

Statement of H.E. Dr. Savaş Alpay, Director General of SESRIC

The First Meeting of the Central Banks of the OIC Member States

3 October 2009, Istanbul, Republic of Turkey

Your Excellencies, Governors of the Central Banks of the OIC Member States,
Distinguished delegates,
Ladies and gentlemen,

Assalamu Alaykum we Rahmatullahi we Barakatuhu

It gives me a great honour to address this important gathering on the occasion of the First Meeting of the Central Banks of the Member States of the OIC, which we have the honour, at SESRIC, to organise it jointly with the Central Bank of the Republic of Turkey, the COMCEC Coordination Office, and the OIC General Secretariat. At the outset, I would like to thank you all for designating this day from your valuable time to participate in this important meeting.

As we are all aware, the world economy is still suffering the negative impacts of the current global financial crisis in terms of continuous slowdown of economic growth and high unemployment rates in many countries around the world. Many developed and developing countries are still struggling to curb the adverse impacts of the global recession and, in particular, to reduce the burden of unemployment on their economies. In fact, during the early stages of the crisis, there was an almost international consensus on the dire need to work out measures for the transformation of the international financial architecture.

Yet, although the need for restructuring the international financial system has been voiced by many world leaders, it seems that these voices have been recently dwindled, and the momentum towards transforming the financial system has been lost. Without any doubts, failure to introduce fundamental changes in the financial system, will lead to repetition of

financial crises in the future, making them regular as opposed to exceptional phenomenon. This will be the biggest burden of the financial crisis, worse than all the loss in economic growth and employment, and should be avoided at all costs.

In this context, and in an attempt to enhance our efforts, at SESRIC, to provide the necessary and up-to-date information and knowledge on the issues of immediate concern to our member countries, including the major developments in the world economy, we have started, since May 2009, preparing a series of monthly reports on the current global financial crisis and its impacts on the developing countries including the OIC members. The SESRIC Monthly Reports on the Current Global Financial Crisis aim at monitoring the developments related to the current global financial crisis and highlight the actions taken at the global, regional and national levels to contain the negative impact of the crisis.

In particular, these reports attempt to highlight the fact that the current financial crisis has raised many voices which call for rethinking of other alternative financial systems. The Islamic principles-based financial system, which call for equity-based financing and real activity-based transactions, has been recently more attractive in many countries around the world as many people come to argue that such a system, as a feasible potential alternative, could provide the solution to the weaknesses of the conventional financial system. As well known conventional financial instruments such as collateral debt obligations (CDOs) and credit default swaps (CDSs), which have aggravated the deepening of the crisis, are either not allowed or regulated very tightly in a financial system based on Islamic principles. Consequently, the current global financial crisis could have been avoided if such a system had been in place instead of the conventional one.

Though the Islamic finance industry has been slightly affected by the negative impact of the current crisis, with a drop in Sukuk issuance and a fall in the value of equity funds, it is reported that Islamic banks have been less affected than many conventional banks since they are not exposed to losses from investment in the so-called “toxic assets”. In this context, it is worth mentioning that although the global market for Islamic financial services has been

estimated at around 730 billion USD at the end of 2007, corresponding to only less than 1 percent of the global financial services, there is a promising potential for this young market to grow more in the near future.

Recently, a number of banks around the world have started building up their Islamic finance units, tapping into an emerging industry which is estimated to be growing annually by 15 to 20 percent. Today, investments through Islamic finance systems are acceptable in a significant number of countries –both Islamic and others– such as GCC countries, Iran, Malaysia, Turkey, France, England, and the USA, and continue to expand to many other countries as an alternative or complementary to the conventional financial and banking system.

Distinguished delegates,
Esteemed participants,

In an effort to mitigate the adverse impacts of the global economic crisis on the member countries and to further enhance economic and commercial cooperation among the member countries, the OIC Standing Committee for Economic and Commercial Cooperation (COMCEC) has this year requested our Centre to undertake the task of preparing a comprehensive research project on developing concrete, feasible and practical proposals for enhancing cooperation in trade and investment among the OIC member countries. The ultimate aim of the project is to activate and enrich the Agenda of COMCEC annual ministerial sessions with a view to enhancing economic and commercial cooperation among the OIC member countries.

This timely and important research project has been carried out based on a methodology that includes relevant data analysis, findings of academic research, special questionnaires and interviews and a brainstorming workshop on the theme “Enrichment of the Agenda of the COMCEC”. The final report will include concrete proposals for enhancing economic and commercial cooperation among the member countries, and will be submitted to the 25th

Session of the COMCEC which will be held in Istanbul on 5-9 November 2009 for consideration by the ministers of economy and trade of the OIC member countries.

On the other hand, over the last three years, our Centre has been undertaking a Capacity Building Programme (CBP) mainly regarding the needs and capacities of the National Statistical Organisations (NSOs) of the member countries. However, this programme has been recently extended to other national institutions in the member countries such as the Central Banks and the Capital Markets Authorities. The Programme is based on the analyses of the needs and capacities of the member countries in these areas through the responses of the related questionnaires, and matching these needs and capacities through sending experts among these countries to offer the needed training programmes. In this context, I am very pleased to inform you that we have recently conducted a training programme on payments system in the Central Bank of Qatar, in collaboration with the Central Bank of the Republic of Turkey.

In this connection, I would like to express our readiness at SESRIC to strengthening our cooperation with the Central Banks of our member countries and we are confident that only with your support and encouragement, we can extend and enrich our training programmes for more benefits to our member countries in this important area.

Another important area of our activities at SESRIC, which is related to the efforts that should be made to support the poor segments of population in our member countries towards mitigating the negative impacts of financial crisis, is the Micro-Credit Financing area. In this context, our Centre has organised a workshops on “Micro-Credit Financing and Poverty Alleviation in OIC Member States”. The workshop aimed at raising the awareness and highlighting the significant role of microfinance as an effective strategy for poverty alleviation in the OIC member countries.

In this context, a study titled “Microfinance Institutions in the OIC Countries” has been published by the SESRIC. This study evaluates the state of microfinance institutions (MFIs) in

the OIC countries and their performance and contribution to poverty alleviation. It highlights some of the successful stories and best practices of microfinance systems and institutions in the member countries and draws useful lessons from their experience. For the first time, this study surveys all the types of MFIs in OIC countries and presents a ranking of the top 100 MFIs in these countries. This ranking, which will be updated by the Centre regularly, is an important contribution as a useful instrument for the creditors who support and/or wish to invest in these institutions.

The study also introduces “Institution Profiles” for the top 50 MFIs in OIC countries. More importantly, the study discusses the possibility of developing a network among the MFIs in the OIC member countries through introducing a proposal for developing sustainable OIC microfinance mechanism or system to support the role of these institutions in poverty alleviation. To this end, the study proposes the establishment of a special Microfinance Social Investment Fund (MSIF) within the OIC framework and the COMCEC requested our centre and IDB to study the proposal of establishing this Fund as an instrument for poverty alleviation in our member countries.

Distinguished delegates,
Ladies and gentlemen,

In another related area, I am pleased to inform you that our Centre has organised, in collaboration with the General Secretariat of the OIC and the Turkish International Cooperation and Development Agency (TIKA), the First Meeting of the Development and Cooperation Institutions (DCIs) of the OIC Member Countries in Istanbul on 13-14 May 2009. The Meeting was attended by representatives of almost all the member countries which offer development cooperation assistance in other countries, as well as the OIC General Secretariat and the IDB Group. The delegations conducted a lively and discussions on new insights for supporting the efforts of the member countries towards achieving more progress in poverty alleviation and human capacity building. They also exchanged their experiences on

effective development cooperation policies and practices and deliberated on different options for sound partnership.

The Meeting was the first instrumental step towards establishing sustainable cooperation and collaboration mechanism among the development and cooperation institutions with a view to realising effective coordination in their operations and efforts towards achieving more significant and tangible results in the target member countries. SESRIC will organise this important meeting on an annual basis, and the second meeting of the DCIs of the OIC member countries will be hosted by the Abu Dhabi Fund for Development in the United Arab Emirates in 2010.

I am also very pleased to brief you on a very important initiative of SESRIC which I believe to be very strongly associated with the OIC efforts to enhance the capacity building and the quality of human resources in our member countries. In line with its mandate, our Centre has developed a comprehensive programme to address one of the most salient developmental challenges of the OIC member countries: vocational education and training. The Vocational Education and Training Programme (OIC-VET) not only supports and supplements the activities of the OIC member countries, but also focuses on increasing accessibility and raising the quality of VET, and provides an opportunity for organizations involved in VET to build partnerships, exchange best practices, increase the expertise of their staff and develop their skills and competencies.

The Programme will enhance the cooperation and collaboration among the OIC member countries towards their efforts to improve the quality and capacity of vocational training systems and develop innovative vocational training approaches. The OIC-VET Programme will begin with a two-year pilot application phase during which the proper implementation of the programme will be screened and examined by the Monitoring and Advisory Committee, and will be followed by a full implementation period.

Excellencies,

I am confident that the deliberations you will hold and the recommendations you will make will be highly instrumental in assisting and supporting the efforts of our member countries to mitigate the negative impacts of global financial crises and shocks in international financial markets on their economies. I am also confident that this meeting will be the first instrumental step towards improving and enhancing the level of cooperation and coordination among the Central Banks of the OIC Member States, the institutions which play the most important role in achieving the macroeconomic stability in the economies of our member countries.

What is more important, as OIC member countries, we have many things to offer to the rest of the world; our principles and values which recommend moderation, justice, equity and sharing, contain a recipe that will link/couple financial and real sectors in a very harmonious manner.

As mentioned earlier many researchers (Muslims and non-Muslims alike) come to argue that current financial/economic crisis could have been avoided, had a financial system based on our common principles been in place. Thus the OIC community can make a very significant contribution to the international community by showing the fundamentals of a financial system that world function as an effective intermediary for real sector. Collectively, we should not miss this opportunity to benefit not only our people but also all humanity.

At the end, I wish this meeting a great success and pray God Almighty to help all of us and guide our steps to achieve higher prosperity and welfare for our people.

Wassalamu Alaykum we Rahmatullahi we Barakatuhu