



Statement of the Chairman of IsDB Board of Governors

The 44th Annual Meeting of the IsDB Board of Governors
Marrakech – Kingdom of Morocco
27th Rajab – 1st Shabaan 1440H (3rd – 6th April 2019)

Original Text
(Arabic)

In the Name of Allah the Most Compassionate Most Merciful

**Excellencies, Members of the Board of Governors, Heads of Delegations,
H. E. the President of Islamic Development Bank,
Distinguished Guests,
Ladies and Gentlemen,**

Assalamu alaikum warahmatullahi wabarakatuh
السلام و عليكم ورحمة الله وبركاته

Praise be to Allah the Almighty, the most Gracious and the most Merciful, by whose blessing we are able to gather here, today for the 44th Annual Meeting of the Islamic Development Bank Group. Prayers and peace be upon the noble Prophet Muhammad ﷺ, his family, his companions and followers.

It is indeed a great honour and privilege to welcome you all to the 44th Annual Meeting of the Board of Governors of the Islamic Development Bank Group in Marrakech. On behalf of the government and the people of the Kingdom of Morocco, I would like to extend our warm welcome to all the delegates.

Permit me to express my thanks and appreciation to the President of the IsDB, Dr. Bandar M. H. Hajjar, for his leadership and strong involvement in planning and setting up this event. I also appreciate the dedication and efforts of the IsDB Group staff, as well as the local Organizing Team and volunteers for the excellent arrangements.

Excellencies, Distinguished Guests

In April last year, the global economic outlook was promising despite high uncertainty. Short-term projections pointed to growth acceleration for both advanced and emerging market economies, and especially for IsDB member countries. One year later, the momentum has faded. Global growth is set to further decelerate in 2019 after slowing to 3.7 percent in 2018. The slowdown is more pronounced in advanced economies. However, in a highly interconnected world economy, the cycles are getting more synchronized across countries and regions. In addition, the rise of global value chains amplifies the transmission of shocks through trade and investment channels. In fact, the world trade volumes in both exports and imports are trending downwards amid high policy uncertainty and revived trade tensions. International investment has also softened and remains under the threat of policy uncertainty.

Macroeconomic and financial vulnerabilities have risen in many emerging markets and developing economies amid tightening financial conditions resulting from the monetary policy normalization in advanced economies. This resulted in significant capital outflows and currency depreciations for a number of emerging markets, heightening the threat of financial distress. The recent pause in the US Federal Reserve interest rates hike may tamper the financial tightening. Nevertheless, risks remain elevated, especially because debt build-up has reached historical levels. Global debt is close to \$200 trillion, more

than two times the world's GDP. With a prolonged period of accommodative monetary policy and widening fiscal deficits, policymakers in major economies are left with almost no munition to face a new downward cycle.

Growth in IsDB member countries has slowed in 2018 and is forecast to remain below the global average in 2019. While Asian member countries continue to lift up the average real GDP growth of the member countries, other regions are lagging, mainly due to the weak performance of commodity-exporters. The 1.6 percent average annual increase in GDP per capita is far below the performance needed to create jobs and alleviate poverty in the OIC member states.

The rapid demographic growth in member countries, combined with the large share of youth in the population suggest that youth unemployment will remain the key challenge for us as policymakers and development actors.

Excellencies, Distinguished Guests

Fragility and conflicts continue to pose a major threat to the ability of a large number of our member countries to deliver on the key goals of the ambitious 2030 Agenda for Sustainable Development. By 2030, about 80 percent of the world's poorest people could be living in fragile contexts (at least half of these are IsDB member countries). Fragility factors have also led to an unprecedented outflow of migrants from the affected countries and created the biggest migrant crisis since the Second World War.

The frequency of natural disasters driven largely by climate change also creates a lot of human and material damage as well as untold hardship on the rich and poor. Extreme weather events featuring hurricanes and floods are recurrent in an increasing number of coastal regions, especially cities, whilst droughts and desertification threaten food security in our communities. Failing to mitigate and adapt to such climate change threats could undermine gains made to alleviate poverty, improve health, and boost prosperity across all IsDB Member Countries (MCs).

The critical challenges I have outlined above add to the structural problems of our economies, which translate notably into strong external dependence:

- dependence on the exports of raw materials, which exposes our economies to price fluctuations in the commodity markets as well as to negative macroeconomic effects, but also,
- dependence towards external sources of financing, mainly debt, which limits our fiscal space and constrains our ability to invest.

Besides these challenges, we also have great opportunities. Opportunities lay firstly, in the abundance of natural resources including land and renewable energy, which have a highly strategic dimension in a global context where rapid population growth and over-consumption of resources threaten many life-dependent ecosystems. Secondly, we have a dynamic youth, men and women who could provide valuable labor and entrepreneurship if the adequate skills and the right incentives are provided through

inclusive and market-relevant education system and the business environment. Finally, a middle class in rapid expansion, reflecting the gains from economic growth and transformation in several Member countries, creates a large demand that will attract producers and investors.

Excellencies, Distinguished Guests

The theme of the Annual Meeting of this year, “Transformation in a Fast-Changing World: A Road to Sustainable Development Goals” gives us a relevant framework to address issues of highly strategic importance for the emerging market and developing economies that constitute IsDB member states.

Indeed, the world economy is witnessing very important changes that have accelerated in the last two decades. I would like to highlight few of these major changes.

Firstly, the rapid advances in digitization, artificial intelligence and biotechnology embedded in the so called fourth industrial revolution creates great opportunities to foster economic and social transformation. Yet it imposes great challenges in terms of skills development and generates fears of massive job destruction and higher income inequalities.

Secondly, and related to the technological progress is the stronger connectivity making the world a “global village”, with a higher awareness of global public goods and shared social and cultural preferences. This makes global cooperation between nations and institutions a key requirement to address cross-cutting issues such as climate change, security and safety among others.

The third aspect which I would like to highlight relates to the rising importance of emerging markets in the global economy. The share of emerging markets and developing economies in the global GDP has increased from 37 percent in 1990 to 59 percent in 2018, essentially driven by Asian countries (China and India). This trend has also affected the international development landscape with the rising influence of China amid greater momentum for South-South cooperation.

Excellencies, Distinguished Guests

The experience of China and India, as well as that of our member countries Malaysia, Indonesia and Turkey among others, indicate that transformation towards industrialization is the way forward to create widespread economic opportunities and raise the standards of living of the populations.

This transformation can only be achieved through creating the conditions for a competitive business environment that foster both domestic and foreign investment.

In this respect, I would like to welcome and commend the IsDB’s new engagement model centering around the global value chains. I would also like to express my satisfaction that this new engagement model is already being launched through the

preparation of a new series of Member Country Partnership Strategy (PCPS), notably with Gabon and Morocco.

Empowering member countries for upgrading in global value chains is indeed a viable and pertinent route to the structural transformation that is required to address our key development challenges, especially economic diversification and job creation.

Recognizing the importance of south-south cooperation, I would also encourage the Bank to look further into regional value chains and regional integration. Strengthening intra-OIC trade and investment is critical for creating regional champions that would be in a better position to capture increased shares in strategic global value chains and expand job opportunities for our youth.

Furthermore, it is my pleasure to acknowledge the efforts undertaken by the Bank under the President's Five-Year Program (P5P) to shift the institution's business model towards meeting our demand for increased responsiveness and client-orientation. This has translated into more decentralization, strengthening the staff's field presence. Likewise, I appreciate the Bank's initiatives destined to increase the amount of financial resources available to fund more projects in member countries while ensuring its long-term financial sustainability.

In this regard, we look forward to seeing further achievements as well as new initiatives to consolidate and scale up the IsDB's accomplishments in the service of member countries.

In conclusion, on behalf of my constituency, I would like to express my wish that this 44th annual meeting be a great success in all dimensions and marks a new milestone in the transformation of the IsDB for greater impact towards economic and social progress, enhanced solidarity and shared prosperity in all the member countries.

Wassalaamu alaikum warahmatullahi wabarakatuh

وعلیکم السلام ورحمة الله وبرکاته