DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

NINETY-SECOND MEETING
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Statement by

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On behalf of the Islamic Development Bank (IsDB) Group, I would like to express our profound gratitude to the World Bank and the International Monetary Fund for the invitation extended to us to participate as an observer at the 92nd meeting of the Development Committee, which provides a framework for coordination and an opportunity to debate global development issues.

Introduction

In April 2015, we met in Washington and on our agenda were three priorities: ramping up the pace of the global recovery, addressing the economic fall-out of the Ebola crisis, and supporting ongoing international efforts on designing a new development agenda.

Since then, global economic growth continues to be challenging due to increasing uncertainty over the short-term prospects. The world economy has been affected by an unexpected decline in oil prices, a dramatic appreciation of the dollar, a slowdown in China, and possible shift in the US monetary policy. In addition, there is increased concern about the economic future of the Euro Area. These dramatic upheavals resulted in a mixture of diverging performances: the US economy appears to be on a strong growth path; Europe faces continuing uncertainty about financial stability; China is slowing; Japan is recovering; India is strengthening amid investor optimism; and Brazil and Russia are still trying to deal with the recession.

The international community committed in April 2015 to help stop the spread of infectious diseases, improve public health systems and assist countries in coping with the economic impacts. Despite substantial progress in slowing Ebola and supporting affected countries, the epidemic is not yet over and affected economies remain at risk. International community should continue to assist countries in coping with the economic impact by facilitating trade and promoting investment and employment.

To date, the international community has achieved new milestones towards improving effectiveness in dealing with development challenges. In July 2015, the international community gathered in Addis Ababa for the Third International Conference on Financing for Development to agree on a viable framework to finance the very ambitious post-2015 development agenda. In September 2015, the UN General Assembly in New York formally adopted the new development agenda and the associated Sustainable
Development Goals (SDGs), shaping the path to eradicate poverty, fight inequality and improve access to education and health over the next fifteen years. In December 2015, the UN Conference of the Parties on Climate Change (COP21) will take place in Paris. This conference will be a critical milestone where an international agreement to combat climate change and to boost the transition to a low-carbon economy is expected to be reached.

All these critical global developments coincide with the implementation of the new Ten-Year Strategy of the IsDB Group. This constructive match between our aspirations and those of the global community will be a unique opportunity to foster inclusive, equitable and sustainable development in all our member countries. We want to utilize this great momentum in the global development arena to the benefit of all our stakeholders and achieve and sustain higher prosperity and resilience in the IsDB member countries through implementing our new development strategy, providing financial resources, building strategic partnerships, promoting capacity building, and fostering Islamic finance industry.

**IsDB Group Ten-Year Strategy**

The IsDB Group introduced in 2014 a new ten-year strategy framework tailored towards enhancing inclusive and sustainable growth and building societies that are more resilient. The new strategy, with its five pillars -- economic and social infrastructure, private sector development, inclusive social development, cooperation among member countries, Islamic financial sector development, plus a cross-cutting one (capacity development), was designed to address emerging challenges facing our member countries. Our new strategy will help strengthen the position the IsDB Group as a value-added partner in the global development affairs. With this new framework, ten years from now, the IsDB Group aspires to be a development partner-of-choice in our member countries, an authoritative reference in Islamic finance, and a prominent facilitator of cooperation between MCs.

**Resource mobilization**

The post-2015 development agenda will be the single most important force shaping the future of international development going forward. It has to become a game changer on many fronts to handle the unfinished business of MDGs era, but this is more so on securing adequate financial resources for all countries.

The implementation of the SDGs will require a substantial flow of new and additional financial resources and the introduction of new and efficient mechanisms. In this context, the IsDB Group is paying special attention to the issue of providing adequate financial resources to support development efforts in our member countries. In the past three years, the Group’s net approvals have averaged $10 billion per annum. Based on MDGs-period’s approval growth rate and the recent in-house projections, the Group plans to finance SDGs-related projects for an amount of $150 billion in the next 15 years (2016-2030).

The IsDB will also continue its efforts in mobilizing more resources from domestic and international sources through the use of Sukuk instrument. Funds raised from Sukuk are generally used for financing its medium- and long-term projects and mainly in the areas with strong relevance to the SDGs such as infrastructure, energy and agriculture.

In order to help member countries overcome their inability to access ordinary financing, the IsDB Group has developed an innovative financing mechanism called Triple-Win. In this mechanism, the Group partners with a member country and a ‘third party’ to avail more financial resources for developmental interventions in a social sector. This mechanism, which is shariah-compliant, holds promise for millions of people as more concessionary financing is made available to their governments especially those with more severe development challenges.
In the context of the Triple Win, in June 2015, the IsDB and the Bill & Melinda Gates Foundation launched a US$500 million grant facility called “The Lives & Livelihoods Fund” to address poverty and health problems in member countries. Through this new facility, IsDB, the Gates Foundation and other participating donors will deliver around US$2.5 billion, over five years, to poverty-focused programs, primary healthcare, disease control, smallholder agriculture and basic rural infrastructure in IsDB member countries, especially in low income ones.

**Building strategic partnership**

For long, the Group has recognized the importance of partnerships as it cannot alone address all developmental needs of member countries. Collaborating with other stakeholders and development partners in our development assistance activities has remained a strategic choice for obvious reasons. The IsDB is currently working with the OECD-DAC and the Global Partnership for Effective Cooperation on improving aid effectiveness through, *inter alia*, greater inter-agency coordination, data and information-sharing, capacity building and stronger focus on development results. Similarly, the IsDB is developing strategic partnerships with the specialized agencies of the UN, with strong diagnostic and implementation capabilities, in order to enhance the design and delivery of well-targeted assistance, especially in conflict and fragile situations. The IsDB Group also partners with private sector to mobilize resources or co-finance projects and operations, and to promote private sector development. This engagement becomes even more critical now, as the role of private sector has been particularly highlighted by all stakeholders in the post-2015 development agenda, and ten years from now, the IsDB Group aims to at least triple its private sector footprint.

**Promoting capacity building**

The implementation of the new development agenda requires dynamic and innovative institutions and capacities that are aligned with existing development programmes at both the national and regional level. This suggests targeted efforts to ensure that all countries and regions have sufficient capacities and resources to be able to fully achieve all of the commitments in line with the new SDGs.

In this regard, the IsDB Group aims at promoting South-South cooperation in the area of human resources development in its member countries through exchange of expertise and best practices. This is implemented through, among others, organization of familiarization visits for senior officials and study visits for technical staff to augment their experience as well as organization of seminars, workshops and conferences on technical issues related to socio-economic development; and enhancing the skills of technicians, professionals and officials in the mid-level management through providing on-the-job training.

The IsDB Group also acts as a knowledge connector and broker through its Reverse Linkage program, which helps in connecting two or more countries to share knowledge, technology and best practices as well as assist in capacity development in the form of providing technical assistance and provision of analytical and advisory services. The IsDB Group’s Reverse Linkage initiative, which is an effective South-South cooperation modality, is a strong enabler for promoting sustainable development by enhancing solidarity and partnerships among its member countries with different development levels and needs.
**Fostering Islamic finance**

The IsDB pioneered the development of Islamic financial services sector since its inception. It continues to facilitate the development of this sector by providing technical assistance for creating the requisite legal, regulatory, supervisory and Shari’ah frameworks, in close collaboration with governments, development institutions and private sector.

It gives special attention to promote research, training and product development to mobilize new financial resources and to improve access to Islamic financial services for the poor. It has also involved in developing the Awqaf (foundation) sector for social and economic development especially in critical sectors such as education and health.

Islamic finance has strong potential for higher resilience to external shocks and is a viable source of stable funding for addressing the emerging development challenges across all countries. It helps to stimulate economic activity and entrepreneurship towards addressing poverty and inequality, ensures financial and social stability, and, as a value-based system, promotes comprehensive human development and fairness - all are critically relevant to the 2030 Agenda for Sustainable Development. The major areas of contribution of Islamic finance – financial stability, financial inclusion and shared prosperity – can be instrumental in the successful implementation of policies on ending poverty (SDG-1), achieving food security (SDG-2), ensuring healthy lives (SDG-3), achieving gender equality (SDG-5), and promoting peaceful and inclusive society (SDG-16).

Additionally, innovative Islamic financial instruments such as Sukuk can be used to mobilize more financial resources to finance water and sanitation projects (SDG-6), sustainable and affordable energy (SDG-7), build resilient infrastructure (SDG-9) and shelter (SDG-11). This is especially good news for developing countries as the infrastructure gap is estimated to be in the range of US$ 1-1.5 trillion per year.

**Conclusion**

The post-2015 development agenda will guide our efforts in tackling our biggest collective challenges — reducing poverty, enhancing social inclusion, and protecting our natural resources and environment. To be able to address these global challenges, there is a strong need to put in place the right conditions and incentives to make the global goals and targets ‘actionable’ and to motivate all stakeholders to work in partnership and to promote accountability.

Increasing complexity of challenges facing international community requires that all major international organizations further strengthen cooperation and partnerships. Our collaboration should include not only increasing financial resources but also generating synergy through diverse activities such as capacity building, technical assistance and policy advice towards making development more sustainable. In this regard, the IsDB Group is ready to work more closely with its development partners to support the efforts of the international community to achieve the objectives of the new development agenda.

Given that the estimated financial requirements for the implementation of the SDGs is in trillion dollars, international community needs to utilize traditional and non-traditional sources of finance, including Islamic finance. I take this opportunity to laud the recent efforts of G20 under the Turkish Presidency for considering mainstreaming Islamic finance in the global financial system. This is a major step in the right direction, and in this regard, the IsDB, as a pioneer of Islamic finance, is ready to work with development partners to provide its expertise and assist interested countries to explore using Islamic finance to complement their needs to finance the SDGs.
Towards addressing institutional deficit and lack of capacities required for successful implementation of the SDGs, the IsDB suggests exploring innovative mechanisms such as Reverse Linkage (RL) program. The RL program can help in connecting countries to share knowledge, technology and best practices as well as assist in capacity development in the form of providing technical assistance and provision of analytical and advisory services. This mechanism can particularly be effective in addressing capacity development issues related to climate change and other critical challenges.

Let me reaffirm here that the IsDB Group is ready to work closely with international community to develop a profound action plan towards effective implementation of sustainable development and wish the Development Committee a fruitful deliberations in its 92nd Meeting.