

ISLAMIC DEVELOPMENT BANK

Speech of Dr. Ahmad Mohamed Ali President, the Islamic Development Bank Group

on

"Challenges of Social Development to Islamic World"

(For distribution)

SECOND WORLD ISLAMIC ECONOMIC FORUM

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ISLAMABAD, PAKISTAN

In the name of Allah, the Most Gracious, the Most Merciful

Excellency Prime Minister Shaukat Aziz,

Excellency Prime Minister Dato Seri Abdullah Ahmad Badawi,

Excellency Tun Musa Hitam, Chairman of the World Islamic Economic Forum Foundation,

Distinguished Ladies and Gentlemen,

Assalamu Alaikum Warahmatullah Wabarakatuh

It is indeed a great privilege and honour for me to be here tonight at this very important occasion. On behalf of the IDB Group, I would like to extend my sincere appreciation to the Asian Strategy & Leadership Institute (ASLI), the International Islamic Chamber of Commerce & Industry (ICCI), the International Islamic Center for Development of Trade (ICDT), and the Government of the Islamic Republic of Pakistan for organizing the 2nd World Islamic Economic Forum which this year focuses on "Unleashing the Potential of the Emerging Markets."

Like last year in Kuala Lumpur, the Forum will Insha' Allah provide an excellent opportunity to government leaders, business players, and civil society members to promote dialogue and foster partnership and networking. With globalization further accelerating, it is imperative that the private sector in our member countries continue to explore innovative means of strengthening cooperation as well as to reinvent business practices. Of course, the governments have an important role to play in the form of facilitator and to provide an enabling and equitable environment for the private sector to flourish. In addition, we need to strengthen existing and to explore new avenues for accelerating international economic cooperation among member countries in order to underpin efforts aimed at bringing about peace and stability for the Ummah.

Excellencies, Brothers and Sisters,

The topic of my presentation is "Challenges of Social Development to Islamic World", Indeed, I am confident that we will all agree that social progress is critical for economic development, which is based on equity and justice, where people and society are at peace with themselves. In order to equitably distribute fruits of economic growth, it is indeed essential to have a clear conception of social development strategy which

institutionalizes and provides adequate resources for meeting the needs and priorities of poor people, mitigating their vulnerability, exclusion and isolation, and access to social justice.

Indeed, recent economic performance in IOB member countries, as a group, has been encouraging. The *real GDP growth in IDB member countries* increased from an average of 2.9 percent in 2001 to 5.6 percent in 2005 and output growth is expected to further increase by 5.8 percent during 2006. In 2005, *total exports* by member countries reached \$1.2 trillion, which represents only 9 percent of the global trade. The total volume of *intra-trade among IDE member countries* was recorded at \$108 billion, a growth of 45 percent in 2004. The *FDI inflows* to IDB member countries reached \$41.8 billion in 2005, which is less than one-fifth of FDI flows to developing countries.

The robust economic performance by 56 IDB member countries has also been accompanied by improved social indicators. The adult illiteracy rate in member countries declined from 44 percent in 1990 to 34 percent in 2005. The average gross primary school enrolment rates in IDB member countries rose significantly from 78 percent in 1980 to 96 percent in 2004. Despite the significant increase in secondary school enrolment rate from 29 percent in 1980 to 53 percent in 2004, this rate is still low compared to other regions. The life expectancy at birth has increased from 59 years in 1990 to 60 years in 2005. The percentage of population with access to basic health such as safe water and sanitation has also increased. The incidence of poverty has decreased in many IDB member countries from Asia and Arab region.

Unfortunately, trends in poverty and other social indicators in Sub-Saharan Africa region raise a cause for serious concern. The incidence of extreme poverty in the region was 303 million people in 2002, which is actually higher than 227 million people in 1990, and is projected to rise to 336 million by 2015. Moreover, as we all know, there are pockets of extreme poverty in the depressed areas of even those member countries who are posting robust economic growth.

In general, implementation progress by IDB member countries in terms of selected MDGs relating to eradication of extreme poverty and hunger, achievement of universal primary education, reduction of child mortality rate, and improved access to safe drinking water and sanitation is encouraging. However, there are about thirteen member countries which are unlikely to achieve the target of halving the number of people living below \$1-day by 2015. Many of the IDB member countries, who are classified by the UN as low human development countries, appear to be making progress to achieve the universal primary education, improved access of the population to safe drinking water and sanitation goals of the MDGs.

Excellencies, Brothers and Sisters,

Despite significant socio-economic progress in many IDB member countries, their performance is still below their potential and the performance of other developing countries. As we are all aware, economic growth in our member countries must be sustained in order to achieve a lasting reduction in poverty. Over the last decade, annual population growth in IDB member countries is estimated at about 2 percent. Therefore, annual economic growth should be sustained at least twice the population growth to achieve a significant reduction in poverty, and still higher economic growth to catch up with other developing countries. Looked at from another perspective, much faster growth is required to absorb the rapidly rising labor force and to improve the living conditions of the poorest.

The challenge of sustaining a higher trajectory of economic growth requires implementing a social development strategy which heightens the involvement of all stakeholders through institutionalizing the equitable distribution of new wealth, vigorously implementing programs to reduce poverty, and to develop human capital of the poor. In this era of globalization, pursuing such a social development strategy becomes challenging as the global economic growth not only provides an environment and opportunities for faster economic growth and social progress but also significantly raises the risk of marginalization for those that fail to integrate into the global economy.

Kindly allow me to briefly highlight five major challenges facing IOB member countries which needs to be urgently addressed in order to achieve sustainable socioeconomic development. These are (i) reducing the number of the poorest of the poor, (ii) improving access to quality schooling for children, (iii) mainstreaming women containing, (iv) reducing health-related vulnerability of the poorest, and (v) youth unemployment.

- . Reducing the Number of the Poorest of the Poor: About 50 percent of the population of IDB member countries live on less than \$2 a day, an amount barely sufficient for subsistence living. The biggest threat to Muslim societies today is poverty and illiteracy. Moreover, in most IOB member countries, the incidence of poverty is actually higher in rural than in urban areas.
- . Improving access to quality schooling for children: Literacy and skilled labour force are crucial determinants of long term social progress. For instance, secondary school enrolment was only 52 percent in 2003. I urge the OIC fraternity that we should set a target of universalising both primary as well as secondary education. The target should be to provide basic education which would prepare our youth for future employability while instilling Islamic values.

- . **Mainstreaming Women:** Prevalence of poverty is also related to low level of participation of women in the development process. Of the 1.3 billion poorest people in the world, 70 percent are women. Women comprise of two thirds of the poor in the OIC countries. Therefore, mainstreaming women in economic development within the context of Islamic values is central to any strategy for poverty reduction and social development.

- . **Reducing health-related Vulnerability of the Poorest:** Improving the quality of life of our people requires that major health related problems are urgently addressed, such as child mortality, maternal health, communicable diseases, access to safe drinking water and sanitation. For instance, under-5 mortality rate in IDB member countries stood at 92 per 1,000 live births, which is higher compared to the average for developing countries. Our workforce generally live and work in highly polluted areas further compounding the health problems. The poor are hardest hit by environmental damages.

- . **Reducing Youth Unemployment:** High levels of youth unemployment are common in many OIC countries. According to the most recent available data, countries in the Middle East and North Africa region had the highest level of unemployment in the world in 2003. In developing countries, unemployment rate among youth was more than three times that of adults. Generally, the issue of unemployability of the youth is related to the lack of access and poor quality of education. Long term youth unemployment has serious repercussions in terms of lost economic opportunities, violence, crime and other social ills. Another paradox is that the best young talents are lured abroad which represent brain drain and loss of highly skilled workforce.

Excellencies, Brothers and Sisters,

In order to bring about just and equitable societies, many IDB member countries need to embark on implementing a sound Social Development Strategy which empowers people, brings about gender equity, reforms public institutions which would be more inclusive and accountable. As I stated earlier, the goal of implementing such a Social Development Strategy must be to meet the needs and priorities of poor people, mitigate their vulnerability, exclusion and isolation, and improve their access to social justice. At this stage, it will be valid to raise the question: how to engender economic growth and implement a Social Development Strategy which is sustainable?

I believe that addressing such a challenge is not difficult at all because Allah Subhana wattaltah has endowed many IDB member countries with (i) adequate human capital, physical infrastructure and financial resources; (ii) best practices to learn from around

the world; and (iii) development institutions at the OIC level whose mandate is to foster the socio-economic development. What is required is for relatively developed member countries to constantly seek ways of assisting the less fortunate. It is our moral and religious duty to help each other, so that we can share the prosperity, not the poverty.

In accelerating the social development, we need to target the most vulnerable groups and regions whose dire conditions results from poor human capital and lack of economic opportunities. Masha'Allah this year's Nobel Laureate, our brother Prof. Muhammad Yunus from Bangladesh, has not only made us proud but demonstrated through concrete actions how to carry out the mission of social and economic progress of the poorest of the poor under the most challenging conditions. Your institution, the IDB Group, has in the past benefited from the advice of brother Prof. Muhammad Yunus and we will Insha' Allah continue to benefit from the experience of Garmeen Bank by encouraging the spread of microfinance institutions and mainstreaming women in the social and economic development process, particularly in the Sub Saharan Africa region.

I would like to highlight the efforts that your institution, the IDB Group, is exerting to support sustainable economic development and social progress through several initiatives in its member countries. The IDB Group gives high priority to those sectors which have significant contribution in the economic development of its member countries. In this context, social development remains a key priority in the Bank's programme. The Bank's development assistance is mainly conducted through (i) Trade and Project financing; (ii) Technical Assistance; (iii) promoting inclusive Islamic financial sector, including microfinance institutions, and mainstreaming other pro-poor Islamic institutions of Zakah and Aqwaf; and (iv) participating in various multilateral initiatives and programmes in the area of social development. Development programmes and activities of the Bank aim at alleviating poverty and improving the quality of life in major sectors such as health, education, employment, and rural infrastructure aimed at improving livelihood opportunities of the poor, and to provide them with better access to basic and essential services. Up to the end of 1426H (20052006), the IDB Group had approved 1,518 projects amounting to about \$16.2 billion to foster economic growth and social progress in its member countries. The cumulative assistance provided by the Bank to education and health sectors in member countries totaled \$1,486.96 million and \$945.67 million.

Excellencies, Brothers and Sisters,

In order to further enhance the development effectiveness of our programmes and activities, your institution has recently implemented new initiatives which allow the

Bank to delineate new role as facilitator in fostering economic development and social progress in its member countries. Kindly allow me to briefly highlight some of the major initiatives:

The IDB Governors, in October 2002, issued a Declaration on IDB Group Cooperation with Africa within the framework of the New Economic Partnership for Africa (NEP AD). Under this Declaration, the IDB pledged to attain a financing target of US\$2 billion over a five year period from 1424H to 1428H (2003-2007). So far, the IDB Group has achieved 60 percent of the target and approved several socio-economic projects which are designed to (i) reduce poverty; (ii) place African countries, both individually and collectively, on a path of sustainable growth and social development; (iii) halt the marginalization of Africa in the globalization process and enhance its full and beneficial integration into the global economy; and (iv) mainstream women in the development process.

In December 2004, under the able guidance of Pakistan and Malaysia as well as 16 other OIC countries, the Bank launched "Capacity Building Programme for OIC Countries" which aimed at improving the economic performance and implementing poverty alleviation projects in key areas. Phase 1 of the Programme is under implementation in four countries while, under Phase 2, projects will be launched in 8 countries.

In December 2005, a landmark OIC Summit was held in Makkah Al Mukarramah, which also approved a Ten-Year Programme of Action to meet the challenges facing the Muslim Ummah in the 21st century. The Programme gives the mandate to the IDB to establish an IDB Poverty Alleviation Fund. As you are well aware relatively developed OIC countries now have an opportunity to make generous contributions to

the Fund, which will also demonstrate Islamic solidarity among member countries. I am

privileged to report that the Kingdom of Saudi Arabia and Kuwait have already announced generous contributions to the IDB Poverty Alleviation Fund, which upon its establishment in the near future Insha' Allah will help our less fortunate brothers and sisters who are living under dire conditions.

As part of our efforts to become more relevant to the emerging economic and social challenges, the "IDB 1440H Vision" was adopted by the IDB Group in September 2005. This Vision presents a roadmap for the IDB Group to address emerging challenges in the areas of achieving human development, assist member countries to achieve sustainable economic growth, promote effective and accountable institutions, strengthening peace and stability in the Islamic world. Accordingly, your institution is

currently undertaking internal reforms in order to remain relevant to the needs of member countries.

Excellencies, Brothers and Sisters,

As the challenges of social development are home-grown, I would venture to suggest that formulating sound Social Development Strategy requires wide-ranging consultation with all stakeholders. I would urge the leading businesspersons present in this august gathering to reflect on how to further strengthen the role of the private sector in promoting social development through establishing or supporting social business enterprises, and transferring their best practices to the activities of community based organizations.

Finally, let me reiterate that the IDB Group, on its part, stands ready to support initiatives aimed at alleviating poverty and promoting development of our societies where people can dream of a future based on our own cultural and Islamic values and, for the present, have equitable economic opportunities to viably struggle for living a better social and economic life.

I pray that the second meeting of the World Islamic Economic Forum achieves its objectives and leads to concrete solutions for the future social and economic development of our countries.

I thank you for your kind attention.

Wassalam-o-Alaikum Warhmatullah Wabarakatuh

*INITIAL CONTRIBUTIONS / PLEDGES MADE BY THE IDB MEMBER COUNTRIES TO THE
POVERTY ALLEVIATION FUND As of 15 October 2006*

SN	Country	Amount (US\$ Million)
1.	Benin	2.30
2.	Burkina Faso	2.20
3.	Chad	2.00
4.	Cote d'Ivoire	3.00
5.	Gabon	2.00
6.	Guinea	2.00
7.	Kuwait	300.00
8.	Mali	4.00
9.	Niger	2.00
10.	Nigeria	2.00
11.	Togo	1.00
12.	Saudi Arabia	1,000.00
13.	Senegal	2.00
14.	Suriname	0.50
15.	Yemen	3.00
TOTAL		1,328.00

<i>SUMMARY</i>	
<i>Saudi Arabia</i>	<i>1,000.00</i>
<i>Kuwait</i>	<i>300.00</i>
<i>Combined Contribution of 13 Countries</i>	<i>28.00</i>
<i>TOTAL</i>	<i>1,328.00</i>

