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**“The Involvement of the ICD in ICT Projects”**

It gives me great honor to be invited to address this august audience attending the regional conference of ITU.

Honorable guests, Ladies, and Gentlemen, I will take this opportunity to present to you some highlights of the participation of ICD in the Information and Telecommunications sector. We in ICD, believe that Information Technology and Telecommunications sector is an important engine for growth in any development process.

In such a prestigious conference, attended by leaders of ICT in this region, I will not burden you with statistics and arguments to prove that ICT is a crucial sector in our developing countries. Indeed, I am glad to note that the ICT sector was one of the most dynamic in our region, and it received deserved attention by governments, private investors and international development organizations. However, I would like to establish few points before I highlight the involvement of ICD in this sector.

Over the last fifty years and more, significantly in the last two decades, the telecommunications sector has proven to be an important force for economic growth. Numerous economic studies have correlated between the high value of telephone availability and its positive correlation with the GDP growth. Some development researchers would even argue that the provision of communication means to all communities in Least Developed Countries (LDCs) is the second highest development priority after the provision of clean water.

Since the invention of the “Computer”, Information Technology has taken large leaps. Unfortunately, developing countries could not adopt the new IT. Indeed the issue of “Digital Divide” is a real one. The digital divide is an economic divide. The low penetration rates of telecommunication services, although improving rapidly in our developing countries, are still far below the figures in the developed countries.

All the same, the picture is not that black for developing countries. We could easily see the silver lining. We are heartened to see that mobile telecommunications has proved to be an effective means for surmounting historical impediments (e.g. in Morocco, although fixed line penetration was only 4%, mobile penetration rate reaches 20% in the year 2002). Even in the fixed line area, new exchange technology and the use of fiber optics helped resolve shortage on supply in many countries.

Fortunately, telecom investments in the developing countries are quite lucrative. Unlike the developed world, many of our countries still in the beginning of the growth cycle and strong growth rates in sales and profits are projected in the coming few years. The ITU statistics estimates the total revenues in this sector worldwide to exceed USD 1.3 trillions in 2003.

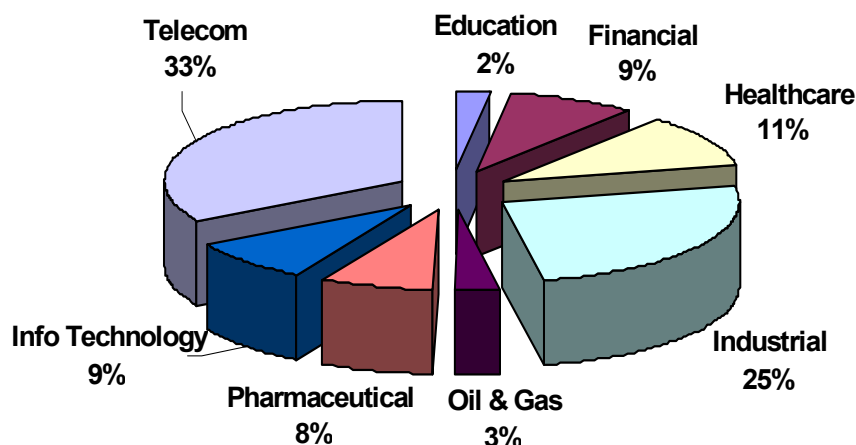
This very high potential and the rush of new operations require establishing strong and independent regulators and introducing privatization and fair competition rules.

### **The Participation of ICD in the ICT sector:**

ICD has recongnized the importance of the ICT sector since its creation in 1999 to complement the role played by the Islamic Development Bank through the development and promotion of the private sector.

One of our first projects after we began operations in July 2000 was a small contribution to the Thuraya Satellite Telephony Project. Our interest in this sector continued vigorously. Out of 22 operations totaling approvals of USD 143.1 million in the past three years or so, 6 operations amounting to USD 60 million, were in the ICT sector, representing 42% of the total ICD portfolio.

## ICD Portfolio by Sector (May 2003)



### **ICD Telecom Focus:**

ICD seeks to employ its financing and to mobilize resources from other like-minded institutions to support the growth of private sector and the privatized telecom companies.

In countries where telephone penetration rate is low, ICD strategy aims at contributing to increasing connectivity and access. Examples:

Sudan – Expansion of Fixed line network

Syria – Expansion of Mobile services

Yemen – Expansion of Mobile services

In countries where penetration rates are reasonable compared to the rest of the world, the ICD focus is to contribute to improving the quality and the scope of services. Examples:

UAE – Satellite-based services

Malaysia – Wireless Broadband services

### **ICD's Intervention in the ICT Sector:**

**In Sudan**, where the penetration rate of basic fixed line telephone was only 1.24 lines per 100 inhabitants in 2001, ICD extended a term financing (USD 8 millions) for the expansion of the fixed line network in 33 rural sites in various parts of the country.

Another aspect of this transaction, was the support of a newly privatized company at that time. Sudatel is one of the most successful privatization stories in Africa.

**In Yemen**, where the penetration rate of mobile is less than 2% in 2002, ICD extended term financing (USD 10 millions, and will arrange a similar amount) for SABAFON, one of the two GSM operators in the country. ICD also participated in the equity of the company and attracted other institutional investors to inject capital to help the company prosper and stabilize after a period of uncertainty and growing pains.

**In Syria**, which has been late in introducing the mobile telephony services compared with other countries in the region, and where the penetration rate of mobiles, although growing rapidly, was still around 2%, ICD has extended term financing (USD 10 millions) to Spacotel-Syria for the expansion of its mobile network and the introduction of the prepaid services in the country. Spacotel-Syria founded and managed by Investcom, a conservative but very successful group that proved itself in several ventures across the region.

**In Malaysia**, one of the most sophisticated ICD Member Countries, the liberalization of the market has taken its course rendering healthier competition and higher quality of telecom services. However, the telecom infrastructure has not been able to keep up with the aspiration of the Government in implementing its National Agenda on Information & Communication and Technology (ICT). The old infrastructure and the congestion of underground cabling and piping works in the country are rendering any expansion very difficult and costly. With all the initiatives in e-government, e-education, etc., the demand for broadband services has increased tremendously, necessitating creative solutions such as the provision of broadband services via “wireless last mile” solution. This technology has the advantages of rapid deployment, lower costs and higher capacity.

ICD has supported AtlasOne, a promising company founded by local young and energetic entrepreneurs, by extending term financing (USD 7 million) for the expansion of its wireless broadband network. The services have been launched in the Kuala Lumpur area and expected to expand through several stages to cover all the major cities in Malaysia.

The advances in the ICT sector **in the UAE**, is a source of pride for us in the Arab and developing world. Etisalat, together with several telecom companies from the region, has embarked on the pioneering satellite-based telecommunication project of Al-Thurya. The services of Thuraya cover almost all the member countries of ICD. The costs of implementing such project is definitely beyond the means of one or two institutions. ICD participated in the Islamic Leasing Facility (with USD 10 millions) to finance the ground station in the emirate of Sharjah. ICD believes that the project provides an essential service that is still needed in the developing countries. This need was unquestionably proven in the recent events in the region.

Another involvement in the ICT sector was the establishment of **Injazat Technology Fund**, a pioneering regional venture capital fund that was created to invest in promising Information Technology and Telecommunication companies in the Middle East and North Africa Region (MENA). The fund, named Injazat (*in Arabic Injazat means achievements, hopefully to reflect our hunger to achieve concrete results*), is a unique example of partnership between a multilateral development institution (such as ICD), and a regional investment bank (such as Gulf Finance House - GFH). This partnership in such a new field is definitely a key development factor in today's world. This distinctive shareholding structure manifests itself in the operational strategy of Injazat. Indeed, the Fund seeks both developmental impact and capital gains through investing in promising technology companies from the Region. The fund is being managed by a young and dynamic team operating from Dubai Internet City in Dubai (UAE).

### **ICD Future Focus:**

The focus of ICD in the future will be along the following lines:

- The expansion of existing companies in our member countries, where the financing of ICD and its ability to mobilize resources is needed.
- ICD intends to continue to build its capacity in this field by enhancing its relationship with regulators in the region, and advising emerging companies and creating synergies among them.

- ICD is looking forward for a rebound in some of the ICT sub-sectors that could be financed through venture capital with the objective of supporting and invigorating the creative entrepreneurs in the region.

### **In Conclusion,**

The ICT sector is essential for development, as it is a vital engine for growth and a catalyst for almost all other sectors in the economy. In addition to the high development impact, the sector entails substantial elements of private sector involvement and high returns, which is in line with the mandate of ICD. Therefore, ICD is committed to the ICT sector and will continue to employ its capabilities in funding and mobilizing resources for the sake of development in our member countries.