Framework Task Force and Aid for Trade Task Force, as well as the World Bank and IMF aid for trade initiatives. Since inception, the IsDB Group has been supporting wide-ranging trade-related capacity building programmes and financing of trade operations in member countries. The Bank has developed an active WTO technical assistance program to strengthen member countries capacity in their WTO trade negotiations and to assist in regional-level trade integration initiatives.

Since its inception, IsDB has been aiming to forge greater economic and trade cooperation among the member countries, especially at the regional level. As a result of sustained economic growth, intra-trade among the IsDB member countries currently stands at 13.3 percent. A noteworthy feature is that, during the three-year period from 2001 to 2003, exports of IsDB member countries destined to industrial and developing countries increased by 18 percent and 27 percent, respectively. However, for the same period, the intra-trade among IsDB member countries increased by 31 percent, which reflects their growing economic cooperation.

Progress in forging greater trade complementarities amongst the member countries has been in part due to the trade financing operations of the IsDB Group. The cumulative trade financing provided by the IsDB Group stands at \$24.4 billion by end-February 2006. Traditionally, IsDB Group provided intra-trade financing to the relatively developed member countries. Following the 27th IDB Annual Meeting, which was held in Ouagadougou, Burkina Faso in October 2002, the Board of Governors issued a ‘Declaration on IDB Group Cooperation with Africa’ committing the Bank to reach a financing target of \$2 billion from 2003 to 2007. Under the Ouagadougou Declaration, the IsDB Group has approved total development assistance amounting to \$1.2 billion up to the end-February 2006. Of this assistance, the volume of trade financing operations amounts to \$292 million covering the following LDMCs: Benin, Burkina Faso, Chad, Mali, Niger, Senegal, and Sudan. Innovative trade financing instruments, such as structured trade financing and issuance of irrevocable commitment to reimburse, have been adopted by the IsDB Group to finance intra-trade operations in the LDMCs. In 2005, IsDB launched a new entity in the Group – the International Islamic Trade Finance Corporation. The new Corporation will seek to consolidate trade related activities at the Group level by bringing about greater synergy in the trade promotion and financing operations.

In 1997, the IsDB launched the WTO-related Technical Assistance Programme (TAP) for strengthening the human and institutional capacity of OIC member countries and to enable them to better participate in the multilateral trading system. The TAP supports a number of activities, such as holding of workshops/seminars on WTO Agreements, organization of Trade Policy Courses in different languages, and undertaking of subject-specific studies. In addition, IsDB

organizes Ministerial-level consultative meeting on the occasion of the WTO Ministerial Conferences. The Ministerial-level consultative meetings provide an opportunity to the trade ministers of member countries to exchange views and share information on the latest WTO-related developments with emphasis on market access, services, accession and cotton issues, particularly in the OIC least developed member countries in West Africa.

As part of its efforts to promote greater regional integration, IsDB strongly supported trade liberalization under the “Protocol on the Preferential Tariff Scheme for the OIC Trade Preferential System”, which was ratified in September 2005. In fact, IsDB is committed to further assist the efforts of OIC trade ministers to deepen tariff reductions in the future trade negotiation rounds and to encourage more member countries to ratify the Framework Agreement of the OIC Trade Preferential System.

At the sub-regional level, IsDB supports the efforts of regional organizations to make effective the regional or bilateral trade liberalization arrangements. There are six regional trade arrangements whose composition entirely consists of IsDB member countries. So far, only the six-member Gulf Cooperation Council has achieved a customs union while efforts are underway to arrive at preferential tariffs or free trade agreements in the case of five other regional trade arrangements. Indeed, the Economic and Monetary Union of West Africa achieved the highest level of intra-trade at 13 percent amongst the six regional organizations. Many IsDB member countries are negotiating bilateral free trade agreements and, in some cases, negotiations are at an advance stage to reach towards the so-called ‘early harvest’ bilateral free trade arrangements.

It needs to be stated that the various "Aid for Trade" initiatives should not become a substitute for successful conclusion of Doha Round. With this understanding, the IsDB Group supports various initiatives under the "Aid for Trade" as a way of strengthening trade related infrastructure, reduce supply-side constraints, and address the adjustment costs associated with the implementation of various WTO agreements. We express our support to various activities under the “Aid for Trade” in the areas of technical assistance, capacity building, institutional reforms and other related areas. The IsDB Group stands ready to support the IF initiative and to further contribute to partnership with other MDBs. The IsDB is ready to take its share of responsibility and further strengthen its technical assistance activities with respect to aid for trade to its member countries.

Finally, the IsDB Group expresses dismay at the loss of life and infrastructure during the recent hostilities in Lebanon. The IsDB Group has already approved US\$250 million package of economic assistance aimed at assisting the people of Lebanon in their reconstruction activities and to invigorate the economy. Beside this initiative, the IsDB is also coordinating efforts of regional civil society institutions to deliver reconstruction assistance for the affected people of Lebanon. The IsDB Group welcomes the World Bank initiative to establish a US\$70 million to finance an emergency recovery programme in Lebanon. The IsDB Group looks forward to working jointly with the World Bank and the international community aimed at assisting the people of Lebanon to rebuild their lives.

With these words, I wish the 74<sup>th</sup> meeting of the Development Committee every success.