



ORGANISATION OF THE ISLAMIC CONFERENCE  
STATISTICAL, ECONOMIC AND SOCIAL RESEARCH  
AND TRAINING CENTRE FOR ISLAMIC COUNTRIES



# OIC OUTLOOK

8 May 2008

---

## SAVING, INVESTMENT AND EXPENDITURE TRENDS IN THE OIC MEMBER COUNTRIES

Attar Sokak No: 4, 06700 GOP, Ankara, TURKEY  
Tel: +90-312-468 6172 (4 lines) Fax: +90-312-468 5726  
E-mail: [oicankara@sesrtcic.org](mailto:oicankara@sesrtcic.org) Web: [www.sesrtcic.org](http://www.sesrtcic.org)

# OIC OUTLOOK

## SAVING, INVESTMENT AND EXPENDITURE TRENDS IN THE OIC MEMBER COUNTRIES

---

### SAVINGS AND INVESTMENTS

---

The importance of savings and investments for the development and growth of any economy is well documented in the economics literature. Savings are the main source of funds to finance capital investment, while the share of total GDP that is devoted to investment in fixed assets is an important indicator of future economic growth for an economy. However, the levels of savings and investments in developing countries, including some of the OIC member countries, are not satisfactory. Comparing the 1993-1995 and 2004-2006 averages of gross savings and investments in fixed assets as a % of GDP for the OIC member countries shows that much has to be done in this regard.

Figure 1 displays the gross savings as a % of the GDP of the individual OIC member countries as well as those of the world and OIC averages in the two time periods of 1993-1995 and 2004-2006. It is observed that, although there was a slight decrease in the average savings of the OIC group as a whole compared to the decrease in the world average, some member countries like Algeria, Azerbaijan, Bangladesh, Gabon, Guinea-Bissau, Kazakhstan, Nigeria, Senegal, Uzbekistan and Yemen increased their savings as a % of their GDP. In contrast, a sharp fall occurred in the case of a few OIC countries such as Turkmenistan and Jordan, and even turned to be negative in Lebanon.

On the other hand, Figure 2 displays the gross fixed capital formation as a % of the GDP of the individual OIC member countries as well as those of the world and OIC averages in the two time periods of 1993-1995 and 2004-2006. It is observed that the average investment as a % of the GDP of the OIC group showed a quite decrease in the period 2004-2006 compared to the period 1993-1995. Yet, it was still higher than the world average in the two periods. Although some member countries like Albania, Azerbaijan, Cameroon, Chad, Djibouti, Kuwait, Mauritania, Niger, Senegal, Sierra Leon, Surinam and Togo showed substantial improvement, particular sharp declines occurred in Guinea-Bissau, Guyana, Lebanon, Malaysia, Palestine, Syria and Turkmenistan. Among the countries, which increased their share of savings as a % of the GDP, presented in Figure 1, only Azerbaijan, Bangladesh, Gabon and Senegal could transform these savings to investments.

---

## CONSUMPTION

---

Consumption expenditures also play a central role in macroeconomic activity affecting both short-run business cycles and long-term economic growth. Rising levels of consumption expenditures generally stimulate the economy. Figure 3 and 4 show, respectively, the average household and government final consumption expenditures as a % of the GDP for the individual OIC countries as well as the world and OIC averages in the periods 1993-1995 and 2004-2006.

It is observed that, although it was still higher than that of the world average, the average OIC household final consumption expenditures as a % of the GDP declined in 2004-2006 compared to that of 1993-1995 time period. At the individual country level, only Comoros, Jordan and Tajikistan showed substantial increase. Most of the countries faced a decline with the sharpest ones recorded in Algeria, Azerbaijan, Chad, Kazakhstan and Nigeria.

The average OIC general government final consumption expenditures as a % of the GDP also declined in the period 2004-2006 compared to that of 1993-1995 time period, but it was still higher than the world average. At the individual country level, Bangladesh, Benin, Egypt, Guinea-Bissau, Guyana, Maldives, Mauritania, Morocco, Nigeria, Palestine, Suriname, Turkey, Turkmenistan and Uganda realized considerably high levels of government consumption expenditures. The rest of the OIC countries, on the other hand, realized either almost no change or a decline in government consumption expenditures in 2004-2006 compared to 1993-1995, with a significant decline particularly in the case of Azerbaijan, Comoros, Djibouti, Kuwait, Qatar, Tajikistan and Uzbekistan.

---

## POLICY RECOMMENDATIONS

---

Consumption, Savings and Investment show mixed trends among the OIC member countries due to heterogeneous and diverse nature of the OIC as a whole. So keeping in view this diversity, following policies, with different levels of emphasis pertaining to domestic conditions, could be the best options at the national level:

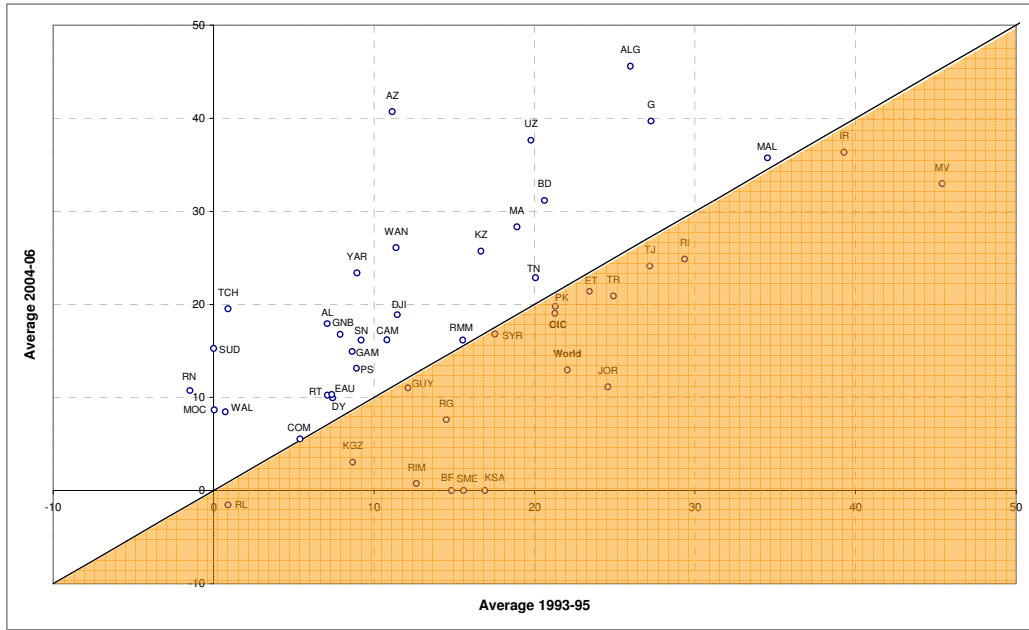
- The importance of science & technology for the economic development and growth of an economy is well established. Hence more funds should be allocated for enhancement of science & technology.
- Encouragement of productive long term investment by providing incentives like tax exemption, subsidized interest rate etc.
- Improve the entire framework for financial support of Small & Medium Enterprises (SMEs).

- In order to promote a favorable Business environment and decrease the cost of doing business unnecessary complex regulations, licensing and other institutional bottlenecks should be removed. An improvement in business environment will decrease the cost of doing business and will encourage the investors to put their savings in business.
- Savings should be properly channeled by the financial sector to productive projects. As inefficient transmission of savings into investment could lead to capital flight and discourage the domestic savings. Hence policies that promote domestic savings must go hand in hand with policies designed to step up productive investment.

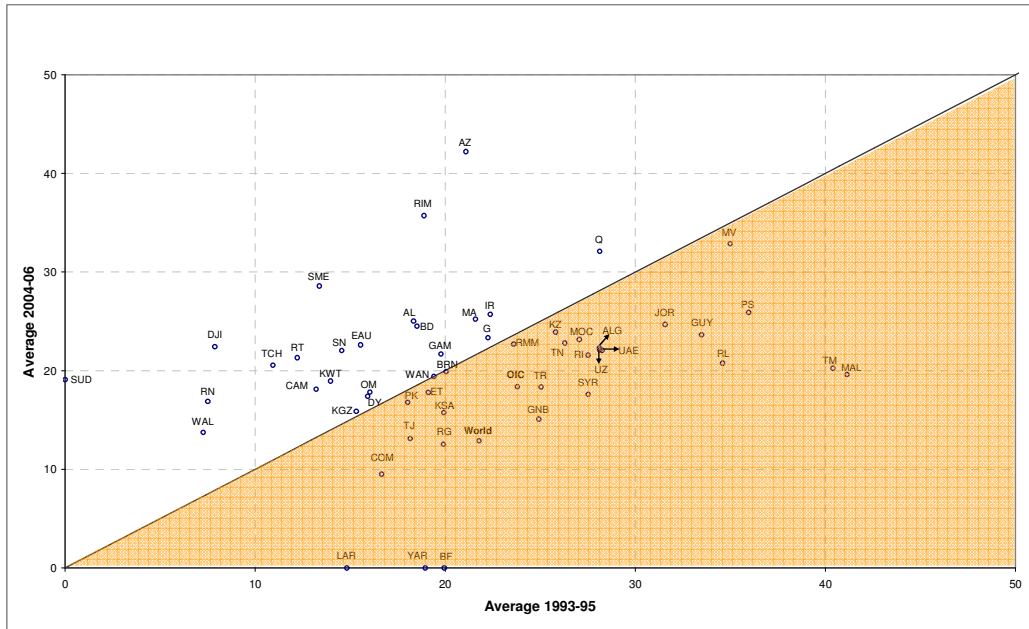
While at the Intra-OIC level, following steps can improve the economic environment substantially by enhancing saving and investment; and thereby growth and standard of living in the member countries.

- Financing infrastructural development projects, research, education and health to help create the required enabling environment for economic development and growth.
- Promotion of FDI in member countries:
  - Adopt efficient communication strategies to increase the awareness of potential foreign investors of the opportunities of investment in the member countries.
  - Promotion of joint venture among OIC members as well as other foreign partners.
- Advisory services to members and their national institutions in the formulation of macroeconomic policies, investment incentive packages and project identification.

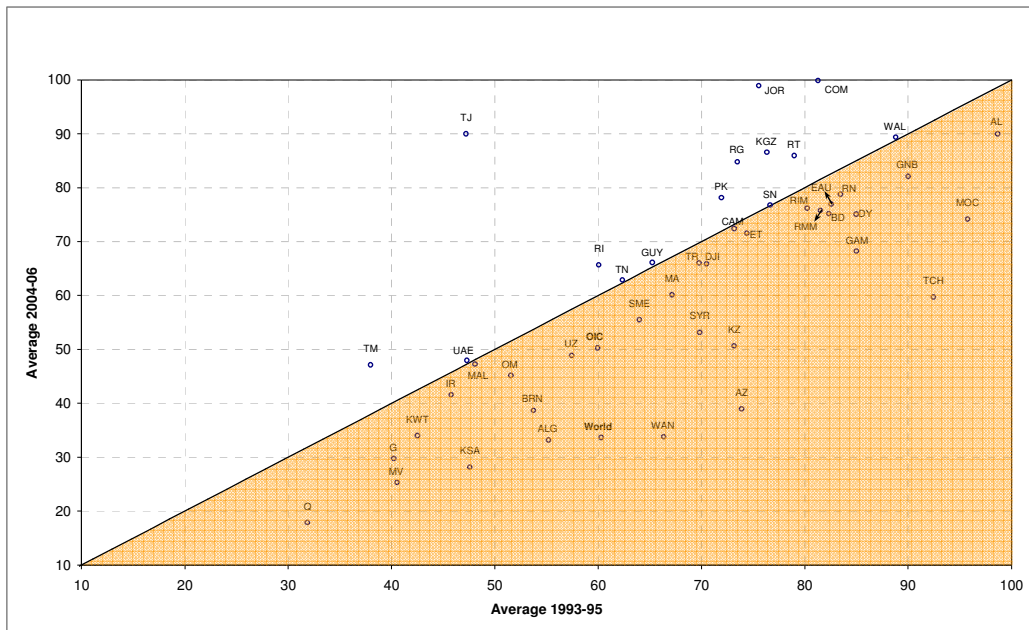
**Figure 1: Gross Savings (% of GDP)**



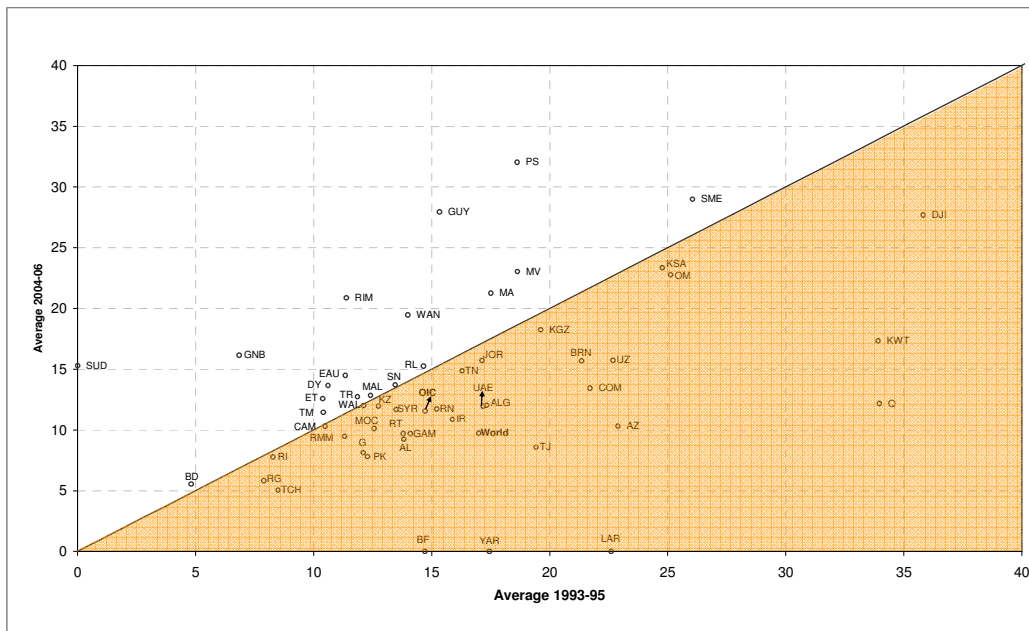
**Figure 2: Gross Fixed capital Formation (% of GDP)**



**Figure 3: Household Final Consumption Expenditures (% of GDP)**



**Figure 4: Government Final Consumption Expenditure (% of GDP)\***



\* Note: Averages for all four indicators are calculated by using World Bank Development Indicator database.

**Explanation of Acronyms:**

Afghanistan (AFG), Albania (AL),Algeria (ALG), Azerbaijan (AZ),Bahrain (BRN), Bangladesh (BD),Benin (DY),Burkina Faso (BF), Cameroon (CAM),Chad (TCH), Comoros (COM), Djibouti (DJI), Egypt (ET),Gabon (G), Gambia (GAM), Guinea (RG), Guinea-Bissau (GNB),Guyana (GUY), Indonesia (RI), Iran (IR), Jordan (JOR), Kazakhstan (KZ), Kuwait (KWT), Kyrgyz (KGZ), Lebanon (RL), Libya (LAR), Malaysia (MAL), Maldives (MV), Mali (RMM), Mauritania (RIM), Morocco (MA), Mozambique (MOC), Niger (RN), Nigeria (WAN),Oman (OM), Pakistan (PK),Palestine (PS),Qatar (Q),Saudi Arabia (KSA), Senegal (SN), Sierra Leone (WAL), Sudan (SUD), Suriname (SME), Syria (SYR), Tajikistan (TJ), Togo (RT), Tunisia (TN), Turkey (TR),Turkmenistan (TM),Uganda (EAU),United Arab Emirates (UAE), Uzbekistan (UZ),Yemen (YAR)