



Statement of the President of the IDB Group
at the Opening Ceremony of the
43rd Annual Meeting of the IDB Board of Governors

The 43rd Annual Meeting of the IDB Board of Governors
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(Arabic)



Praise be to Allah, the Lord of all the worlds, and blessings and peace be upon Prophet Muhammad, his family and companions.

**Your Excellency the Prime Minister of Tunisia, Mr. Youssef Chahed,
Your Excellency Mr. Zied Ladhari, IDB Governor for the Tunisian Republic, Chairman of the Board of Governors,
Your Excellency the Secretary General of the Organisation of Islamic Cooperation, Dr. Yusef Al Othaimen,
Your Excellencies, the Governors and Alternate Governors,
Honourable Delegates,
Ladies and Gentlemen,**

As-salamo alaykom wa rahmat Allah wa barakatuh

I am pleased at the beginning of my statement, Mr. Chairman, to express our deepest gratitude and appreciation to His Excellency President Beji Caid Essebsi, to yourself, and to your government and your hospitable people for opening up the doors of your magnificent country to host the 43rd Annual Meeting of the Islamic Development Bank Group. I would like to note with appreciation the diligent efforts for which you mobilised abundant resources over the past months to prepare for this important gathering. In doing so, you demonstrated a level of excellence befitting the host country, the meeting itself, and its participants, who converged to Tunisia from our member countries and other partner and interested countries.

Selecting the venue of the IDBG annual meeting is an easy task. It is governed by certain professional standards, the most important of which is ensuring success. Once the intentions of IDBG and Tunisia on holding the meeting on Tunisian territory coincided, we knew immediately that this meeting would be successful, with the Grace of Allah. We are counting on the Tunisian will, desire, and experience that embrace our meeting.

Your Excellency, the Chairman

I was pleased to visit Tunisia nearly a month ago. During that visit, I was privileged with holding talks with officials from both the public and private sectors, as well as civil society. His Excellency the President honoured me with first-class national order of merit, which reflects the appreciation of the Tunisian leadership and people for IDB's efforts to support socioeconomic development in your dear member country, the active founding member since its accession in IDB in 1974.

The visit was also an opportunity to visit the sites of the most recent development projects in a number of Tunisian governorates, such as Kasserine, Kairouan, and Sousse.

In my field visits, I sensed how committed your government is to overcoming economic and social challenges and advancing the Tunisian economy. We could clearly see the manifestations your reform measures, including the enacting of the Public-Private Partnership (PPP) law and the law encouraging the establishment of young firms.

At this point, I would like to laud the numerous success stories of cooperation between IDBG and the Tunisian Republic, particularly in the area of programmes geared towards youth empowerment and employment. It is evident that substantial developmental impact can be achieved with relatively small investment, as long as the will and determination, the stimulating environment, and competence are there, and those factors are indeed here in Tunisia, with its productive and ambitious human resources.

Your Excellencies, Ladies and Gentlemen,

Last year, I shared with you, as the new president of IDB, the programme I intend to implement over the next five years, which is aimed at realising your aspirations for IDB to become proactive in producing development solutions, fast in deploying its financial and human resources, a pioneer in presenting the Islamic economic system in a manner that is both professional and responsive to the issues of development and the ever evolving contemporary needs, and distinct in its creative initiatives.

I have adopted a different development model, transforming IDB from a development bank to a bank for development and developers. In this context, the term developers includes the government sector, the private sector, civil society institutions, philanthropic institutions, universities, and research centres. IDB's role would be to build added value chains, bringing development partners to work together, and define the role of each partner in the chain. As such, IDB would be providing all means, at the individual and collective levels, to ensure that the added value chain is in an integrated win-win form. Hence, IDB's role would be that of a facilitator and coordinator, participating in financing, capacity-building, developing laws, overcoming obstacles, and working with all partners in a collective collaborative manner, rather than an individual one. Accordingly, each developer or partner would know their role and their forward and backward links with the other partners.

This development model will, with the Grace of Allah, help in achieving sustainable development impact. That is why, I deliberately chose "Partnership for Sustainable Development" as a theme for the Board of Governors' meeting this year, which aligns well with the new developmental model that emphasises partnership with and among all these sectors and the role of IDB.

Your Excellencies, Ladies and Gentlemen

Today, I will talk to you about the vital and crucial role of the private sector as one of the most important developmental partners in the added value chains, and also about the role of the government sector as a facilitating and enabling partner in those chains for them to operate with ease and effectiveness, as well as the role of IDB as a maker of added value chains and the link between all partners.

Perhaps I can clarify further by mentioning a dialogue that took place between me and a group of friends who are interested in development issues.

Your Excellencies, Ladies and Gentlemen,

A few months ago, I was invited by a group of friends who are interested in developmental issues to talk about the role of IDB in supporting socioeconomic development in member countries and in Muslim communities in non-member countries. I talked about the projects that had been implemented by IDB in those countries, covering the sectors of agriculture, transport, energy, water and sanitation, education, health, economic empowerment programmes and SMEs, women and youth support programmes, STI, and poverty and blindness preventing programmes, as well as IDB's pioneering status in developing Islamic banking and Waqf.

I told them that the volume of investments needed by member countries to finance infrastructure is US\$ 150 billion a year. One of them asked me, "Out of those billions, how much can IDB invest?" In response, I said that the highest financing approved by IDB since its inception to date was US\$ 5.2 billion, which represents 3.5% of the figure I mentioned. At the IDBG level, the highest approved amount was US\$ 12 billion, which is 8% of required investments.

He then followed up with another question: "What about the contribution of other development banks?"

I told him that the vast majority of IDB projects were funded by other partners, such as multilateral banks and the Arab Coordination Group. However, all the funding provided by all multilateral banks, including IDB, amounted to US\$ 135 billion annually at the most, while the world needs US\$ 3 trillion a year to fund infrastructure, particularly energy and road projects. This means that we need to mobilise 23 dollars from other sources for every dollar.

This funding gap gets even wider when we consider that our member countries need some US\$ 700 billion a year to fund SDGs. It is even expected that the gap will expand further by 2030, as the population will surge from 1.7 billion to 2.2 billion people, which entails increased demand on energy, water and sanitation, roads, telecoms, education, health, and all other requirements of development.

The funding gap is widening in some vital sectors every year based on the following numbers on needs:

- US\$ 147 billion for the energy sector
- US\$ 100 billion for the transport sector
- US\$ 51 billion for the telecom sector
- US\$ 55 billion for the water and sanitation sector
- US\$ 55 billion for agriculture and the food security sector
- US\$ 145 billion for the climate change sector
- US\$ 53 billion for the education sector

Without investing in infrastructure, sectors such as industry, agriculture, mining, and tourism will not generate wealth, added value, and jobs.

My conversation partner then asked, "So what is the solution, especially in view of the immense and diverse challenges our member countries face, topped by unemployment, particularly among young people, who account in some countries for more than 60% of the population?"

My answer was that the problem was not any lack of sufficient shareable funds. On the contrary, there are US\$ 218 trillion on global capital markets and in various investment funds. Mobilising a mere 1% of all that money would be sufficient to bridge the funding gap in member countries. Rather, the solution is to change our mindset, our modus operandi, and the current development model that is currently applied at IDB and some of member countries. That is what I have been planning for since I assumed office as IDB President until this very day, and we have achieved substantial mileage along that track. IDB has tools, means, and elements that enable it to mobilise global resources for development projects in the member countries. Its strengths include:

1- IDB's AAA credit rating, which is a feature that relates directly to risk and cost reduction. IDB can provide a unique risk-management tool without bearing any cost. IDB's preferred and convenient position enables it to provide guarantees against political risks, and it can utilise this advantage to serve its developmental role.

2- Experience in managing development projects: IDB has more than 44 years of experience in planning, implementing, supervising, and monitoring development projects in member countries and Muslim communities in non-member countries. This is why private sector investors who wish to implement projects in member countries in collaboration with IDB find it to be a mine of local knowledge and information that are necessary for investment, in addition to IDB's regional offices and decentralisation trend.

3- IDB's wide network of relations: Over the span of 44 years, IDB managed to develop excellent relations with member countries, MDBs, the Arab Coordination Group, and regional and international development institutions. In its future orientation, IDB will endeavour to deepen its partnerships with all sectors of society, including the private sector, philanthropic institutions, civil society institutions, universities, and research centres.

These relations save investment funds time, effort, and money, and provide the information that paves the way for engaging in such projects.

4- Sharia-compliant operations: IDB is the only Sharia-compliant MDB. This feature gives it a special advantage and preference with investment funds seeking a Sharia-compliant partner.

5- Diversity of services: IDBG offers diverse products that vary from trade financing to Takaful-based (solidarity) insurance to private sector development.

6- The shift towards the culture of delivery to improve project quality: This helps IDB mobilise financial resources beyond its own resources and achieve the desired development impact.

Therefore, the money is there, and the strengths that can help IDB mobilise such funds are there. On that basis, we took some steps to encourage the private sector, investment funds, and other partners to work together. They include:

- The establishment of two investment funds, one to finance development projects in Africa and the other for Asia.

- The establishment of a fund to finance economic feasibility studies and provide consultancy and training for projects implemented by IDB under PPPs. The Board of Executive Directors has approved the establishment of those funds.
- Targeting sectors, products, and services for which the relevant country has comparative advantages, in addition to utilising advancements in the areas of technology and knowledge so as to enable the country to integrate into global added value chains. This promotes job generation in various activities and relatively high wages. Focusing on the global added value chains allows the country to build markets that work to serve development using global financing. For our countries to be part of the global added value chains, they must focus on exporting manufactured materials that generate added value and jobs. Exporting raw materials also means generating jobs in importing countries, at a time when unemployment is on the rise in countries exporting raw materials. However, transforming raw material into manufactured goods requires building a complete system of research, development, science, and innovation. That is one of the goals of the Transform Fund and the Engage platform. Creativity helps countries establish new markets and increase the local content of exports, not just export raw materials.
- Decentralisation and expanding the establishment of regional hubs. This helps reduce the costs of managing projects and improves their quality.
- Organizing the Annual Forum of Sovereign Funds: The Bank is currently preparing the meetings of the Annual Forum of Sovereign Investment Funds in the Gabonese capital Libreville on 9-10 May 2018, owing to the developmental role played by Sovereign Funds in supporting the development of member countries. The Forum will be a timely opportunity to expand the scope of investment between sovereign funds, investment funds, and pension funds, on the one hand, and the public sector and the private sector in the member countries, on the other hand. We are looking forward to your support of the Forum with your presence to catalyze its activity.

Your Excellencies, Ladies and Gentlemen

For IDB's efforts to mobilise financial resources and encourage the private sector to succeed, we need an attractive and promising investment environment, appropriate laws, and tax incentives that promote governance and transparency in line with global practices. We also need to provide various incentives, apply effective policies for entrepreneurship and SMEs, improve the efficiency of public administration, and have capacity-building programmes in place.

Some of our member countries recently launched economic transformation programmes, some of which have actually taken effect and succeeded. The indicators of such success include increased economic growth, reduced unemployment, diversified economy, increased exports, and reduced burden on the state budget. IDB is totally willing to help member countries with the transfer of knowledge, expertise, and successful experiences from one country to another through the Reverse Linkage programme. Some other countries that are not members of IDB have managed in a brief period of time to join the ranks of developed countries.

Your Excellencies, Ladies and Gentlemen

I have restructured IDB and adopted a new working model to enhance IDB's capacities and make it more professional in helping member countries build a dynamic, sustainable, inclusive, crisis-proof economy that can generate wealth so as to diversify the economy, provide jobs, and reduce unemployment and poverty in cooperation with all development partners.

An integrated strategic programming framework was adopted based on the identification of the needs of member countries, selecting projects that have a developmental impact, and determining the resources needed for that.

The new working model incorporated a new organisational structure with departments and programmes supporting IDB's orientation towards becoming a facilitator and a link with all partners around the world, closer to its member countries, and a bank for developers. Those departments include:

- The Country Programming Complex, which triggered the shift towards market resource mobilisation to implement structured programmes in line with an integrated value chain for member countries similar to the model programme in cooperation with the Bill and Melinda Gates Foundation and other development partners, which aims to effect a paradigm shift in rice production in 10 Sub-Saharan member countries, with a view to promoting food security in those countries, supporting their export potential, and generating jobs.
- To enable IDB to deliver value-chain based programmes, we established regional hubs by fully operationalising the 7 current field offices and establishing the remaining 4 as virtual offices at the IDB headquarters. All necessary authority devolution measures have been effected for those centres to be able to play their role with full effectiveness, while keeping monitoring and supervision functions at the IDB HQ level.
- Partnership Development Complex: A vice-president has been appointed for this complex, who will strive to deepen existing partnerships and identify new partners in various areas. This year's annual meeting theme of partnership reflects IDB's strong belief in the importance of partnerships in addressing the challenges of development and realising the desired developmental impact. To materialise that vision, we launched an integrated, multi-window platform for developers, which enables the bank to build partnerships with a broad cross-section of institutions and individuals wishing to support IDB projects with finance and knowledge. The windows that were launched this year include:
 - o A resource mobilisation platform for the anti-blindness programme
 - o A platform bringing together 190 Red Crescent and Red Cross organisations in partnership with the International Red Crescent and Red Cross Organisation to help in the area of immunisation and prevention
- Science, Technology, and Innovation Department: As you know, member countries that recognised the role of science, technology, and innovation (STI) in increasing economic

growth rates and identifying solutions for the challenges that face the world managed to generate wealth, added value, and jobs and reduce poverty rates within a few years, even some of them lack the financial or natural resources. That is why, IDB, through this new department, will launch programmes to support member countries in building a complete STI system and help innovators realise their aspirations by providing suitable environment and tools that would nurture their creativity like their peers in developed countries. Poverty should not be an obstacle. To that end, IDB has established a global electronic platform by the name of Engage that links developing countries with the rest of the world and links beginners, pioneers, government institutions, civil society institutions, investors, academics, universities, and research centres. Through this platform, invitations are made to introduce initiatives, link innovators with investors, transfer technology, and exchange ideas. This is the first platform of its kind among all MDBs and in developing countries. It was launched from the new Bloomberg London Building. IDB also established a US\$ 500 million fund by the name of Transform to support STI innovators. This fund was launched yesterday here in Tunis. Additionally, IDB established a mechanism complementing the role of Engage and Transform geared towards helping member countries to build patent registration units and organise workshops in this area.

- Establishment of a dedicated media department that includes a media centre and a multimedia channel. Besides, a new media policy has been developed for IDB in partnership with an institution specialised in that field.
- Establishment of a resilience department with a mandate to help member countries develop policies and implement projects for protection from financial and economic crises and natural disasters. This department has a special division concerned with climate change.

Your Excellencies,

To conclude my statement, I would like to stress that the investments needed to finance infrastructure and SDG-related projects in member countries exceed the capacity of IDBG and the countries combined. They require partnerships with institutions that have medium and long-term funds, with MDBs, and with global capital markets.

This is the modern global approach that ensures the provision of funds, expedites project implementation, moves static funds, ensures proper utilisation of money, and strengthens national solidarity in line with modern and flexible systems and laws that allow the flow of funds.

IDB emphasises its commitment to help member countries bring about economic transformation aimed at building a sustainable, diverse, and inclusive economy with its own resources and those of the global market.

I would like to commend the strong and continuous support that IDB receives from all of its member countries, particularly the host country under the leadership of the Custodian of the Two Holy Mosques, King Salman bin Abd El-Aziz Al-Saud.

Once again, I express thanks and appreciation to the President, Government, and people of Tunisia for the care and hospitality they have embraced us all with.

I pray that Allah Almighty bless all our efforts towards realising further progress and welfare for the peoples of our glorious Muslim Ummah.

Wassalamualaikum warahmatullahi wabarakatuh.