IsDB

البنك الإسلامي للتنمية

Islamic Development Bank

KEY SOCIO-ECONOMIC STATISTICS ON IsDB MEMBER COUNTRIES

2019

Statistical Yearbook No. 39

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Symbols, Acronyms and Abbreviations

Symbols

..	:	Data not available
--	:	Aggregate is not computed because more than one-third of the observations in the series are missing in a given year.
%	:	Percent
'000	:	Thousands

Acronyms and Abbreviations

AMU	:	Arab Maghreb Union
ASEAN	:	Association of Southeast Asian Nations
c.i.f	:	Cost, insurance, and freight
CIS	:	Commonwealth of Independent States
COMESA	:	Common Market for Eastern and Southern Africa
CIT	:	Countries in Transition
CRS-Asia	:	Country Relation Services - Asia
CRS-Africa & Latin America	:	Country Relation Services – Africa & Latin America
CRS-MENA & Europe	:	Country Relation Services – MENA & Europe
ECO	:	Economic Cooperation Organization
ECOWAS	:	Economic Community of West African States
f.o.b	:	Free on board
FAO	:	Food and Agricultural Organization
GDP	:	Gross Domestic Product
GNI	:	Gross National Income
GCC	:	Gulf Cooperation Council
IGS	:	Imports of Goods and Services
ID	:	Islamic Dinar
IsDB-57	:	57 Member Countries of IsDB
IsDB		Islamic Development Bank
IMF	:	International Monetary Fund
LDCs	:	Least Developed Countries
MCs	:	Member Countries
ODA	:	Official Development Assistance
OECD	:	Organisation for Economic Co-operation and Development
OIC	:	Organisation of Islamic Cooperation
SAARC	:	South Asian Association for Regional Cooperation
UNCTAD	:	United Nations Conference on Trade and Development
UNDP	:	United Nations Developpement Programme
UDEAC	:	Union Douanière et Économique de l'Afrique Centrale
XGS	:	Export of goods and services

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Preface

The **39th edition** of the Islamic Development Bank's **Statistical Yearbook** (previously known as the **Statistical Monograph**) focuses on the most important statistical highlights and trends in IsDB member countries, while making the full data set covering over 200 social, economic and financial indicators available in the accompanying USB flash drive. Data was compiled and aggregated from global data sources and is in line with internationally recognized guidelines, principles, standards and classifications.

The Statistical Annexes of the printed version of this publication covers selected development indicators and provides details on IsDB Group operations.

As in the previous editions, the current Yearbook contains data at the individual country level and is also aggregated based on IsDB geographic categorization, level of development and fuel exports.

The Yearbook was prepared by Economic Research & Institutional Learning Department in the Country Programs Complex. Primary contributors to this report were Bukhari Sillah, Abu Camara, and Mohamed Elgoussi. Musharraf Wali Khan undertook the design and layout.

It is anticipated that this Statistical Yearbook will be a useful tool for all interested in studying social and economic development in the IsDB member countries and for monitoring their progress towards achieving the 2030 Development Agenda.

The contents of the Yearbook are reviewed regularly, and additional datasets are envisaged in future editions. Please forward any suggestions for additional data and further improvement to **eril@isdb.org**.

Dr. Areef Suleman,
Director,
Economic Research & Institutional Learning
Islamic Development Bank

Executive Summary

The Statistical Yearbook No.39 assesses the progress of IsDB member countries toward the achievement of Sustainable Development Goals. It relates the assessment to some socioeconomic indicators to provide further evidence on the progress. ***Based on the classification of Sustainable Development Goals into five P's, Planet, Peace, People, Prosperity and Partnership, IsDB member countries are found to be friendly to the planet with a 69% achievement of planet SDGs****. They have low carbon footprints; and most low-income member countries are turning to renewable energy to power their economic modernization, which now can happen in an increasing peaceful environment with justice and strong institutions.* ***The second highest achievement after planet for IsDB member countries is peace with 61% achievement.*** *With a low damage to the planet and increasing peaceful environment, IsDB member countries should be able to deliver on people development and economic prosperity.* ***But, overall IsDB achievement on people and prosperity fell below 60%, a level of achievement towards SDG targets, which could be considered only as 'fair'****. This low achievement for people development is anchored in high population dependency ratios, with member countries either being highly populated with youth without quality social investments or being highly populated with working-age people that have no jobs. In both cases, IsDB and member countries face a daunting challenge to provide quality education and create jobs.*

The bulging youth population with low job-creating growth has resulted in population spillovers across member countries in the form of migration and refugees; and IsDB member countries accounting for 24% of the world population produce 66% of world refugees, with conflicts and institutional fragility pushing additional people into poverty. With poverty headcount of $1.9 per day, there is still more than 30% of population living in poverty in 14 member countries. The situation is complicated by rising inequalities across most member countries. There are 24 countries that lost more than 27% of their human development index values as a result of inequalities. Inequalities can be reduced by providing quality education and health for all, and empowering women and youth. One hundred percentage primary school enrolment is now a common phenomenon, but secondary school enrolment still requires a big push in most countries. Health is generally improving in most member countries with rising life expectancy and falling maternal and infant mortality rates. The situation is though still severe in some countries where maternal and infant mortality rates are relatively high. Giving women economic and political power can go a long way in improving and sustaining both education and health gains. Unfortunately, women still lag their male counterparts in many member countries with female labor participation rate of 38.2% while two-third of parliamentarians are male in most member countries.

IsDB member countries could not deliver well on people development because their achievement of economic prosperity is the lowest at 47% among the five Ps of SDGs*. Economic prosperity makes available the financial resources that are necessary to provide people development needs. Only ten member countries have achieved at least 60% on economic prosperity. This poor achievement is reflected in a falling share of IsDB member countries in the total output of emerging and developing economies from 27.9% in 2000 to 20.4% in 2018, while their world output share has fluctuated between 9% and 8% since 2013. Nevertheless, growth is gathering strength in some member countries, where real economic growth rates were at least 7% for 2016 - 2017, and there are 18 member countries that are growing above 5%. After the 2014 oil and commodity price decline, 7 member countries went into recession, but four have recovered. Low economic diversity, a high proportion of informal economy, low manufacturing and lackluster competitiveness have caused member economies to be highly vulnerable. Agricultural contributions to GDP fall in most member countries. Similarly, the manufacturing sector has failed to take off with its contribution declining from 17.6% of GDP in 2001 to 14.9% in 2017. Economic competitiveness and the business environment are improving in Qatar, United Arab Emirates and Malaysia, as they maintained rising real effective exchange rates, good global competitiveness* *performance with respect to higher education & training, technological readiness and innovation. The business environment can be improved in member countries by maintaining low inflation, enabling of ease of business startup, good energy and financial access. Inflation has risen above 5% in 20 member countries including 10 member countries with inflation rates higher than 10%. On the ease of starting a business, only 10 member countries entered the top quantile in the world, and the number dropped to 7 on credit access, and further down to 5 on energy access.*

On partnership, the IsDB member countries' achievement is low at 54%. *In this respect, trade deterioration and rising foreign debt burdens have outweighed small gains scored in attracting official development assistance, foreign direct investments, intra-IsDB trade, and inbound tourist receipts. Intra-IsDB trade improved slightly to 19% of total merchandise in 2017 from 17.9% in 2013. The IsDB share of world tourist arrival edged up to 14% in 2017 after dropping to 13.7% in 2016 from 14.9% in 2015. As a result, the IsDB share of world inbound tourist receipts increased marginally to 13% in 2017 from 12% in 2016. In contrast, total IsDB trade to GDP ratio declined from 70.4% in 2013 to 64.7% in 2017 in tandem with recent falling prices of oil and commodity prices. Consequently, oil-exporting member countries have joined low-income countries in borrowing to finance their resource shortfalls. The foreign debt ranged from 1.1% of GDP in Turkmenistan to 149.1% of GDP in Sudan, while 33 member countries paid more than 6% of their export earnings from goods and services to service foreign debts, and the ratio is alarmingly more than 20% in other five member countries.*

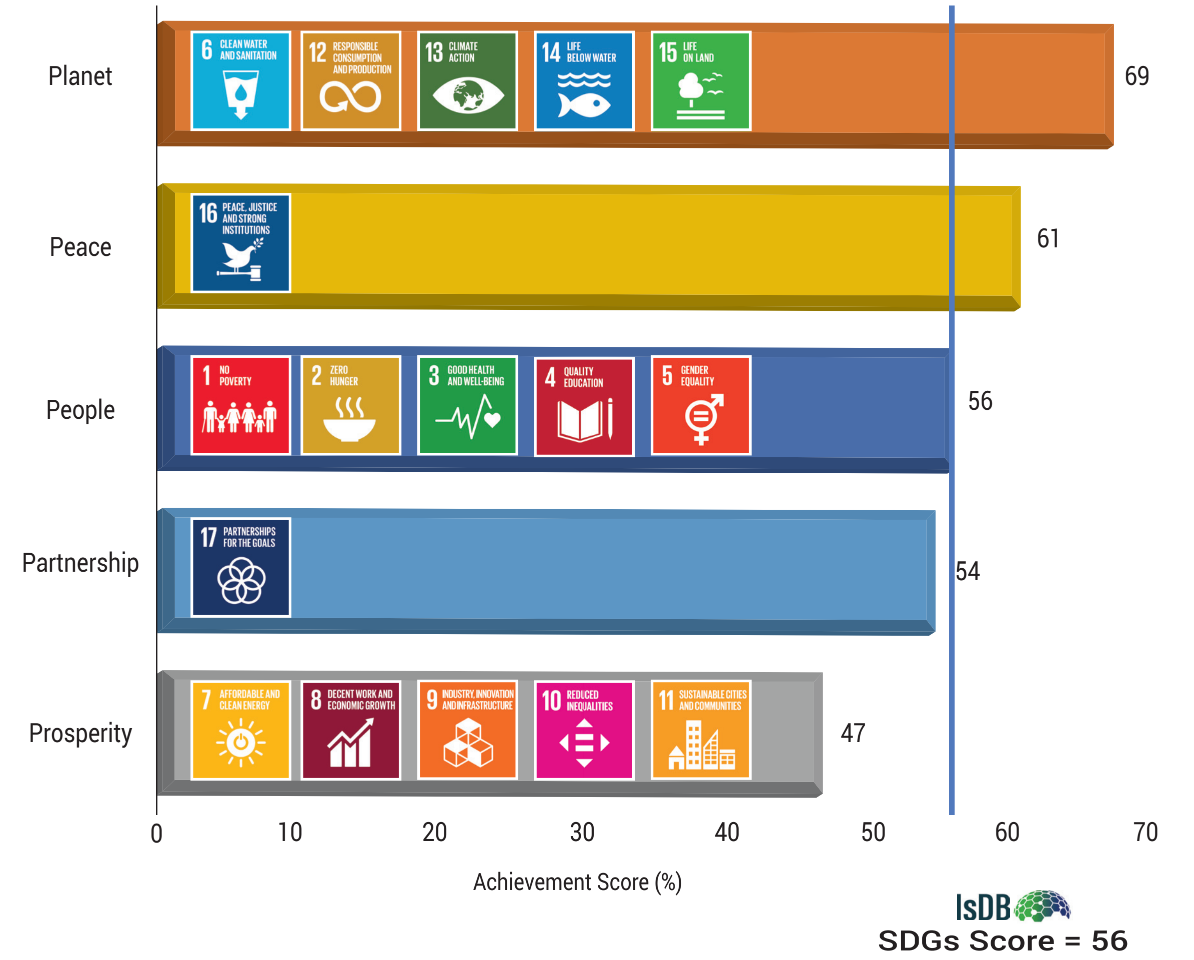
With member countries progressing, albeit at varying degrees, towards sustainable development goals, IsDB financing and interventions are customized to meet development needs and the stages of each member country. Fifty-six percentage of the bank's financing goes to trade, 41% to project financing, 2% to technical assistance, and 1% for special assistance. Principles of Istisna, loan, and installment sale dominate financing modes of the bank. Istisna and loan constitute 55.8% of the Bank's financing allocations to Africa and Latin America member countries, while for Asia and MENA and Europe member countries, Murabahah accounts for more than 60% of the financing allocations. Similarly, given different development stages, sectorial allocations are different from one region to another. In Africa and Latin America, where most member countries are low-income countries, IsDB financing is closely shared among energy, agriculture and transport to provide affordable energy, food security and modern connectivity means. While in member countries in MENA, Europe and Asia, where industrialization is taking place, IsDB financing is dominated by energy, industry and mining.

A. Part I: Progress Towards Sustainable Development Goals

Since the adoption of United Nations Resolution 70/1, "Transforming our World: the 2030 Agenda for Sustainable Development" in September 2015, Islamic Development Bank Member Countries (IsDB MCs) have been accelerating their efforts in attaining the 169 targets as set out in the 17 Sustainable Development Goals (SDGs).

Based on the data available in Global Responsibilities: Implementing the Goals (published by Bertelsmann Stiftung and Sustainable Development Solutions Network, 2018) in 2017, the overall SDG achievement of IsDB MCs as a group was only 56%. When the goals are grouped into the Agenda 5Ps; People (Goals 1 to 5); Planet (Goals 6, and 12 to 15); Prosperity (Goals 7 to 11); Peace (Goal 16) and Partnership (Goal 17), the data indicate that IsDB MC's achievements to targets vary across the 5Ps. IsDB MCs perform well on Planet (69%) and Peace (61%). Of the 5Ps, Prosperity (47%) shows the highest challenge, followed by Partnership (54%) and People (56%).

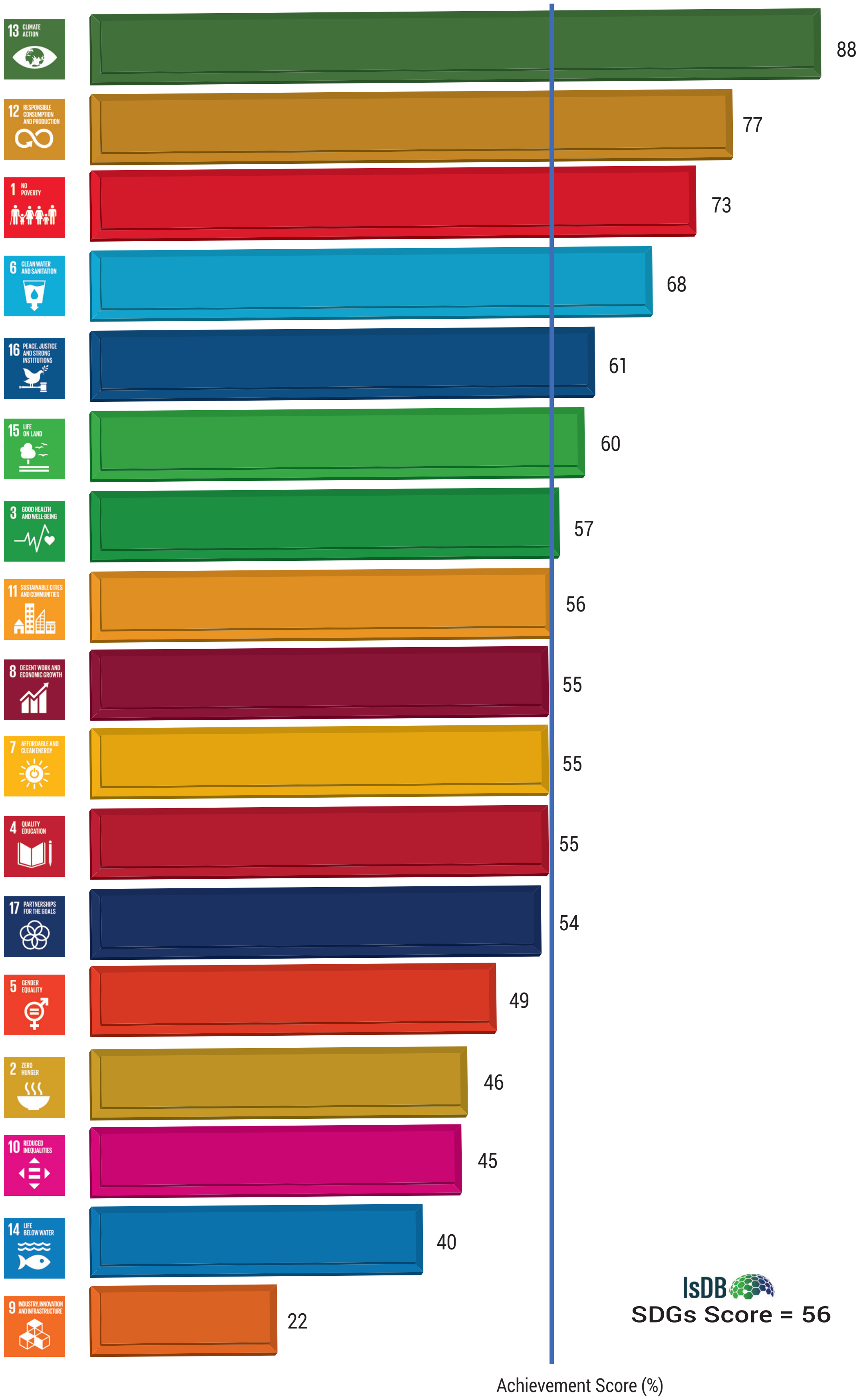
Figure 1. IsDB Goal Achievement by 5Ps



The IsDB MC's achievements on targets across the 17 Goals vary widely, ranging from 22% for SDG 9: Industry, Innovation and Infrastructure, followed by 40% for SDG 14: Life under water, to 77% for the SDG 12: Responsible Consumption and Production and 88% for SDG 13: Climate Action. Using the 60% achievement towards SDG targets as a fair achievement, the available information shows that IsDB MCs must focus their development efforts on most of the Goals, particularly SDGs 2 to 5; SDGs 7 to 11; and SDGs 14, and 17.

In short, as the IsDB MCs are far away from achieving most of the SDG Goals, the IsDB needs to play a greater role in financing and accelerating development activities to reverse poor

Figure 2. IsDB Goal Achievement by Goals

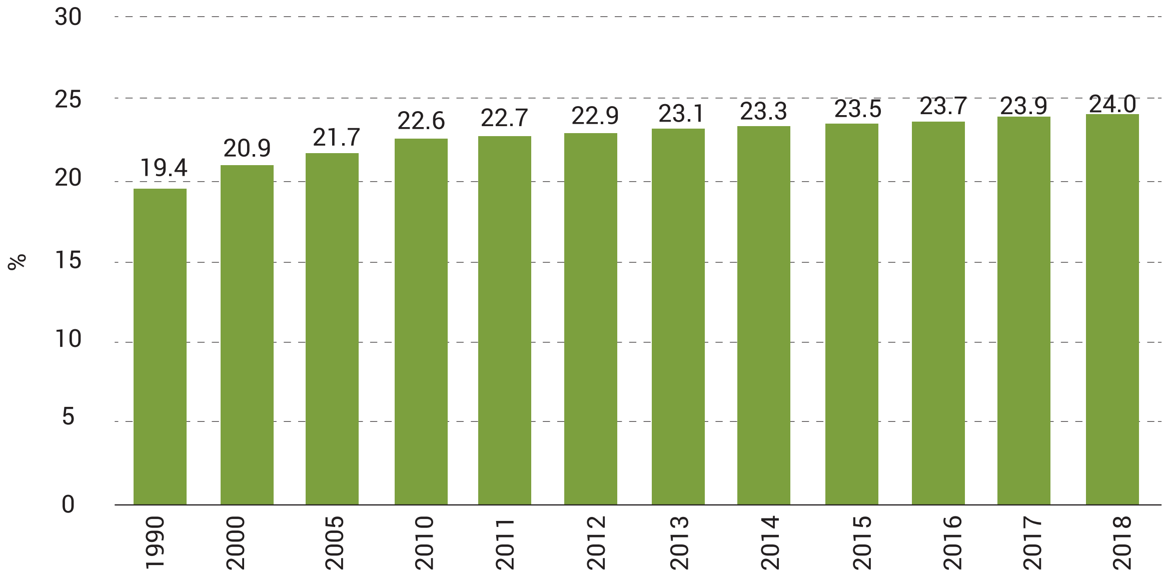


performance on prosperity, partnership and people. Thus, in these statistical highlights we evaluate in specific areas the performance of MCs with respect to the three Ps (people, prosperity and partnership) of SDGs to determine the leading and lagging economies and draw lessons to enrich the global practice knowledge of IsDB and its MCs.

B. Part 2: People, Economy and Globalization

The population of IsDB MCs continues to grow, albeit slowly more recently, with 24% of the world population residing in MCs (Figure 3), and by 2030 one-third of the world population will be living in MCs. IsDB MCs have achieved on average 56% of SDGs (goals 1 – 5) targets relating to people, and this is below the fair level of 60%. Low achievement of people development is reflected and closely related to economic prosperity, which is found to be the worst achievement in IsDB MCs at 47%. With this level of achievement with respect to people and prosperity, IsDB MCs must scale up both human and economic development to prevent their population dividend from turning into a population distress.

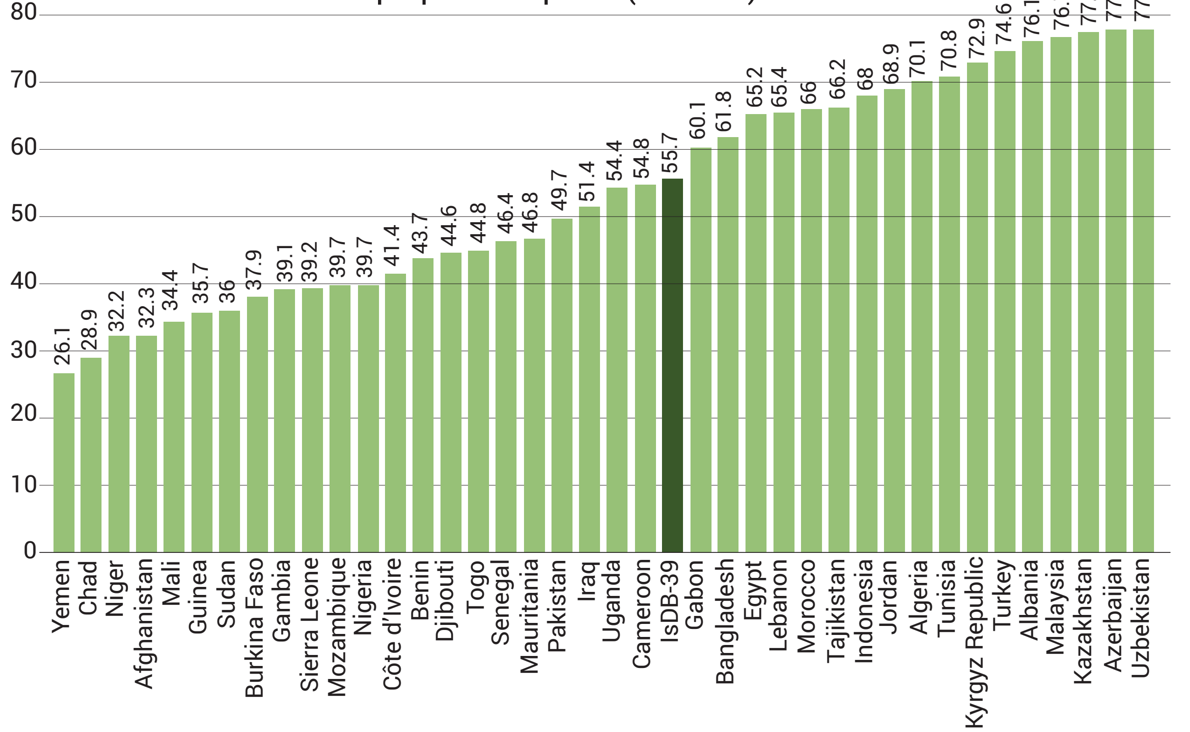
Figure 3: Trends in IsDB-57 share of the world population (%)



2.1 People

The low progress on average towards SDGs in MCs has coincided with slowing population growth, increased urbanization and rising labor force participation. Now more people live in urban settlements, and more women have joined the labor force than before. With less hunger, lower infant mortality, and higher educational attainment, people are living longer and healthier lives in several MCs than before. But, more inclusive growth is urgently needed to curb growing inequalities within and between countries by empowering women, youth and making rapid urbanization inclusive. IsDB MCs' progress towards achieving SDGs on people is generally below 60%, which is considered a fair achievement; and there is 43.6% of MCs, who achieved below 60% to end poverty (SDG.1), attain zero hunger (SDG.2), provide healthy life and well-being (SDG.3), have inclusive equitable quality education and lifelong learning for all (SDG.4), and to achieve gender equality, and women and girls' empowerment (SDG.5). The overall IsDB performance on these five SDGs is 55.7% (Figure 4). These are basic human development agenda that should feature as a priority for most member countries. Thus, IsDB interventions should continue the fight against poverty and hunger and provide quality education and health for all. The figure below shows countries that still need urgent assistance to enhance their performance with respect to SDGs 1 – 5. Due to limited data, Figure 4 covers only 39 MCs.

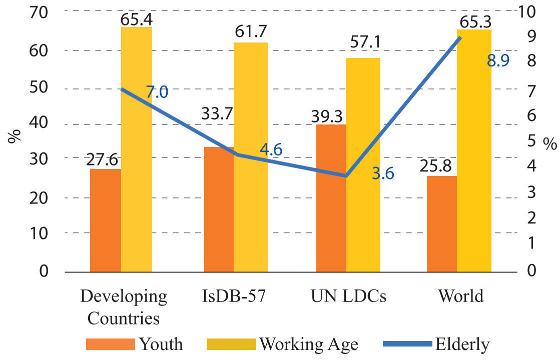
Figure 4: Thirty-nine member country scores on people development (SDGs 1-5)



2.1.1 Population

IsDB population profile is still young, and this situation is expected to continue for a foreseeable future (Figure 5a). This is a good dividend for many MCs where economic growth significantly outpaces the population growth. The population growth has fallen from 2% in 2015 to 1.8% in 2018, and the share of working-age population is lower than that of world or developing countries due to the high young population share of IsDB MCs. The high youth dependency ratio proves that many MCs require high and continued investments in education, training and health to prepare the youth for the job markets.

Figure 5a: Population age groups (% of total population) by group -2018



The relatively small working-age population share in IsDB MCs compared to the world average and developing countries' average is driven by a large young population aged below 15 years. The total dependency rate of IsDB MCs is higher than both world average and the developing countries' average (Figure 5b), and member countries in Africa and Latin America are responsible for the high dependency rate, which is anchored in a young population (Figure 5c). This implies that countries with high youth population dependency rates must make critical choices today to harness a population dividend in the future; otherwise, they will face population pressures. They must invest in quality social services, in education and health to develop human capital that is not only employable, but that can also be creative and innovative to be self-employed as they grow into a working age. Highly young populated countries will have low working age populations, and consequently low savings and reduced income tax revenues. Their governments will face acute development financing challenges given the low fiscal revenues and immense social service financing needs. They can partially resolve the dilemma by investing increasingly

Figure 5b: Total dependency ratio of IsDB-57 compared to other group in 2018

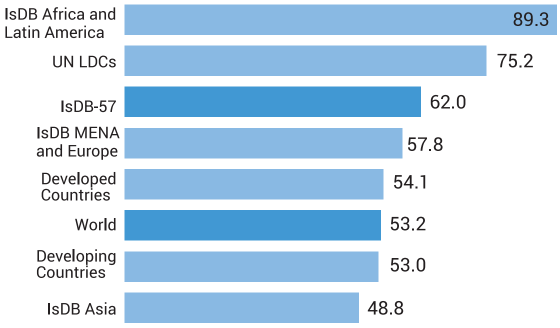
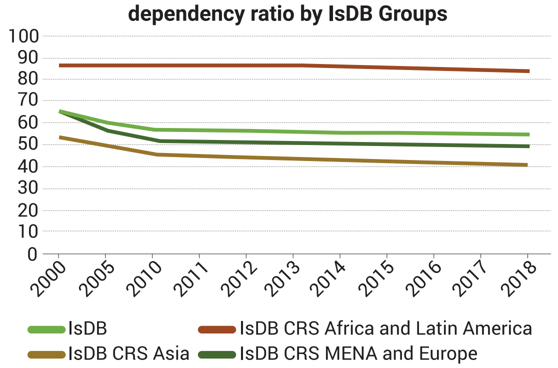


Figure 5c: Trends in youth dependency ratio by IsDB Groups



in social services to generate human capital. Financing social investments requires grants and non-interest-bearing loans, because social services and infrastructures seldom pay market returns. These social investments will be savings tomorrow that will pay off and produce the necessary human capital for market development and economic industrialization. Thus, highly young populated countries will harness a population dividend if they invest today in quality services of health and education for the youth to become quality human capital tomorrow. Otherwise, the uneducated young population today will become idle and wasted resources for tomorrow. To avoid this high young dependency rate curse, countries need to invest for human capital development. Countries with low young population dependency rates should be going through economic transformation of market development and economic industrialization if their working-age population is highly skilled. These countries will require commercial financing and investments. However, if their working-age population has not been developed into quality human capital, then they are currently facing population pressures, which could be defused by re-training to acquire new skills in a short cycle. When youth are meaningfully engaged, social unrest can decline significantly and states will be stable, and unsafe migration will end.

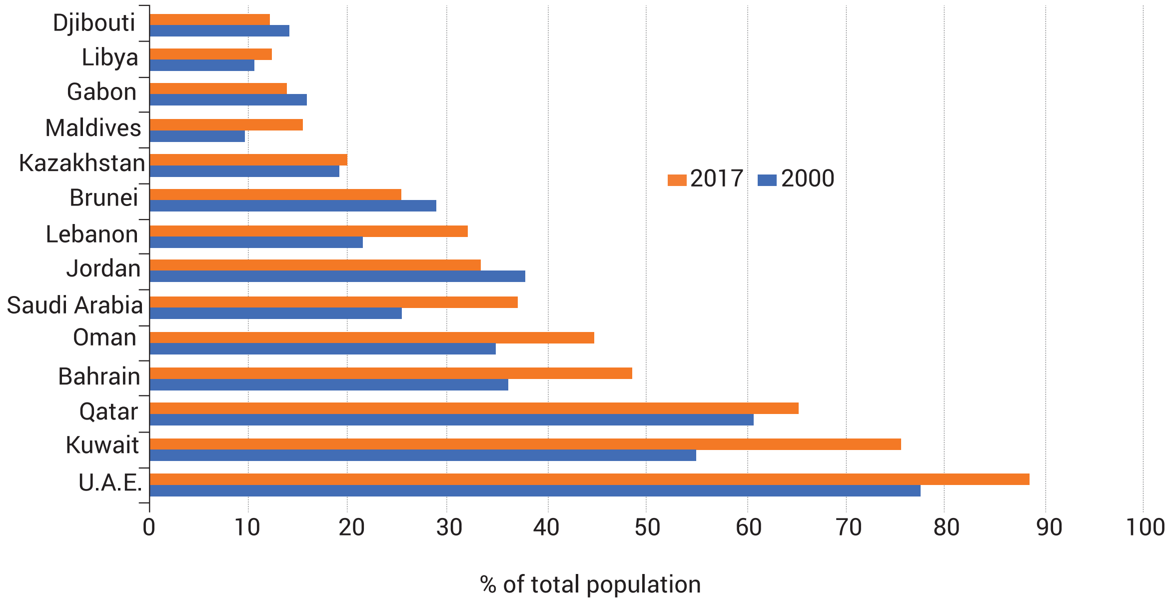
2.1.2 Migration and Urbanization

Around 60% of IsDB population live in urban settlements, and the concentration of wealth and development around few cities have almost emptied some rural areas of the labor force necessary for agricultural production. Some have looked beyond their local cities to search for greener pastures overseas. Several IsDB economies today partially depend on worker remittances to finance their current account balances and boost their international reserves, and the receiving countries benefit from the labor to spur their economic modernization and industrialization. Also, IsDB MCs produce and host a large share of world refugees as 60% of MCs are fragile states, and some still live in active war and conflict zones.

Human Migration is a natural phenomenon, but certain circumstances contribute to spikes from time to another. Economic collapse and dwindling job opportunities will force people to move from one geographical location to another within a country (for example, rural urban migration), or between countries (international migration). The International migrant stock has been rising steadily since 2000, from 2.9% of world population in 2000 to 3.4% in 2017. For IsDB MCs, international migrant stock declined from 3.9% of IsDB MCs' population in 2000 to 3.0% in 2005; it then kept rising to reach 3.8% in 2017. The Arab Spring has contributed significantly to the spike of the international migrant stock to 3.8% during the period 2010 – 2016.

IsDB MCs also play an essential role in hosting and receiving international migrants largely from other IsDB MCs. MCs in the Gulf Cooperation Council are the largest recipients of international migrants, ranging from 37% of total population in Saudi Arabia to 88.4% of total

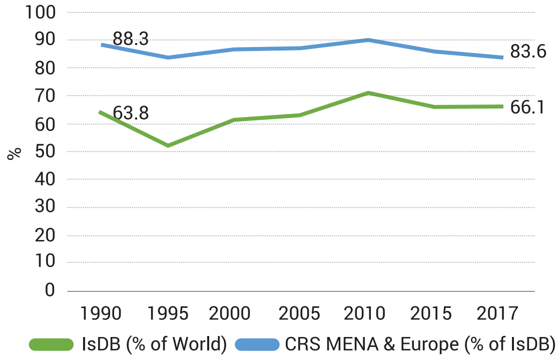
Figure 6: Member countries with the largest numbers of international migrants in 2000 and 2017



population in United Arab Emirates 2017 (Figure 6). Surprisingly, despite stricter immigration rules, and recent economic slowdown in the GCC countries, the international migrant stock has increased in the GCC countries. This is because the GCC countries continue to demand low-paid foreign workers to man most construction and service sectors. The economic slow down might have affected directly foreign workers' income. To maintain their remittance flows, the foreign workers might have resorted to reducing their accompanying dependents, who do not count in the international migrant workers data. But in general, foreign workers will continue streaming in as new projects and economic diversification initiatives offer jobs that are uninteresting to the nationals, and as long as the wage gaps between nationals and foreign workers continue widening. Across the GCC countries, the international migrant stock rose to 60% of the total population in 2017 from 47% of total population in 2000. For example, in Saudi Arabia, the international migrant stock increased from 25% of the total population in 2000 to 37% of the total population in 2017. Similarly, the figures went from 55% to 76% in Kuwait, and from 78% to 88% in the United Arab Emirates.

In 2017, IsDB MCs account for 24% of world population, but 66% of world refugees comes from IsDB member countries. The MENA region has been a major source of refugees since 1990, although, IsDB MCs' share declined slightly from 88.3% to 83.6% of world refugees (Figure 7), MENA's share edged up to 66% of IsDB refugees in 2017 from 63.8% in 1990. The reasons behind the surge of refugee population are Afghan Wars, the protracted Iraq War (8 years) that ended in 2011, and the Arab Spring, which have swept many MENA countries since 2010.

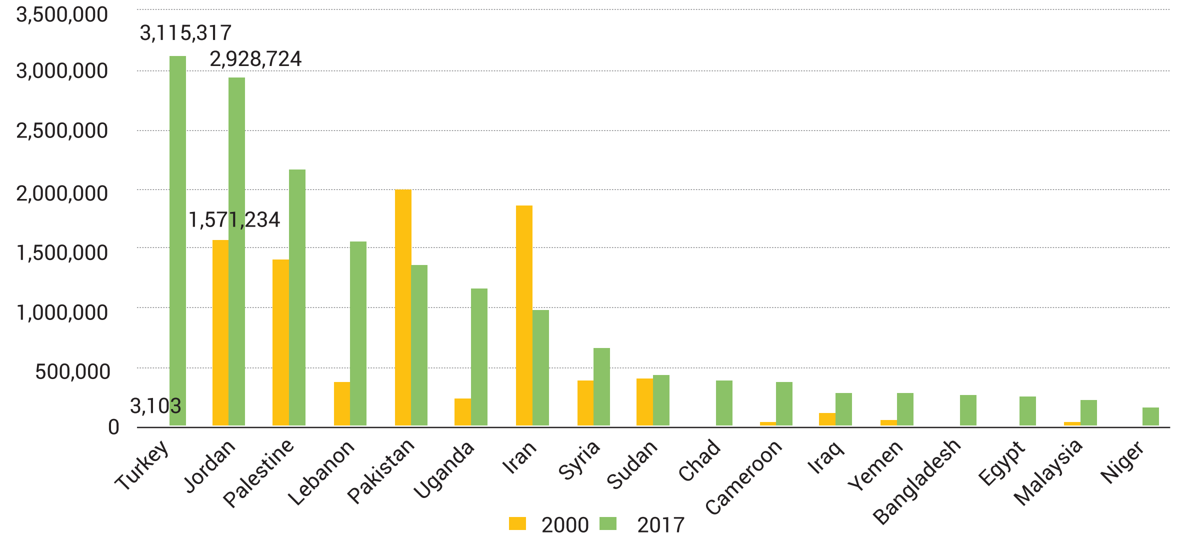
Figure 7: Trends in share of refugee and asylum seekers stock (%)



In 2016, Syria alone produced 50% of IsDB refugees amounting to 5.5 million people, and Afghanistan accounted for 2.5 million refugees. Six member countries have produced 93% of total IsDB refugees namely Syria (50%), Afghanistan (22.6%), Somalia (9.2%), Sudan (5.9%), Iraq (2.9%), and Nigeria (2.1%).

As IsDB MCs produce refugees, they also host around 66% of the world refugee population in 2017 amounting to 17.1 million refugees. But, the burden is not evenly distributed, with six countries sheltering 72% of the total IsDB refugees (Figure 8).

Figure 8: Member countries with the largest numbers of refugee and asylum seekers stock in 2000 & 2017



Refugees create an emergency and humanitarian situation that can find many countries unprepared to handle. It requires concerted efforts from the world to address as host countries are facing social tensions and stretched resources to cater for the refugees. It can disrupt national development plans in the host countries. Meanwhile, the sending countries must go under long painful re-building and re-construction exercises before they can replace the destroyed stock of both human and physical capital and to reach the pre-crisis level of economic development. On the other hand, refugees can offer human capital and skilled labour to the host country, thereby increasing the production capacity of the receiving country. Therefore, member countries should invest critically in conflict prevention and in converting the high young dependency rates in several countries into population dividend by investing in education and training.

2.1.3 Labor Force and Employment

In upper-middle and high-income countries, services contribute the greatest part of the national income, whereas in low and lower-middle member countries not depending on tourism, agriculture continues to account for the highest value-added contributions to GDP, and it also accounts for most employment in the economy. The total labor force participation rate is still very low in many member countries (Figure 9a), implying that the economic potentials of these countries are far from being realized, with a high proportion of their population not being economically active. Furthermore, Figure 9b shows that the economically active population is not in formal employment in many countries. Formal employment occurs in more developed economies, where employees often enjoy constant streams of salary and wage flows that help them do proper financial planning for savings, investments, and asset accumulation.

In general, formal employment across IsDB member countries increased slightly from 42.7% of total employment in 2011 to 45.2% of total employment in 2018. Qatar has the highest formal employment at 99.6% of total employment, followed by Kuwait (98.3% of total employment), and Bahrain (97.25% of total employment). In contrast, Chad has the lowest formal employment at 6.6% of total employment, followed by Guinea (8.3% of total employment), and Mali (9.8% of total employment).

Figure 9a: Labor force participation rate (%)

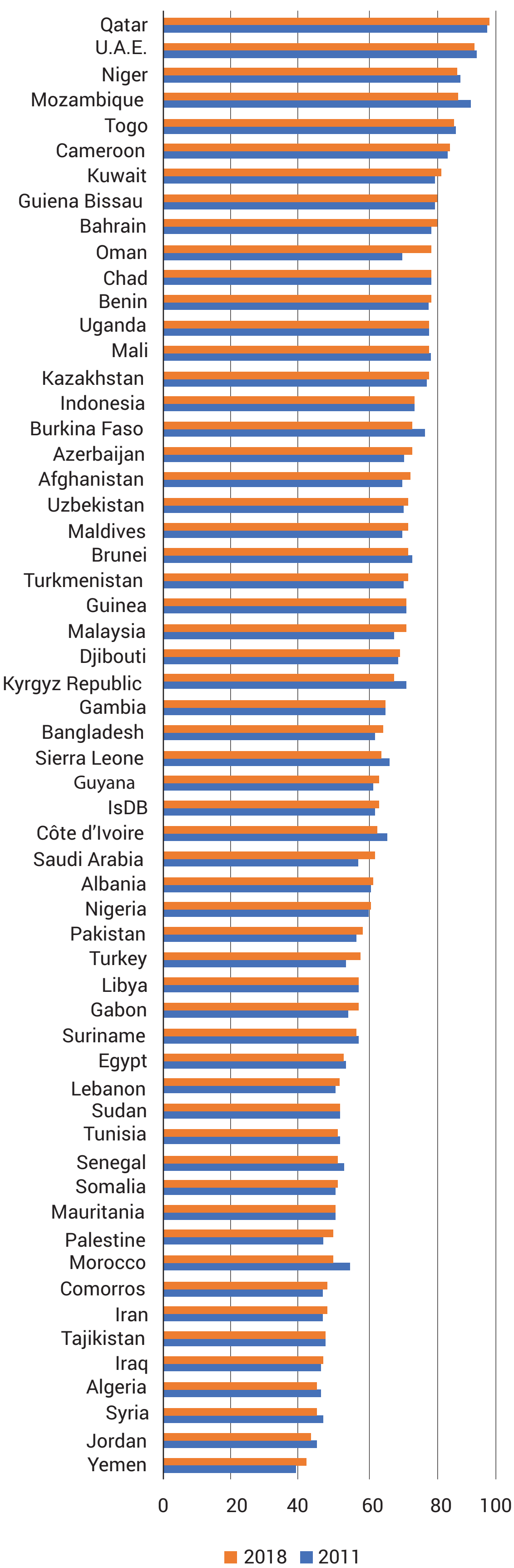
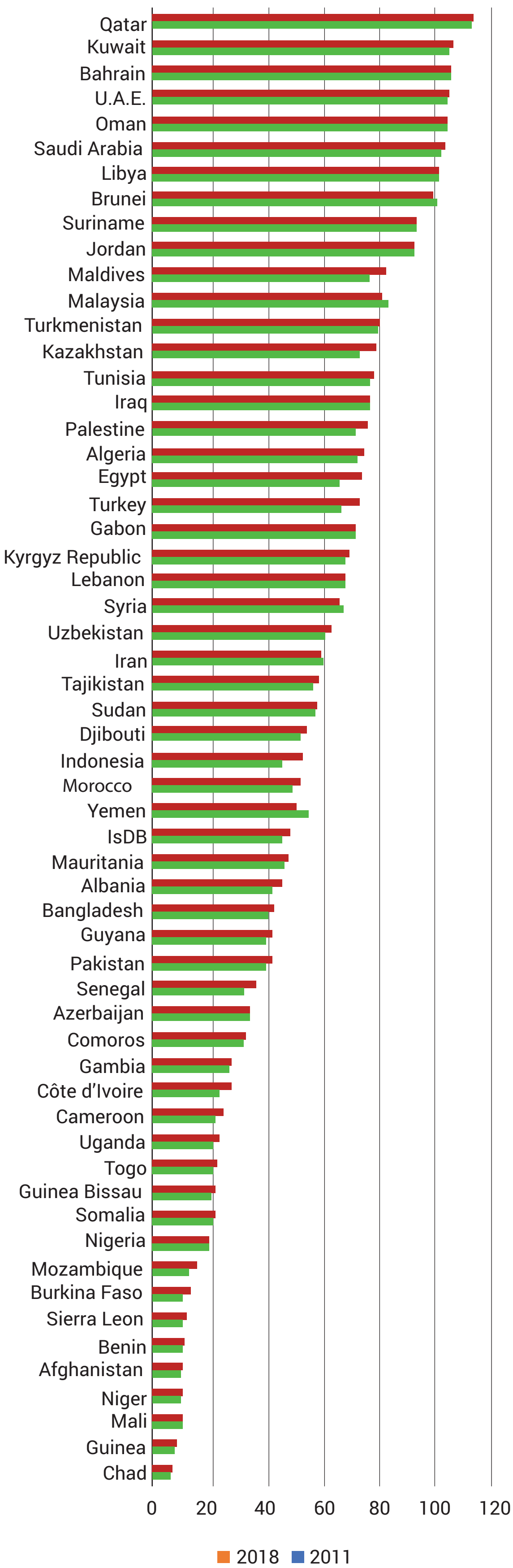


Figure 9b: Employees (% of total employment)



Low labor force participation combined with high proportion of informal economy employment will not only result in low economic output, but it also means low domestic savings and low tax revenues for governments. An inactive population consumes to survive, indicating low savings; while an informal economy has very small degree of income disclosures, which means the governments can only collect small fees from the informal economy. The asymmetry of information between tax authorities and the informal economic agents can also lead to over-taxation of the informal economy, which can force it to go further underground.

Some countries with high informal economy have the lowest formal employment proportions (Figure 10a versus Figure 9b). This is because most agricultural activities are still traditionally done and not commercialized on a large scale to create organized companies with management and employees.

The industrial sector often generates formal employment and reduces informal economic activities, with economic production activities being undertaken by corporations. Similarly, the service sector may cultivate formal employment contracts, particularly in resource-rich countries, where the public sector becomes the biggest service deliverer (Figure 10c). In some cases, fragmented industry sectors dominated by own-account workers might not lead to a high proportion of the formal economy. This could be the case in Burkina Faso; where its industry places the country among the top five member countries with high industry employment (Figure 10b). But, its formal employment share is in the bottom eight (Figure 9b).

2.1.4 Poverty Alleviation, Inequality and Human Development

Overall, poverty has drastically fallen across MCs except in Yemen, Syria and Comoros (Figure 11a). The armed conflicts in both Syria and Yemen have pushed additional people into poverty. Also, the degree of poverty reduction has varied widely from one country to another, and that there will be still some member countries, who might not achieve SDGs 1 by 2030, because they currently have more than 50% of their population living on less than $1.9 per day. Large poverty reduction of more than 18 percentage points took place in Uzbekistan, Niger, Turkmenistan, Guinea and Gambia. Over the period 2005 – 2015, Uzbekistan registered a poverty reduction of 39.5 percentage points from a poverty headcount of 53.5% in 2005 to 14% in 2015. Niger reduced its poverty headcount from 74.9% to 44.5%. Whereas, in Turkmenistan almost everyone graduated from poverty. The sustained growth and rising income has seen poverty headcount fall from 30.7% to 2.8% in Turkmenistan. Guinea and Gambia have also reduced significantly their poverty headcount by 27.3 percentage points and 18.13 percentage points respectively.

Nevertheless, poverty is still high in low-income member countries, and there are 11 member countries with poverty headcount of more than 40%. For example, Guinea-Bissau and Mozambique have respectively 65.3% and 62.2% of their population living on less than $1.9 per day. The average poverty reduction over the period 2005 – 2015 is 7 percentage points. if this trend continues for next ten years, some countries including Niger, Guinea-Bissau and Mozambique might fail to eliminate or make a meaningful reduction to high poverty ratios in these two countries.

Furthermore, sharp reversals of gains are possibilities in countries that are fragile economically, politically, and climate wise. For example, Syria, a country of almost no poverty at 1.4% in 2005 saw its poverty headcount severely rise to 21.2% by 2015 due to conflicts. Similarly, the ongoing conflict in Yemen has worsened the poverty situation with a rising poverty headcount from 9.8% in 2005 to 40.9% in 2015. Rising inequalities are also complicating the fight against poverty in some countries. This is evidenced by declining Human Development Values observed in some member countries due inequality adjustments. When Human Development Index (HDI) values are adjusted for income, education and health inequalities within a country, the HDI values dramatically decline, indicating strong evidence of unequal

Figure 10a: Agriculture employment (% of total employment)

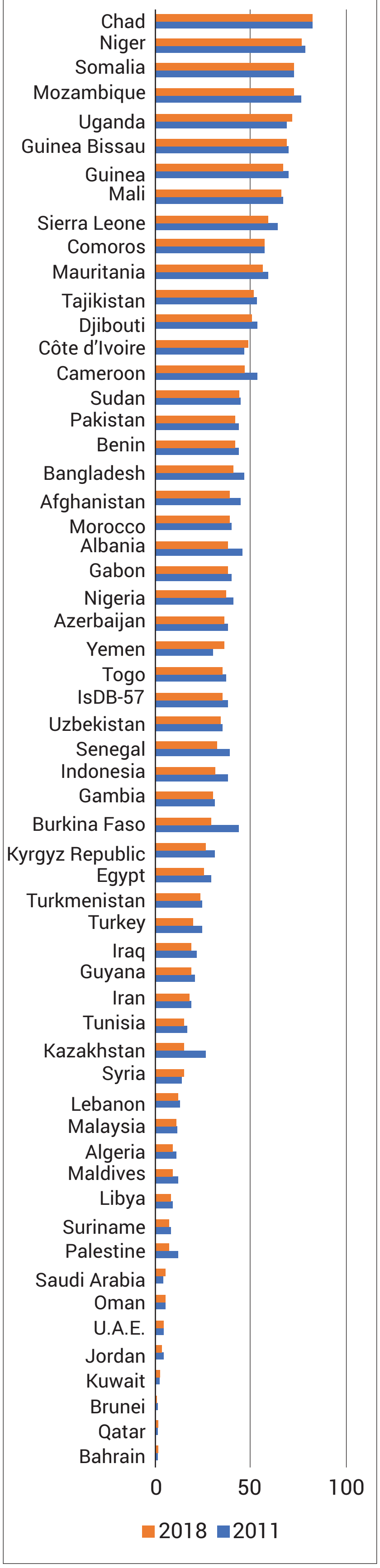


Figure 10b: Industry employment (% of total employment)

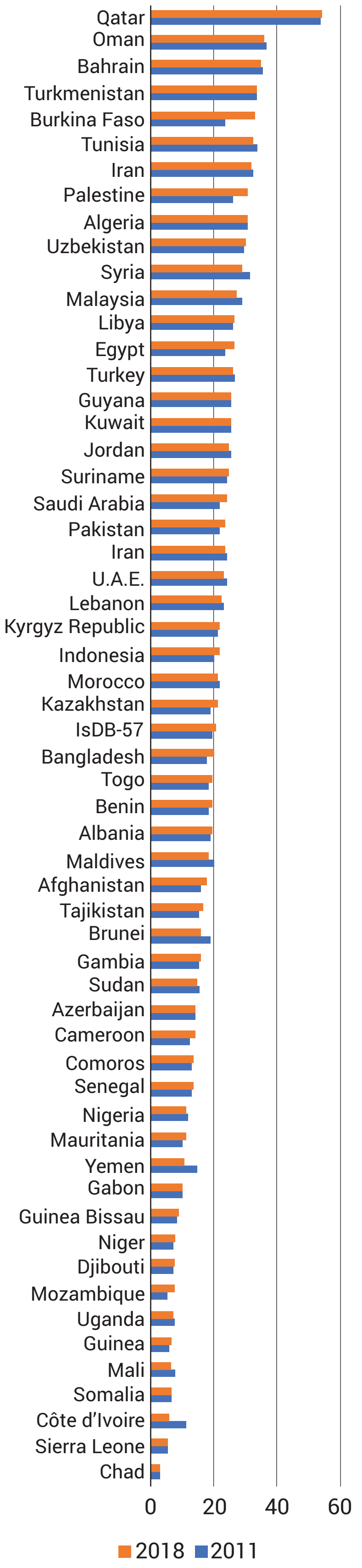


Figure 10c: Service employment (% of total employment)

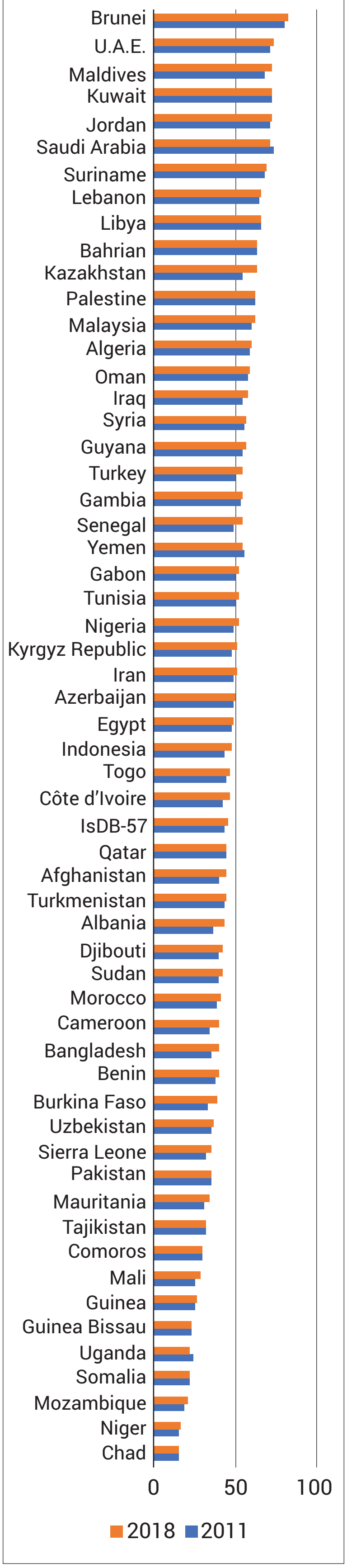


Figure 11a: The Poverty headcount (%) in 2005 compared to 2015 at 1.9 PPP$/day

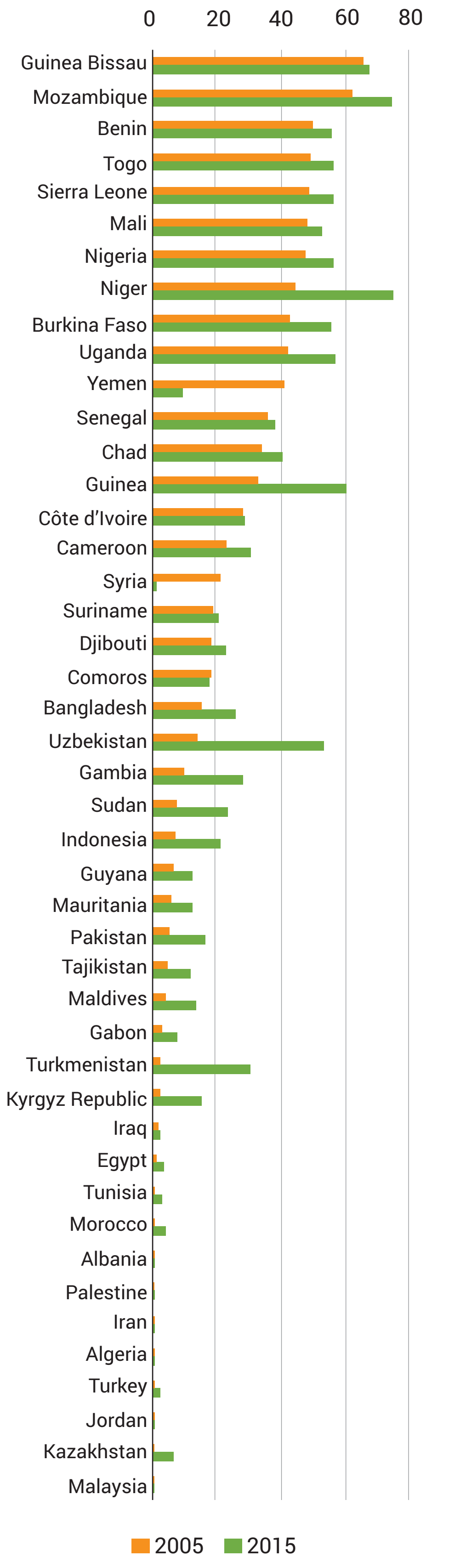
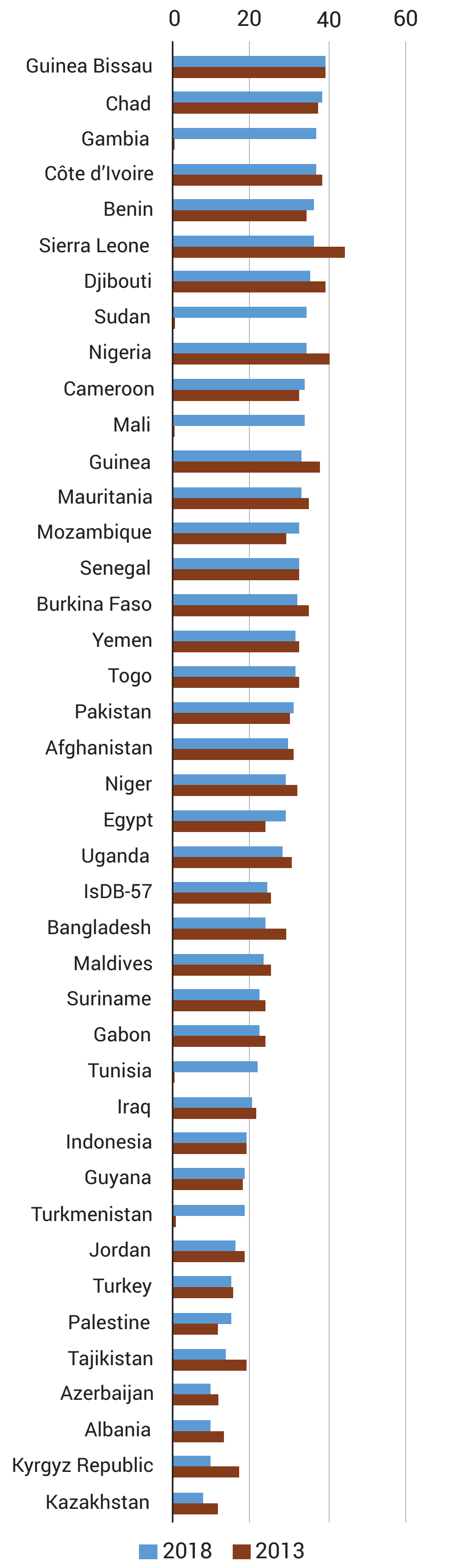


Figure 11b: Overall loss in HDI due to inequality (%) - value, 2013 compared to 2018



opportunities available to citizens of a country. Figure 11b shows the HDI losses IsDB member countries incurred due to inequalities. On average, the HDI losses slightly declined from 25.6% in 2013 to 24.3% in 2018, but it is still higher than 27% in 24 member countries led by Guinea-Bissau (39.4%), followed by Chad (38.3%) and Gambia (37.2%)

2.1.5 Health and Education

Many children today in MCs will live longer than their parents and grandparents as life expectancy increases. Infant and maternal mortality are falling significantly thanks to increased health expenditure and rising educational attainment. More children are completing primary education cycles. The number of children out of school is negligible in several countries. Today 70% of MCs have achieved quality education that is inclusive and equitable (SDG4). But, achievements on human development indices have been tainted by rising inequalities in some member countries as shown in section 2.1.4, and health and education inequalities have been partially responsible for some low human development.

With respect to health performance, gains in life expectancy, and reductions in both maternal and infant mortality will indicate the level of achievements, IsDB member countries have reached. Healthy people need to be educated to become more productive; and school enrolments will to some extent indicate the educational attainments in the member countries. The fiscal policies with respect to health and education expenditures are crucial for the provision and sustainability of health and education as essential public goods.

For the period 2012 – 2016, average life expectancy rose from 66.2 years to 67.3 years. The low-income member countries have progressed, with larger life expectancy gains occurring in low-income member countries than in high-income countries (Figure 12a). Apart from Kazakhstan, which has the largest life expectancy gains of 2.69 years, member countries that achieved at least 2-year gain of life expectancy come from low-income and lower-middle countries. In 2012, there were 15 member countries with life expectancy of less 60 years, and the number decreased to 10 by 2016, and people living at least 70 years are rising across several member countries.

The improved life expectancy is evidence of improved maternal and infant mortality. Across IsDB member countries, maternal mortality decreased on average from 281 to 257 per 100,000 live births, and the low-income countries with high maternal mortality are leading the reduction. But, the disparity is alarmingly high among the member countries (Figure 12b). Similarly, low-income countries are progressing significantly to catch up with upper-middle and high-income member countries on reducing infant mortality (Figure 12c). Sierra Leone, Chad, Somalia, Nigeria and Mali have highest maternal and infant mortality among IsDB member countries.

Good health is necessary to build human capital, but it is not sufficient without education. Member countries need to increase their education interventions to develop a healthy and educated human resource. Primary and secondary school enrolments could indicate the level of educational performance in IsDB member countries. Figure 13a shows that there is a rising level of primary school enrolment, with more than 30 member countries having 100% primary school enrolment. The enrolment is also increasing in the secondary schools. But, secondary school enrolment is still very low, especially in low-income countries. There are cases, where the gross primary school enrolment exceeds 100%, and this means that number of children regardless of age in primary school is more than the number of children of official age in primary school. This could happen because the country has a high number of expatriate children or there is a high number of grade-repeating children, or going to school late in age. Nevertheless, there is a marked enrolment improvement during the period in the primary school, whereas the secondary school enrolment lags severely in many low-income countries, with secondary enrolment reaching only 22.7% in Chad, 23.6% in Niger, and 31.6% in Mauritania (Figure 13b).

Figure 12a: Total life expectancy at birth (years) 2012 compared to 2016

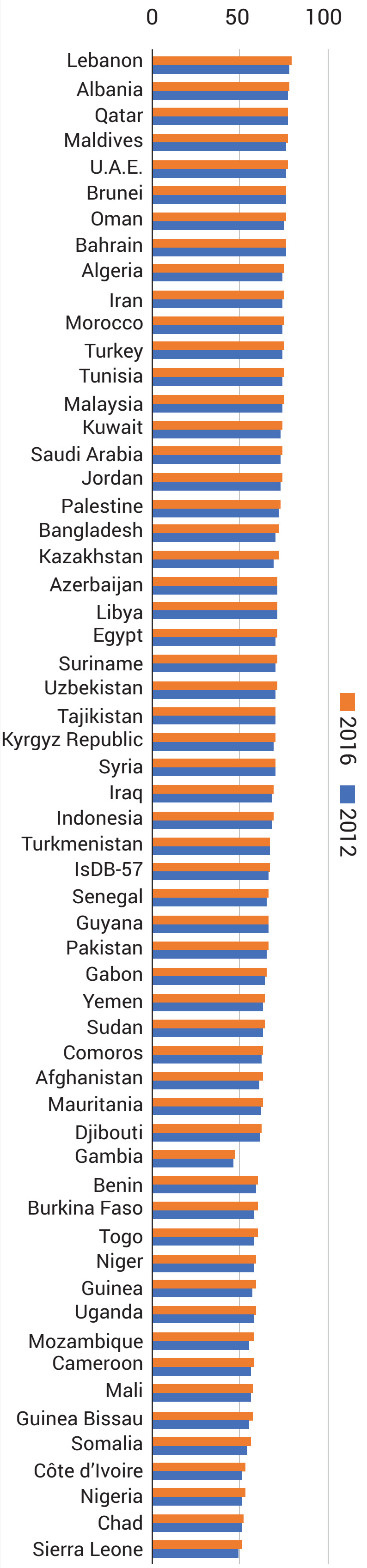


Figure 12b: Maternal mortality ratio (modeled estimate, per 100,000 live births). 2011 vs. 2015

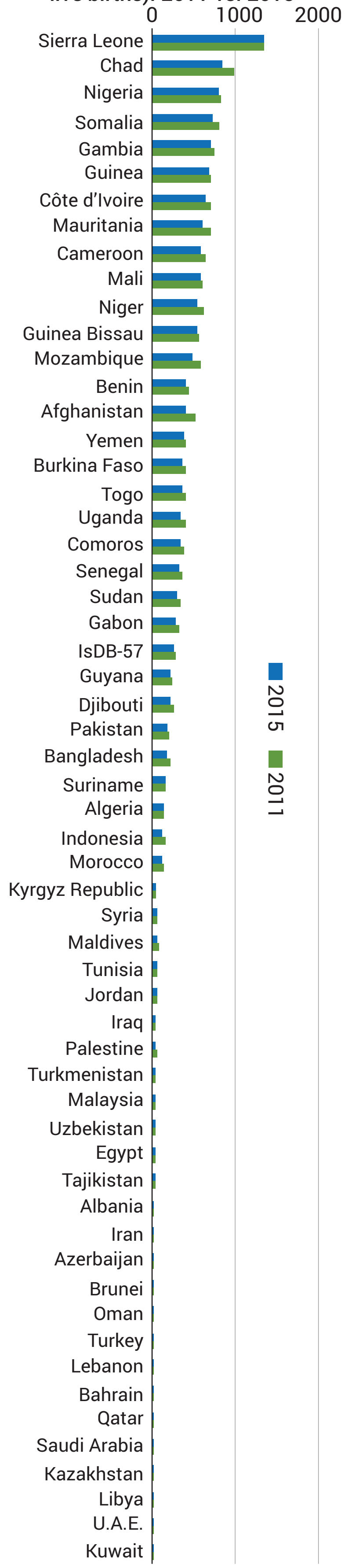
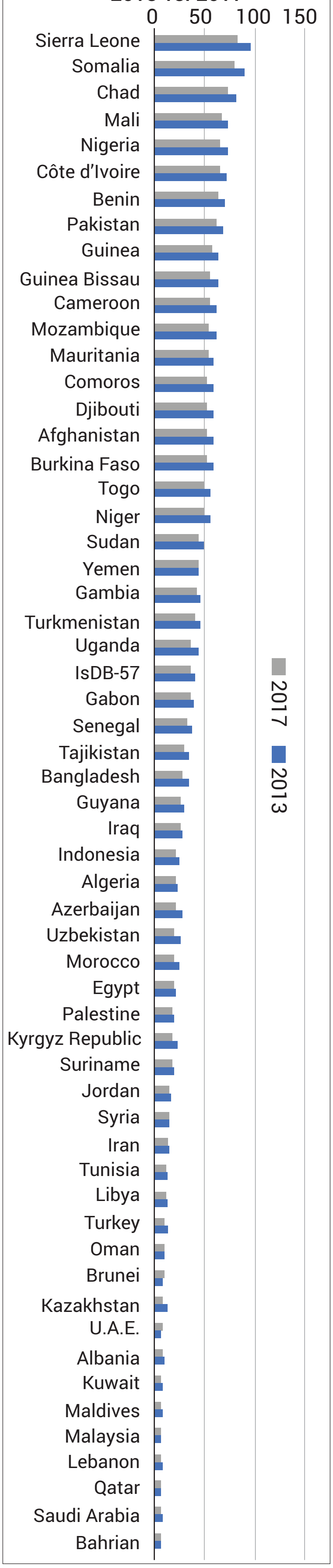


Figure 12c: Infant mortality rate, (per 1,000 live births) 2013 vs. 2017



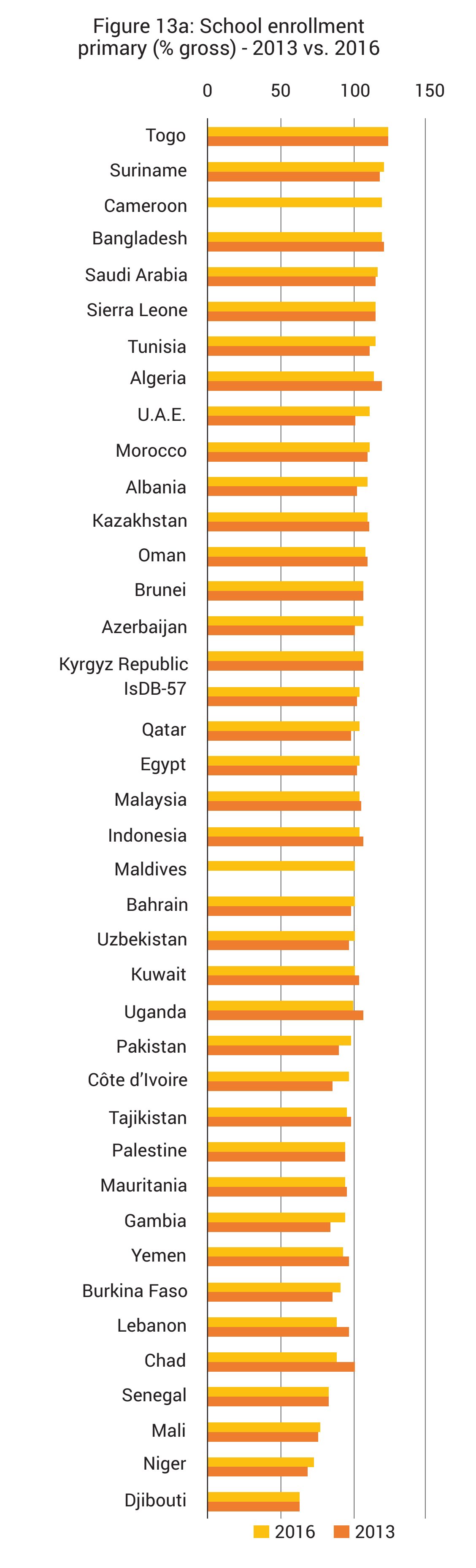


Figure 13a: School enrollment primary (% gross) - 2013 vs. 2016
0
50
100
150
Togo
Suriname
Cameroon
Bangladesh
Saudi Arabia
Sierra Leone
Tunisia
Algeria
U.A.E.
Morocco
Albania
Kazakhstan
Oman
Brunei
Azerbaijan
Kyrgyz Republic
IsDB-57
Qatar
Egypt
Malaysia
Indonesia
Maldives
Bahrain
Uzbekistan
Kuwait
Uganda
Pakistan
Côte d'Ivoire
Tajikistan
Palestine
Mauritania
Gambia
Yemen
Burkina Faso
Lebanon
Chad
Senegal
Mali
Niger
Djibouti
2016
2013

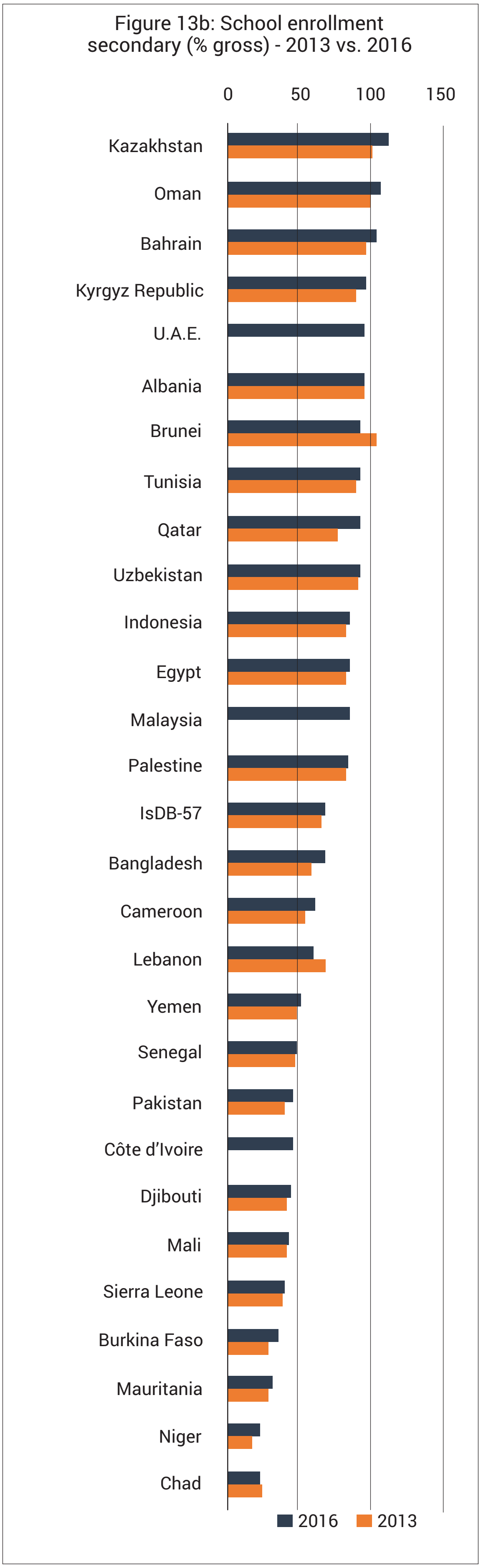


Figure 13b: School enrollment secondary (% gross) - 2013 vs. 2016
0
50
100
150
Kazakhstan
Oman
Bahrain
Kyrgyz Republic
U.A.E.
Albania
Brunei
Tunisia
Qatar
Uzbekistan
Indonesia
Egypt
Malaysia
Palestine
IsDB-57
Bangladesh
Cameroon
Lebanon
Yemen
Senegal
Pakistan
Côte d'Ivoire
Djibouti
Mali
Sierra Leone
Burkina Faso
Mauritania
Niger
Chad
2016
2013

Improved health and rising school enrolments observed across many member countries could be explained partially by government fiscal policies with respect to health and education expenditures. The average government health expenditure rose slightly from 2.1% of GDP in 2011 to 2.3% of GDP in 2015 (Figure 14a). There are large variations in government health expenditure from one country to another. The largest ratio of government health expenditure as a percentage of GDP are found in Maldives (9.38%), followed by Albania (4.98%), Saudi Arabia (4.16%) and Iran (4.05%). In contrast, the lowest government health expenditures are found in Bangladesh (0.39%), followed by Mozambique (0.43%), Afghanistan (0.53%) and Nigeria (0.59%). Similarly, government education expenditures across member countries are very low averaging 3.5% of GDP in 2016 marginally down from 3.7% of GDP in 2013; and there are large variations among individual member countries (Figure 14b).

To have substantial reduction in both maternal and infant mortality and increase life expectancy in low-income member countries, requires an increase in government health and education expenditures. Countries with consistent and high government health and education expenditures have been able to make significant reductions in both maternal and infant mortality and raise not only primary school enrolment but also secondary school enrolments.

2.1.6 Women and Youth Empowerment

Women labor force participation is slowly rising as they carry their increased educational attainment into workplaces and political decision making. Youth employment is still high in many member countries. It is shown that IsDB member countries achieved only 45% of SDG 10: reduced inequalities (Figure 2).

Figure 15 shows that women do not critically lag men in educational attainment with the gender parity index in primary and secondary schools equaling one in many IsDB member countries. There are still some countries, like Afghanistan, Niger and Pakistan, that require s interventions to bring girl education enrolment in par with boys. However, educational attainment per se is not enough for women empowerment if they are not given equal opportunities in the workforce and political decisions.

Figures 16a and 16b illustrate the performance of IsDB member countries on empowering women in both work and political participations. The female labor force participation rate is very low, increasingly slightly from 37.2% in 2013 to 38.2% in 2018. It falls below 50% in 61% of IsDB member countries. Similarly, female participation in political decision making is low, with only seven member countries having at least one-third of their parliamentarians women. With low women participation in both work and political decision, it means both economic and political potentials of IsDB member countries are far from being fully harnessed. The other economic potential that might also be left idle is youth; and the fact that there are also high gender inequalities will particularly complicate female youth work participation (Figure 17b).

Slow economic growth and low secondary school enrolments observed in many IsDB member countries with young populations have contributed to alarmingly high youth unemployment rates. Figure 17a illustrates that youth unemployment is not a peculiar phenomenon to the low-income and least developed member countries, but also several high-income member countries are facing severe youth unemployment. For low-income countries, youth unemployment could be largely due to low economic growth and low skill and education. Thus, these countries require increased investments to enhance educational attainment and create jobs for the youth. For the high-income countries, youth unemployment could be due to skill mismatch and wealth concentration in few hands. They need re-training of youth to match their skills with the labor market requirements; and they require equitable income re-distributions to create equal opportunities for all.

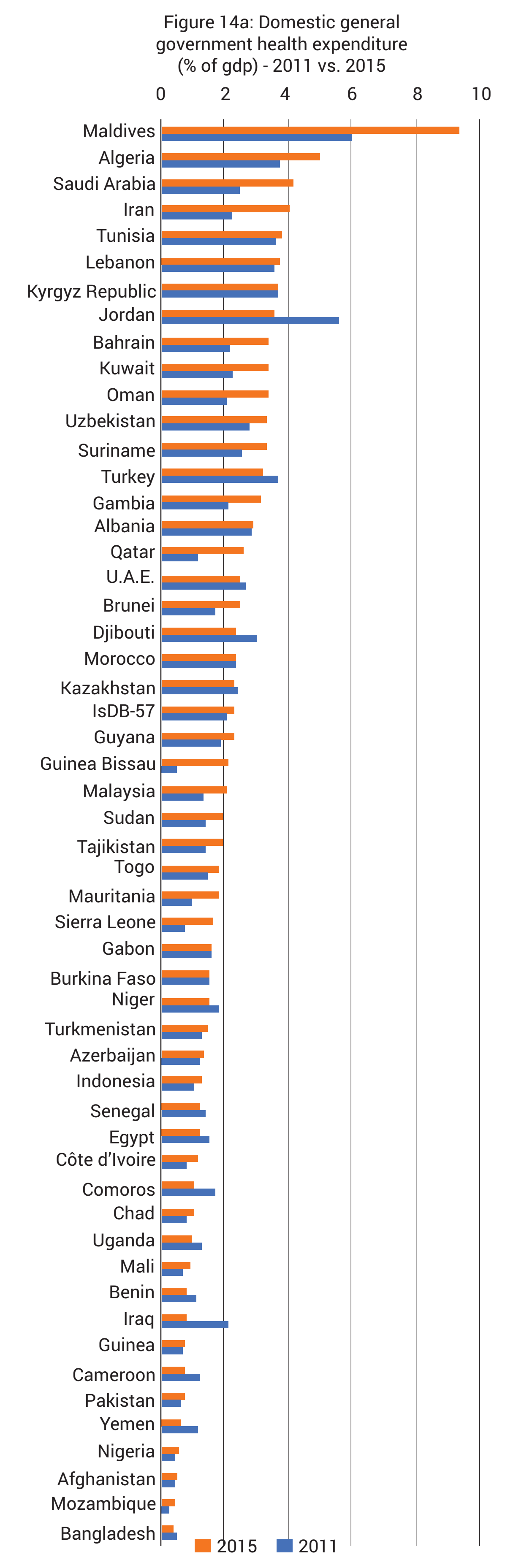


Figure 14a: Domestic general government health expenditure (% of gdp) - 2011 vs. 2015
0 2 4 6 8 10
Maldives
Algeria
Saudi Arabia
Iran
Tunisia
Lebanon
Kyrgyz Republic
Jordan
Bahrain
Kuwait
Oman
Uzbekistan
Suriname
Turkey
Gambia
Albania
Qatar
U.A.E.
Brunei
Djibouti
Morocco
Kazakhstan
IsDB-57
Guyana
Guinea Bissau
Malaysia
Sudan
Tajikistan
Togo
Mauritania
Sierra Leone
Gabon
Burkina Faso
Niger
Turkmenistan
Azerbaijan
Indonesia
Senegal
Egypt
Côte d'Ivoire
Comoros
Chad
Uganda
Mali
Benin
Iraq
Guinea
Cameroon
Pakistan
Yemen
Nigeria
Afghanistan
Mozambique
Bangladesh
2015
2011

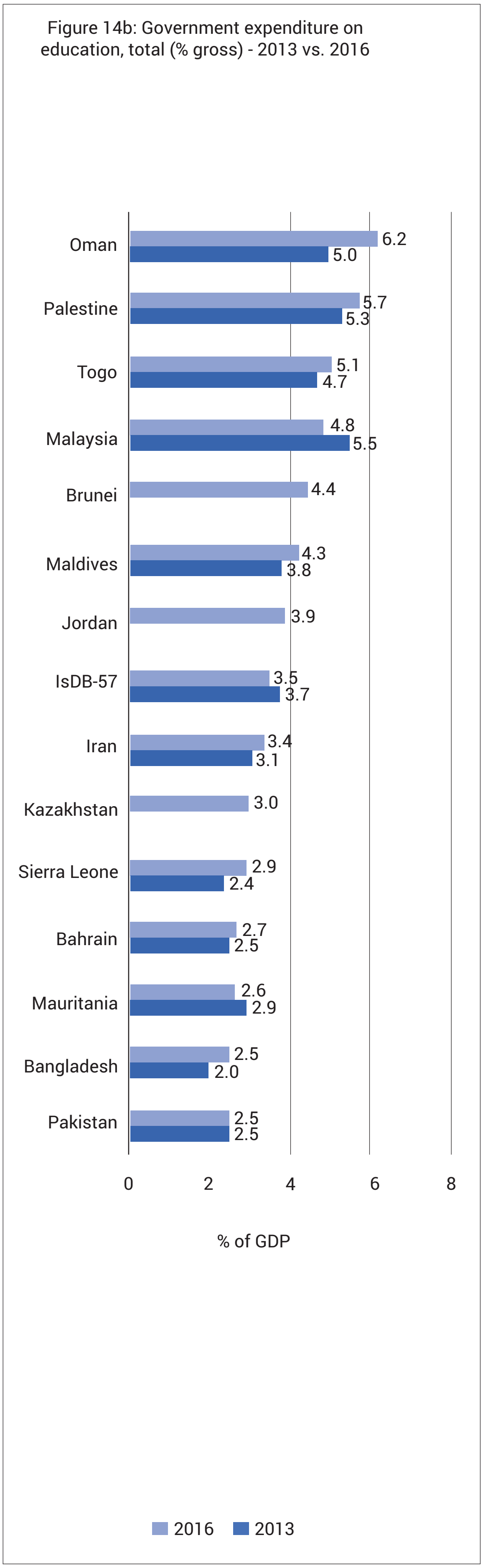
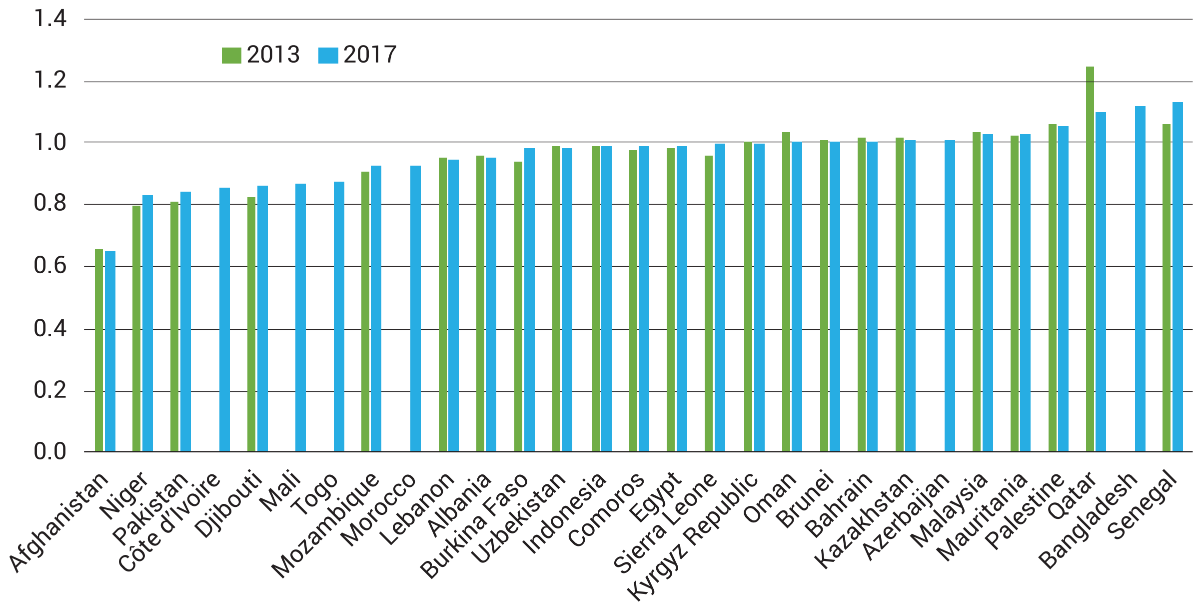


Figure 14b: Government expenditure on education, total (% gross) - 2013 vs. 2016
Oman 6.2 5.0
Palestine 5.7 5.3
Togo 5.1 4.7
Malaysia 4.8 5.5
Brunei 4.4
Maldives 4.3 3.8
Jordan 3.9
IsDB-57 3.5 3.7
Iran 3.4 3.1
Kazakhstan 3.0
Sierra Leone 2.9 2.4
Bahrain 2.7 2.5
Mauritania 2.6 2.9
Bangladesh 2.5 2.0
Pakistan 2.5 2.5
0 2 4 6 8
% of GDP
2016
2013

Figure 15: School enrollment, primary and secondary (gross), gender parity index (GPI) - 2013 vs. 2017



2.2 Economy

Human economic activities today including consumption and production should be sustainable so that future generations can have similar living standards of today. This requires inclusive and equitable economic growth on both production and consumption sides. MCs are progressing steadily on SDG 7 (energy), SDG 8 (economic growth), and SDG 11(safe, resilient and sustainable cities and human settlements). With respect to these three SDGs that form the prosperity agenda of Sustainable Development Goals, only ten IsDB member countries out of thirty nine have achieved a performance level of at least 60% (Figure 18). Economic prosperity has been and is still a distant goal for many member countries. This poor economic performance has repercussions for other development goals that require financial resources. In other words, as long as a member country cannot prosper economically, it will need outside assistance to meet its human development needs, and consequently it may fail to attain key SDGs. Attaining SDGs depend on local economic prosperity that must be triggered to generate local resources required for sustainable development.

2.2.1 Economic output

IsDB MCs account for less than 10% of world economic output, and this contrasts unequally with its world population share of 24%. In fact, the aggregated economic output of IsDB MCs has been recovering from a slump, following the Arab Spring and 2014 oil price crash. The total current GDP stood at $7.1 trillion in 2014 up from $6.9 trillion in 2013. It then declined to $ 6.4 trillion in 2015 before recovering slightly to $6.8 trillion in 2018. Current GDP growth that averaged 12.8% during 1999-2008 period also declined sharply to 2.8% during 2009-2018 period, while real GDP growth decreased from 5.4% to 4.2% over the same periods. As a result, IsDB MCs' share of world output slipped from 9% in 2014 to 8.1% in 2018 (Figure 19). IsDB MCs' share has marginally declined with respect to both emerging and developing economies (EMDE) and advanced economies.

However, the recovery is gathering strength with real growth rate of at least 5% per annum occurring in 18 member countries in 2018 up from 16 member countries in 2016. While Libya is recovering from an output decline associated with civil war, Côte d'Ivoire, Bangladesh, and

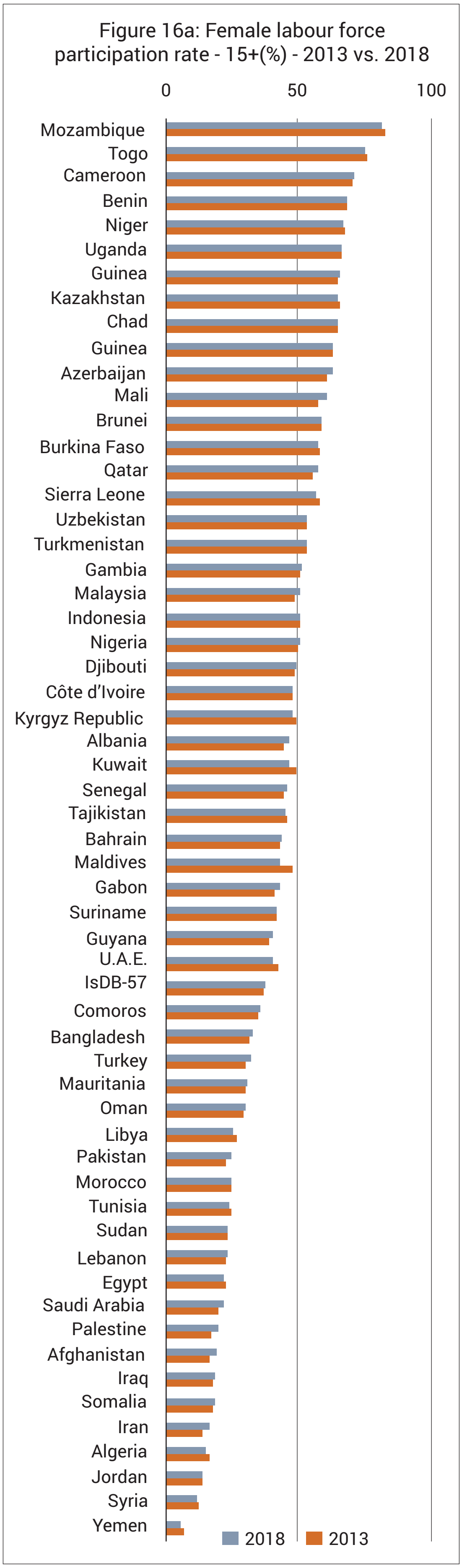


Figure 16a: Female labour force participation rate - 15+(%) - 2013 vs. 2018
0
50
100
Mozambique
Togo
Cameroon
Benin
Niger
Uganda
Guinea
Kazakhstan
Chad
Guinea
Azerbaijan
Mali
Brunei
Burkina Faso
Qatar
Sierra Leone
Uzbekistan
Turkmenistan
Gambia
Malaysia
Indonesia
Nigeria
Djibouti
Côte d'Ivoire
Kyrgyz Republic
Albania
Kuwait
Senegal
Tajikistan
Bahrain
Maldives
Gabon
Suriname
Guyana
U.A.E.
IsDB-57
Comoros
Bangladesh
Turkey
Mauritania
Oman
Libya
Pakistan
Morocco
Tunisia
Sudan
Lebanon
Egypt
Saudi Arabia
Palestine
Afghanistan
Iraq
Somalia
Iran
Algeria
Jordan
Syria
Yemen
2018
2013

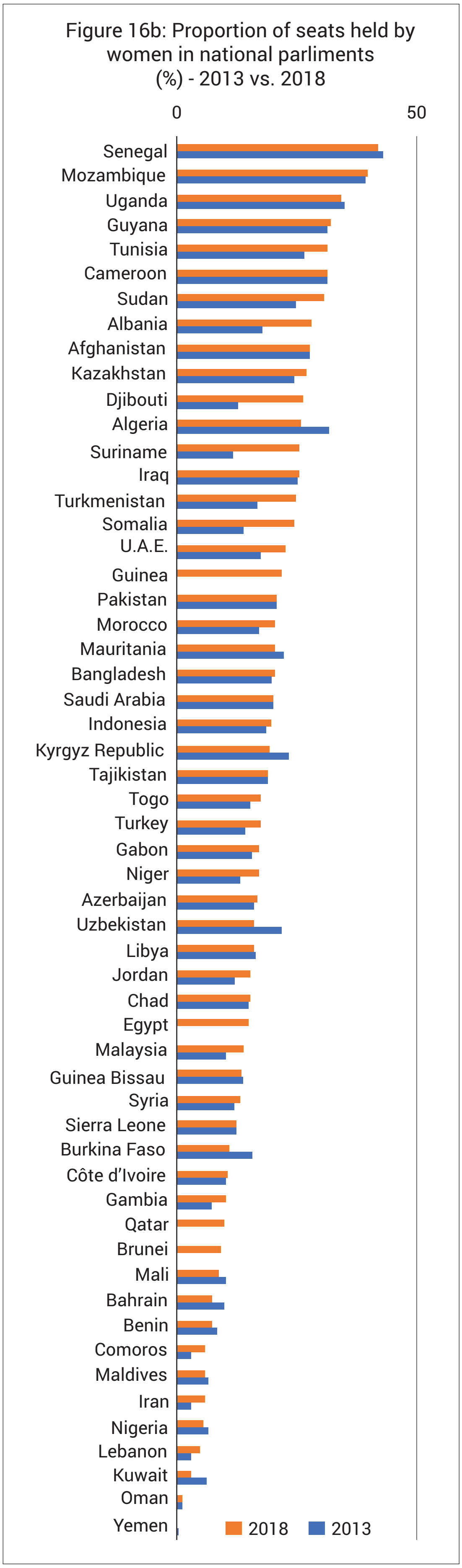


Figure 16b: Proportion of seats held by women in national parliments (%) - 2013 vs. 2018
0
50
Senegal
Mozambique
Uganda
Guyana
Tunisia
Cameroon
Sudan
Albania
Afghanistan
Kazakhstan
Djibouti
Algeria
Suriname
Iraq
Turkmenistan
Somalia
U.A.E.
Guinea
Pakistan
Morocco
Mauritania
Bangladesh
Saudi Arabia
Indonesia
Kyrgyz Republic
Tajikistan
Togo
Turkey
Gabon
Niger
Azerbaijan
Uzbekistan
Libya
Jordan
Chad
Egypt
Malaysia
Guinea Bissau
Syria
Sierra Leone
Burkina Faso
Côte d'Ivoire
Gambia
Qatar
Brunei
Mali
Bahrain
Benin
Comoros
Maldives
Iran
Nigeria
Lebanon
Kuwait
Oman
Yemen
2018
2013

Figure 17a: Youth enemployment rate (%) - 2013 vs. 2018

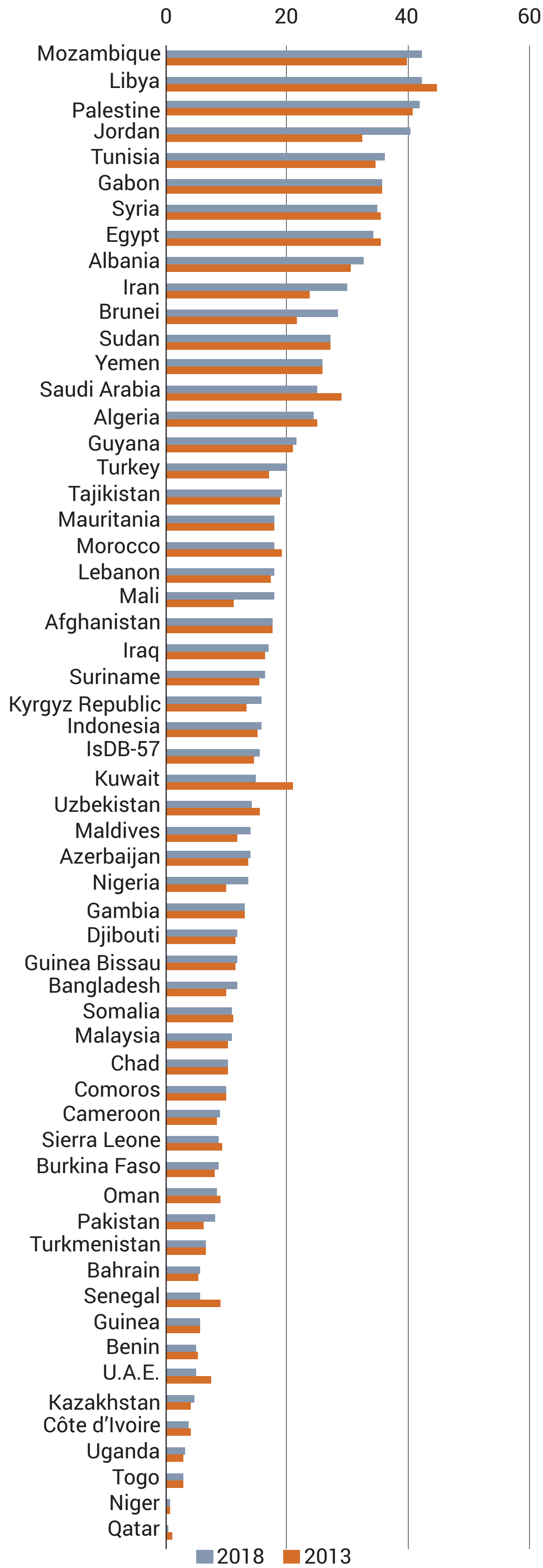


Figure 17b: Gender inequality index - 2017

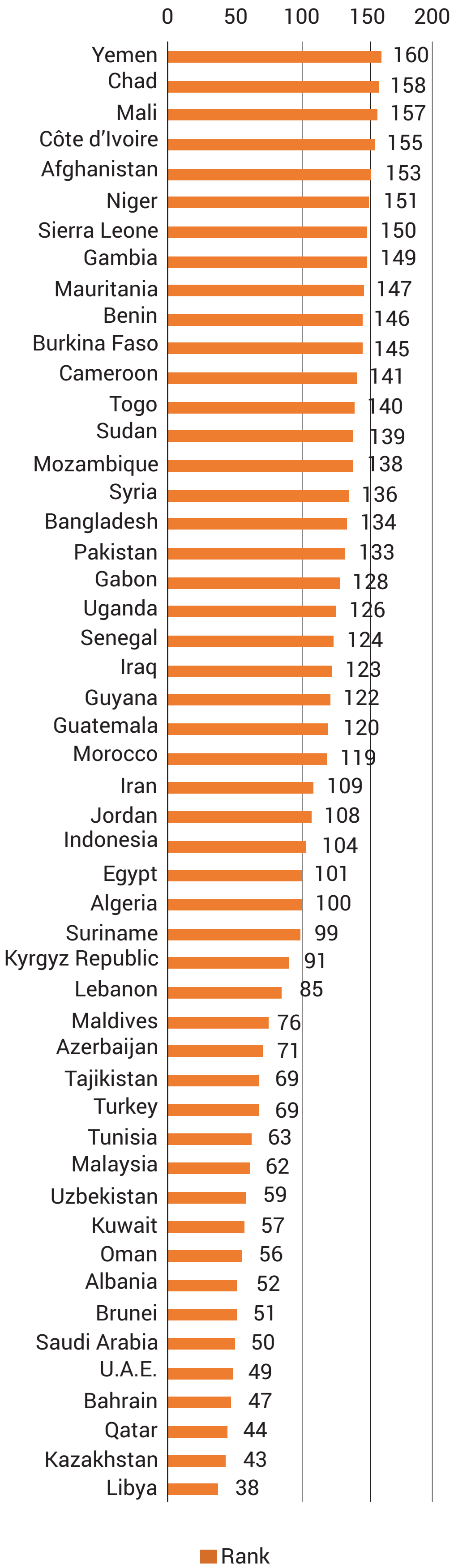


Figure 18: Thirty-nine Member Country Scores by Prosperity of the 5 P's of SDG

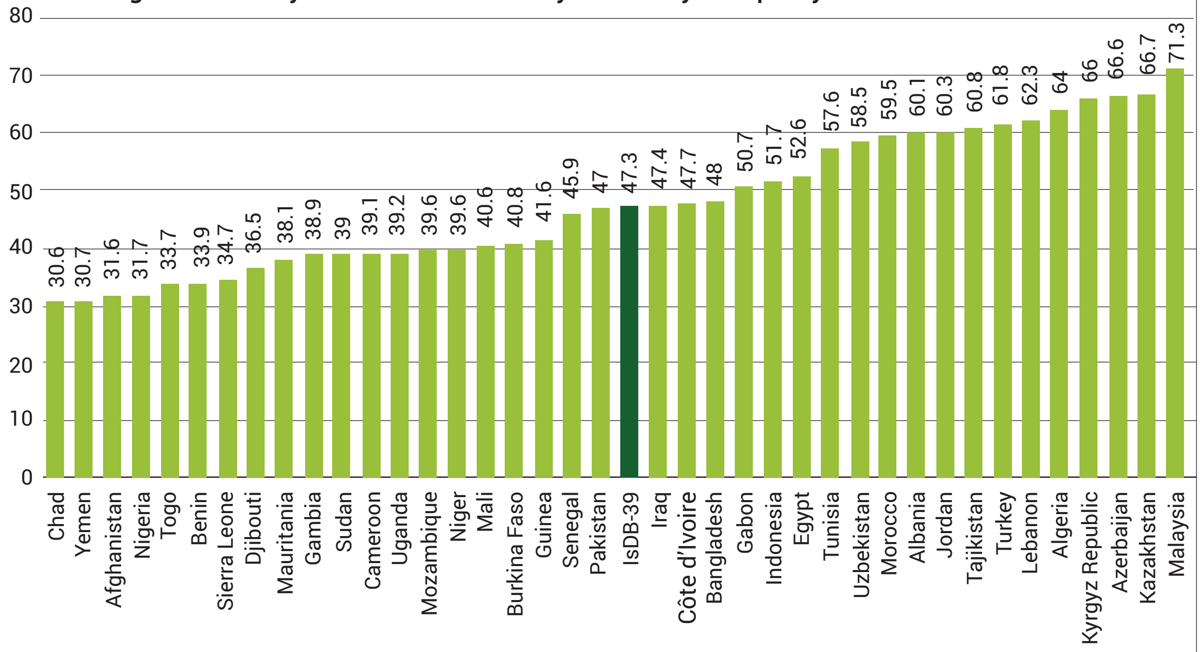
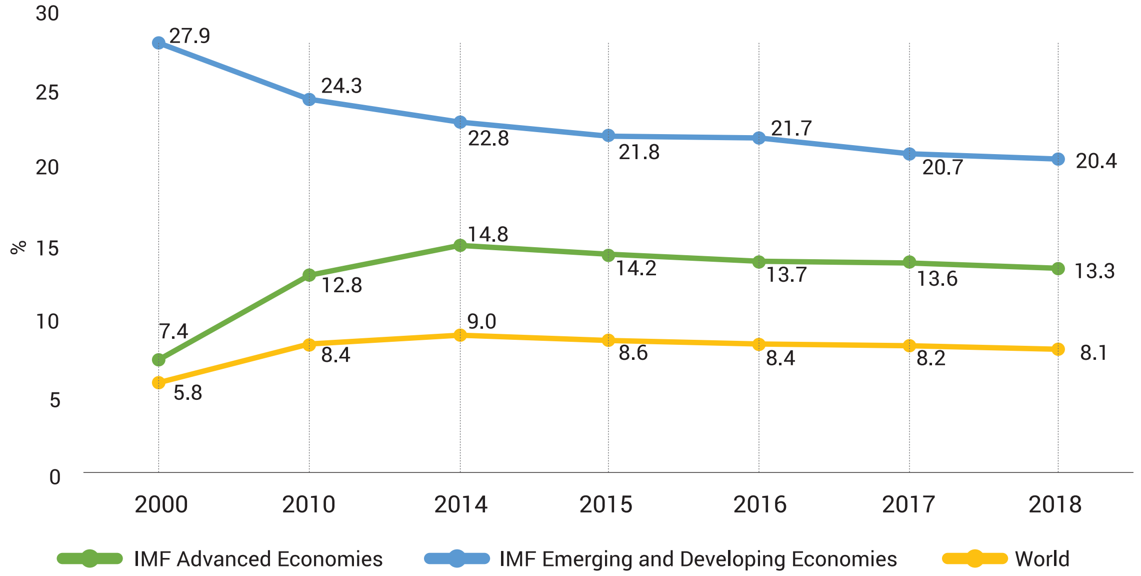
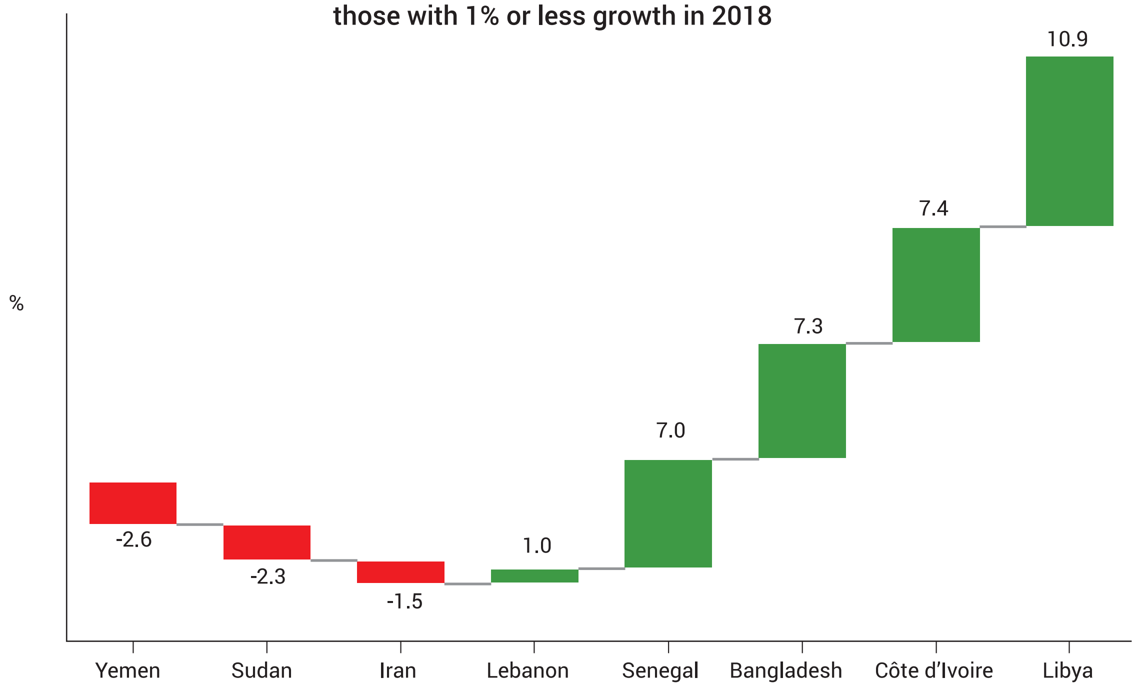


Figure 19: Trends in IsDB share in the current GDP of the world, emerging and advance economies



Senegal have now positioned themselves on a high-growth trajectory (Figure 20), and they are among the fastest growing economies in the World. After gaining a good degree of political stability and governance, foreign investments have continued flowing into Côte d'Ivoire, and the public infrastructure investments have expanded immensely without disrupting significantly the necessary fiscal discipline. These factors combined with favorable agricultural activity have continued to spur the high economic growth of Côte d'Ivoire. The export-oriented ready-made garment (RMG) industries of Bangladesh with expansive public infrastructure investments following the economic transformation agenda have helped Bangladesh to experience high growth rate for more than a decade. The high economic growth recently observed in Senegal has been largely fueled by export-oriented mining industries following the new discoveries of several mineral resources. The current government and its immediate

Figure 20: MCs with more than 7% or more growth and those with 1% or less growth in 2018



predecessor have actively engaged in expansive public infrastructure investments, which have contributed significantly to high economic the growth of real GDP.

As economies grow, both output and employment structures can change remarkably leading to economic transformation. The share of agricultural output in GDP dwindles, while that of manufacturing and services increase as an economy graduates from an agrarian to a manufacturing or service economy. The employment structure changes with labor moving from land to manufacturing and services industries, and this should subsequently lead to better living standards for people, who might be moving from largely agrarian employment to participating in higher productivity. The following section attempts to highlight the transformation position of IsDB MCs' economies with respect to output structure.

2.2.2 Sectoral Output Contributions

Agrarian production still dominates several MCs' economies. But, as MCs endeavor to end hunger and poverty, industrialization is becoming an inevitable choice to make. The contributions of agriculture, industry, and manufacturing to GDP have been declining over time for the world and advanced economies, while service contributions have been increasing. Similar patterns, except with industry contributions, have been observed for IsDB member countries. Agriculture contributions to GDP are low and have declined from 12.2% of GDP in 2001 to 10.3% of GDP in 2017. Manufacturing contributions declined as well from 17.6% of GDP in 2001 to 14.9% of GDP in 2017. Meanwhile, the industry contributions increased from 23.1% of GDP in 2001 to 31.2% of GDP in 2008 before trending downward to 20.1% of GDP in 2017. These have been largely driven by fuel-exporting member countries, who have seen their industry contributions decline from 48.6% of GDP in 2008 to 27.9% of GDP in 2017, while non-oil exporting MCs have maintained their industry contributions at 14.6% of GDP in 2017 from 14.4% of GDP in 2008. Recent low oil prices and the fact that several oil-exporting member countries are moving towards the services sector away from industry could explain the drastic changes in industry contributions. With few exceptions, countries with high agriculture contributions to GDP have low industry contributions to GDP (Figures 21a and 21b), implying that these countries are not using their natural advantage to industrialize.

Figure 21a: Agriculture, forestry, and fishing, value added (% of GDP) 2017

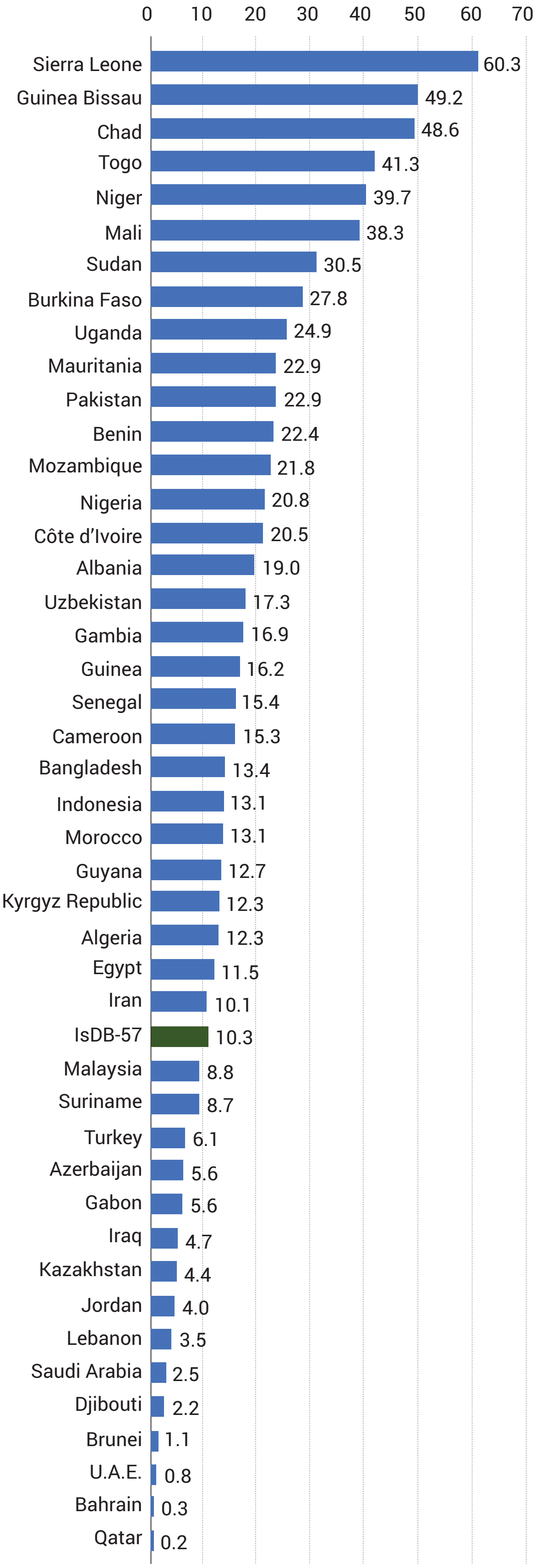
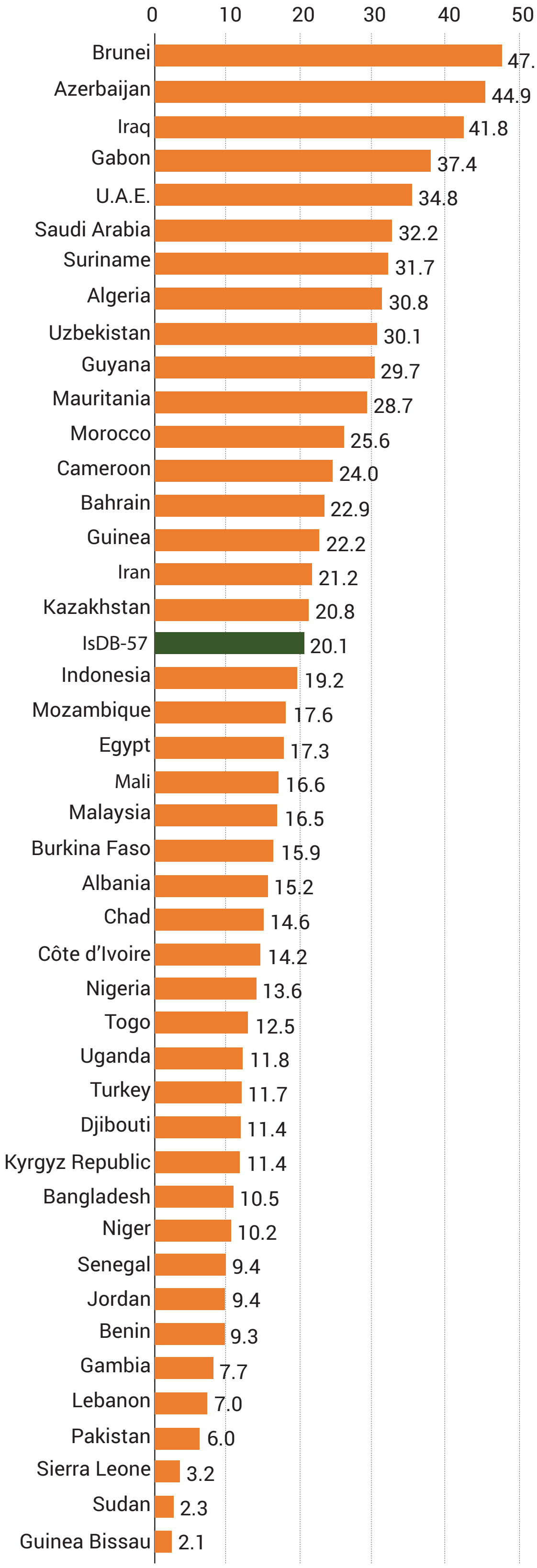


Figure 21b: Industry including construction excluding manufaturing, value added (% of GDP) - 2017



With high agriculture contributions, these countries have the potential for high related Agric-processing industries to increase and add value to their agricultural produce. IsDB interventions could help provide a demonstrable model to member countries with high agriculture contributions and low industry contributions to start their industrialization among Agric-processing industries and businesses. Furthermore, industry activities excluding manufacturing may not lead to economic modernization and creation of a middle class economy. As industry can include infrastructure construction, like roads, bridges and housing, these constructions can be completed with imported labor and equipment that exit the country after the construction without transferring knowledge and technology or sharpening the skills of local human capital. In contrast, manufacturing cannot be conducted within an economy without defusing and transferring technology and skills to the local economy. Manufacturing generates formal jobs that demand quality human capital and skilled labor. Formal jobs create a formal economy that creates middle class workers, who will engineer three important levers for the economy. They will pay taxes, save, and consume. The informal economy can save, but generally outside the formal financial system, and hence their savings cannot be directly linked to investments.

As shown in Figure 22a, countries with a high share of manufacturing in their economic output are the most advanced and modernized economies among the IsDB member countries. The average manufacturing contribution to GDP is 15%, and only eight member countries have attained at least this share of manufacturing to GDP, the remaining 25 member countries have very low manufacturing share. Countries that feature prominently with high industry shares do not show up among the top in the manufacturing share. This indicates that industry share is dominated by constructions, which may not contribute to technological diffusion and economic advancement, as explained earlier.

The other contribution to GDP that can overshadow economic modernization is services (Figure 22b). The service contribution to GDP for most IsDB member countries have kept rising. IsDB average of service contribution increased from 48.8% of GDP in 2001 to 51.3% of GDP in 2018, but it is lower than the world average of 65.1%. The oil-exporting member countries have a larger service share of 53.8% compared to 49.5% of GDP in 2017 for non-oil exporting countries. This is due to the oil industry related services and public services that are maintained by oil revenues as a way of income re-distribution in many oil-exporting countries.

2.2.3 Prices and Money

With low and falling oil prices, inflation will remain low in many oil-importing MCs. Countries experiencing rising inflation rates are mostly those undergoing some reform adjustments, such as reviewing subsidies and introducing sales tax, and those facing high money growth. Scarcity and high costs of production can also push inflation upwards. On the other hand, the real effective exchange rate is a weighted domestic currency in relation to the basket of foreign currencies (often major currencies, or major trading partners' currencies), and a falling real effective exchange rate indicates deteriorating trading competitiveness resulting in more imports and less exports. In 2018, the money supply growth reached 2.1%. However, the money supply growth rates varied widely from Sudan at 45.3% to Lebanon at -1.6% in 2018 (figure 23a).

While money supply growth relates directly to domestic prices, real effective exchange rate relates the domestic price level relative to foreign price level. Increasing real effective exchange rate implies that domestic goods become cheaper relative to the foreign goods, and hence more domestic goods are to be bought compared to the foreign goods implying an improved trade competitiveness. Figure 23b illustrates which member countries have improved their trade competitiveness, and which ones did not between 2013 and 2018. With

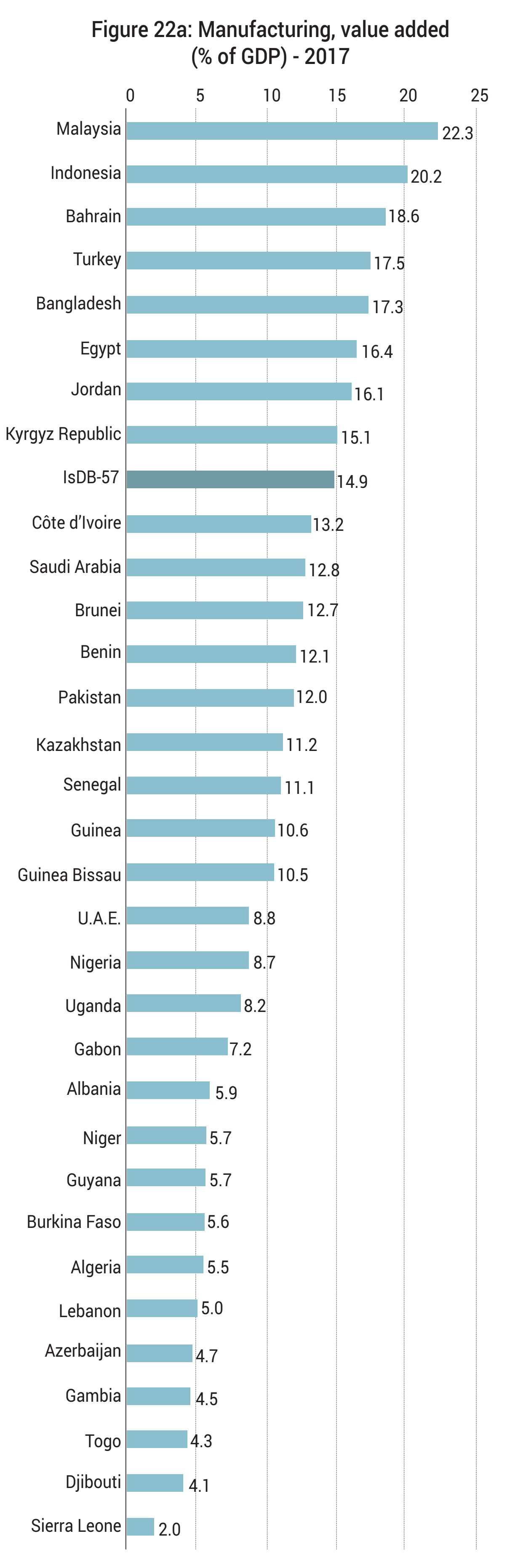


Figure 22a: Manufacturing, value added (% of GDP) - 2017
0
5
10
15
20
25
Malaysia 22.3
Indonesia 20.2
Bahrain 18.6
Turkey 17.5
Bangladesh 17.3
Egypt 16.4
Jordan 16.1
Kyrgyz Republic 15.1
IsDB-57 14.9
Côte d'Ivoire 13.2
Saudi Arabia 12.8
Brunei 12.7
Benin 12.1
Pakistan 12.0
Kazakhstan 11.2
Senegal 11.1
Guinea 10.6
Guinea Bissau 10.5
U.A.E. 8.8
Nigeria 8.7
Uganda 8.2
Gabon 7.2
Albania 5.9
Niger 5.7
Guyana 5.7
Burkina Faso 5.6
Algeria 5.5
Lebanon 5.0
Azerbaijan 4.7
Gambia 4.5
Togo 4.3
Djibouti 4.1
Sierra Leone 2.0

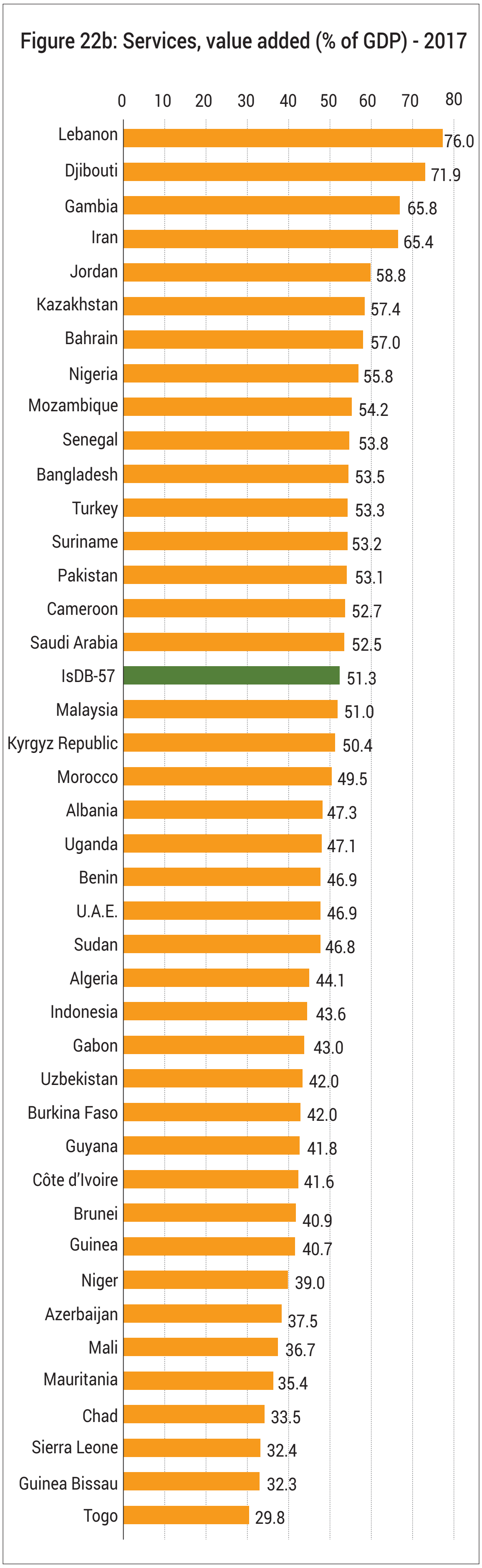


Figure 22b: Services, value added (% of GDP) - 2017
0
10
20
30
40
50
60
70
80
Lebanon 76.0
Djibouti 71.9
Gambia 65.8
Iran 65.4
Jordan 58.8
Kazakhstan 57.4
Bahrain 57.0
Nigeria 55.8
Mozambique 54.2
Senegal 53.8
Bangladesh 53.5
Turkey 53.3
Suriname 53.2
Pakistan 53.1
Cameroon 52.7
Saudi Arabia 52.5
IsDB-57 51.3
Malaysia 51.0
Kyrgyz Republic 50.4
Morocco 49.5
Albania 47.3
Uganda 47.1
Benin 46.9
U.A.E. 46.9
Sudan 46.8
Algeria 44.1
Indonesia 43.6
Gabon 43.0
Uzbekistan 42.0
Burkina Faso 42.0
Guyana 41.8
Côte d'Ivoire 41.6
Brunei 40.9
Guinea 40.7
Niger 39.0
Azerbaijan 37.5
Mali 36.7
Mauritania 35.4
Chad 33.5
Sierra Leone 32.4
Guinea Bissau 32.3
Togo 29.8

Figure 23a: Stock of money M2 (% change) in 2018 compared to 2013

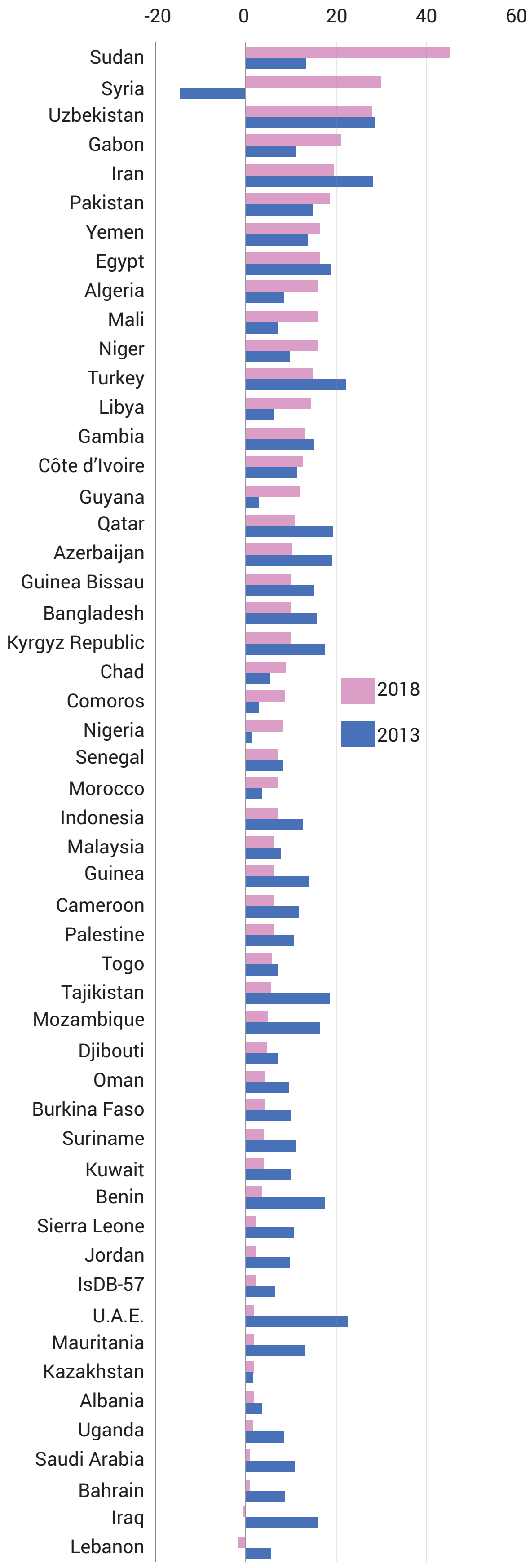
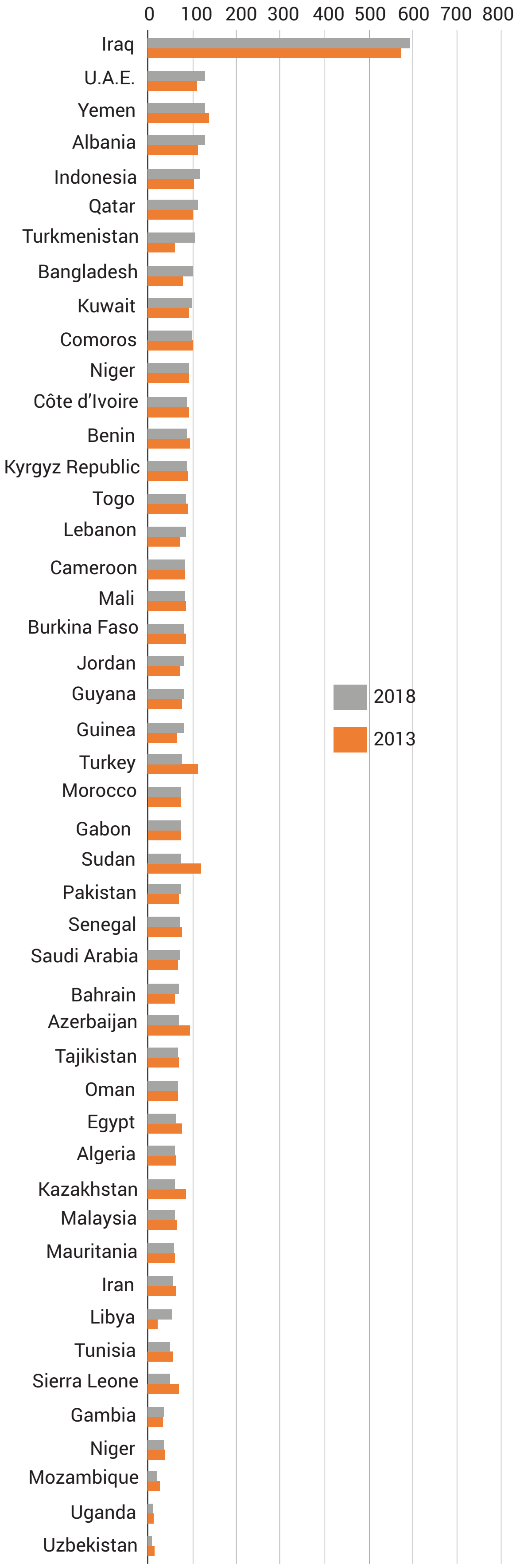


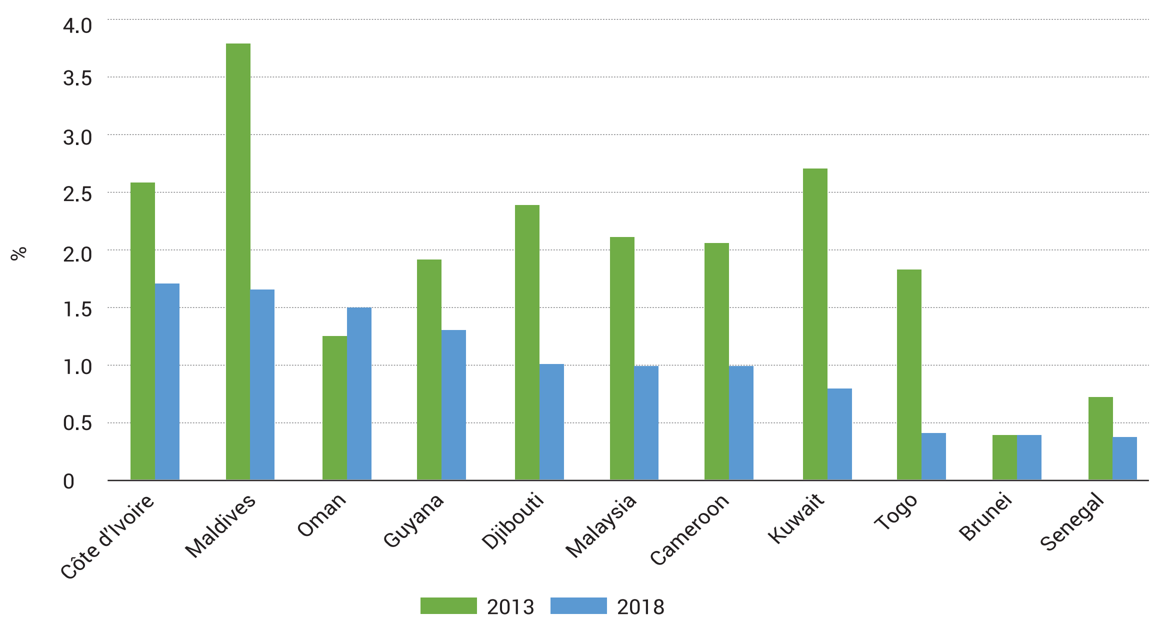
Figure 23b: Real effective exchange rate (cpi-based), 2000 vs. 2018



1997 baseline index of 100 for all member countries' real effective exchange, Iraq has the highest index, with its real effective exchange index rising from 100 in 1997 to 762.7 in 2018. This is an outlier due to the recovery process after the 2003 war. The United Arab Emirates, Albania, Indonesia, and Qatar are among top performers in trade competitiveness due to high and rising real effective exchange rates. Whereas, Uzbekistan, Uganda, Mozambique, Nigeria and Gambia have seen poor relative price levels, with real effective exchange indices falling more than 50% below the baseline.

Inflation is relatively high in IsDB member countries with an average inflation rate of 9.4% compared to 5% for emerging markets and developing economies in 2018. Due to the decline of commodity prices in 2014, inflation in IsDB member countries decreased to 5.9 % in 2015 from 6.7% a year earlier. It slipped down marginally to 5.7% in 2016 before rising rapidly to 7.1% in 2017 and 9.4% in 2018. Figure 24 shows the member countries that have low inflation since 2013; and there are 15 other member countries, where inflation rates are less than 2%.

Figure 24: Member countries with inflation less than 2% in 2018 compared to 2013

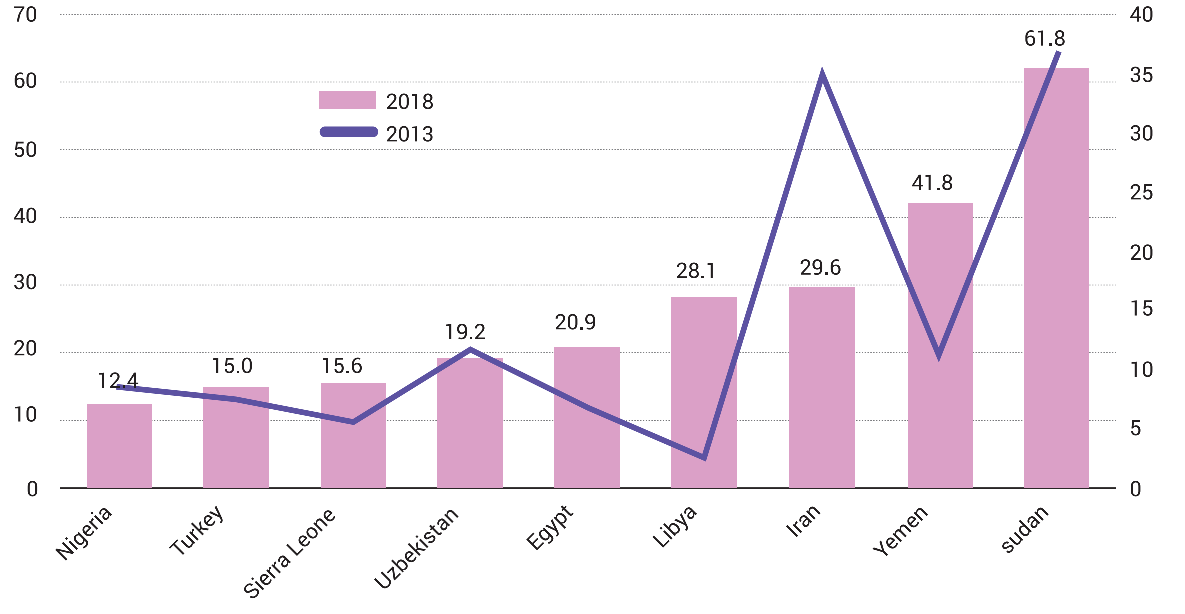


There are 20 member countries that have inflation rates greater than 5% including nine countries with inflation rates greater than 10% (Figure 25). These countries with higher inflation rate than 10% have two things in common, they either have high money supply growth more than 10% in 2018, or their real effective exchange rates are low and have deteriorated substantially since 2013. For example, in Sudan, the money supply grew 45% in 2018, and real effective exchange rate lost 38% of its index value during the period 2013 - 2018; and Uzbekistan's money supply grew 28% in 2018, and its real effective exchange rate lost 46% of index value from 2013 to 2018. Thus, when money supply grows significantly, it leads to inflationary pressures; and similarly countries with poor real effective exchange rates will not only lose trade competitiveness, but also, they will face depreciating currencies that feed into general price level increases.

2.2.4 Productivity and Competitiveness

For MCs to elevate their world income share and provide jobs for their youth, innovation and competitiveness should feature prominently in their economic activities. Figure 26 reveals that several MCs have improved their competitiveness since 2007. 24 member countries have moved upward in the global ranking with Tajikistan has registered the largest improvement,

Figure 25: Member countries with inflation more than 10% in 2018 compared to 2013



moving from 117th in 2007 to 79th position in 2018. Fourteen other member countries have moved up by 34 positions. Eighteen member countries have had their rankings deteriorate over the period 2007 – 2018. Tunisia has the largest ranking deterioration from 32nd in 2007 to 95th in 2018, followed by Nigeria moving from 95th in 2007 to 125th in 2018. Meanwhile, Cameroon remained at the same position, 116th in the world for the last 12 years, and Turkey too maintained its position at 53rd over the period 2007 – 2018.

Productivity and competitiveness can include competitiveness in higher education, innovation and technological readiness. Countries with quality higher education produce human capital that are ready to adopt and adapt existing technologies and innovate new methods of doing things. Science education also will make them technologically ready to innovate.

Member countries' performance on higher education, technological readiness and innovation are summarized in Figures 27a, 27b and 27c. The World Economic Forum classifies countries' competitive performance into top, upper-middle, middle, lower-middle, and bottom categories. Figure 27a show number of IsDB member countries in each category from 2007 to 2018. Not all IsDB member countries are covered by World Economic Forum Competitiveness measures, in 2017, it covered 38 member countries, and in 2018, 37 member countries. From 2017 to 2018 no member countries achieved a top category in competitive higher education and training. Twenty four member countries were assessed from lower-middle to upper-middle categories, and 12 member countries remained in the bottom. This is an improvement over the last year, when 25 member countries were classified in lower-middle to upper-middle categories, and 14 member countries were in the bottom.

The United Arab Emirates entered the top category of competitiveness of technological readiness in 2017 - 2018. The number of member countries in lower-middle to upper-middle categories declined from 23 to 22, while those in the bottom remained at 14.

Nonetheless, innovation seems to be high in IsDB member countries. Qatar, Malaysia and United Arab Emirates have competitively positioned themselves in the top category of innovation for the last six years. The number of member countries in lower-middle to upper-middle categories increased to 26 in 2018 from 24 in 2017, and bottom performers decreased to 8 in 2018 from 11 in 2017 (Figure 27c).

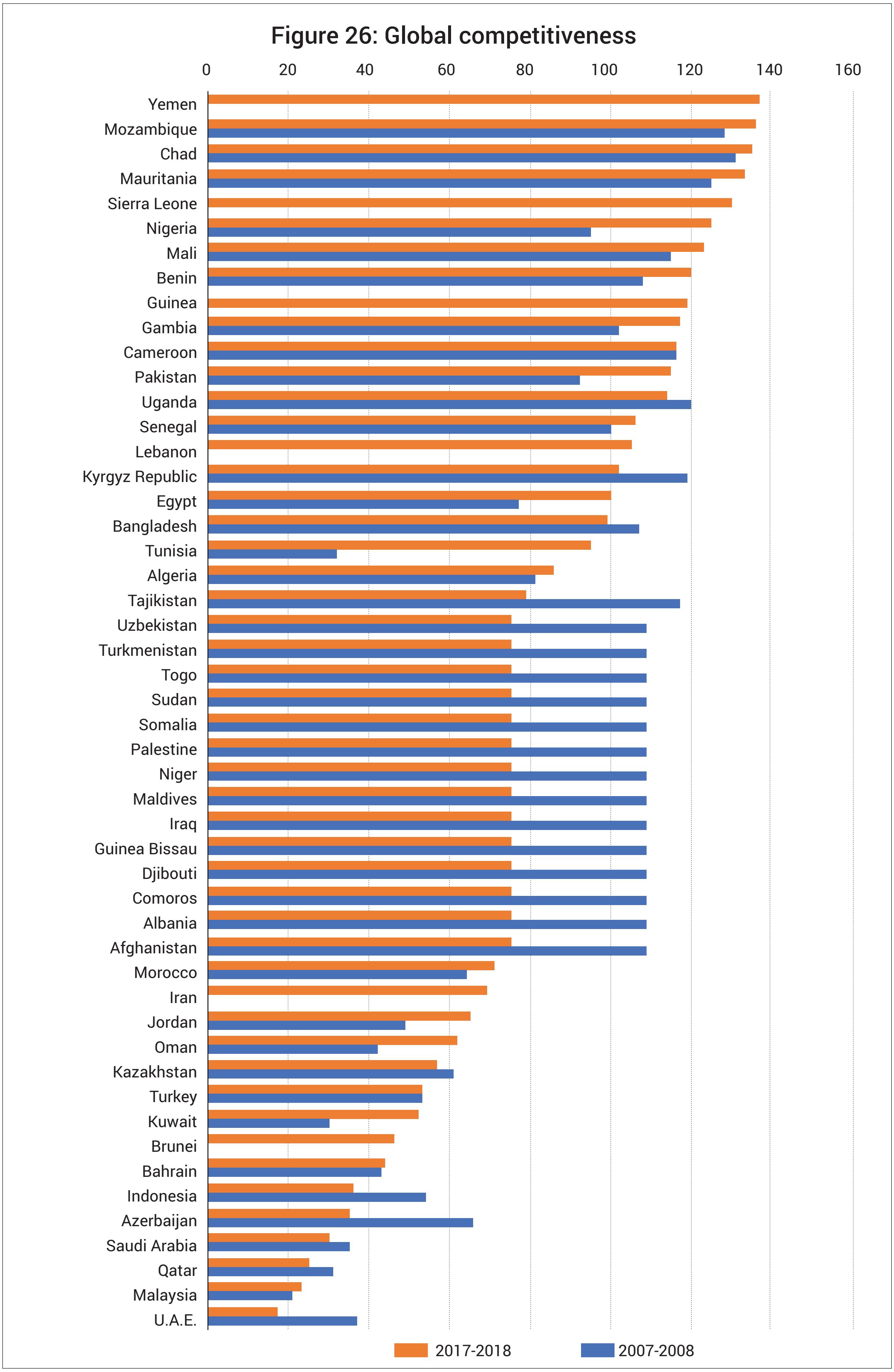


Figure 26: Global competitiveness
0
20
40
60
80
100
120
140
160
Yemen
Mozambique
Chad
Mauritania
Sierra Leone
Nigeria
Mali
Benin
Guinea
Gambia
Cameroon
Pakistan
Uganda
Senegal
Lebanon
Kyrgyz Republic
Egypt
Bangladesh
Tunisia
Algeria
Tajikistan
Uzbekistan
Turkmenistan
Togo
Sudan
Somalia
Palestine
Niger
Maldives
Iraq
Guinea Bissau
Djibouti
Comoros
Albania
Afghanistan
Morocco
Iran
Jordan
Oman
Kazakhstan
Turkey
Kuwait
Brunei
Bahrain
Indonesia
Azerbaijan
Saudi Arabia
Qatar
Malaysia
U.A.E.
2017-2018
2007-2008

Figure 27a: Comparing number of IsDB MCs in higher education and training by groups

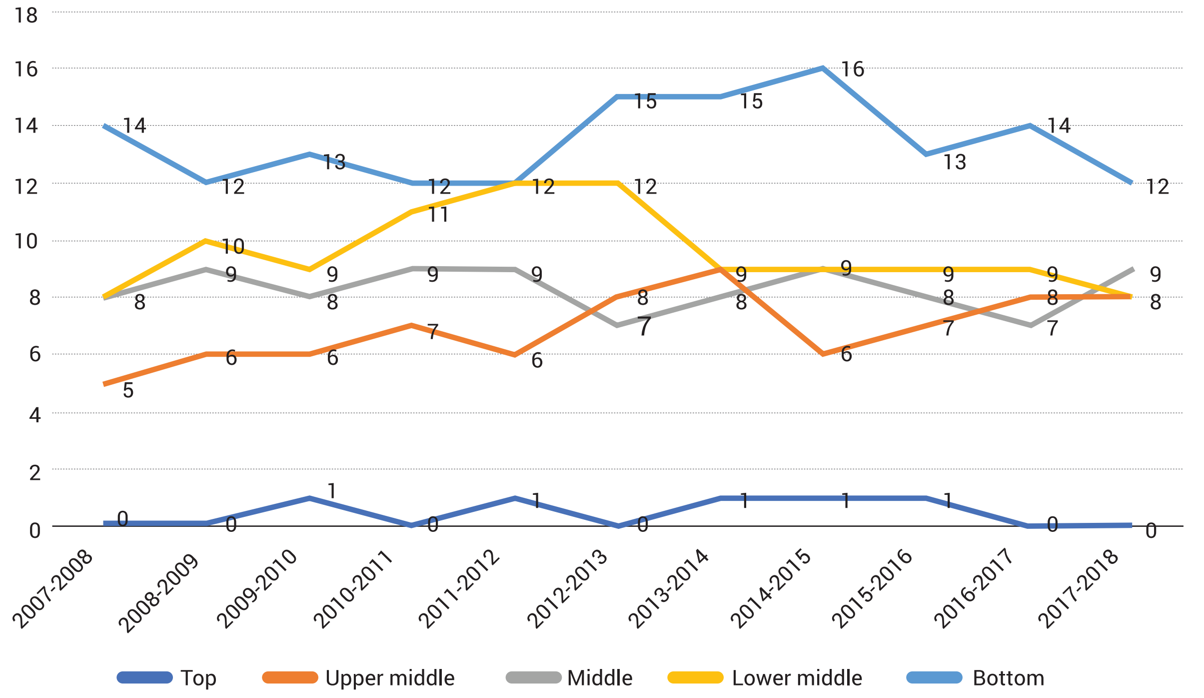
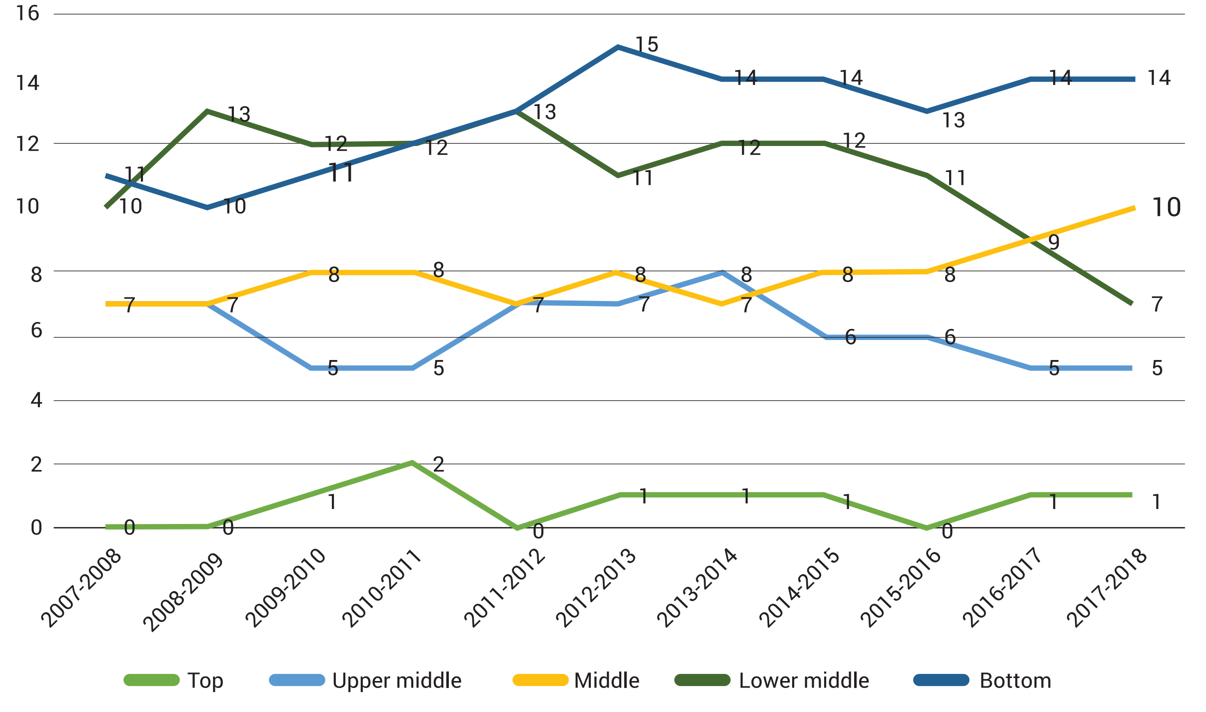
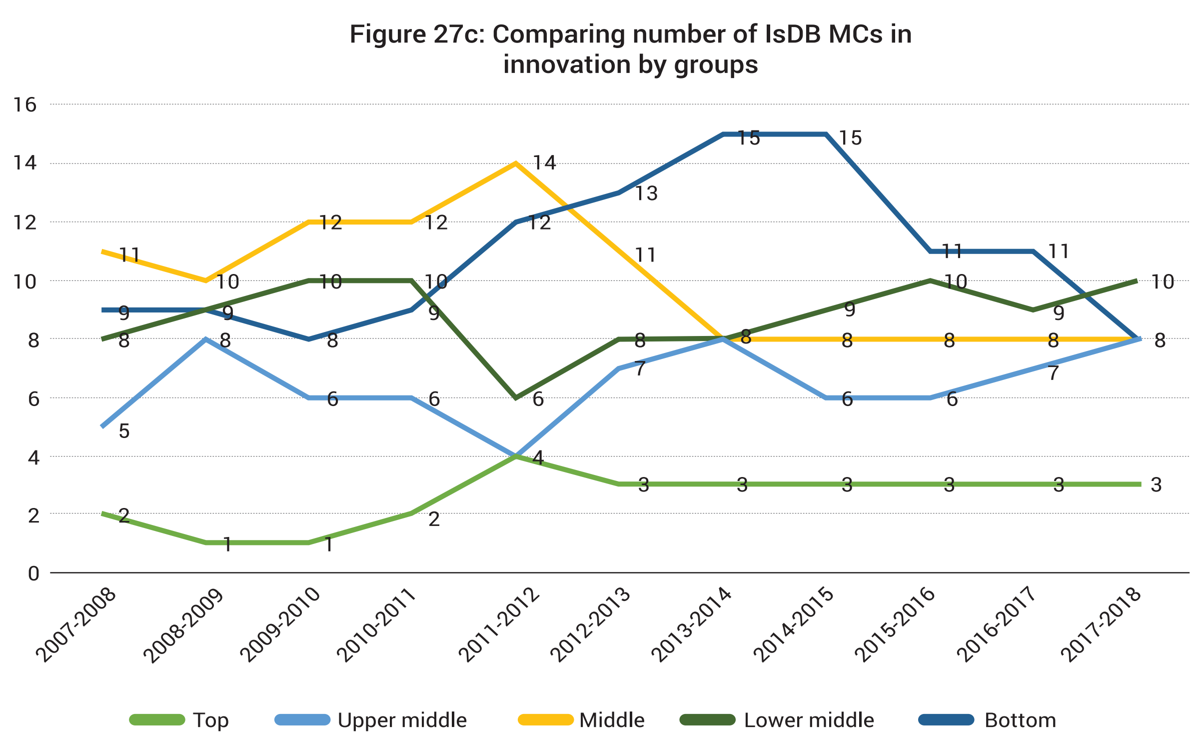


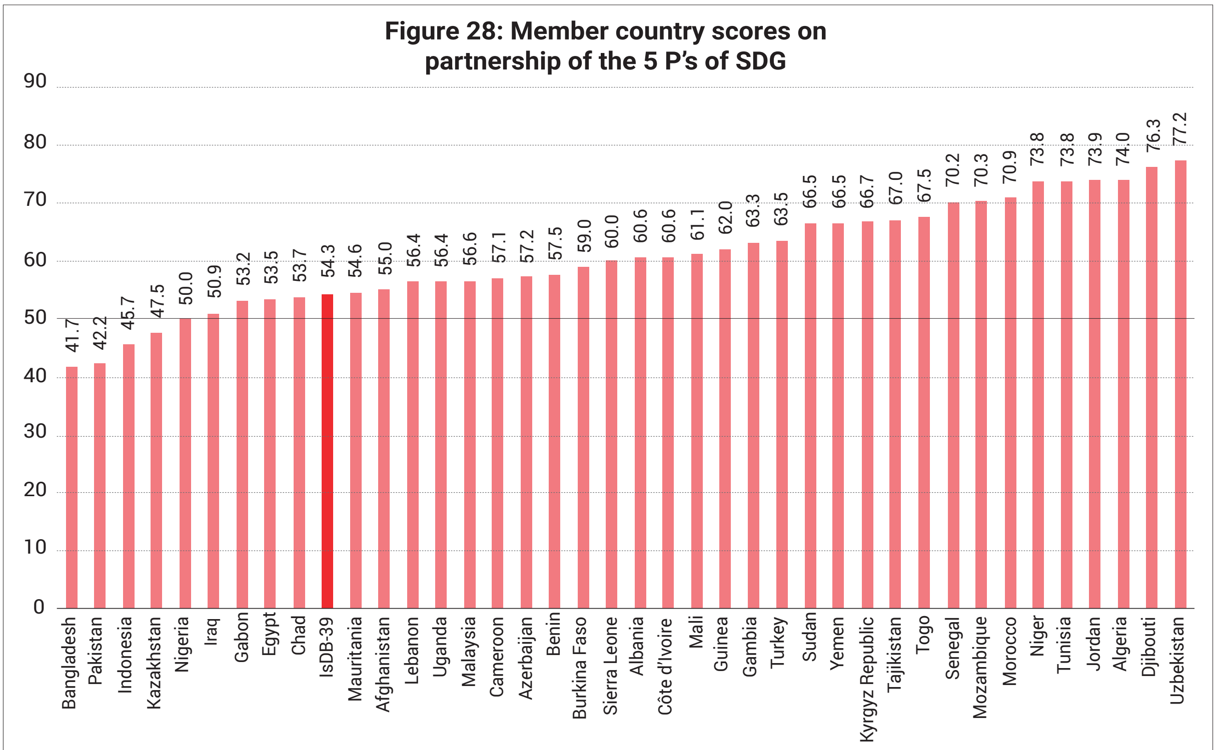
Figure 27b: Comparing number of IsDB MCs in technological readiness by groups



2.3 Globalization

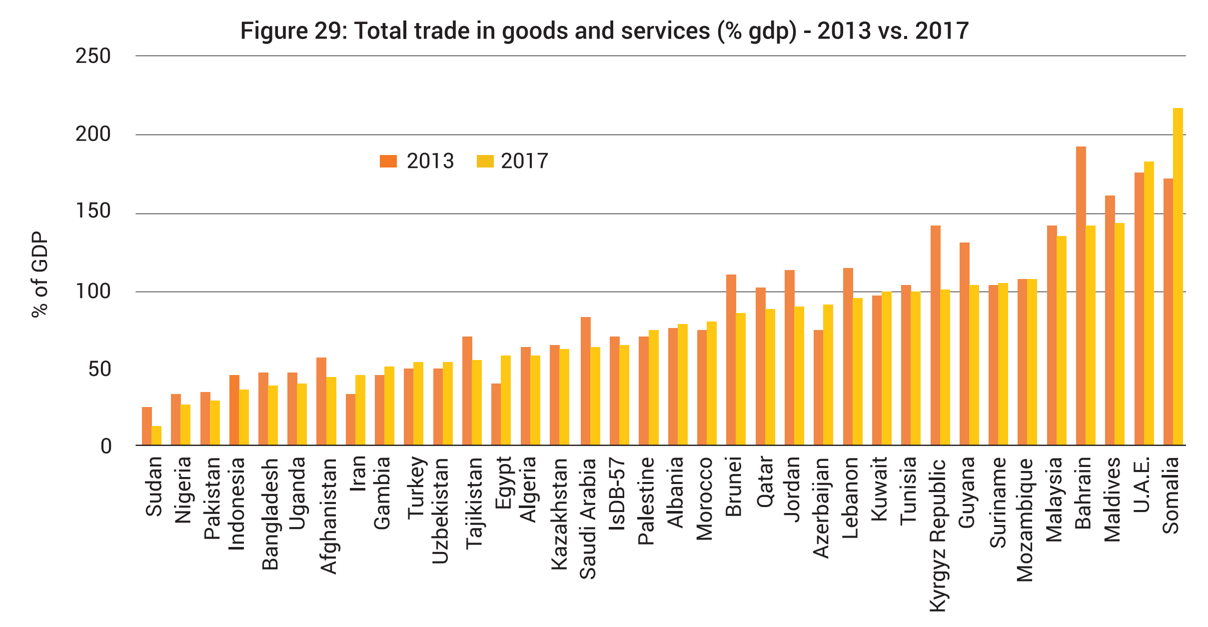
Global partnerships are key to the achievement of SDGs as no one country can succeed alone. With trade and resource transfers between countries, all can prosper. The overall score of IsDB MCs is below 60% as shown in Figure 28. Intra-IsDB trade is growing, and south-south cooperation is being increasingly implemented within IsDB MCs and between them and other developing countries.





2.3.1 Trade

Trade is an important integrating factor for partnership and economic well-being for IsDB MCs. Trade (export and import values) as a percentage of GDP has exceeded 60% in many IsDB member countries. It dropped to 64.7% of GDP in 2017 from 70.4% of GDP in 2013, largely due to oil and commodity price declines since 2014 (Figure 29). There are 21 member countries that have seen declines in their trade-GDP shares. Bahrain registered the largest trade deterioration (49.69 percentage point decrease), followed by Kyrgyz Republic (41.68 percentage point decrease), Guyana (27.86 percentage point decrease) and Brunei (24.76

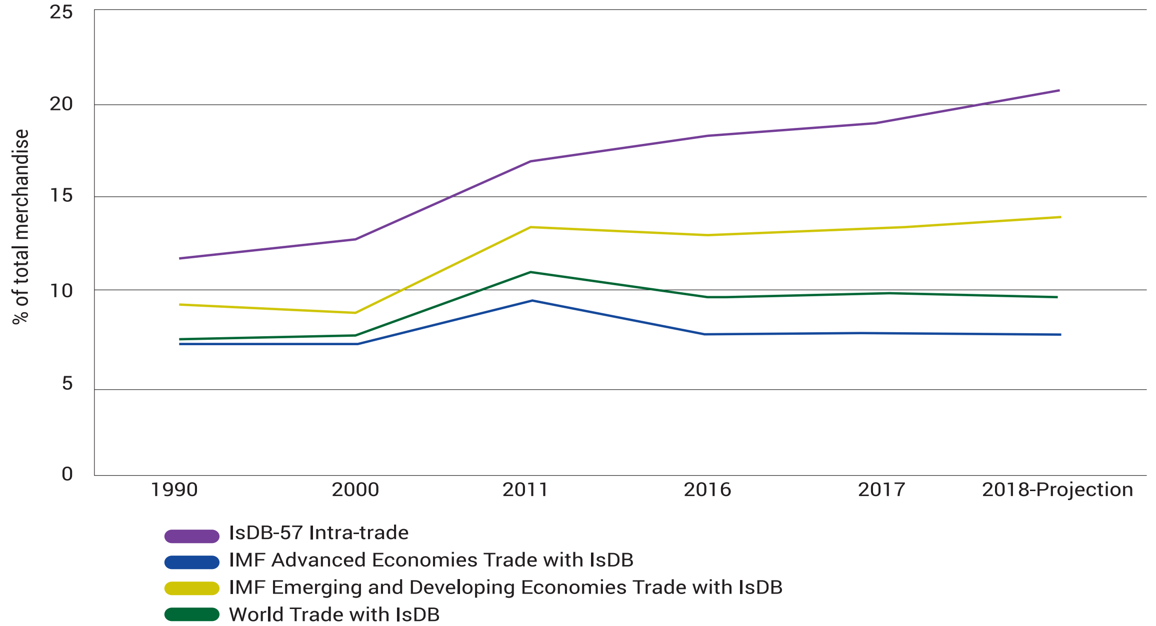


percentage point decrease). On the other hand, some member countries have witnessed trade improvements due to low dependency on single commodity export. The largest trade improvement happened in Somalia (44.98 percentage point increase), followed by Egypt (17.33 percentage point increase), Azerbaijan (15.96 percentage point increase), and Iran (13.09 percentage point increase).

Generally, the trade-GDP ratio has declined as stated earlier, but the trade direction has increased constantly towards other IsDB member countries and slightly away from advanced economies. The IsDB member countries trade is moving south to other emerging and developing economies, with IsDB member countries taking increasingly larger shares (Figure 30a). This trend reinforces the partnership and economic integration drive championed by the IsDB Group and its affiliated regional development partners. The spike in trade-GDP shares in 2011 was caused by soaring commodity prices. Gold and other precious metals were trading at their historical high prices in 2011 as investors continued to hoard them on the back of the 2009 financial crises, and in fear of expected high inflation following the expansionary monetary policies by central banks in advanced economies to resuscitate their economies after the financial crisis. The high inflation expectations did not materialize, because money velocity and money supply growth remained low in advanced economies, and the price of precious metals subsequently decreased. Similarly, crude oil was trading at an historical high price, with average OPEC crude oil price at $107.46 a barrel in 2011 and $109.45 a barrel in 2012 before declining from 2014 onwards. IsDB trade to advanced and other emerging market economies is dominated by natural resources; therefore, the spike in its trade share to these economies declined with the decrease of oil and commodity prices from 2014 onwards. But, IsDB trade share to its own member countries kept rising constantly, indicating that this share is dominated by other goods than natural resources.

The decline of the IsDB trade share to advanced and emerging market economies has impacted negatively the export-GDP shares for many member countries. In total, 43 member countries have witnessed falling export-GDP ratios during the period 2013 – 2017 (Figure 30b). The oil-exporting member countries were more severely hit. Also, Maldives saw a third largest export-GDP share deterioration driven by its declining fish exports. On the intra-trade, IsDB trade expanded from 17.9% of total merchandize in 2013 to 19% in 2017. Member countries that have closer geographical proximity have naturally done better in the intra-trade. There are 28 member countries with falling intra-trade share with IsDB versus 30 member countries with improving intra-trade share with other IsDB member countries (Figure 30c).

Figure 30a: Trends in IsDB Trade



2.3.2 Foreign Direct Investment and Capital Flows

Financial resources are required in many MCs to accelerate the progress towards SDGs. Foreign direct investments are low in many member countries, some of member countries that need official development assistance have also recently seen drops in their relative receipts of official development assistance. The largest recipients of ODA are Somalia (26.5% of GDP), followed by Gambia (22.8% of GDP), Sierra Leone (19.8% of GDP), Afghanistan (17.5% of GDP), and Yemen (16.3% of GDP), (Figure 31a). However, on average, the ODA receipt did not change for IsDB member countries, it remained constant at 1.6% of GDP in 2014 and 2018. Countries, such as Comoros, Uganda, Mozambique and Afghanistan, who are among least developed countries and need ODA have recently seen sharp drops in their relative receipts. For example, Comoros lost 9.6 percentage points from 2014 to 2018 of its relative ODA receipts, Uganda lost 7.6 percentage points and Mozambique 7.3 percentage points.

The other source of financial resources is foreign direct investments, which flow depending on risk and returns. Countries with poor business environments will fail to attract foreign direct investments, while those with good functioning market economies will attract foreign direct investments. Somalia, Sierra Leone and Mozambique are exceptional cases with both high relative receipts of both ODA and FDI (Figure 31b). The three countries have high humanitarian needs as they recover from long-running conflicts, and at the same time the business environments are improving as good governance is being institutionalized. But, they still rank poorly on global competitiveness (see section 2.4) and on ease of doing business with respect to starting and operating a business (see section 2.9.2), which could be more of a constraint to local businesses than foreign direct investments that often enjoy a lot of regulatory havens in least developed countries.

2.3.3 External Indebtedness

With close to 80% of MCs having sovereign ratings of substantial risk to default[2], any increase of external debt could add to debt vulnerability and debt distress. From 2013 to 2018, foreign debt burdens as a percentage of GDP and foreign debt services as a percentage of export of goods and services have increased in many IsDB member countries (Figure 32a). The foreign

2. IsDB 121st Economic and Financial Outlook, October 2018

Figure 30b: MCs exports of goods and services (% of GDP) - 2013 vs. 2017

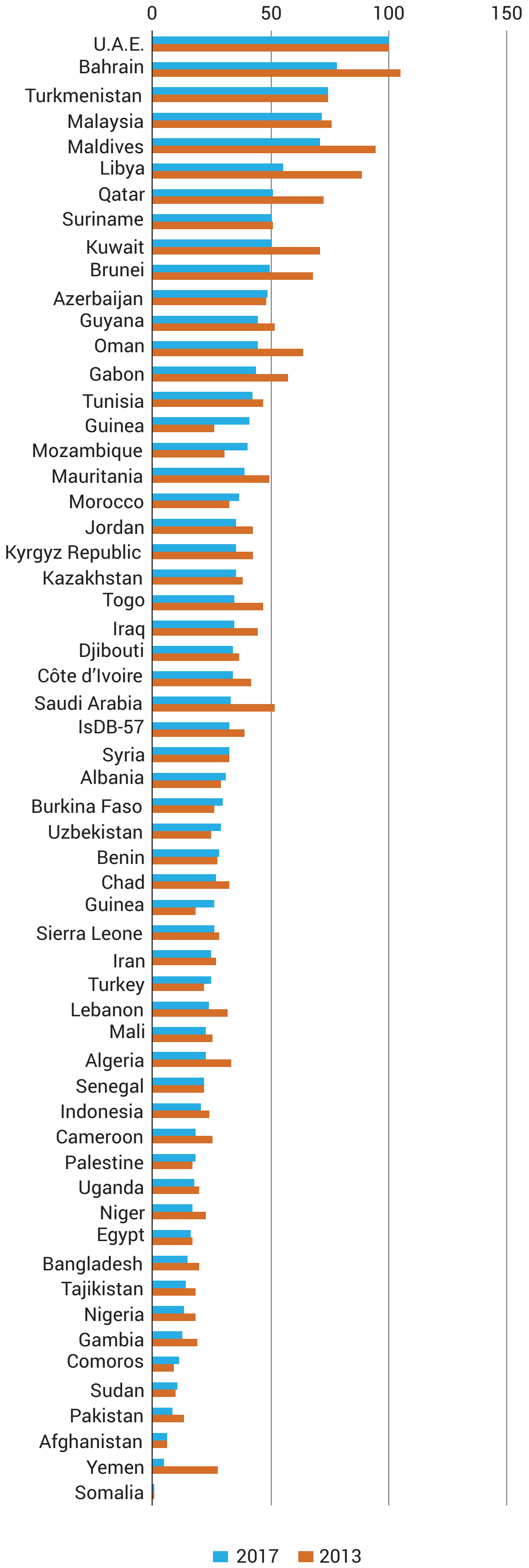
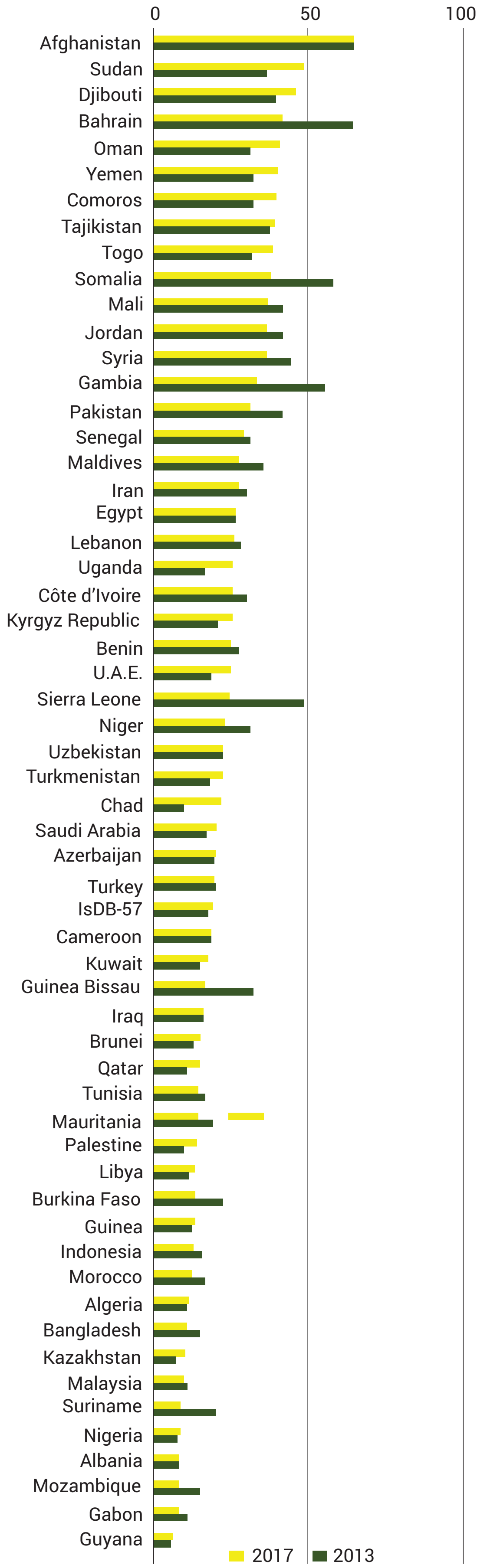


Figure 30c: MCs intra-trade, 2013 vs. 2017



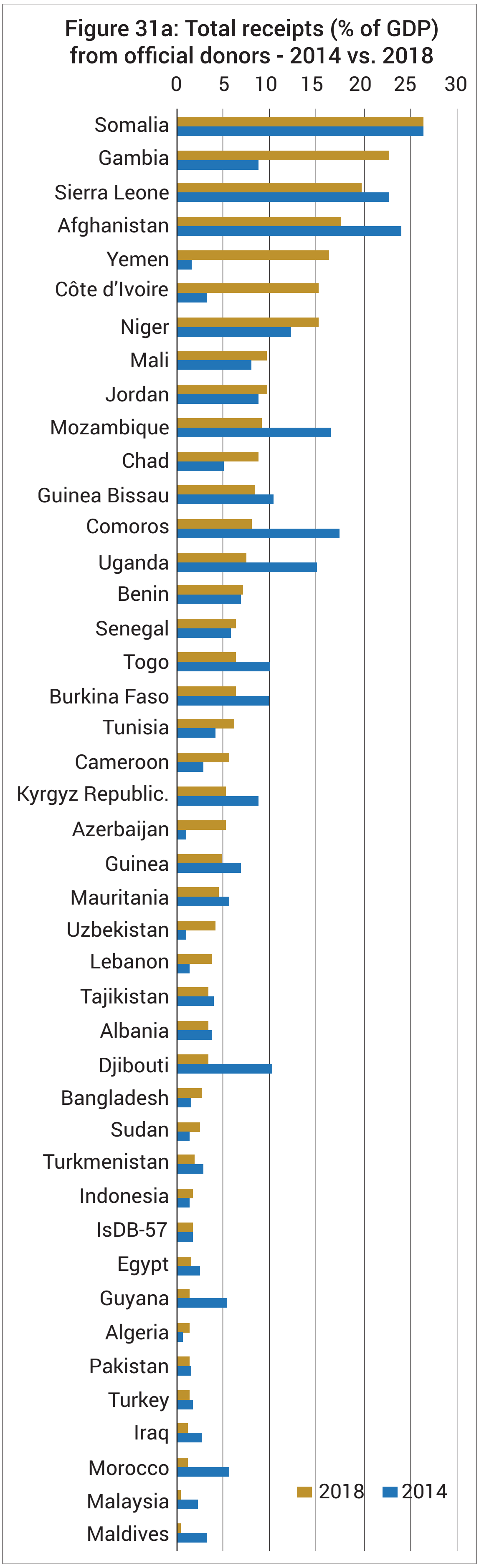


Figure 31a: Total receipts (% of GDP) from official donors - 2014 vs. 2018
0
5
10
15
20
25
30
Somalia
Gambia
Sierra Leone
Afghanistan
Yemen
Côte d'Ivoire
Niger
Mali
Jordan
Mozambique
Chad
Guinea Bissau
Comoros
Uganda
Benin
Senegal
Togo
Burkina Faso
Tunisia
Cameroon
Kyrgyz Republic.
Azerbaijan
Guinea
Mauritania
Uzbekistan
Lebanon
Tajikistan
Albania
Djibouti
Bangladesh
Sudan
Turkmenistan
Indonesia
IsDB-57
Egypt
Guyana
Algeria
Pakistan
Turkey
Iraq
Morocco
Malaysia
Maldives
2018
2014

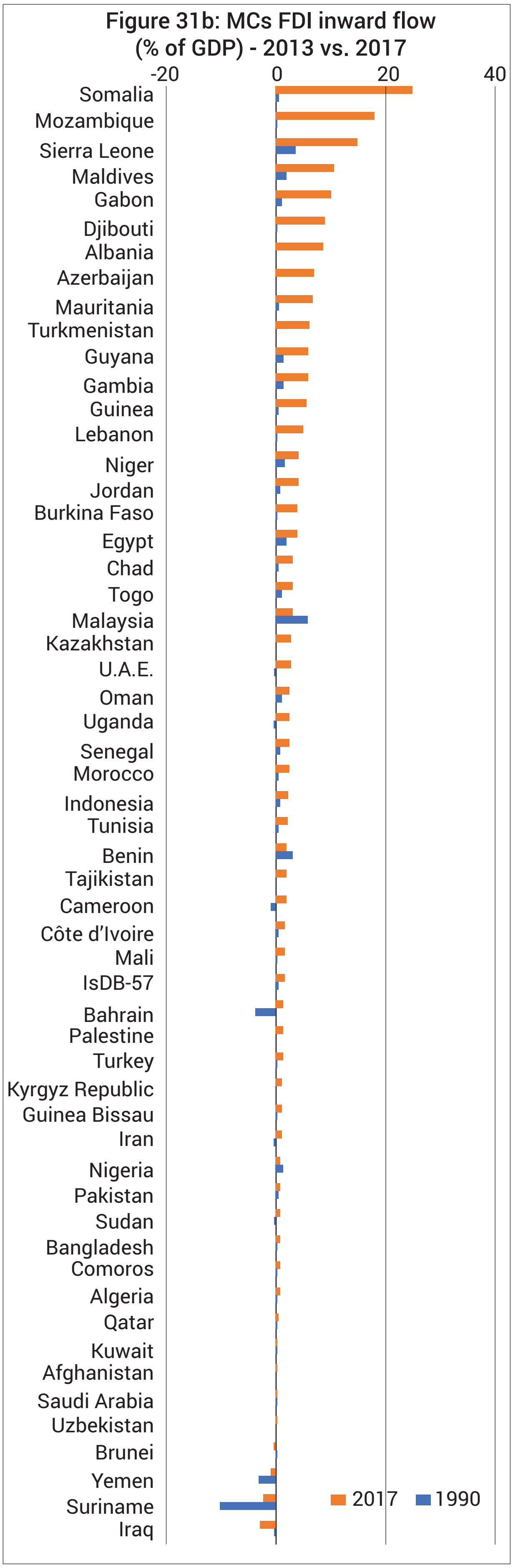


Figure 31b: MCs FDI inward flow (% of GDP) - 2013 vs. 2017
-20
0
20
40
Somalia
Mozambique
Sierra Leone
Maldives
Gabon
Djibouti
Albania
Azerbaijan
Mauritania
Turkmenistan
Guyana
Gambia
Guinea
Lebanon
Niger
Jordan
Burkina Faso
Egypt
Chad
Togo
Malaysia
Kazakhstan
U.A.E.
Oman
Uganda
Senegal
Morocco
Indonesia
Tunisia
Benin
Tajikistan
Cameroon
Côte d'Ivoire
Mali
IsDB-57
Bahrain
Palestine
Turkey
Kyrgyz Republic
Guinea Bissau
Iran
Nigeria
Pakistan
Sudan
Bangladesh
Comoros
Algeria
Qatar
Kuwait
Afghanistan
Saudi Arabia
Uzbekistan
Brunei
Yemen
Suriname
Iraq
2017
1990

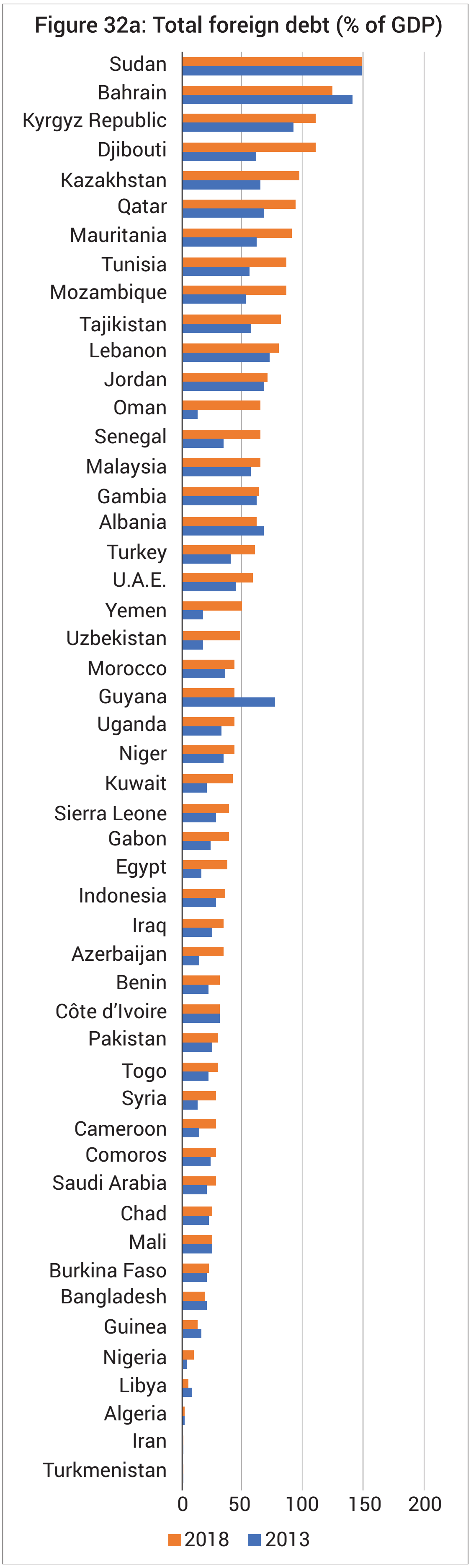


Figure 32a: Total foreign debt (% of GDP)
Sudan
Bahrain
Kyrgyz Republic
Djibouti
Kazakhstan
Qatar
Mauritania
Tunisia
Mozambique
Tajikistan
Lebanon
Jordan
Oman
Senegal
Malaysia
Gambia
Albania
Turkey
U.A.E.
Yemen
Uzbekistan
Morocco
Guyana
Uganda
Niger
Kuwait
Sierra Leone
Gabon
Egypt
Indonesia
Iraq
Azerbaijan
Benin
Côte d'Ivoire
Pakistan
Togo
Syria
Cameroon
Comoros
Saudi Arabia
Chad
Mali
Burkina Faso
Bangladesh
Guinea
Nigeria
Libya
Algeria
Iran
Turkmenistan
0
50
100
150
200
2018
2013

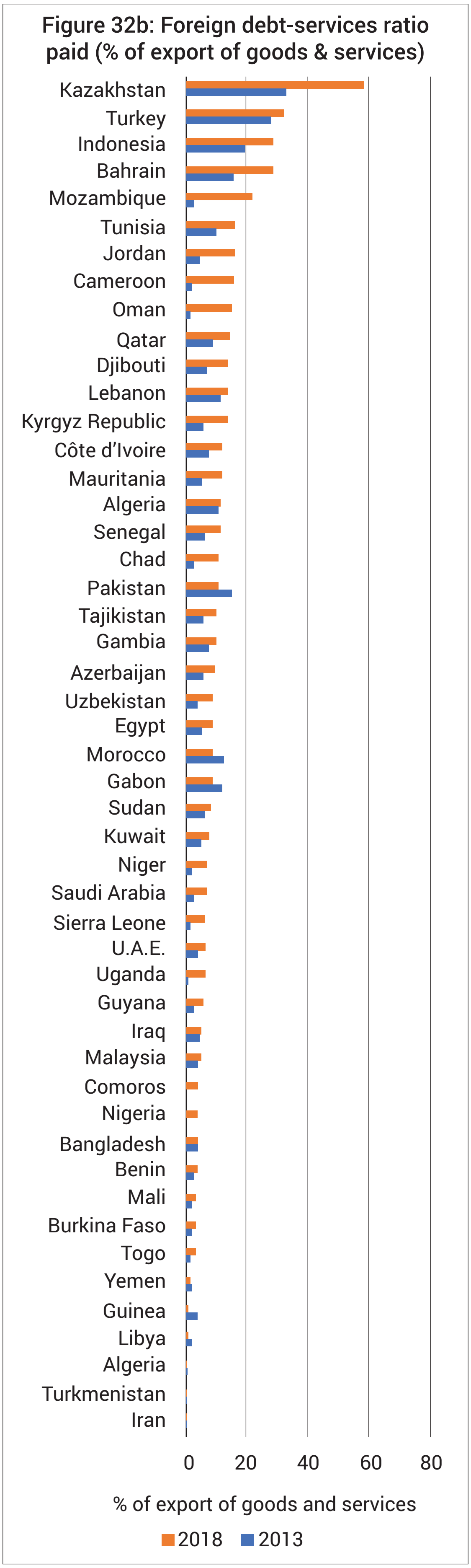


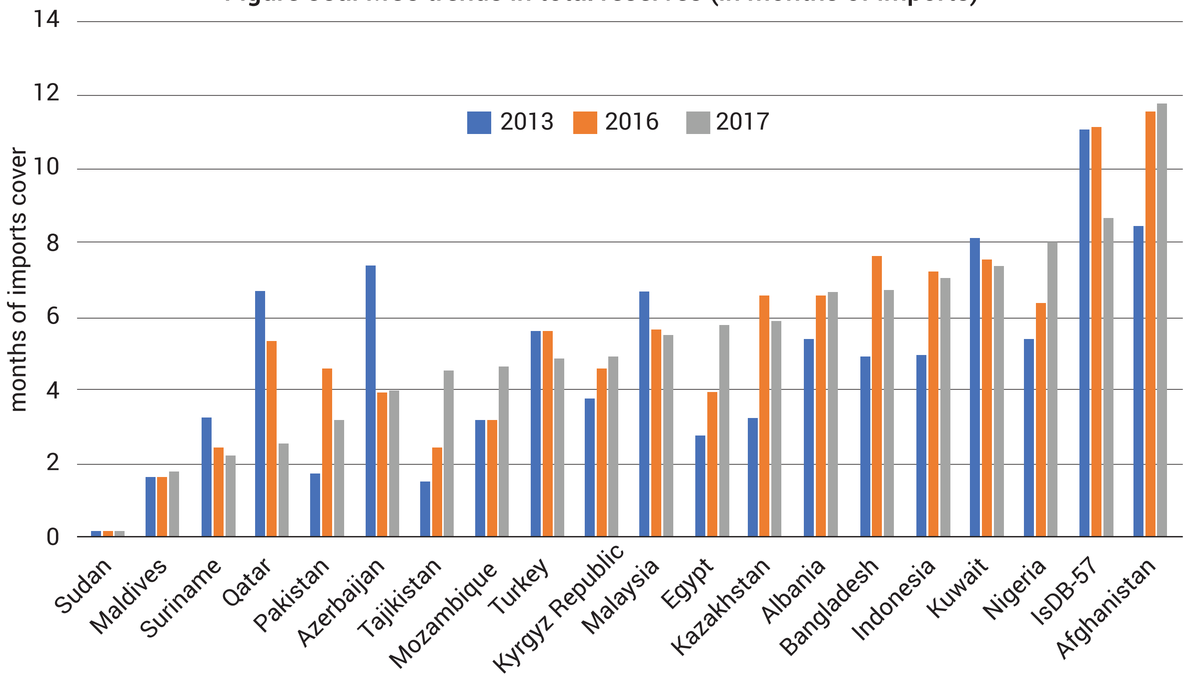
Figure 32b: Foreign debt-services ratio paid (% of export of goods & services)
Kazakhstan
Turkey
Indonesia
Bahrain
Mozambique
Tunisia
Jordan
Cameroon
Oman
Qatar
Djibouti
Lebanon
Kyrgyz Republic
Côte d'Ivoire
Mauritania
Algeria
Senegal
Chad
Pakistan
Tajikistan
Gambia
Azerbaijan
Uzbekistan
Egypt
Morocco
Gabon
Sudan
Kuwait
Niger
Saudi Arabia
Sierra Leone
U.A.E.
Uganda
Guyana
Iraq
Malaysia
Comoros
Nigeria
Bangladesh
Benin
Mali
Burkina Faso
Togo
Yemen
Guinea
Libya
Algeria
Turkmenistan
Iran
0
20
40
60
80
% of export of goods and services
2018
2013

debt burden in 2018 ranges from 1.1% of GDP in Turkmenistan to 149.1% of GDP in Sudan. Sudan has the highest foreign debt burden followed by Bahrain (124.4% of GDP), Kyrgyz (111.1% of GDP), Djibouti (110.8% of GDP), and Kazakhstan (97.5% of GDP). These countries have also kept increasing their foreign debt burden since 2013. Sudan witnessed the highest percentage point increase of foreign debt burden (86.3 percentage points), followed by Oman (51.3 percentage points), Djibouti (48.28 percentage points), Mozambique (33.8 percentage points), and Kazakhstan (31.9 percentage points). The highest foreign debt burden of Sudan did not translate into high foreign debt service payments, and hence Sudan is not among the member countries with high foreign debt service ratios (Figure 32b). The high foreign debt of Sudan could be dominated by concessional loans and grants, recently acquired and in grace period. In contrast, Kazakhstan and Bahrain have both high foreign debt-to-GDP ratios and foreign debt service ratios. Foreign debt service is putting pressure on external balances of some member countries with increasing risks of currency depreciation and capital flow reversals in the face of poor exports. There are 33 member countries that are paying more than 6% of their exports of goods and services to service their foreign debts. Kazakhstan topped the group with a debt service ratio of 58.4% of export of goods and services, followed by Turkey (32.6% of export of goods and services), Indonesia (29% of export of goods and services), Bahrain (28% of export of goods and services), and Mozambique (22.3% of export of goods and services).

2.3.4 International Reserves

As imports for consumption and public-sector expenditure are increasingly financed by foreign borrowing, several MCs will reel under over stretched foreign reserves to meet short-term debt and import obligations. With relative trade declines, especially in terms of export-GDP share, the international reserves have declined across IsDB member countries from 11 Months of import cover in 2013 and 2016 to 8.7 months of import cover in 2017 (Figure 33a). The lowest reserves are found in Sudan (0.2 month of import cover), followed by Maldives (1.8 month of import cover) and Suriname (2.2 months of import cover).

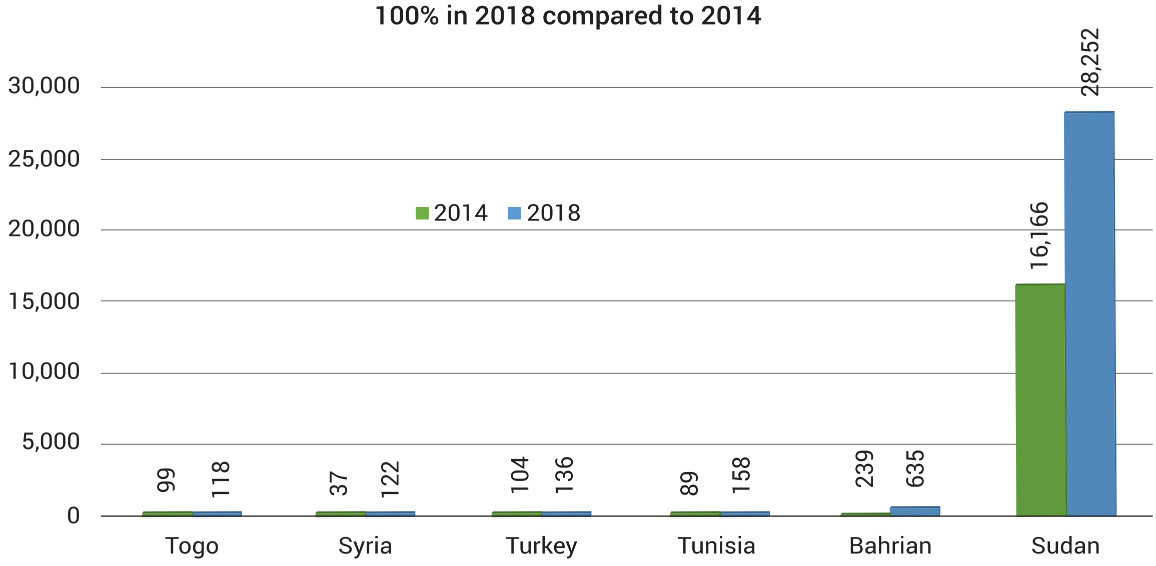
Figure 33a: MCs trends in total reserves (in months of imports)



International reserves assist countries not only to meet their import bills but also finance their short-term foreign debt obligations and support their local currencies' value against foreign currencies. Total international reserves of IsDB member countries grew expansively from

$1.5 trillion in 2010 to 2.06 trillion in 2013 before declining to $1.8 trillion in 2015 following the oil-price crash of 2014. It has continued decreasing to reach $1.7 trillion in 2018. Most oil-exporting member countries have seen some degree of international reserve reduction, but they have not come under stressful international reserve levels that would endanger their international payment obligations, except for Sudan and Bahrain. The US sanctions on Sudan and the fact that South Sudan contracts with larger oil revenues after its break-up with Sudan have, including other factors, contributed to dire balance of payment situation of Sudan. While Bahrain needs a high oil price to balance its external trade, and with low and falling oil prices, it faces a rapidly dwindling international reserve from $5.8 billion in 2014 to $2.3 billion in 2018. Figure 33b shows member countries with lowest levels of international reserves, with values of short-term debts higher than the international reserves.

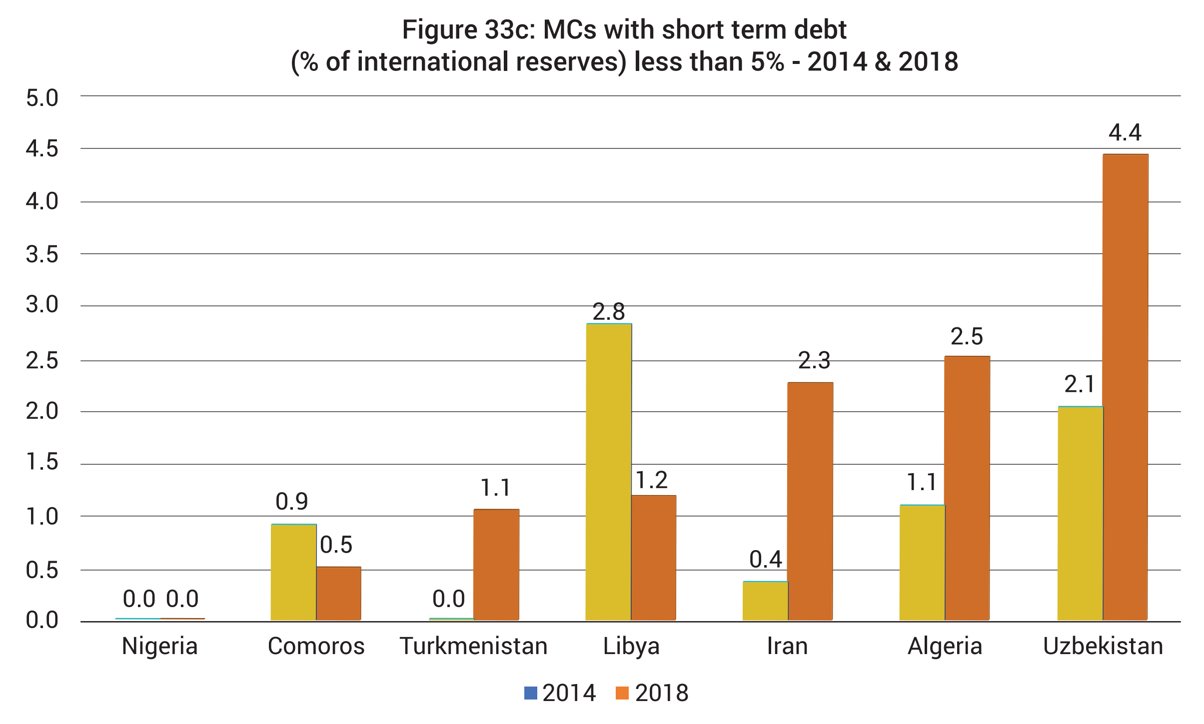
Figure 33b: MCs with short term debt (% of international reserves) more than 100% in 2018 compared to 2014

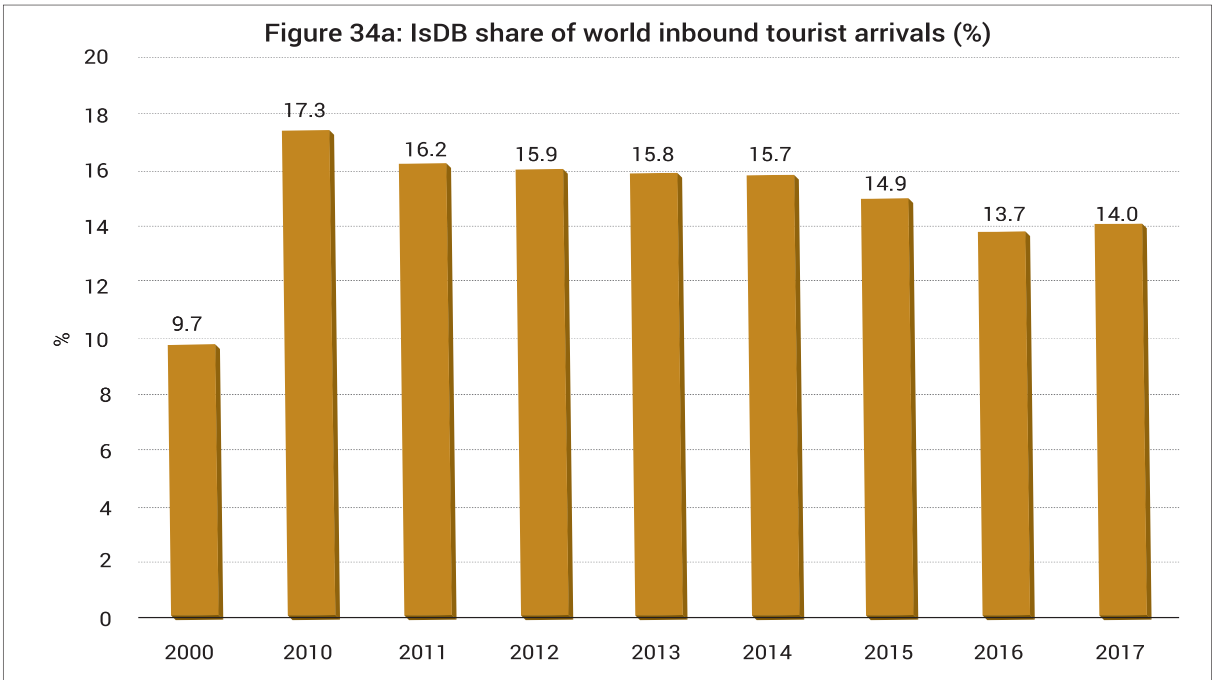


Only six member countries have their international reserves lower than the short-term debts. Figure 33c shows member countries with low ratios of short-term debt to international reserves. Although, the ratio of short-term debt to international reserve rose from 27.7% in 2014 to 34.8% in 2018 IsDB member countries on average, most member countries can adequately meet their short-term debt obligations using their international reserves.

2.3.5 Tourism

Tourism is a major foreign exchange earner for some MCs, where tourism receipts can reach 80% of export of goods and services. Also, tourism plays a key role in the globalization with cultural and product internationalization moving with tourist. World tourism has kept growing steadily with inbound tourism arrival increasing from 943 million in 2010 to 1.3 billion in 2017. Inbound tourist arrivals in IsDB MCs rose from 163 million in 2010 to 183 million in 2017 indicating an increase of 12.3%. But, the IsDB MCs' share of world tourist arrivals declined from 17.3% in 2010 to 14% in 2017 (Figure 34a). This implies that IsDB MCs have lost some share of world tourism. With 24% of world population residing in IsDB MCs, the tourism share of IsDB should have been increasing. Recent social unrest and the fact that some IsDB MCs are considered fragile states have contributed to the falling share of IsDB MCs in the world tourism since 2011. With political and governance recovery improvements taking place in other member countries, it is expected that IsDB tourism share may start rising in the coming years. Turkey and Malaysia followed by Saudi Arabia and Indonesia are the top recipients of tourists in 2017 (Figure 34b).





Tourism boosts spending in the host economy, and this spending can go into expanding investments and service provisions by all economic agents that are directly and indirectly related to tourism sector. Inbound tourist spending in host countries increased from $ 835.5 million in 2010 to $1.19 trillion in 2017. IsDB MCs' share of world tourist spending declined from 13.5% in 2010 to 11.9% in 2013, before rising to 13% in 2017 (Figure 34c). As stated earlier, the 2011 social unrest in MENA contributed significantly to both low tourist arrivals and subsequently low share of world tourist spending. Current political recovery with reduced conflicts in some countries has encouraged a pick-up in tourist arrivals, which will contribute to increasing IsDB MCs' share of world tourist spending in host countries.

Comparing Figure 34b and Figure 34d, it reveals that, except for Turkey, countries with high share of tourist arrivals have lost their top positions in the case of tourist spending. For

Figure 34b: Member countries with more than 4% in IsDB tourist arrivals in 2017

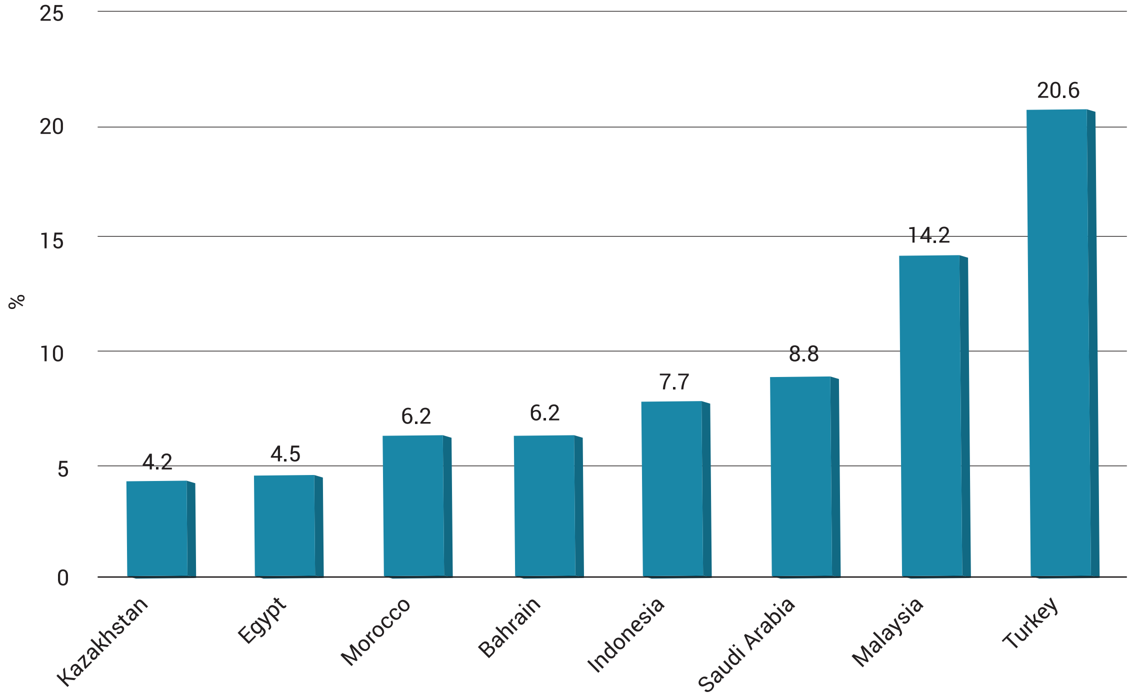
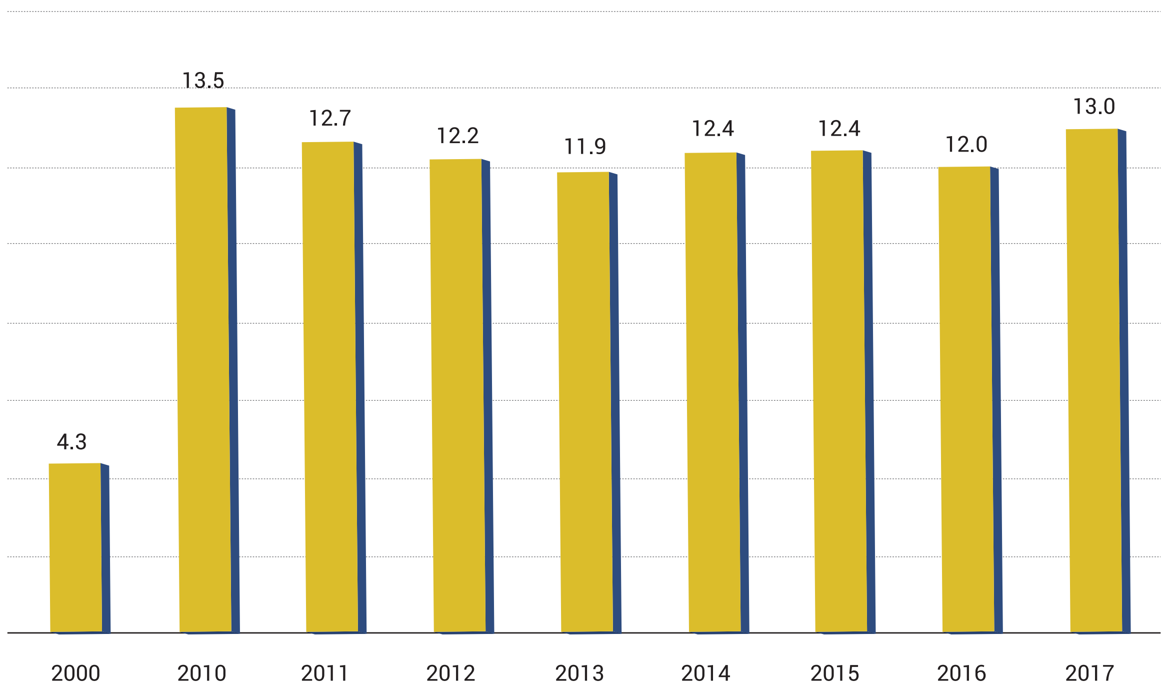


Figure 34c: IsDB share of world inbound tourist expenditure (%)



example, U.A.E and Qatar that are not in the top positions for share of tourist arrivals have appeared in top positions in Figure 34d (tourist spending in host countries). Tourists may not spend a lot in a host country if they use packaged tourism tours, thereby tourists pay at home for a package that caters for almost everything they need in the destination country. Member countries that lost their top positions (Figure 34b versus Figure 34d) could have been adequately affected by packaged tourism.

Figure 34d: Member countries with more than 5% in IsDB total tourist expenditure in 2017

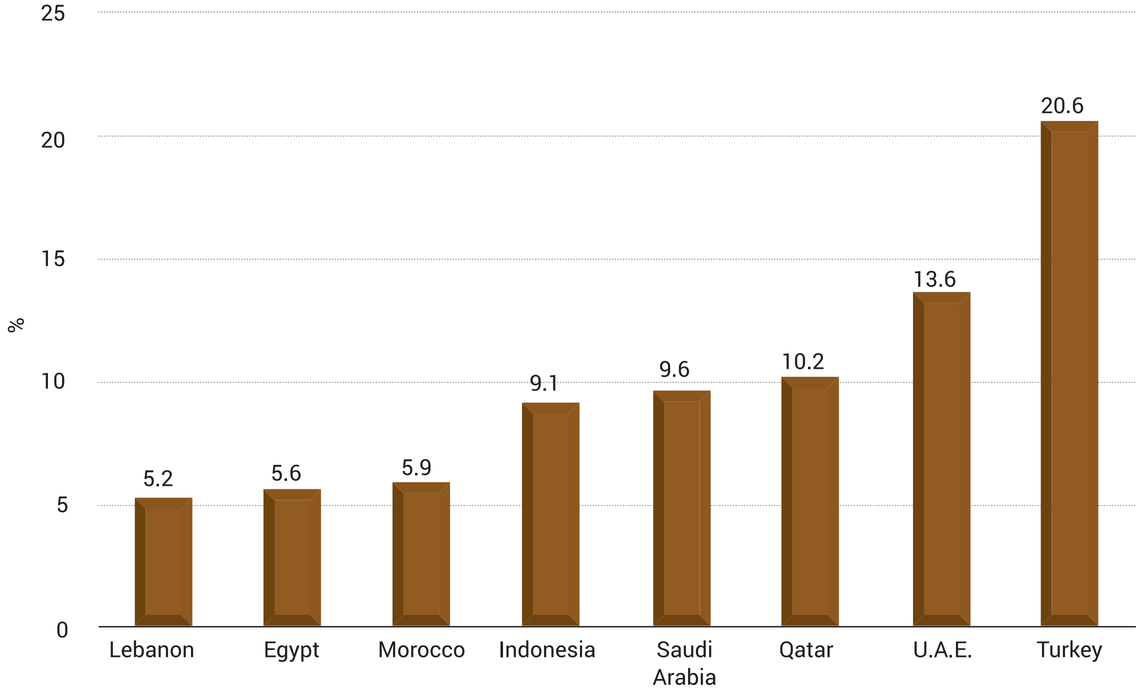
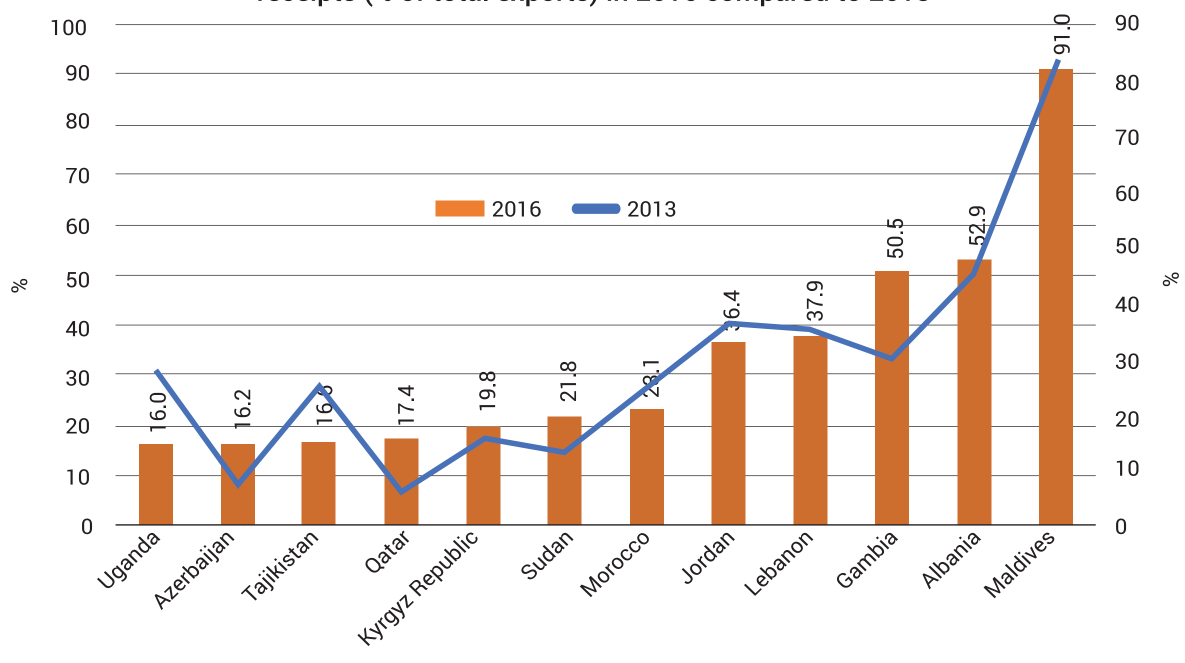


Figure 34e: MCs with more than 15% international tourism, receipts (% of total exports) in 2016 compared to 2013



Furthermore, in terms of economic importance of tourism, Figure 34e reveals that only Morocco consistently, and some extent Qatar, remain in the top five, moving from tourist arrival share, to tourist spending then tourist receipts as a share of export of goods and services. The other countries that appear in the top positions in Figure 34b and Figure 34d have low tourist receipts as a share of export of goods and services, and hence they disappear from Figure 34e. The countries in Figure 34e represent economies that depend significantly on tourism to earn foreign exchange and boost economic activities. For example, countries with tourism receipts of more than 50% of exports (Maldives, Albania and Gambia) could be classified as tourism dependent economies. Also, the service value-added will be high in such economies to cater for increasing number of visitors; and their economic prospects increasingly look positive with growing and booming tourism globally.

2.4 Communications

Communications play an essential role in human life. They build relationships, human networks, and promote social capital and interpersonal skills, which are becoming increasingly important in social mobility and job acquisitions. Mobile and internet facilities are key technology platforms that facilitate communications, and human connectivity. Average internet connectivity for IsDB member countries is 31% of the population in 2016 up from 21.2% in 2013. Fourteen member countries have internet connectivity coverage of at least 60% of the population in 2016 compared with 11 member countries in 2013. Forty three member countries have internet coverage less than 60% of population including 29 member countries with internet coverage less than 30% of population. Only Bahrain, Qatar, UAE, and Brunei have internet connectivity coverage of at least 90% of population in 2016 (Figure 35a). Countries with the largest internet coverage improvements are Côte d'Ivoire (29 percentage points), Brunei (26 percentage points), Iran (23 percentage points), and Malaysia (22 percentage points).

On the other hand, mobile subscriptions are high and increasing with several member countries seeing more than 100 subscriptions per 100 people (Figure 35b). Subscriptions of above 100 per 100 people could imply high tariffs associated with inter-services between different mobile service providers, because people are forced to subscribe to all mobile service providers within a country. In 2017, only five member countries have mobile subscriptions less than 60 per 100 people, and an increasing number of member countries have boosted their citizen mobile subscriptions over the period 2013 – 2017. The largest improvements are in Indonesia (50 additional subscriptions per 100 people), Maldives (49 additional subscriptions per 100 people), Côte d'Ivoire (42 additional subscriptions per 100 people), and United Arab Emirates (33 additional subscriptions per 100 people). In contrast, 17 member countries have seen a decrease in the mobile subscriptions during the period 2013 – 2017. The largest subscription declines occurred in Saudi Arabia (55 subscription per 100 people), Kuwait (54 subscription per 100 people), and Kazakhstan (31 subscription per 100 people). Mobile SIM registrations introduced in many countries have reduced redundant subscriptions. Some countries have also restricted mobile subscriptions so that one person can have only one subscription per mobile service provider, and this will control mobile subscriptions and reduce duplications of subscriptions. Finally, many countries have regulated the inter-tariffs, so that mobile service providers charge their opponents' customers reasonably close to the charges their own customers pay. All these three factors have contributed to reduction of mobile subscriptions observed in some member countries, particularly those with mobile subscriptions more than 100 per 100 people in 2013.

2.5 Energy and Electricity

Member countries have achieved only 55% of SDGs 7 (access to affordable, reliable sustainable and modern energy for all); and this goal is one of the five SDGs that constitute the prosperity agenda of sustainable development. IsDB member countries' lowest achievement occurs in prosperity with 47% achievement (Figure 1). This does not augur well with the sustainable economic growth agenda, which critically depends on a sustainable supply of energy. As energy supply lags significantly the rapid urbanization and population growth in many member countries, energy demands outpace its supply, which could result in increasing costs of energy and consequently constrain economic growth.

Figure 35a: Individuals in MCs using the internet (% of population) in 2013 & 2016

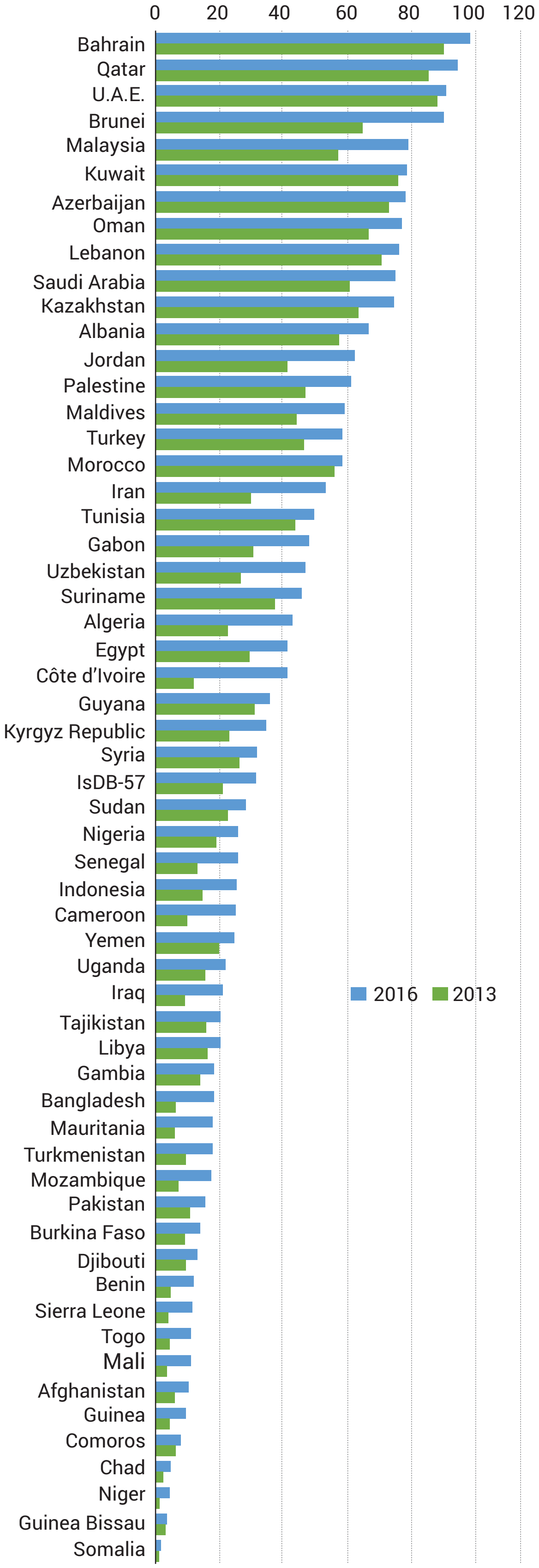
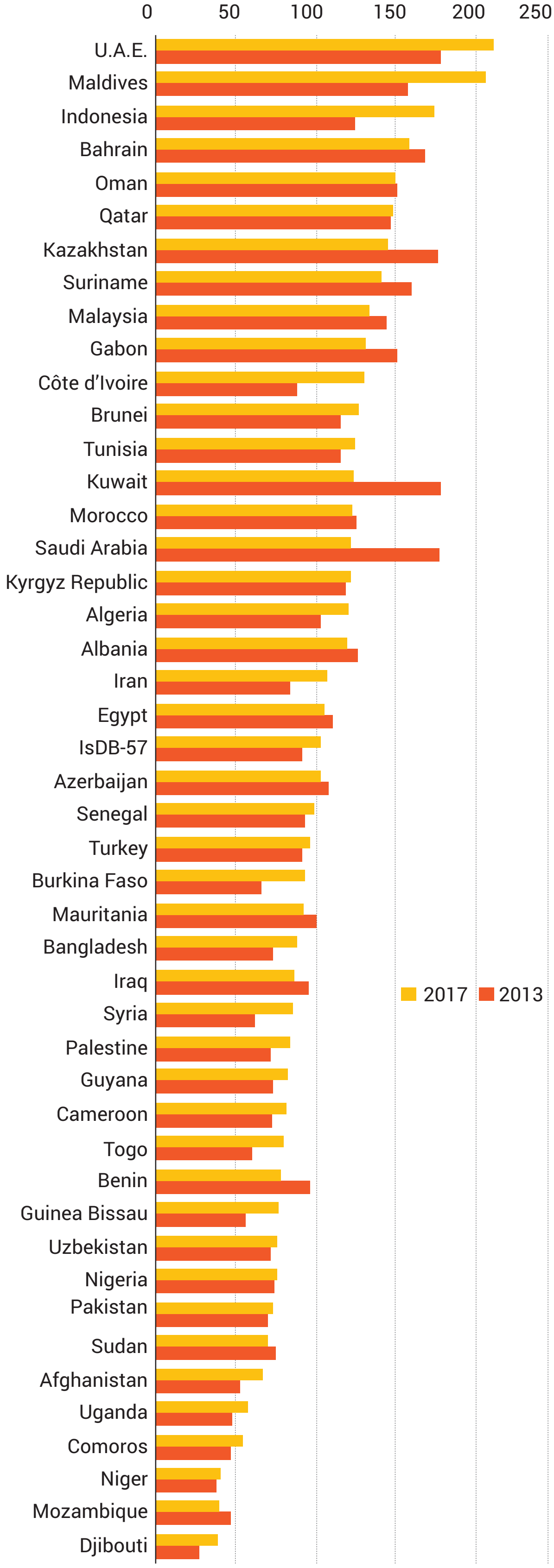


Figure 35b: MCs mobile cellular subscriptions (per 100 people) in 2013 & 2017)



Modern energy consumption powers both economic production and consumption activities for households and industrial entities. Per capita energy consumption rose slightly on average for IsDB member countries from 43.1 million Btu in 2012 to 44.2 million Btu in 2016 with large variations from one country to another. For example, the highest per capita energy consumption was 813.7 million Btu in Qatar compared with 0.3 million Btu in Chad (Figure 36a). Oil-exporting member countries have the largest per capita energy consumption among IsDB member countries. Large energy use is essential for economic activities, but it could also be partly caused by inefficient energy consumption.

Figure 36b reveals countries that are making best use of their energy consumption. Though, the dating of the two Figures (Figure 36a versus Figure 36b) is different by two years, it is worth noting that member countries with highest per capita energy consumption in Figure 36a fail to appear among the best users of energy in figure 36b. Also, the best energy users come from the Non-oil exporting member countries.

With electrical devices controlling our production and consumption activities, modern economic transformation can only happen with abundant and affordable current electricity. The access to electricity has kept improving across IsDB member countries from 77.8% of the population in 2013 to 81.1% of the population in 2016 (Figure 37a), and there are 41 member countries with electricity access of at least 60% of the population, including 26 member countries, where electricity reached 100% of the population. Nevertheless, access to electricity is still a daunting challenge in countries, like Chad, Guinea-Bissau, Niger and Burkina Faso, where less than 20% of the population has access to electricity (Figure 37a). Heavy reliance on fossil fuels to generate electricity especially in fossil-fuel importing member countries has slowed the pace of electricity access. There is an encouraging sign that fossil-fuel importing countries are increasingly looking to renewable energy to complement and at the same time reduce their energy generation costs. Figure 37b shows that renewable energy is increasingly used in most low-income member countries. With rising scientific innovations, these countries could quickly move on a path of affordable, clean and sustainable energy generation.

2.6 Environment

Land is becoming scarce in many MCs due to population explosion and deforestation. Population density has kept rising; it ranges from 4 people per 1 Km square in Suriname to 1,964 people per 1 km square in Bahrain. All member countries except Syria have seen rising population density, on average it increased from 53 people per 1 Km square in 2013 to 57 people per 1 Km square in 2017. Countries with high population density have also experienced the highest increases over the period 2013 – 2017. Bahrain with the highest population density of 1,964 people per 1 Km square in 2017 saw the highest increase of 233 people, followed by Maldives with the second highest population density of 1,454 people per 1 Km square in 2017 witnessed an increase of 130 people (Figure 38). This rising trend of population density will continue for IsDB member countries into the future with IsDB population expected to reach 2.24 billion by 2030. The fixed land resources will be shared by an increasing number of people, and more people will be crammed into fixed Km squares. Pressure will rapidly build for amenities, housing, food, energy, water and sanitation. Thus, IsDB member countries' footprints on the environment will rise, as villages grow into towns, towns into cities, and cities into mega metropolitan areas. This brings to the fore the importance of sustainable cities and communities (SDG 11). IsDB has committed to champion the SDG11 by harnessing innovative and technological solutions to meet the demands of urban cities. For example, horizontal farming can be complemented with innovative and vertical farming to reduce both land and water usage and bring fresh food closer to its consumers. Similarly, transport means can be converted into renewables-based public transport system to eliminate both car pollution and noise in cities.

Figure 36a: Energy consumption per capita, annual (million btu per person) 2012 & 2016
0
500
1,000
Qatar
Bahrain
U.A.E.
Kuwait
Brunei
Saudi Arabia
Turkmenistan
Oman
Kazakhstan
Iran
Libya
Malaysia
Turkey
Suriname
Azerbaijan
Maldives
Uzbekistan
Algeria
Lebanon
Iraq
Jordan
IsDB-57
Albania
Egypt
Guyana
Kyrgyz Republic
Gabon
Tunisia
Indonesia
Tajikistan
Syria
Morocco
Pakistan
Palestine
Djibouti
Mozambique
Nigeria
Mauritania
Yemen
Bangladesh
Côte d'Ivoire
Benin
Senegal
Cameroon
Togo
Gambia
Afghanistan
Guinea
Comoros
Mali
Guinea Bissau
Burkina Faso
Uganda
Sierra Leone
Niger
Somalia
Chad
2016
2012

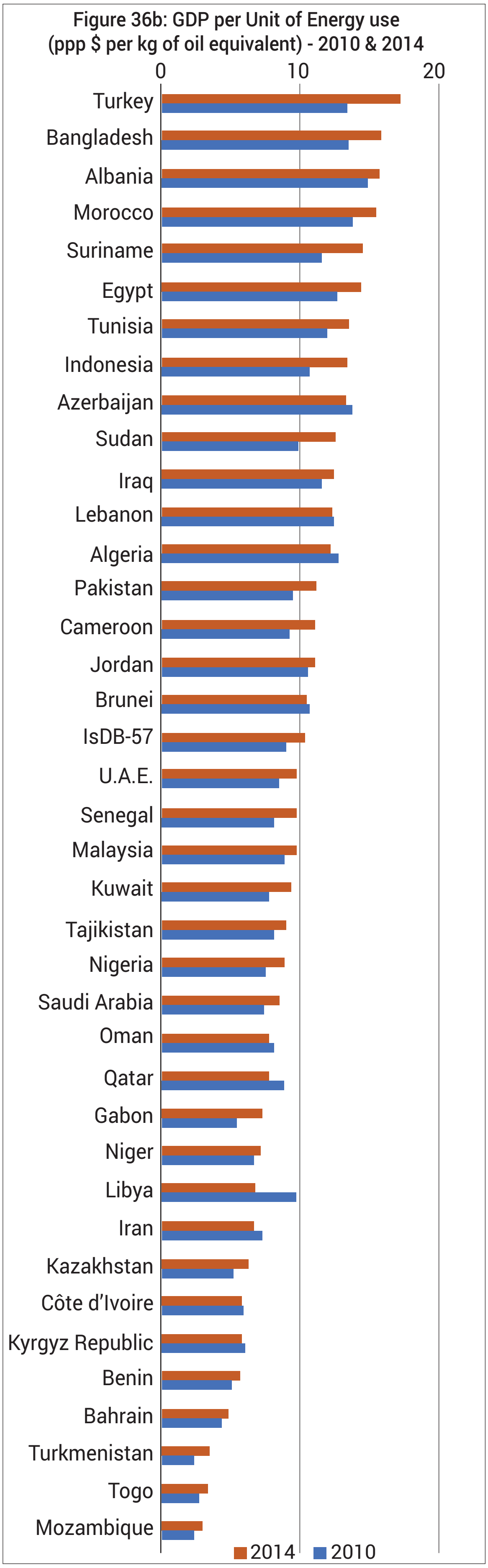


Figure 36b: GDP per Unit of Energy use (ppp $ per kg of oil equivalent) - 2010 & 2014
0
10
20
Turkey
Bangladesh
Albania
Morocco
Suriname
Egypt
Tunisia
Indonesia
Azerbaijan
Sudan
Iraq
Lebanon
Algeria
Pakistan
Cameroon
Jordan
Brunei
IsDB-57
U.A.E.
Senegal
Malaysia
Kuwait
Tajikistan
Nigeria
Saudi Arabia
Oman
Qatar
Gabon
Niger
Libya
Iran
Kazakhstan
Côte d'Ivoire
Kyrgyz Republic
Benin
Bahrain
Turkmenistan
Togo
Mozambique
2014
2010

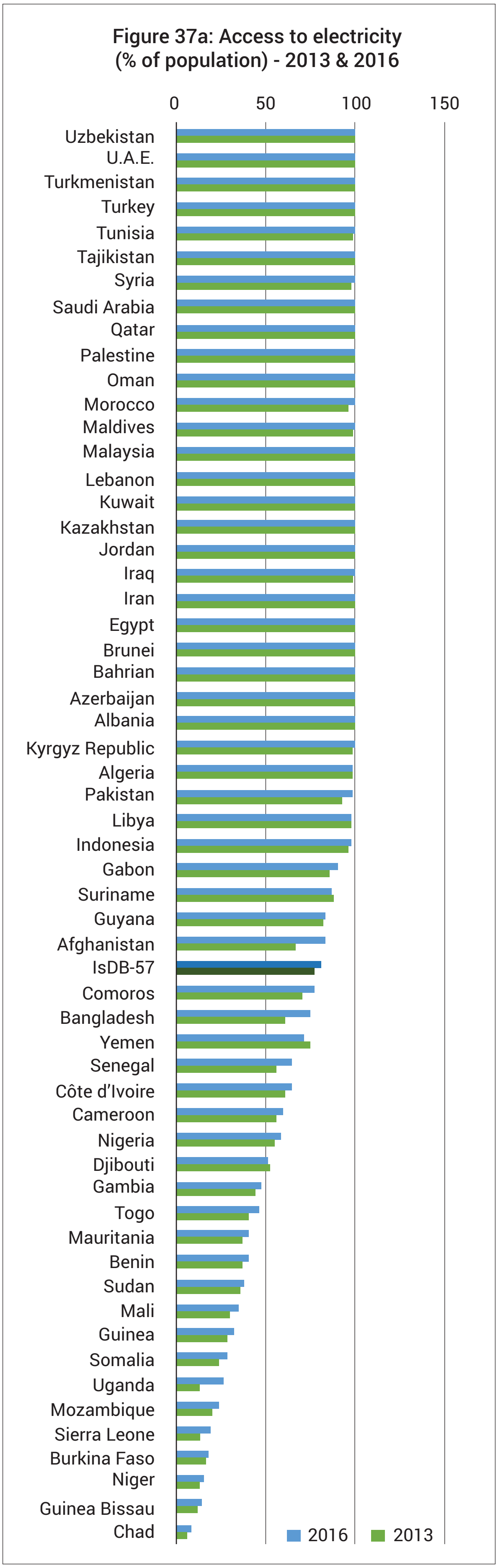


Figure 37a: Access to electricity (% of population) - 2013 & 2016
0
50
100
150
Uzbekistan
U.A.E.
Turkmenistan
Turkey
Tunisia
Tajikistan
Syria
Saudi Arabia
Qatar
Palestine
Oman
Morocco
Maldives
Malaysia
Lebanon
Kuwait
Kazakhstan
Jordan
Iraq
Iran
Egypt
Brunei
Bahrian
Azerbaijan
Albania
Kyrgyz Republic
Algeria
Pakistan
Libya
Indonesia
Gabon
Suriname
Guyana
Afghanistan
IsDB-57
Comoros
Bangladesh
Yemen
Senegal
Côte d'Ivoire
Cameroon
Nigeria
Djibouti
Gambia
Togo
Mauritania
Benin
Sudan
Mali
Guinea
Somalia
Uganda
Mozambique
Sierra Leone
Burkina Faso
Niger
Guinea Bissau
Chad
2016
2013

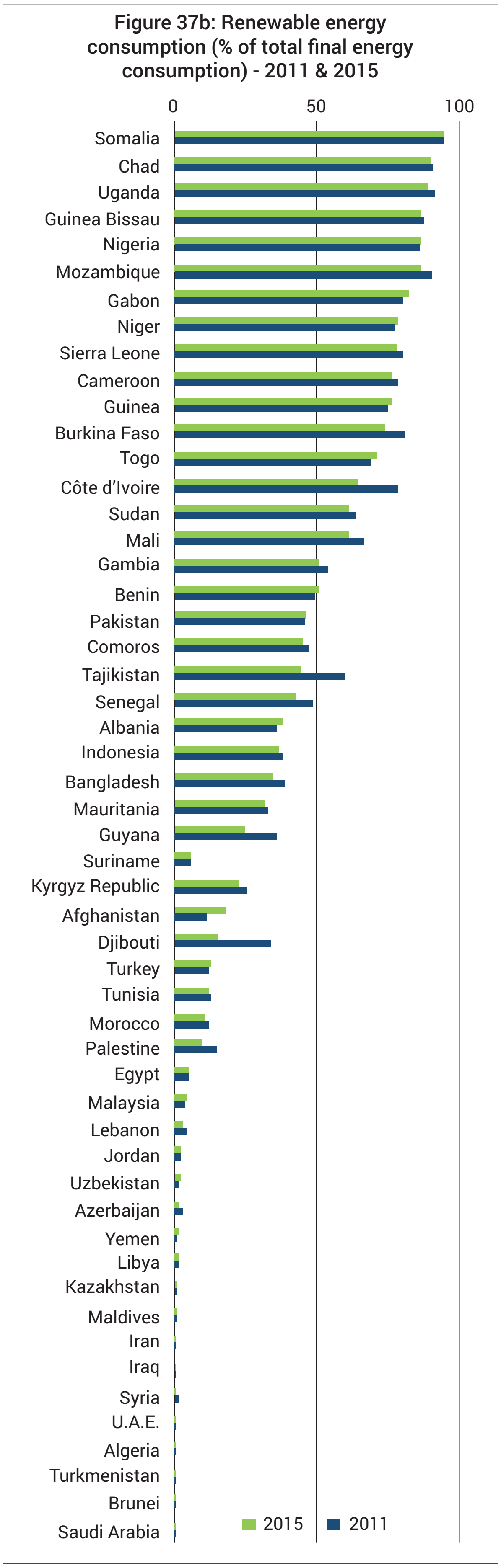
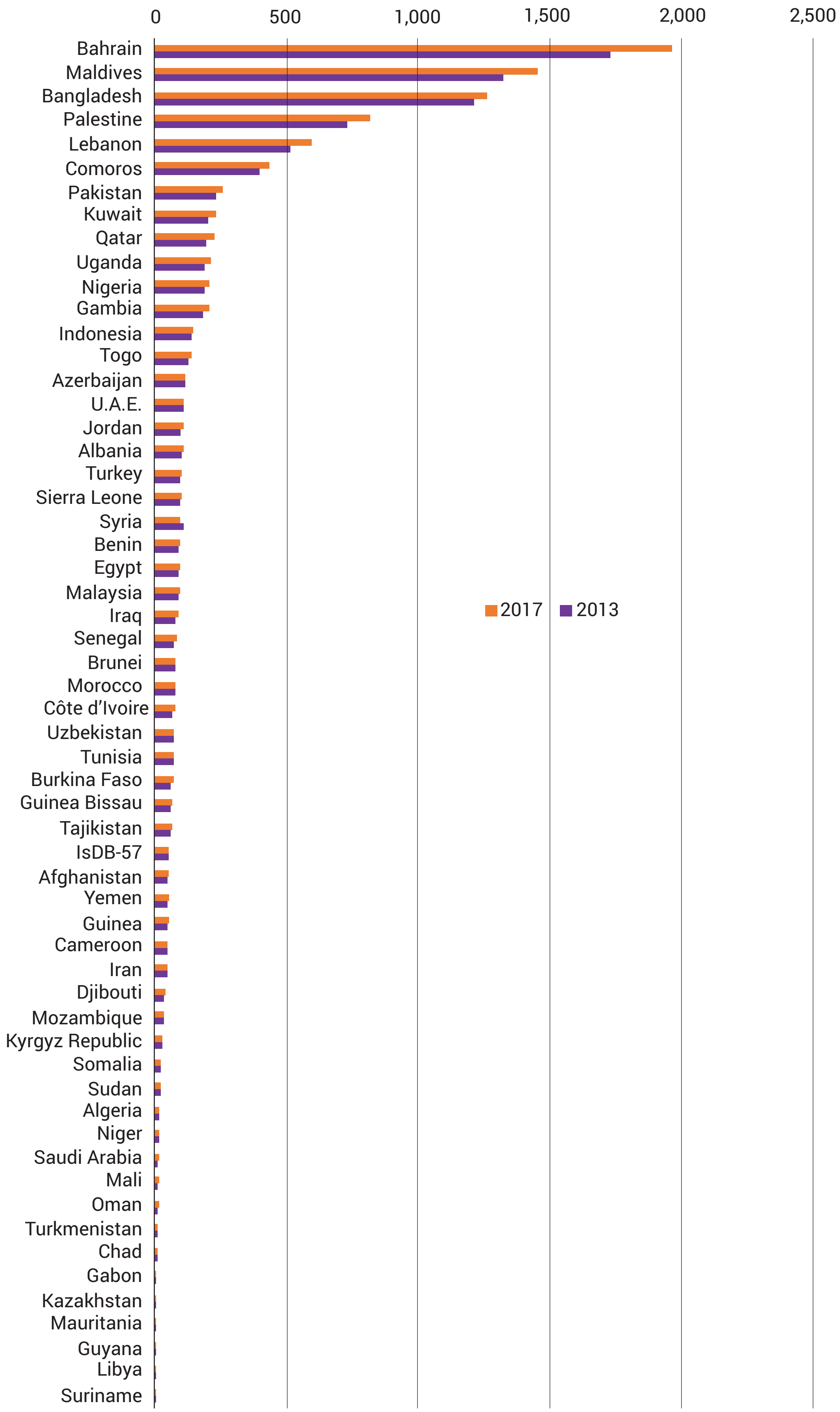


Figure 37b: Renewable energy consumption (% of total final energy consumption) - 2011 & 2015
0
50
100
Somalia
Chad
Uganda
Guinea Bissau
Nigeria
Mozambique
Gabon
Niger
Sierra Leone
Cameroon
Guinea
Burkina Faso
Togo
Côte d'Ivoire
Sudan
Mali
Gambia
Benin
Pakistan
Comoros
Tajikistan
Senegal
Albania
Indonesia
Bangladesh
Mauritania
Guyana
Suriname
Kyrgyz Republic
Afghanistan
Djibouti
Turkey
Tunisia
Morocco
Palestine
Egypt
Malaysia
Lebanon
Jordan
Uzbekistan
Azerbaijan
Yemen
Libya
Kazakhstan
Maldives
Iran
Iraq
Syria
U.A.E.
Algeria
Turkmenistan
Brunei
Saudi Arabia
2015
2011

Figure 38: MCs population density (person/square km), 2013 vs. 2017



As stated earlier, the rising population of IsDB member countries is putting increasing pressure on development needs including food security. But, the available arable lands in member countries can feed the population of IsDB member countries and export to the rest of world. In 2017, 9.8% of lands is arable across IsDB member countries. The arable land share ranges from 0.1% of lands in Djibouti to 59.6% of lands in Bangladesh. Bangladesh has the highest share of arable lands (59.6%), followed by Togo (48.7%) and Gambia (43.5%) (Figure 39a). Over the period 2011 to 2015, 30 member countries increased their arable land share, with highest increase occurring in Togo (3.5 percentage points), followed by Palestine (3.4 percentage points) and Iraq (1.7 percentage points). fifteen member countries did not witness any change in their arable land share, while 13 member countries faced small losses of arable land share, less than 1 percentage point decline.

The good news is, arable lands are yet to be fully exploited, and that permanent croplands, which cannot be easily converted into different crop cultivations, generally occupy small land areas in many member countries except in Malaysia, Palestine, Indonesia, and Lebanon, where permanent plant crops rather than cereal crops occupy larger arable lands (Figure 39b). With smart city solutions and the fact that there are abundant arable lands that are yet to be exploited in many member countries, IsDB member countries can meet SDG.11 (sustainable cities and communities) and SDG.2 (No Hunger).

On the other hand, the environmental footprint of IsDB is largely driven by member countries that are dependent on fossil fuel to finance and drive their economic growth. Many of these countries have started expansive economic diversification to reduce fossil fuel dependence. Per capita CO2 emissions are generally high in fossil-fuel economies (Figure 39c), but with a rising commitment to diversify economies away from fossil fuels, IsDB member countries should see low and declining CO2 emissions in the future.

2.7 Government and Business Environment

Good governance is essential in making environments conducive for businesses and investments. Fiscal discipline and right compositions of government expenditures are among key drivers of inclusive and sustainable development.

2.7.1 Government Finance

Fiscal reforms in some MCs are bearing fruits, with government revenues rising and budget balances remaining within a manageable deficit ratio of 3% of GDP. Governments are also found to increase their expenditure shares of education and health, which are directly linked to human development. Revenue as a share of GDP increased from 26.6 % in 2000 to 28.4 in 2013 before declining to 23.6 in 2018 for IsDB member countries. Similarly, government expenditure increased to 28.1% of GDP in 2013 from 25.1% of GDP in 2013, then it decreased to 26.5% of GDP in 2018. Also, government revenues and expenditures are relatively lower in IsDB member countries than in both advanced economies, and emerging and developing economies (Figure 40a). Exceptions are natural resource-rich member countries, where government revenues can reach 57% of GDP (Kuwait in 2018), and government expenditure can reach 77% of GDP (Libya in 2018). Following the sharp declines of oil and other commodity prices in 2014, government revenues decreased significantly for 34 IsDB member countries including nine countries that lost more than 10 percentage points of their revenue as a percentage of GDP; while 22 member countries have increased their revenue-GDP ratios. The large revenue drops often took place in oil exporting member countries. In contrast, several non-natural resource dependent economies have gained percentage point increase in their revenue-GDP ratios. The revenue decrease has triggered reduction in government expenditures, but not proportionately. The expenditure reduction was comparatively lower than the revenue reduction (Figure 40b). This is because expenditures often involve some social contracts and development commitments that cannot be easily abandoned in the face

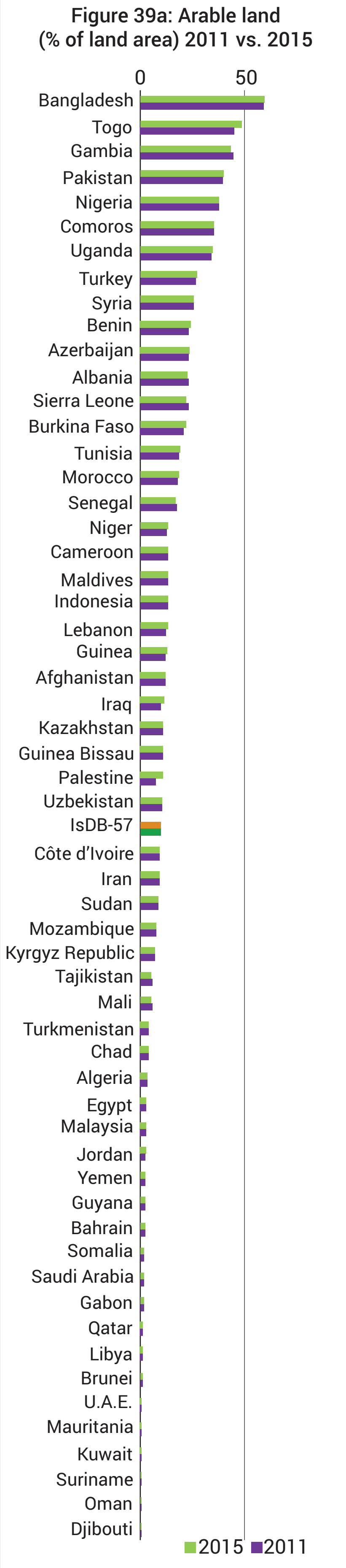


Figure 39a: Arable land
(% of land area) 2011 vs. 2015
0
50
Bangladesh
Togo
Gambia
Pakistan
Nigeria
Comoros
Uganda
Turkey
Syria
Benin
Azerbaijan
Albania
Sierra Leone
Burkina Faso
Tunisia
Morocco
Senegal
Niger
Cameroon
Maldives
Indonesia
Lebanon
Guinea
Afghanistan
Iraq
Kazakhstan
Guinea Bissau
Palestine
Uzbekistan
IsDB-57
Côte d'Ivoire
Iran
Sudan
Mozambique
Kyrgyz Republic
Tajikistan
Mali
Turkmenistan
Chad
Algeria
Egypt
Malaysia
Jordan
Yemen
Guyana
Bahrain
Somalia
Saudi Arabia
Gabon
Qatar
Libya
Brunei
U.A.E.
Mauritania
Kuwait
Suriname
Oman
Djibouti
2015
2011

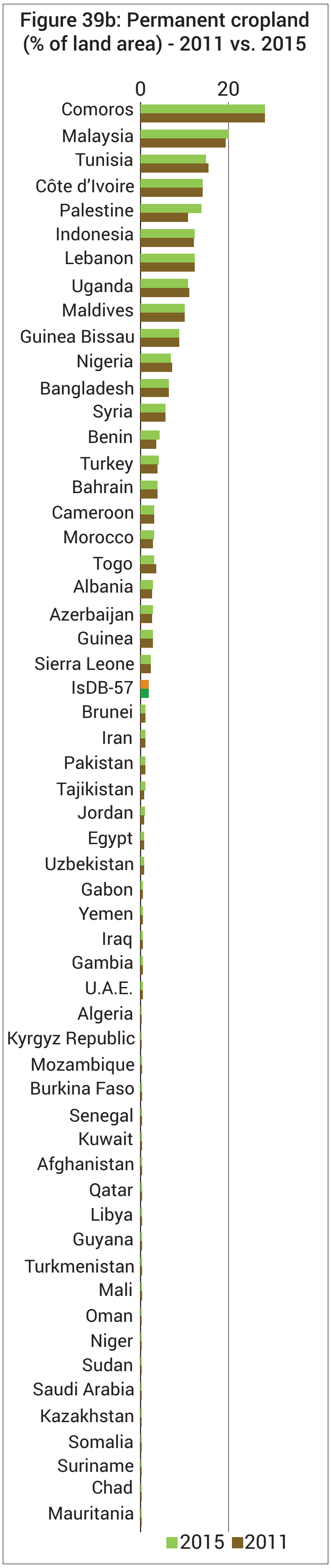


Figure 39b: Permanent cropland
(% of land area) - 2011 vs. 2015
0
20
Comoros
Malaysia
Tunisia
Côte d'Ivoire
Palestine
Indonesia
Lebanon
Uganda
Maldives
Guinea Bissau
Nigeria
Bangladesh
Syria
Benin
Turkey
Bahrain
Cameroon
Morocco
Togo
Albania
Azerbaijan
Guinea
Sierra Leone
IsDB-57
Brunei
Iran
Pakistan
Tajikistan
Jordan
Egypt
Uzbekistan
Gabon
Yemen
Iraq
Gambia
U.A.E.
Algeria
Kyrgyz Republic
Mozambique
Burkina Faso
Senegal
Kuwait
Afghanistan
Qatar
Libya
Guyana
Turkmenistan
Mali
Oman
Niger
Sudan
Saudi Arabia
Kazakhstan
Somalia
Suriname
Chad
Mauritania
2015
2011

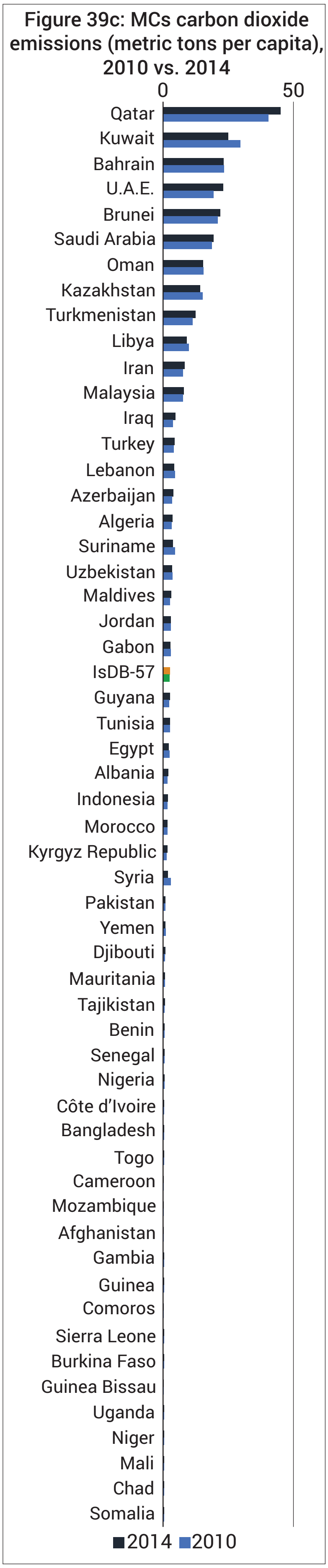


Figure 39c: MCs carbon dioxide
emissions (metric tons per capita),
2010 vs. 2014
0
50
Qatar
Kuwait
Bahrain
U.A.E.
Brunei
Saudi Arabia
Oman
Kazakhstan
Turkmenistan
Libya
Iran
Malaysia
Iraq
Turkey
Lebanon
Azerbaijan
Algeria
Suriname
Uzbekistan
Maldives
Jordan
Gabon
IsDB-57
Guyana
Tunisia
Egypt
Albania
Indonesia
Morocco
Kyrgyz Republic
Syria
Pakistan
Yemen
Djibouti
Mauritania
Tajikistan
Benin
Senegal
Nigeria
Côte d'Ivoire
Bangladesh
Togo
Cameroon
Mozambique
Afghanistan
Gambia
Guinea
Comoros
Sierra Leone
Burkina Faso
Guinea Bissau
Uganda
Niger
Mali
Chad
Somalia
2014
2010

Figure 40a: Trends in general government revenue (% of GDP), IsDB vs. other groups

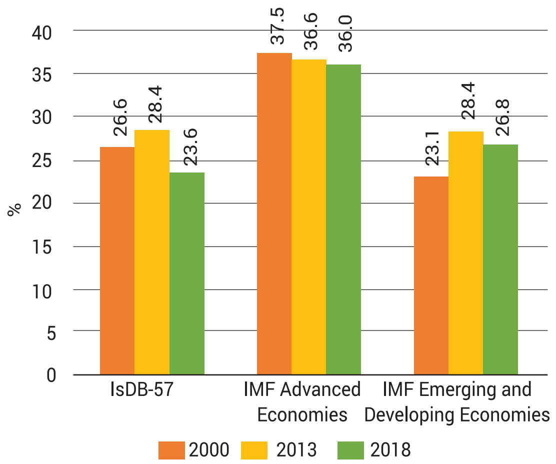
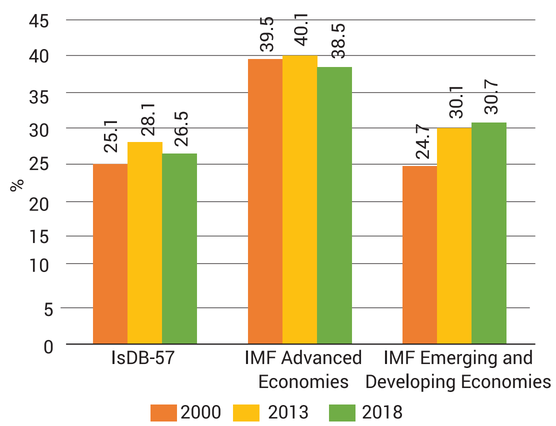


Figure 40b: Trends in general government total expenditure (% of GDP), IsDB vs. other groups



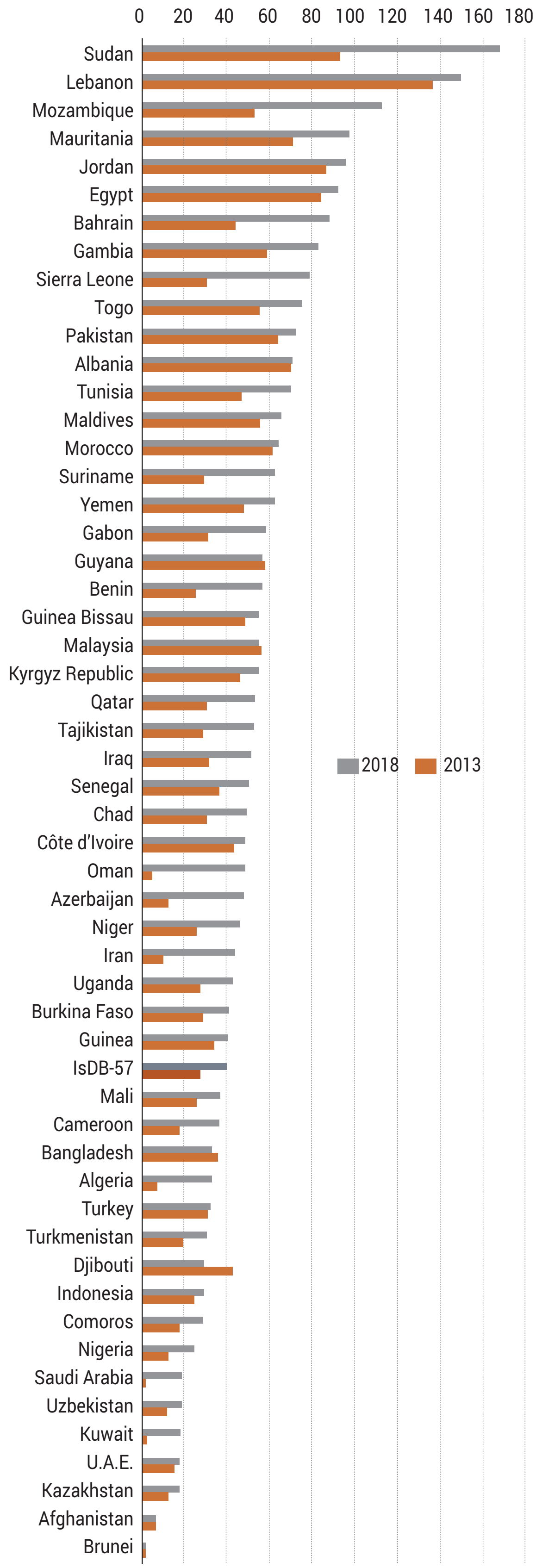
of abrupt revenue drops. In fact, the number of member countries that increased their expenditure to GDP ratio (29 countries) is greater than those that reduced it (25 countries). However, the magnitude of revenue reduction was far greater, resulting in ballooning budget deficits in many IsDB member countries. 31 Member countries have budget deficit greater than 3% of GDP in 2018 including 11 countries with budget deficits higher than 6% of GDP. Large budget deficits were recorded in Benin (12.6% of GDP), Lebanon (11.2% of GDP), and Egypt (9.7% of GDP).

The deficits are financed increasingly by borrowing, with general government debt for IsDB member countries dramatically increasing from 27.9% of GDP in 2013 to 40% of GDP in 2018. This sharp rise in the debt burden is driven largely by oil-exporting member countries that scrambled to fill in the large revenue-expenditure gaps after the oil price crash. The debt burden increased 139.7% for oil-exporting member countries compared with 13.4% increase for non-oil exporting member countries. As shown in Figure 41, only five member countries managed to gain some debt burden reductions during the period 2013 – 2018, while for the rest, the debt burden has kept rising unabated. Debt-to-GDP percentage reduction was led by Djibouti (12.8 percentage points), Bangladesh (2.5 percentage points), and Malaysia (1.3 percentage points). On the other hand, debt as percentage of GDP increased substantially in several countries, and Sudan topped the list with 74.5 percentage points followed by Mozambique (59.8 percentage points), Sierra Leone (48.6 percentage points), Bahrain (44.5 percentage points), and Oman (43.7 percentage points).

2.7.2 Business Environment

Transformers are often entrepreneurs, who set up businesses to try out their ideas. When the costs of starting up a business is high, energy is scarce, or financial intermediation is poor, few transformers are produced in a country. In terms of ease of doing business, many MCs are still struggling with three challenges namely startup cost (Figure 42a), energy access (Figure 42b) and access to finance (Figure 42c). The countries are ranked from 1 – 190 to determine the conduciveness of their regulatory environment to the start and operations of local businesses. High ranking indicates high ease of doing business. Dividing 190 into top (ranking: 0 - 38), upper-middle (ranking: 39 – 76), middle ranking (77 – 114), lower-middle ranking (115 – 152), and bottom quantile ranking (153 – 190), it can be useful to know how many IsDB member countries have achieved outstanding performance with respect to ease of doing business. All IsDB member countries except Turkmenistan are covered in the study of ease of doing business in 2019. Per Figure 42a, and in reference to the quantile grouping, only 10 member countries have achieved top performance on the ease of starting a business, the number of top performers dropped to 7 on credit access, and further down to 5 on ease

Figure 41: MCs general government gross debt (% of GDP) - 2013 & 2018



of energy access. While the number of bottom performers was 14 on the ease of starting a business, it improved to 12 on the credit access, but then deteriorated to 20 on the energy access. Comparing the top performers and bottom performers, it can be implied that starting a business is a daunting challenge, but operating it is even far more challenging, because there is limited access to financing, and energy to power the business operations is either costly or not available. Thus, member countries should work on improving their regulatory quality to ease business startup operations, improve financial intermediation, and resolve energy bottlenecks that are pervasive in some member countries.

C. Part 3: IsDB Operations and Finance

IsDB Group has channeled $138.4 billion of development financing to its member countries and Muslim communities in non-member countries from inception. IsDB Group financing is classified into four categories namely trade financing, project financing, technical assistance, and special assistance. Trade and project financing form the major development interventions of the Bank. In trade financing, the IsDB helps its member countries develop equitable trade capacity and manage external balance financing, while project financing is the main operations of IsDB towards building socioeconomic infrastructures of the member countries. Technical assistance is utilized in creating an enabling environment for Islamic finance development in both member and nonmember countries. It facilitates development of legislation, regulations, Sharia'h governance mechanism, and supervisory framework for Islamic banks, Sukuk and Takaful. On the other hand, the IsDB's special assistance activities cover relief assistance to member and non-member countries, support to education and health services in non-member countries, and capacity building initiatives through training. Therefore, fifty six percent of the financing went to the trade, forty one percent to project financing,

Figure 42a: Starting a business ranking of member countries - 2019

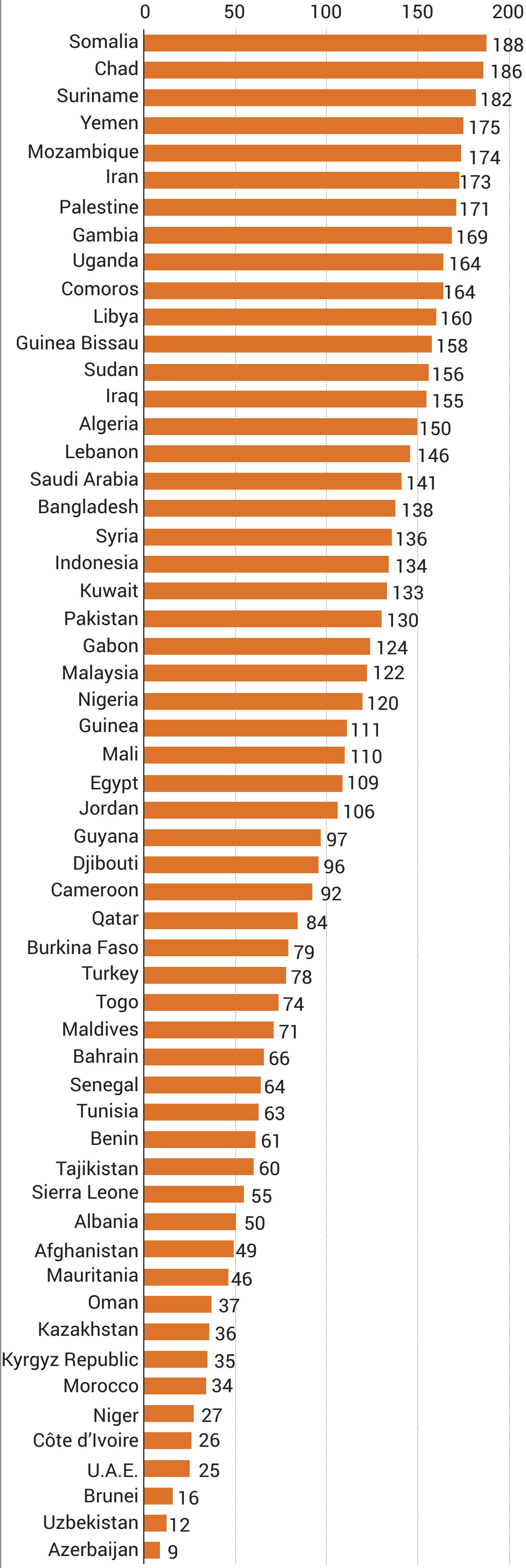


Figure 42b: Getting electricity ranking in member countries - 2019

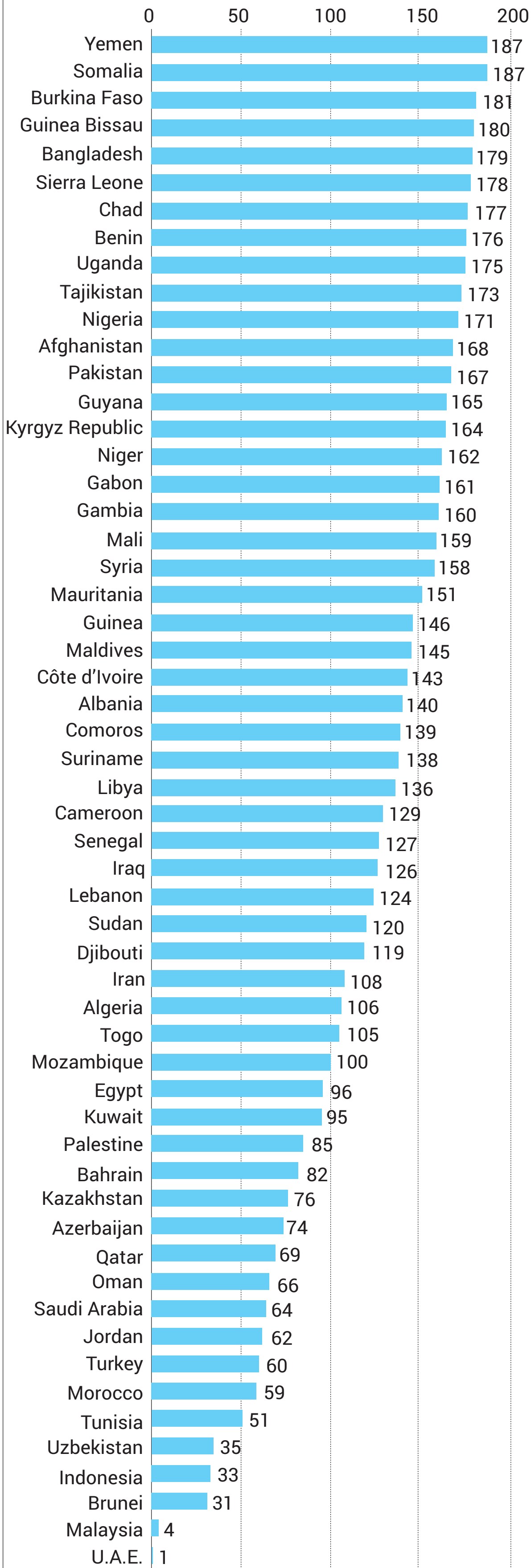
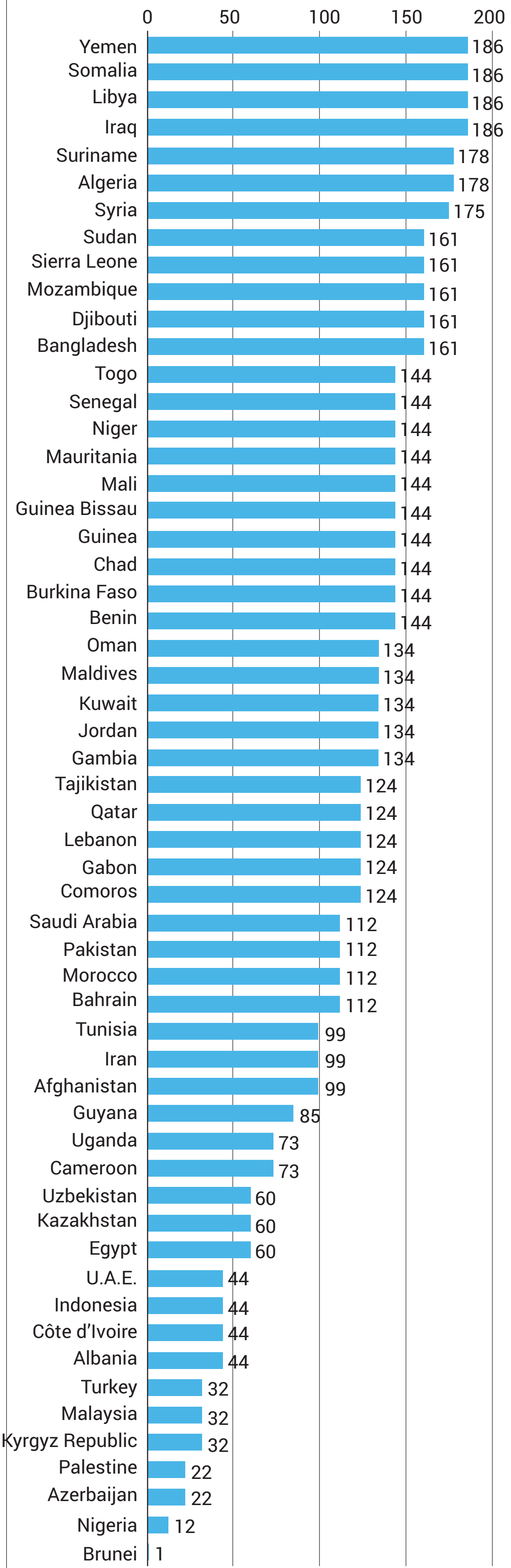
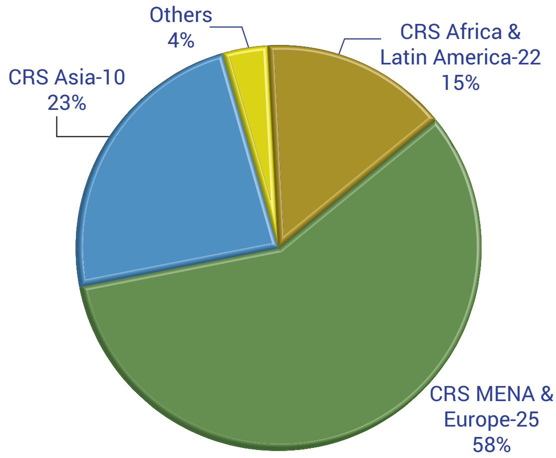


Figure 42c: Access to credit ranking of member countries - 2019



two percent to technical assistance, and one percent to special assistance. Member countries in MENA and Europe, due to their largest number and economic output have received the largest IsDB Group financing, followed by Asia member countries, and by Africa and Latin America Member countries (Figure 43a)

Figure 43a: Percentage Distribution of Net IsDB Group Approval by Region since Inception to 31 December 2018



In accordance with its commitment to economic transformation of its member countries, IsDB Group project financing has focused on helping its member countries to have affordable and sustainable energy, food security, and transport (Figure 43b). Therefore, energy financing has the largest share of the bank's financing followed by industry and mining (with the aim of adding value and bringing to the market the abundant natural resources in its member countries), agriculture and transport (Figure 43b). Though energy accounts for the most financing of the bank, the sectorial financing and development needs vary widely from one region to another; and the IsDB's responses have been commensurate with the needs of the member countries. The low-income countries in Africa and Latin America have acute development gaps in several sectors, and IsDB's financing has equally addressed their major sectors. 24.5% of the bank's financing allocation to Africa and Latin America went to energy, 23.2% to agriculture, and 21.8% to transport. In contrast, the dominant sectors driving growth in MENA and Europe member

Figure 43b: Net IsDB Group financing by sector from inception to December 2018

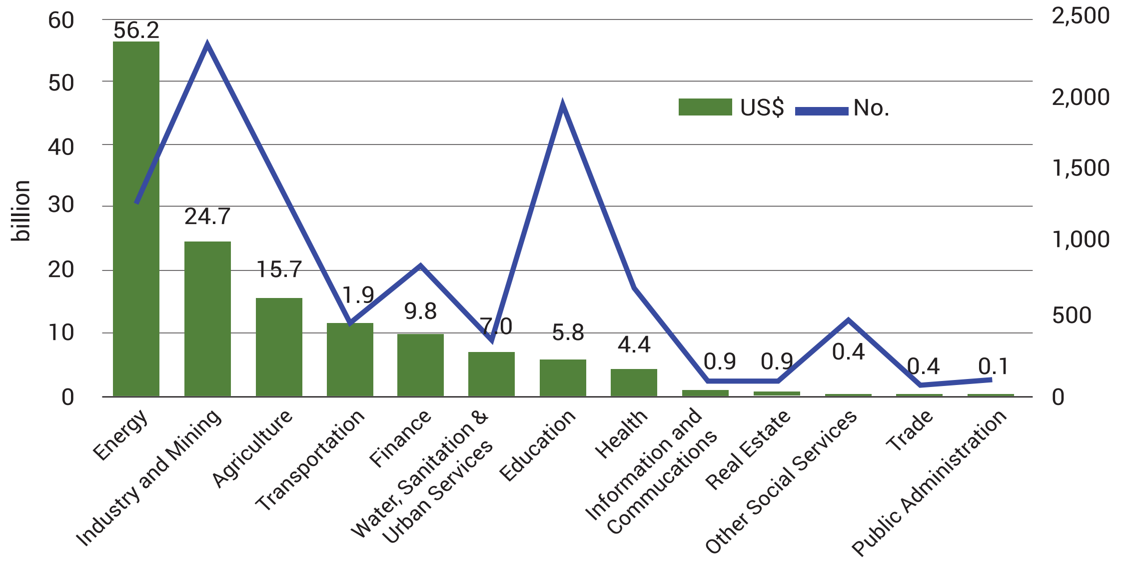
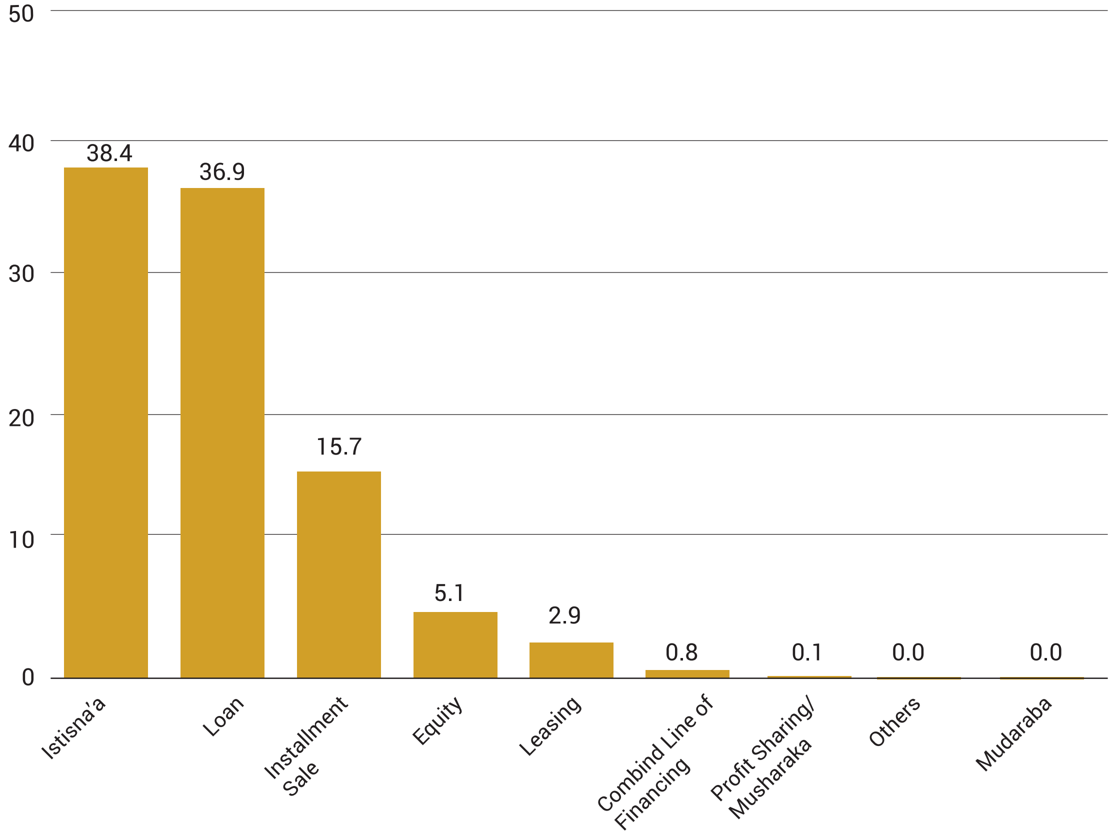


Figure 43c: Distribution of IsDB group project financing by mode since inception to 31 December 2018



countries are energy, industry and mining; and hence 42% and 24% of the IsDB's financing approvals for MENA and Europe Member countries went to energy, and industry & mining respectively. Similarly, In Asia, 53% of the IsDB's financing went to the energy sector. With rising industrialization and economic transformation in Asia, the member countries therein require affordable and sustainable energy supply, and IsDB Group has proven to be their reliable partner of energy financing.

Islamic financing principles form the basis of financing practices in IsDB Group. Istisna'a mode, which is 'build and sell', is generally applied to infrastructure financing. It accounts for most project financing of IsDB Group financing. The increased infrastructure gap in many member countries has led the IsDB Group to step up its infrastructure financing using Istisna'a. The loan financing mode is the second largest instrument utilized by IsDB Group in its development financing (Figure 43c). The loans are low-cost financing instruments that charge profit rates to cover generally administrative expenses incurred by IsDB in executing them. Member countries in Africa and Latin America are mostly low-income countries, and as a result they often benefit from Istisna'a and loan financing schemes. The two financing schemes account for 55.8% of the bank's financing allocations to Africa and Latin America member countries, meanwhile, Murabahah, which is a cost-plus-mark-up financing accounts for a smaller share of 32.4%. In contrast, Asia, MENA and Europe member countries are mostly upper-middle income and high-income countries, and they can afford Murabahah financing. consequently, Murabahah financing accounts for 60% and 69% of IsDB financing respectively to MENA & Europe and Asia member countries.

The diversity of IsDB financing allocations to align with regions and countries' development needs and stages is evidenced in Table 1. Bangladesh, the fourth most populous member country and moving rapidly on an economic transformation driven by trade and public-sector investments, has been the top beneficiary of IsDB trade financing since inception, followed by Egypt, Pakistan, Turkey and Morocco. These countries are also the largest recipients of trade financing in 2018. Project financing, which cover economic and social infrastructure investments have been largely going to Turkey, Iran, Indonesia, Morocco and Egypt.

Table 1: Top 5 Beneficiaries By Type of Operations

Cumulative				2018			
Country	**No of projects/ operations**	**ID Million**	**US$ Million**	**Country**	**No of projects/ operations**	**ID Million**	**US$ Million**
Trade Financing				**Trade Financing**			
Bangladesh	273	12,415.4	18,306.8	Egypt	5	680.2	950.0
Egypt	222	6,815.7	9,804.1	Bangladesh	10	496.3	715.0
Pakistan	279	6,724.5	9,309.8	Pakistan	3	457.8	657.5
Turkey	375	5,279.8	7,343.9	Tunisia	6	438.2	614.0
Morocco	125	2,872.6	4,110.9	Turkey	3	362.3	518.5
Project Financing				**Project Financing**			
Turkey	120	2,850.8	4,174.1	Tunisia	4	223.7	318.1
Iran	81	2,180.7	3,286.7	Côte d'Ivoire	2	85.3	120.8
Indonesia	109	2,139.3	3,180.3	Benin	2	83.0	117.5
Morocco	68	1,748.5	2,621.1	Senegal	6	79.3	111.0
Egypt	77	1,691.4	2,537.3	Uzbekistan	1	68.2	93.0
Technical Assistance				**Technical Assistance**			
Regional Projects	1,031	1,519.1	2,269.8	Palestine	13	20.1	28.6
Palestine	52	80.3	114.6	Bangladesh	5	7.9	11.0
Bangladesh	25	33.4	46.7	Regional Projects	29	3.1	4.3
Somalia	20	27.5	41.3	Somalia	3	2.3	3.2
Sudan	35	26.8	38.0	Syria	1	1.7	2.5
Special Assistance				**Special Assistance**			
Non-Member Countries	1,057	225.2	307.8	Non-Member Countries	21	3.1	4.3
Regional Projects	70	45.3	62.9	Somalia	1	0.3	0.4
Palestine	43	41.4	53.5				
Bangladesh	12	28.8	35.7				
Sudan	21	19.5	23.7				

Technical Note

A. Aggregation Rules

In calculating statistical aggregates, the following rules were used:

- Aggregate data for IsDB are either totals or weighted averages.
- No aggregate values are calculated if missing data account for more than a third of the number of observations in a given year.
- Aggregates of ratios are calculated as weighted averages of the ratios using the value of the denominator as weight.
- Aggregate growth rates are calculated using exponential trend function. The resulting growth rates reflect trends that are not unduly influenced by exceptional values.
- Aggregates for income groups (such as LDCs, Developed Countries, Developing Countries, and the World) are taken directly from the data source, except for regional and economic groupings which are computed by the IsDB staff.

B. Regional and Economic Groupings

CRS Africa & Latin America-22	CRS MENA & Europe-25	CRS Asia-10	Fuel Exporters-18	Non-Fuel Exporters-39	LDMCs-25	Non-LDMCs-32
Benin	Afghanistan	Bangladesh	Algeria	Afghanistan	Afghanistan	Albania
Burkina Faso	Albania	Brunei	Azerbaijan	Albania	Bangladesh	Algeria
Cameroon	Algeria	Indonesia	Bahrain	Bangladesh	Benin	Azerbaijan
Chad	Azerbaijan	Kazakhstan	Brunei	Benin	Burkina Faso	Bahrain
Comoros	Bahrain	Kyrgyz Republic	Chad	Burkina Faso	Chad	Brunei
Côte d'Ivoire	Egypt	Malaysia	Gabon	Cameroon	Comoros	Cameroon
Djibouti	Iran	Maldives	Iran	Comoros	Djibouti	Côte d'Ivoire
Gabon	Iraq	Tajikistan	Iraq	Côte d'Ivoire	Gambia	Egypt
Gambia	Jordan	Turkmenistan	Kazakhstan	Djibouti	Guinea	Gabon
Guinea	Kuwait	Uzbekistan	Kuwait	Egypt	Guinea Bissau	Guyana
Guinea-Bissau	Lebanon		Libya	Gambia	Kyrgyz Republic	Indonesia
Guyana	Libya		Nigeria	Guinea	Maldives	Iran
Mali	Mauritania		Oman	Guinea Bissau	Mali	Iraq
Mozambique	Morocco		Qatar	Guyana	Mauritania	Jordan
Niger	Oman		Saudi Arabia	Indonesia	Mozambique	Kazakhstan
Nigeria	Pakistan		Turkmenistan	Jordan	Niger	Kuwait
Senegal	Palestine		U.A.E.	Kyrgyz Republic	Palestine	Lebanon
Sierra Leone	Qatar		Yemen	Lebanon	Senegal	Libya
Somalia	Saudi Arabia			Malaysia	Sierra Leone	Malaysia
Suriname	Sudan			Maldives	Somalia	Morocco
Togo	Syria			Mali	Sudan	Nigeria
Uganda	Tunisia			Mauritania	Tajikistan	Oman
	Turkey			Morocco	Togo	Pakistan
	U.A.E.			Mozambique	Uganda	Qatar
	Yemen			Niger	Yemen	Saudi Arabia
				Pakistan		Suriname
				Palestine		Syria
				Senegal		Tunisia
				Sierra Leone		Turkey
				Somalia		Turkmenistan
				Sudan		U.A.E.
				Suriname		Uzbekistan
				Syria		
				Tajikistan		
				Togo		
				Tunisia		
				Turkey		
				Uganda		
				Uzbekistan		

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