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on the  
Transfer of Real Resources to Developing Countries)

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**Statement by**  
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**President**  
**Islamic Development Bank Group**



## **ISLAMIC DEVELOPMENT BANK**

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**Dr. Bandar M.H. Hajjar**  
**President, Islamic Development Bank Group**

**97<sup>th</sup> Meeting of the Development Committee**

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On behalf of the Islamic Development Bank (IsDB) Group, I would like to express our appreciation to the World Bank and International Monetary Fund (IMF) for the invitation to participate as an observer at the 97<sup>th</sup> Meeting of the Development Committee. The Agenda for the Meeting is apt given that the global development landscape is being redefined whilst simultaneously facing unprecedented challenges.

### **1. GLOBAL DEVELOPMENT LANDSCAPE**

In 2017, the global economy displayed positive signs of a consistent recovery. This was evident from the broad-based upturn that appeared synchronized across major advanced and emerging economies. While the outlook is positive, uncertainty remains high, fueled by financial vulnerabilities and concerns about inward looking policies. Moreover, long-term growth prospects are subdued, reflecting an insufficient level of investment in both human and physical capital to cope with demographic trends, climate change and disruptive technologies. These challenges suggest heightened difficulties to achieve the 2030 UN global development agenda.

In contrast with the global recovery, economic growth in IsDB member countries slowed down in 2017. This is reflective of the challenges posed by low oil prices and geopolitical tensions in the Middle East and North Africa region. However, the signs of resilience are evident as many countries have embarked on structural reforms to limit macroeconomic imbalances and diversify their economies. These reforms, combined with improved commodity prices are expected to support growth recovery in 2018 and beyond. Nonetheless, downside risks stemming from both commodity and financial markets, geopolitical tensions and inward-looking policies remain. Notwithstanding this uncertainty, the IsDB continues to encourage and support its member countries maintain the reform momentum, with a strong focus on fiscal consolidation, prioritization of high impact investment, creating an attractive business environment for private sector, and building institutional capacity.

## 2. CHANGING DEVELOPMENT DYNAMICS

International cooperation and multilateralism stand at the crossroads. On the one end of the spectrum, the development landscape is being redefined as the rise of populism and nationalism confronts the increasing connectivity, partnership and multilateralism mindset. Simultaneously, new development partners are playing an increasing role in the socio- economic development process throughout the world. This has forced multilateral development banks (MDBs) to relook at their modus operandi and redefine their role in the new era. On the other end, rapid technological progress, climate change, urban expansion and demographic transitions necessitate rethinking on how we design and implement programs in a more effective and efficient manner whilst ensuring strong, sustainable, balanced and inclusive economic growth.

### SUSTAINABLE FINANCING FOR SUSTAINABLE DEVELOPMENT

Against the backdrop of the need to deliver on the development agenda whilst being confronted with these changing dynamics, and limited financial resources, one of the challenges that currently confronts the development community is that of sustainable financing. We are aware that the annual financing gap to deliver on the Sustainable Development Goals (SDGs) is estimated at around \$2.5 trillion per annum. Hence, the key questions that we need to respond to are the following:

- How do we bridge the financing gap?
- Are there non-traditional partners that could help us achieve these lofty goals?
- How do we crowd-in such partners to support us in our quest to transform the landscape of comprehensive human development?
- How do we continue to support the growth and development of our member countries in a manner that is financially sustainable?

Against this backdrop, the challenge of effectively and efficiently mobilizing and allocating resources in a financially sustainable manner is one of the key priorities of the IsDB Group. This has resulted in the refocusing to leverage on the power of partnerships for sustainable development. Under the IsDB President's Five-year Program, the Bank has taken significant steps towards implementing a reform agenda, which will transform it into a "*Bank for Development and Developers*". This entails leveraging and building on partnerships with governments, private sector, NGOs, civil society, philanthropic institutions, universities, research centers etc. to deliver on our development mandate through crowd-sourcing.

Historically, IsDB used to implement a full development process from inception to post- evaluation by itself. Now, IsDB has become a global open platform that will allow beneficiaries to self-organize and lead the development process by themselves. The role of IsDB would evolve to providing beneficiaries with the tools, global networking, and resource mobilization for infrastructure required to deliver the desired development impact. In this context, the IsDB has launched a comprehensive *Developer Platform* connecting it to a full spectrum of individual and institutional financiers and experts all over the world. It is envisaged by leveraging on the resources of development partners, we will be in a position to better deliver on our mandate in a more financially sustainable manner.

With regard to sustainable financing for sustainable development, the potential of Islamic Finance and its potential to bring in more resources (Sukuk, Zakah, Waqf, etc.) needs to be highlighted. Islamic Finance by its nature is amenable to long-term social inclusion and economic development encompassing most of

the SDGs. Since Islamic Finance is based on real sectors (and as such is more sustainable), it tends to be safe from speculative activity which was central to many financial crises.

## **PARTNERING FOR DEVELOPMENT**

During the IsDB Annual Meeting in Mozambique in 2014, the Bank announced a partnership with the Bill & Melinda Gates Foundation to establish a \$2.5 billion Lives and Livelihood Fund (LLF). Subsequently, other donors namely King Salman Center for Relief and Humanitarian Aid, Saudi Arabia; Qatar Fund for Development and **Abu Dhabi Fund for Development** joined, aiming at providing the least developed member countries (LDMCs) with increased concessional resources targeted at health, agriculture and basic infrastructure projects/ programs. Under the LLF, more than \$600 million was approved for projects in health, agriculture development, and basic infrastructure mainly for LDMCs in West Africa. The LLF provides member countries with an opportunity to finance essential projects and to benefit from the important social and economic returns they deliver in the longer-term. In addition, a further \$500m was contributed for the Arab Funds and Fael Khair Program during the Arab Summit held in March 2017.

## **SUSTAINABLE DEVELOPMENT GOALS**

The IsDB's commitment to the SDGs is indeed a reaffirmation of the commitment to its own Vision of comprehensive human development. The Group is committed to contributing effectively and efficiently to the achievement of the SDGs in all its 57 member countries. The Bank is undertaking activities to enhance awareness, ensuring alignment (at the project level and at the country program level) and adapting plans to accommodate the SDGs. We recognize the 2030 Agenda for sustainable development as a global framework and the commitment of our 57 member countries to the SDGs; however, we start from the development needs of our countries and respect their priorities with regard to the SDGs. Our Member Country Partnership Strategies (MCPS) always strive to align the possible interventions of IsDB Group with the selected SDGs of the national development plans of the countries served.

The IDB also intends to help exchange experiences between member countries in aligning their national development plans through the Reverse Linkage and technical cooperation programs, transferring knowledge and expertise among member countries. We are continuously looking for ways to enhance the statistical capacity and the capacity of multi-stakeholders, including parliamentarians and NGOs, in influencing the planning, budgeting, supervision and monitoring of progress in the implementation of the SDGs. The power of Science, Technology and Innovation (STI) in helping achieve the SDGs should not be underestimated. As such, the IsDB has increased its focus and attention in this area. It is worth mentioning in this context that the whole world and the international development community are continuously realizing that STI is at the heart of the SDGs agenda and the key strategic driver to achieve the SDGs.

## **SCIENCE, TECHNOLOGY AND INNOVATION**

Aware of the strategic importance of STI and as part of the new IsDB organization structure, we have established a special Department for STI and have developed a new Road Map that includes a number of initiatives, including partnership with public and private sectors to promote the transfer of knowledge and innovation between institutions and countries. Such initiatives include:

- *Engage*: The IsDB has launched the first ever Online Platform '*Engage*', which aims to connect innovations with market opportunities and funding. Engage Platform is the perfect online environment to interact and engage with a large network of major stakeholders around the world such as NGOs, government policy makers, researchers, scientists, and private sector to showcase their imaginative ideas to address sustainability challenges in our member countries, more

specifically in 6 SDGs which are clean water and sanitation, affordable and clean energy, good health and well-being, quality education, zero hunger and infrastructure. The Platform offers three main services: Match Making, Technology Transfer, and Call for Innovation. Through *Engage*, innovators, SMEs, private sector companies and Governments will benefit from tailored mentoring services and expert know-how that will help them take their ideas and proposals to internationally recognized standards.

- *Transform*: To further ensure that innovators, startups and corporations have access to a steady flow of financing facilities, the IsDB has established a special “*Transform Fund*” with a target capital of \$500 million to support science, technology and innovation initiatives in our member countries. It will drive meaningful changes to millions of people by giving scientists, technologists and innovators the opportunity to make a difference to the world around them. The Fund provides seed money for innovators, startups and SMEs to develop their ideas and compose a strong business proposal. *Transform* can also provide funding for the commercialization of technology developed through sustained partnerships among researchers and entrepreneurs as well as capacity building. Through *Transform*, innovative ideas will be translated into real development solutions that will address development challenges and empower the communities and youth in particular to realize their full potential and bring lasting solutions to the SDGs in areas with urgent humanitarian challenges. The establishment of an Intellectual Property (IP) Office to promote IP awareness will help our member countries develop sound science, technology and innovation policies, support commercialization and promote an innovation ecosystem.
- *STI Policy Framework*: In partnership with UNESCO, the Framework aims to help the Bank chart its own STI Policy as well as act as a leader to provide capacity building in our member countries to develop their own national STI Policies.
- The transformation of the IsDB Scholarship Programme to empower promising talent in the member countries and the Muslim communities in the non-member countries with the right education in fields related to sustainability science to contribute to the development of their communities and pass on the knowledge for generations to come.
- Training women to become engineers and active developers in their local communities.
- Providing the first of its kind programme for refugee scientists and the thousands of researchers and advanced students in science-related disciplines who have migrated from areas of conflict to other countries. These scientists and students represent the loss of an incredible amount of expertise and potential value they can provide useful skills and insights in their host countries, and someday they will return home to help rebuild their communities.
- Providing capacity development opportunities for scientists and decision makers to have a constructive dialogue on the hurdles and obstacles that prevent innovative scientific and technological solutions to flourish in our members and thus contribute to reverse brain drain.

## **EMPOWERMENT OF WOMEN**

A key element for strong, sustainable, balanced and inclusive economic growth is to ensure the participation of women in the development process. Under the overarching goal of ensuring that no one is left behind, it is essential to give specific focus and proper attention to supporting women, who tend to make up the majority but are excluded from the development process. In its interventions in member and non-member countries, the IsDB contributes to the empowerment of women by supporting operations, which provide

economic opportunities for women, improve their access to essential services such as education and health, improve their housing conditions in urban dwellings, and support their financial inclusion through the provision of Islamic financial products. In line with the strategic agenda of the Bank, women are part of the consultation process and are active participants in implementing the development agenda of the Bank. Through the President's Five-Year Plan, the IsDB is turning its commitments towards women's empowerment into tangible actions by increasing financial, technical, and human investments in programs and initiatives that create opportunities for women to participate in, and benefit from its development interventions.

Among the various initiatives targeting women is the “*SheCAN*” Initiative, championing the empowerment of women. In this regard, the IsDB continues empowering women through targeted interventions and improved access to education, health, financial and non-financial services, agricultural inputs, and infrastructure that leverage women's empowerment. The “*SheCAN*” Initiative is based on the reality that women's empowerment is integral to the IsDB member countries' economic and social development, and thus it lies at the heart of IsDB's Strategy. The Bank has a particular interest in increasing women access and engagement in scientific fields. It invests in such initiatives that support increasing access by women to affordable and quality technical, vocational and tertiary education in higher education and scientific research. In addition, the contribution of women in the socio-economic development process is recognized through the IsDB Prize for Women's Contribution to Development.

## **DISASTER RISK MANAGEMENT**

Human-induced and natural disasters are increasingly becoming ubiquitous in recent years affecting our lives and ecosystem in an unprecedented manner. The last three years have seen global temperature on the rise and much higher than at any period in human history. This phenomenon has severe consequences on the economies of many member countries who are struggling to address other pressing development challenges. Disasters take different patterns and manifest themselves in various form of natural occurrences, all of which need to be managed to minimize collateral damages. Another form of disaster stems from fragility and conflicts which have become more widespread. It is estimated that about one third of IsDB member countries are in fragile situations. The underlying causes of fragility, notably weak institutional capacity, lack of social inclusion, political instability and conflicts do not only hinder development outcomes in the affected countries; they also trigger spillover effects, with security and humanitarian crises spreading into neighboring countries. In this context, strengthening regional and international cooperation, specifically on rapid response mechanisms and coordinated interventions are key to delivering basic social services and preserving lives and livelihoods.

In terms of disasters arising out of fragility, the IsDB continued to extend relief assistance including support for education and health services, and capacity building through provision of microfinance services, and training in member and non-member countries. Recently, relief assistance operations focused on providing basic social services to Internally Displaced Persons (IDPs), refugees, and people affected by natural and man-made disasters in both member countries and non-member countries especially Yemen, Iraq, Somalia, Philippines, Bosnia, Fiji, Sudan, and Eritrea. In line with its partnership mindset, the IsDB continues to leverage finances aimed at providing financial assistance for development projects, emergency response, recovery, and capacity building in concerned member countries.

In the area of disaster-caused by climate change impacts, the IsDB has intensified its efforts by mainstreaming climate change issues in its operational activities and supporting member countries to transition into low-carbon development or green economy. To this end, the Bank has set up a Climate Change Division to coordinate and implement climate-related initiatives and mainstream Nationally Determined Contributions (NDCs) of member countries into project financing. With regard to the Paris Climate Accord, the IsDB Group is committed to systematically mainstreaming climate change action into

its business operations to address one of the biggest development challenges facing member countries. In its effort to leverage resources through partnership, the IsDB is ready to support member countries' efforts to create sustainable systems that are robust, resilient and adaptive to changing climatic conditions.

### **3. REDEFINING THE ROLE OF ISDB FOR SUSTAINABLE FINANCING**

The world, as we know, has changed. Business as usual will no longer suffice. The development landscape is being redefined and our member countries are expecting that we should be: i) *Proactive* - to foresee the future, and make market forces work for development; ii) at the *frontier of development* - to be able to leverage a network of developers that can mobilize financial and human resources to meet the diverse current and future needs of the member countries and iii) *Fast and Adaptive* - able to avail financing when needed, and respond to the emerging countries' priorities.

One of our major objectives is to expand and deepen existing partnerships and seek new partners by harnessing strengths and comparative advantages of all parties involved. Therefore, the theme of this year IsDB Annual Meetings in Tunis, Tunisia, was "*Partnerships for Sustainable Development: working together to drive human capital development, innovation and digital transformation*". In this context, the IsDB is leading and promoting a paradigm shift in its development interventions. The focus is now on making markets work for development. The IsDB has launched a comprehensive *Developers Platform* connecting it to a full spectrum of individual and institutional financiers and experts all over the world. The IsDB is also decentralizing its operations functionally and geographically.

### **4. CONCLUDING REMARKS**

The importance of strengthening partnerships among donors cannot be overstated. Working in partnership means institutions can better deal with the multifaceted development challenges facing member countries much better, rather than trying to tackle them alone. With this objective, the IsDB has established the "*Partnerships Development Complex*".

As MDBs, we have to play a pivotal role in revitalizing global partnership, leveraging on our regional/global footprint, resource mobilization and technical expertise. Collectively, we need to further coordinate our strategies and operations, establish common principles and dynamic platforms for sharing experiences and best practices.

On behalf of the IsDB Group, I wish the Development Committee fruitful deliberations in its 97<sup>th</sup> Meeting.