



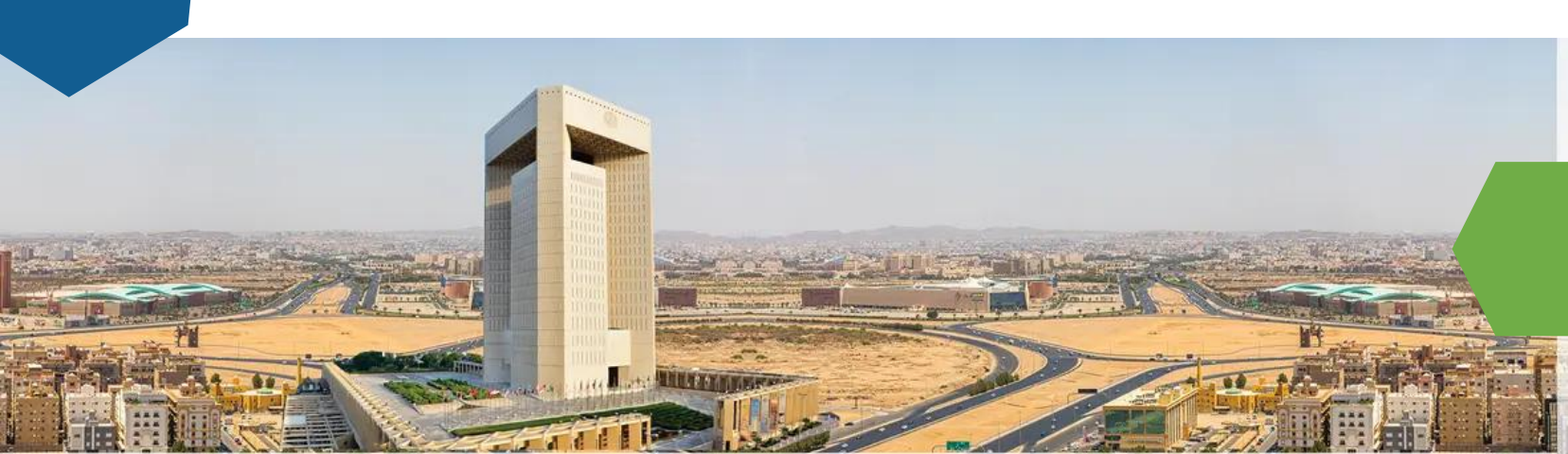
Unlocking Prosperity in OIC Nations

Bridging the Informality Gap Through Digital Transformation and Innovative Financing

 **Bukhari M. S. Sillah**

Group Chief Economist
Islamic Development Bank





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Formalizing the Invisible Economy



Development Challenge

Informality erodes tax bases, fair competition, equality, and institutional trust.



Pathway 1 Digitalization via E-Government

Digital infrastructure and automated compliance lower the appeal of informality.



Pathway 2 Equitization via Islamic Finance

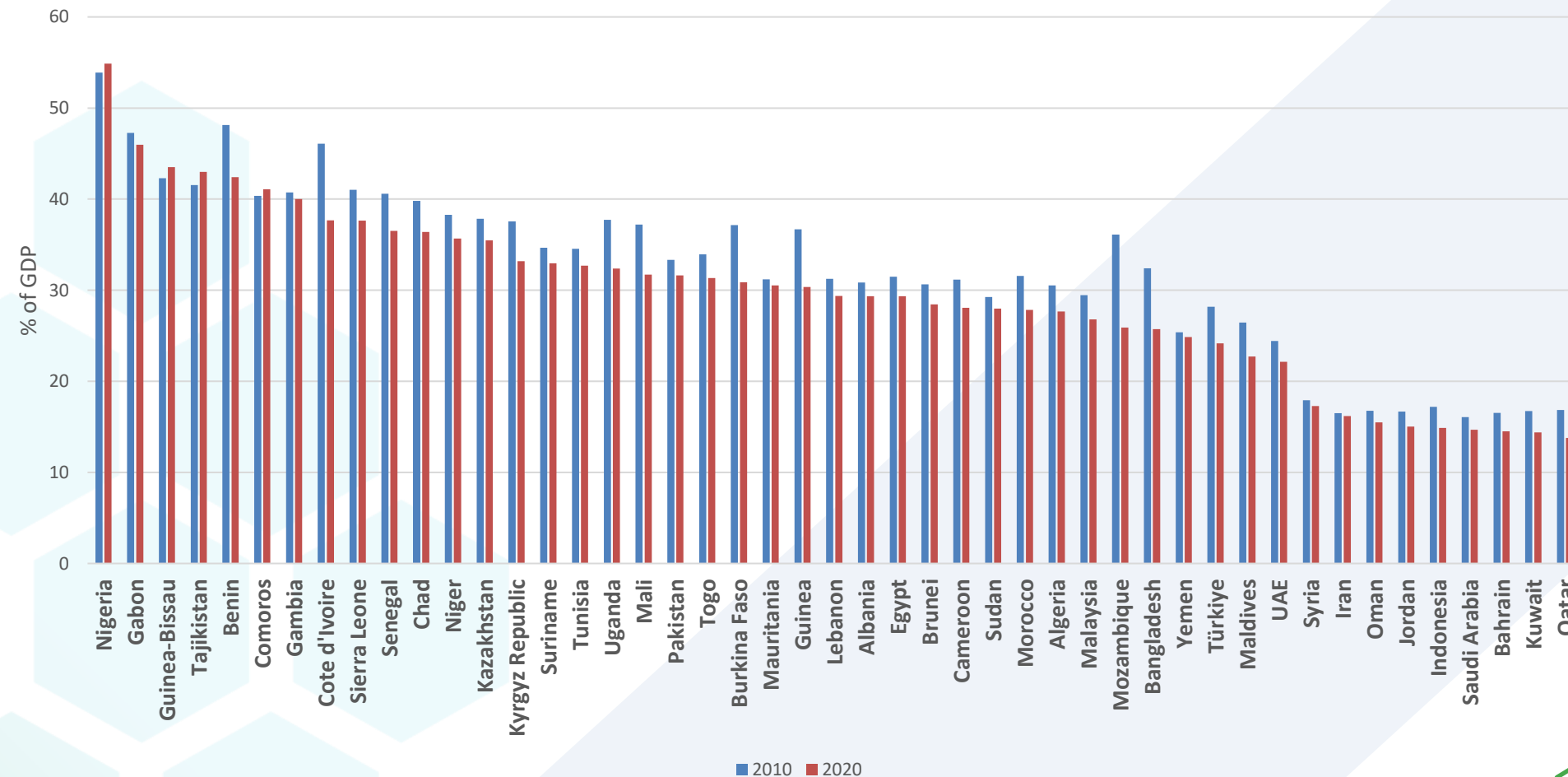
Sukuk-style, asset-backed finance channels informal capital into regulated frameworks.



Digitalization reduces formalization friction while Islamic asset-backed mechanisms extend regulated reach to excluded actors.

The Informality Challenge: OIC Economies Face Massive Unrecorded Output

Informal Economy Output as % of GDP



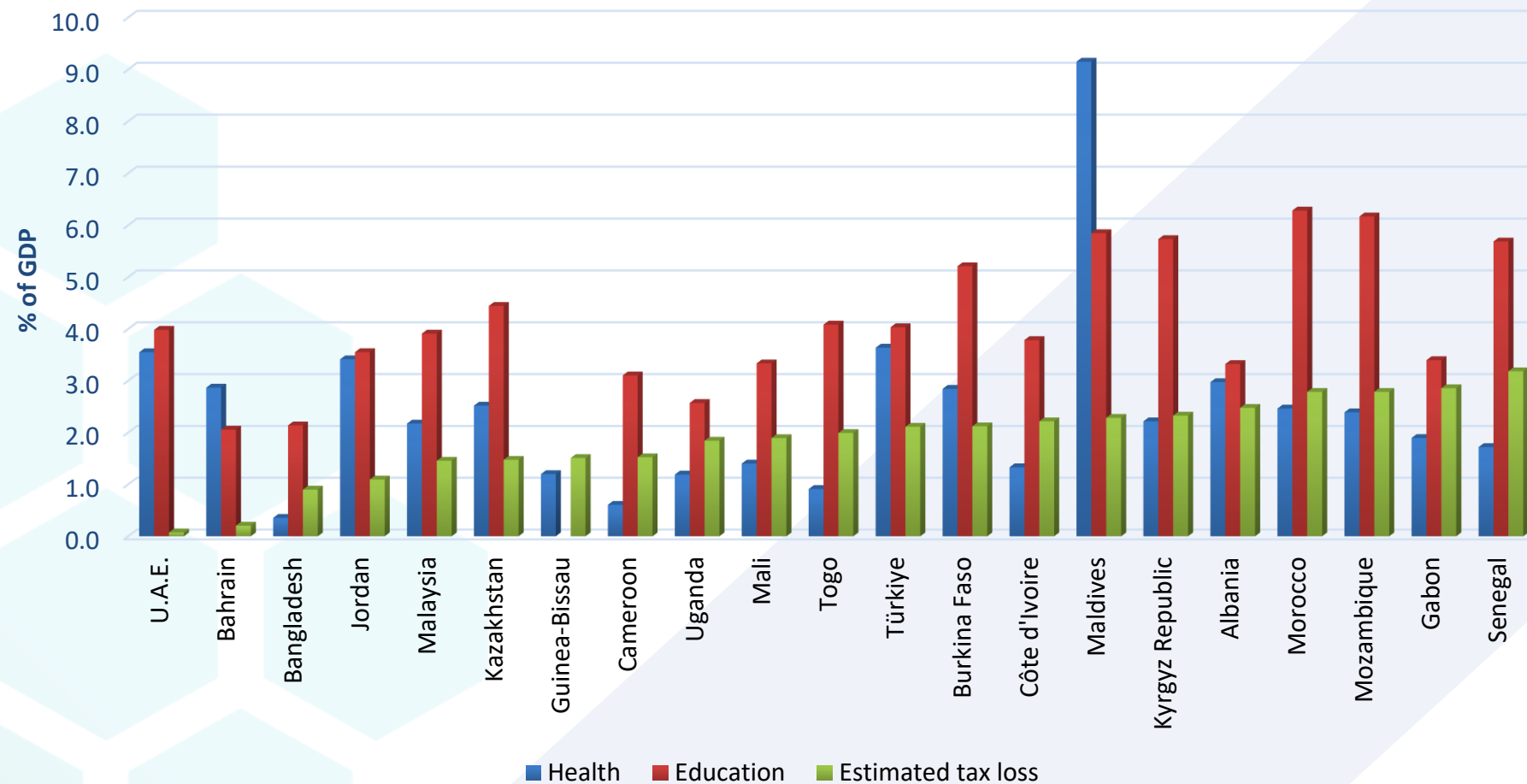
Key Findings

- The informal economy is pervasive across OIC member countries, averaging 30.0% of total GDP and accounting for nearly 80% of total employment, which is significantly higher than the global average of 57%.
- High informality is strongly correlated with working poverty rather than low unemployment, as the informal sector acts as a last-resort employer for vulnerable workers who lack social protections and access to financial intermediation.

Source: <https://www.worldbank.org/en/research/brief/informal-economy-database>
And International Labour Organization, 22 June 2026

Fiscal Erosion: Tax Losses constrain Critical Human Development Spending

Tax Losses vs Health & Education Spending (% of GDP) - OIC Countries



Key Insights

- In several OIC countries, the revenue lost to the shadow economy is greater than the entire government health budget, creating a massive opportunity cost for public service delivery.
- Huge informal sectors prevent countries from reaching the 15% tax-to-GDP 'tipping point' advocated by the World Bank.

Source: World Bank, World Development Indicators, 30 June 2026 and tax loss is estimated by the author

Digital Economy Framework

Digital Economy Pillars

The digital economy encompasses all economic activities enabled by digital technologies, transforming global industries through connectivity, advanced computing, and data-driven insights.

01 Connectivity Infrastructure

Establishing robust foundations through high-speed broadband and 5G/6G networks to ensure seamless global communication.

03 Contextual Data

Leveraging vast datasets and diverse digital content to provide meaningful insights and value within the digital ecosystem.



02 Compute Power

Utilizing advanced AI chips, scalable cloud platforms, and modern data centers to process complex information at scale.

04 Digital Competency

Developing human capital and digital literacy to empower individuals to effectively navigate and lead in a tech-driven world.

Internet Use and Capability Across IsDB MCs



Connectivity Infrastructure Gaps

IsDB internet usage at **60.77%** lags the world average of **71.20%**, showing significant digital infrastructure gaps.

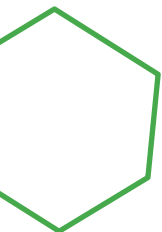


Connectivity as Foundation

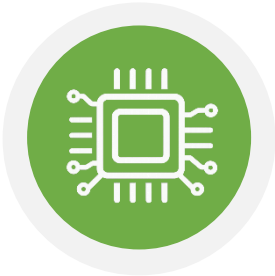
Secure server levels are only **9.3%** of the world average, with widest gaps noted in Kampala and Dakar hubs.

Economy	Individuals using the internet (% of population)	Secure internet servers (per 1 million people)
IsDB	60.77	1531.72
IsDB Abuja (Nigeria) Hub	37.48	75.25
IsDB Almaty (Kazakhstan) Hub	86.04	2309.15
IsDB Ankara (Türkiye) Hub	65.10	3411.22
IsDB Cairo (Egypt) Hub		58.09
IsDB Dakar (Senegal) Hub	39.13	40.80
IsDB Dhaka (Bangladesh) Hub	53.52	529.50
IsDB Jakarta (Indonesia) Hub	75.62	3463.39
IsDB Jeddah (Saudi Arabia) HQ	91.57	463.22
IsDB Kampala (Uganda) Hub	16.98	41.54
IsDB Rabat (Morocco) Hub	80.93	390.00
Low Income Countries	22.50	26.42
Lower Middle Income Countries	58.90	717.15
Upper Middle Income Countries	86.90	3110.16
High Income Countries	93.00	85831.18
World	71.20	16381.47

Source: The World Bank, World Development Indicators, 30 June 2026



Measuring Digital Economy



Core Digital

Purely digital industries like ICT manufacturing, software, cloud computing, and digital content. These products are digital by nature and delivered primarily via ICT networks.



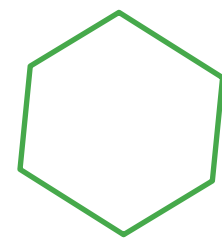
Narrow Digital

Core industries plus e-commerce, digital ads, and professional services. Captures direct value from producing digital goods while excluding downstream tool-using industries.



Broad Digital

Total economic value of digitalization across the economy, including digitally enabled portions of non-ICT sectors like retail, transport, and telehealth services.



Global Digital Economy

Market Size:

The digital economy comprises **15%** of global GDP, reaching **\$16** trillion in 2024 out of a **\$108** trillion total economy according to World Bank data.

AI Expansion:

Market set to grow **37.3%** annually to **\$400** billion by 2030, contributing a projected **21%** net increase to the overall global GDP performance.



Infrastructure:

Global data center footprint is set to more than double from **33** GW currently to **78** GW by 2028, marking a critical infrastructure inflection point.

Growth Projection:

Steady expansion at **9.5%** in 2026, reaching **US\$28** trillion and representing **22%** of global GDP.

Digital Services:

UNCTAD reports that exports of digitally delivered services hit **\$4.9** trillion in 2024, representing **55.9%** of all global services exports today.

IsDB Digital Service Export

Economy Name	Digital Exports (% Services)	Value (US\$ Million)	Global Comparison
IsDB Aggregate	21.74%	151,289.0	Below Global
Abuja Nigeria Hub	31.88%	2,416.1	Regional Lead
Almaty Kazakhstan Hub	19.41%	4,272.8	Moderate
Ankara Türkiye Hub	16.63%	25,361.3	Moderate
Cairo Egypt Hub	14.31%	4,311.3	Below Average
Dakar Senegal Hub	21.53%	1,268.6	Emerging
Dhaka Bangladesh Hub	16.01%	1,870.5	Below Average
Jakarta Indonesia Hub	34.39%	31,927.7	Leading Hub
Jeddah Saudi Arabia HQ	21.52%	69,435.7	High Value
Kampala Uganda Hub	6.52%	420.2	Lowest Share
Rabat Morocco hub	22.68%	10,004.38	Emerging
World	55.9%	4,948,052.27	

KEY TAKEAWAY

Digital services show cross-border scale – and clear headroom.

Not the full digital economy, but a globally comparable signal of how cross-border digital services are scaling.

3.1% of global digital services exports are from IsDB MCs.

Source: United Nations Conference on Trade and Development, 17 September 2025

The Digital Lever: E-Government as a Catalyst for Economic Formalization

Digital Transparency

Increased e-government utilization is negatively associated with informal labor demand; a 1% increase in e-government value correlates with a decline of up to 3.4% in informal sector employment.

Institutional Trust

Moving from 'eradication' to 'incentivized self-regulation' through e-applications builds a partnership model that encourages poorly endowed enterprises to transition from informal incubation to formal growth.



Regulatory Streamlining

Complexity in government business processes and excessive regulatory burdens currently drive a 2% increase in informal labor demand for every 1% increase in burden, making simplification a prerequisite for formalization.

Asymmetry Reduction

Digital platforms reduce information gaps between the state and producers, allowing for more precise tax adjustments based on producer endowments rather than rigid, prohibitive flat structures.

Islamic Finance Gap: The Dominance of Debt-Like Asset-Based Sukuk

Feature	Asset-Based (98% of market)	Asset-Backed (2% of market)
Risk Profile	Investors bear credit risk (probability of issuer default) rather than true underlying asset performance	Investors bear asset risk from market value fluctuations, satisfying true risk-sharing principles
Contract Type	Dominated by Bay Bi Thaman Ajil, Murabahah, and Ijarah with repurchase undertakings	Utilizes Mudarabah and Musharakah principles where returns are dividend-based shares of profit
Balance Sheet	Assets remain on the originator's balance sheet; no 'true sale' or perfection of transfer occurs	Requires full sale (true transfer) where assets are moved to an SPV, providing security to holders
Financial Impact	Functions primarily as a debt instrument, leading to unsustainable leveraging and potential financial instability	Acts as an equity instrument that promotes capital market development and limits debt accumulation

Divergent Models: Financing Social vs. Economic Infrastructure

Social Infrastructure Profile

Projects like schools or hospitals that are often not self-financing; they rely on social investors, Waqf funds, and Qard Al-hasan (benevolent loans) to cover construction and operational costs.

Financing Instruments

Social models favor asset-based Sukuk and philanthropist contributions, while economic models leverage asset-backed Sukuk to share risks and returns among a broader base of private investors.



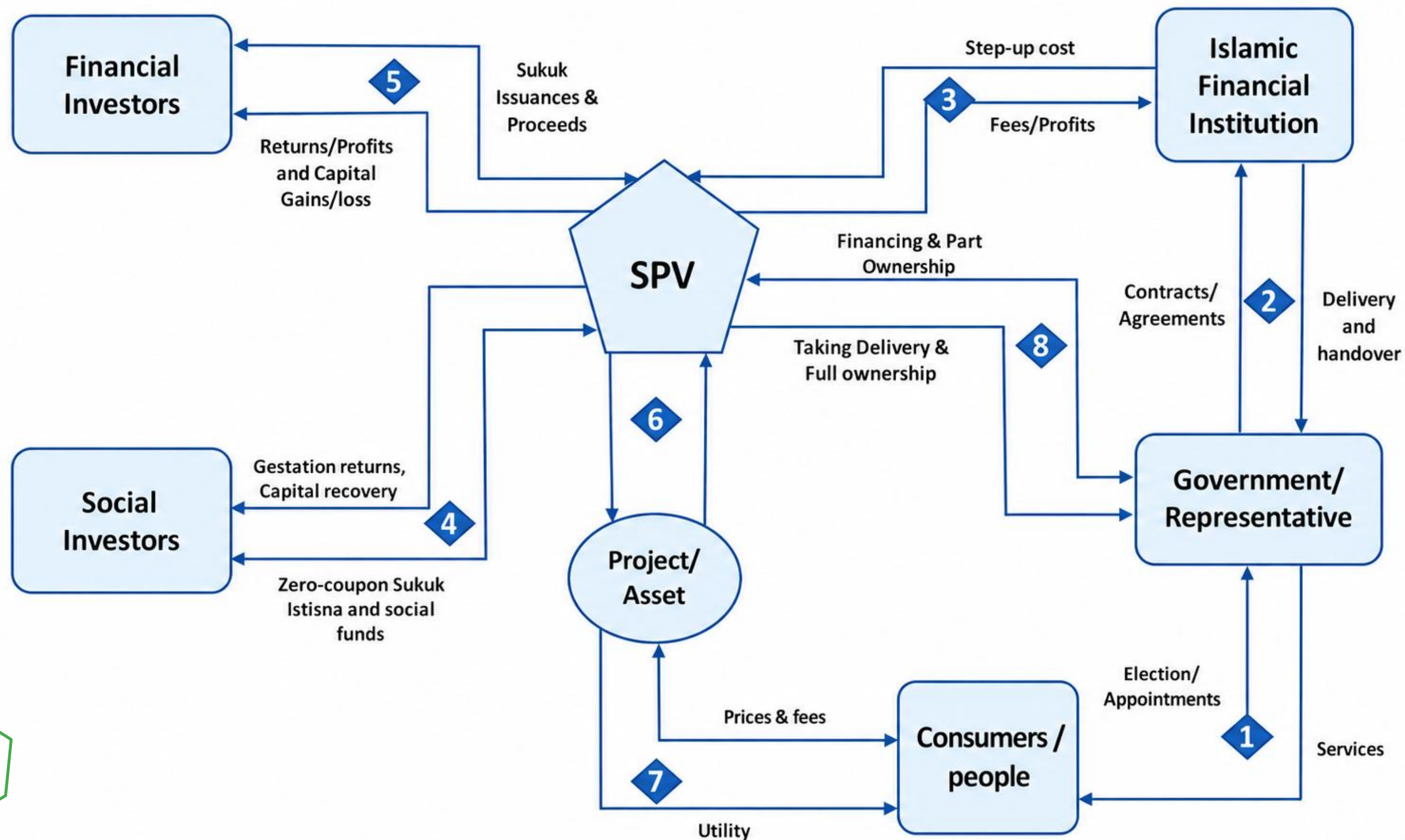
Economic Infrastructure Profile

Revenue-generating assets like toll roads or power plants that can sustain long-term financial investors through performance-linked returns and user fees.

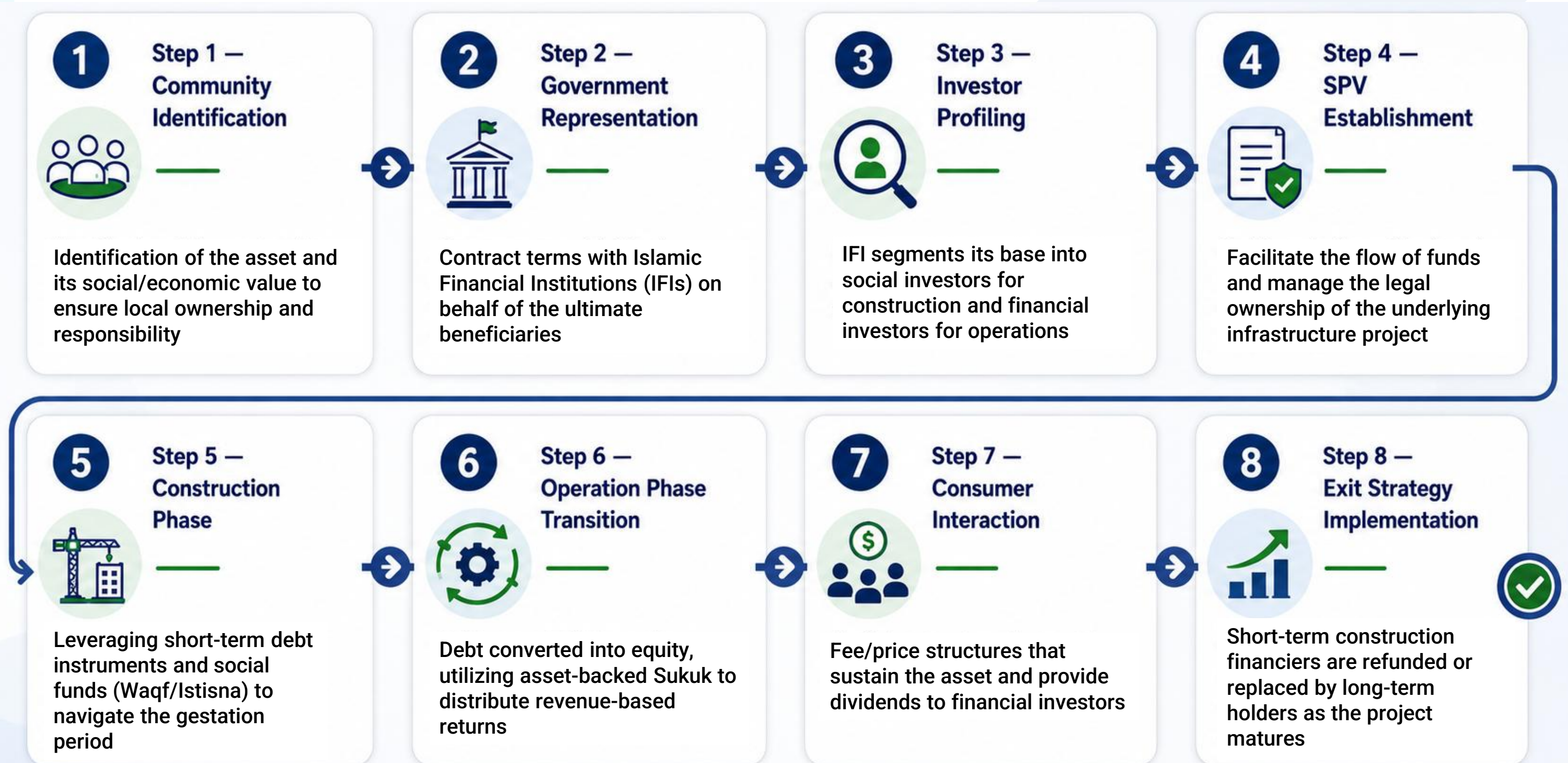
Operational Strategy

Social projects require the state to bear or share the ultimate risk, whereas economic projects shift toward self-financing operation phases that incentivize efficiency and governance.

Project-Backed Sukuk Financing Model



The Project-Backed Model: An 8-Step Lifecycle for Resource Mobilization



Strategic Roadmap: Converting Debt into Equity for Long-Term Stability



Conclusion: A Vision for Integrated Economic Resilience

From Informality to Innovation — Shaping the Future of OIC Economies

THANK YOU

Get in touch:



+966 12 6361400



idbarchives@isdb.org



www.isdb.org

Website

