



ISLAMIC DEVELOPMENT BANK

معاً نبني مستقبلاً أفضل

TOGETHER WE BUILD A BETTER FUTURE
ENSEMBLE, NOUS CONSTRUISONS UN AVENIR MEILLEUR

(FOR CIRCULATION)

Statement by Dr. Ahmad Mohamed Ali
President, Islamic Development Bank
At the Pakistan Development Forum

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Statement by the Islamic Development Bank
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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Your Excellency, Mr. Shaukat Aziz,
Prime Minister of the Islamic Republic of Pakistan,

**Honourable Ministers, Excellencies and High-Ranking Colleagues
of the World Bank and the Asian Development Bank,**

Distinguished Guests,

Ladies and Gentlemen.

Assalam Alaykum Warahmatullah Wabarakatuh and Good Morning

It is indeed a great honour for the Islamic Development Bank (IDB) and an important occasion for me to be personally here in the midst of my dear brothers and sisters. My gratitude and appreciation go to you, Mr. Prime Minister, for the kind invitation extended to the IDB to participate in this important annual event. Like in previous years, we look forward to benefiting from this Forum to re-target our operations in the key sectors of the economy and make our modest contribution to Pakistan's development agenda.

This year's Forum comes at a critical juncture in Pakistan's development endeavours; following the tragic and catastrophic earthquake of 8th October 2005 in the North West Frontier Province (NWFP) of the country and the adjoining areas of Azad Kashmir. It is comforting to note that the Government of Pakistan mobilized all possible resources for steadfastly reconstructing the affected areas. Let me join others to congratulate you for the tremendous resilience witnessed and outstanding success achieved in such a short period of time. Your development partners, including the IDB, stand by you in your quest to improve the socio-economic conditions of Pakistan.

I am pleased to record that out of 56 IDB Member Countries, Pakistan is the highest beneficiary of financing by the IDB Group.

Cumulatively, till the end of 1426H (30 January 2006), the IDB had approved US\$ 5.4 billion for 304 operations under various modes of financing in favour of Pakistan.

As you know, the IDB, along with the rest of the international development community, recognizes the urgent need for reconstruction and rehabilitation of the earthquake affected areas and the massive financial and technical resources required to undertake this enormous task. The IDB pledged US\$ 501.6 million in grant and other modes of financing on concessional terms for the reconstruction and rehabilitation of the affected areas. The IDB has already disbursed a part of the grant financing for procurement of tents to provide shelters to the earthquake victims and approved US\$ 200 million by way of import trade financing for procurement of petroleum products. Last month, the IDB responded with great earnestness to the request of the Government of Pakistan to allocate US\$ 80 million of the pledged concessional loan financing to finance a community-driven housing reconstruction and rehabilitation project. Simultaneously, the Bank is actively engaged in discussions with the Government to utilize the remaining pledged funds in various fields of reconstruction. In this respect, the underlying approach of the IDB is to emphasize that the reconstruction works be earthquake-resistant with a view to minimize loss of lives and properties in the future.

*Excellencies,
Distinguished Guests,
Ladies and Gentlemen*

I am pleased to observe that the promotion of private sector development remains high on the agenda of Pakistan's economic development as reflected in this year's theme: "*Drivers of Economic Growth - Unleashing the Potential of the Private Sector*". But before I dwell on this subject, I would like to pay my compliments to the Government of Pakistan for having achieved commendable gains in the macro-economic fundamentals side-by-side with addressing other development needs, including the unforeseen urgent relief and reconstruction works resulting from the earthquake calamity of October 2005. Pakistan achieved an economic growth of 8.4 percent last year which was one of the highest in the IDB member countries. Undoubtedly, this growth has become possible as a result of sound economic and fiscal policies spearheaded by the Government. I am confident that the further reforms being pursued by the Government will sustain this growth momentum.

Reverting to the theme of the Forum, the IDB applauds the keenness and commitment of the Government to make private sector

development an integral part of its overall macroeconomic strategy. As we have underscored on previous occasions, the private sector is a major contributor to job creation, export drive, innovation and growth; and because of its dynamism and flexibility, it is able to effectively respond to the rapidly changing operating landscape with relative ease. There is no doubt that the private sector is poised to assume a leading role in the future development of our member countries. This is more so in Pakistan because its vibrant private sector has tremendous potential for expansion, given the country's skilled labour force, and scientific and technological prowess. Its citizens are engaged in highly challenging professions and vocations in many countries of the world. Considering this potential, it is important that the Government of Pakistan continues to create and sustain an enabling environment for private sector growth, along with other efforts aimed at improving domestic savings and investments.

The IDB strives to involve domestic and foreign private sector in financing infrastructure development in member countries. In this regard, the Bank is pleased to be working with the Asian Development Bank and local commercial banks in financing Pakistan's first Public-Private partnership in hydropower development. As you are probably aware, the Bank currently offers a number of financing windows and schemes aimed at assisting the private sector in member countries. They include the Islamic Corporation for the Development of the Private Sector (ICD), the Asset Management wing of the Bank and the IDB Infrastructure Fund. The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) was also established basically to provide the private sector with credit insurance and investment guarantee. Another entity, the emerging International Islamic Trade Finance Corporation (ITFC), is now in the final stages of establishment. I take this opportunity to invite the private sector of Pakistan to benefit from the Bank's private sector financing windows and schemes.

Another area for private sector participation is offered by Investment Conferences and Seminars organized by IDB to attract foreign investments to some countries from other IDB member countries, and promote joint ventures. Pakistan's private sector which has participated in some of these Conferences, can seize these opportunities to boost its business ties with the rest of the IDB member countries.

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Distinguished Guests,
Ladies and Gentlemen*

Before I conclude, I would like to shed some light on four issues which I consider to be crucial for the future development strategy of the country.

First, and foremost, I feel that unless the fruits of macro-economic growth produce a credible impact on the day-to-day lives of the ordinary people, it will not translate itself into changing the ground realities at the grass-root level. Although, it is by no means the only condition, economic growth is key to poverty reduction. The IDB is pleased to note that this challenge is steadily, albeit somewhat modestly, being overcome by the Government of Pakistan. According to findings of the latest Pakistan Social and Living Standard Survey, the overall poverty has declined from 32.1% in 2001 to 25.4% in 2005.

The second challenge, in my view, is how to mobilize domestic savings for investments, notwithstanding the importance of international resources. We all know that no country has grown without domestic savings making a major contribution to investments. I would, therefore, suggest that this should be one of the key thrusts of the Government in all its future endeavours.

Third is, how the remittances from expatriate nationals can be channeled into productive investments away from speculation in real-estate and stock market. It is important for Pakistan to provide alternatives in order to encourage more of its migrant workers in many parts of the world to channel their remittances into productive investments in infrastructure and other development projects in the various economic sectors, both public and private, in the country.

Fourth, with significant increases in the current account surpluses of many member countries, a high surfeit of liquidity in the financial markets, coupled with shortage of quality-assets hampering the growth of the fast expanding Islamic Financial Services Industry (IFSI), concerted efforts should be made to harness these resources by applying the most sophisticated skills of financial engineering of *Shariah*-compatible products for productive and gainful investments in capital scarce countries such as Pakistan.

The IDB will extend all possible assistance to effectively partner with the Government of Pakistan and other development agencies in these areas. As a matter of policy, the IDB strives to align its assistance

strategy with the Government's priorities and strategies, by focusing on the key sectors which directly benefit the poor, and therefore, contribute to alleviating poverty and promote economic growth. Besides the IDB, the private sector institutions within the IDB Group will render all the necessary support they possibly can to facilitate further development of Pakistan's private sector.

Excellencies, Distinguished Guests, Ladies and Gentlemen.

To conclude, let me, once again, reiterate IDB's gratitude for the kind invitation to participate in this Forum and for the excellent arrangements and hospitality accorded to us. As always, the IDB looks forward to working with the Government of Pakistan and other development partners towards a more prosperous future. May the Almighty grant us the perseverance and guide us to the right path.

Assalam Alaykum Warahmatullah Wabarakatuh, and thank you very much for your attention.