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-SIXTH MEETING
WASHINGTON, D.C. – OCTOBER 14, 2017

DC/S/2017-0042
October 14, 2017

Statement by
Dr. Bandar M.H. Hajjar
President
Islamic Development Bank Group
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 96th meeting of the Development Committee, which provides a framework for coordination and an opportunity to debate global development issues.

Introduction

On 25th September 2017, we celebrated the second anniversary of the SDGs. It has been more than two years since the international community committed itself to 17 Sustainable Development Goals. While two years are not a long time in the realm of policy-making, the 2030 deadline leaves little room for the sustainable development goals to be achieved. We need therefore to act urgently to achieve these ambitious goals. Moving forward the SDG Agenda in our member countries will require additional and innovative financial resources for development, promoting human development, and capacity building. It will also require the engagement of all economic players, including the private sector.

For the next coming years, the international community will continue to face a number of serious challenges, including political and economic instability; migration and forced displacement; climate change and vulnerability to natural disaster. Meeting these challenges, will require new approaches and tools. To this end, as multilateral development banks, we need to look beyond our traditional methods and approaches and explore complementary and innovative mechanisms to support our member countries in their quest for sustainable and inclusive development.

In this context, the Islamic Development Bank has intensified its effort aimed at supporting its member countries mainly through promoting human development, building strategic partnerships, mobilizing additional financial resources, and fostering Islamic finance industry.

In line with this, the IDB Group has undertaken important initiative to foster inclusive, equitable and sustainable development in all its member countries: The IsDB President’s Five-year Program.
IsDB President’s Five-year Program: Towards more Effectiveness in Serving Member Countries

In addition to the shared global challenges, IsDB member countries face many and varied challenges. These include development deficit in education, health, energy, urban development, agriculture, water, and transportation infrastructure.

Meanwhile many of our member countries also continue to suffer from high unemployment, high poverty rates, high income inequality, and high degrees of social, economic and political fragility.

In order to successfully address these multiple challenges, we need to change the way we think and work.

As a result, IsDB has developed a new program for the next five years through which we aim to meet our member countries’ development aspirations. With this new five-year program we want to be proactive, fast and adaptive, and at the frontier of development when it comes to taking initiatives and presenting development solutions. We aim to transform the IsDB into a developers’ hub by working more closely with all stakeholders, including the public sector, private sector, civil society, and universities. With this inclusive approach, we aim to involve all actors in the development process and to strengthen the Bank’s leading role worldwide.

In the IsDB President’s Five-Year Program we will focus on five main priorities. First, will be closer to our member countries through permanent field presence of our representatives and continuous communication with the key stakeholders in each member country. Second, we will enhance the development impact of the IsDB Group’s projects and programs by offering integrated solutions focusing on results and by using advanced technology. Third, we will expand and deepen the existing partnerships by involving new partners and transforming competitors into development partners. Fourth, we will diversify our financial sources by developing innovative Islamic financial products. Fifth, we will expand the capacity building at the level of individuals as well as institutions and will focus on benefiting from our development partners as a source of knowledge, skills and practical experiences.

With this new program we aim to transform the IsDB Group into one of the most successful institutions in promoting cooperation, solidarity and human development.

Role of IsDB in Supporting Sustainable Development

By virtue of its mandate to foster socio-economic development across its member countries, the IsDB Group has always targeted many of the key areas that are now directly associated with inclusive and sustainable development. Since its inception more than four decades ago, the IsDB approved more than US$115 billion in financing that made an important contribution in a number of critical development areas such as human development and infrastructure. These contributions have built a strong base for inclusive economic development though job creation and through a provision of and through an improved access to basic public services and social safety nets.

Supporting Human Capital for Sustainable Development

The recognition of human capital as one of the key drivers of economic growth has increased the attention paid to education and health. Studies confirm that poverty and income inequality are strongly and negatively correlated with school attendance and the level of education attainment while the lack of matching skills is one of the major constraints on the ability to access the labor market. This underscores the importance of quality education and training for economic development and inclusiveness, as the expansion in the quantity of education alone does not guarantee improved access to economic opportunities.
Increasing use of smart machines and robotization is reducing our reliance on human labor in our day-to-day activities. Indeed, the world is moving toward a “knowledge economy,” in which the number of high-skilled jobs is growing more quickly than the number of other employment opportunities. This is why we need ensure that our youth is equipped with the right set of skills, such as critical inter-disciplinary and multi-disciplinary thinking and creativity, in order to compete in the new future marketplace.

The Bank has accorded high priority to provision of quality education in member countries by focusing its interventions on: (i) higher education, (ii) science and mathematics education for technological advancement; (iii) science and technology research, (iv) vocational training to enhance youth employability; and (v) informal education and functional literacy through vocational literacy programs for skills acquisition and productive engagement.

Cumulatively, IsDB’s investment in the education sector has reached $4.4 billion across 1,611 operations, which benefited all education levels and sub-sectors.

**Leveraging Partnership for Sustainable Development**

Development work is increasingly complex and the international donor community is often confronted with unforeseen development challenges, such as the Ebola outbreak in West Africa in 2015, the uneven global economic recovery, conflict situations and civil unrest, and the economic and social impact of climate change including the increased frequency and intensity of extreme weather events. The depth and the breadth of these challenges means that all major international organizations need to further strengthen a wide range of cooperation and partnerships.

Recognizing the importance of the private sector as the engine of growth has led to the development of dedicated programs and initiatives, such the public-private partnerships (PPP). By combining the strengths of the public and private sectors, the PPPs have allowed us to improve the quality of the projects and the speed of their completion, reduce the burden on the government budgets, and distribute the risks between the two sectors.

The IsDB Group supports PPPs as the preferred mode of investing in major infrastructure projects across the globe. Indeed, the majority of requests for IsDB financing that have from the member countries had been related to the infrastructure sector – including energy, water, transport and telecommunication--reflecting a large infrastructure deficit in the IsDB member countries.

The IsDB’s PPP portfolio has grown by targeting non-sovereign infrastructure projects that promote economic development, job creation, regional integration, and the transfer of technical skills and expertise with the view to promoting sustainable growth in IsDB member countries. By the end of 2016, total non-sovereign PPP financing operations reached $3 billion.

In line with its new strategy, the Bank is currently expanding the new forms of partnership to include charities and religious endowment (waqf) institutions. In this vein, on September 29, 2016, the Islamic Development Bank and its development partners launched the $2.5 billion Life and Living Fund (LLF), the largest development initiative of its kind in the Middle East. The LLF is an innovative blended facility aimed at fighting poverty in the IsDB member countries in the MENA region. Over the next 5 years it will provide up to $2.5 billion of concessional loans aimed at saving lives and improving people’s livelihoods. The Fund will blend $500 million of grant funding together with $2 billion of IsDB’s ordinary capital resources enabling the IsDB to extend more concessional loans in health, agriculture and basic infrastructure services for IsDB’s lower-income and lower-middle income member countries. The major LLF donors include the Islamic Solidarity Fund for Development (ISFD) of the IDB, the Bill & Melinda
Gates Foundation, the Qatar Fund for Development, the King Salman Humanitarian Aid and Relief Centre, and the Abu Dhabi Fund for Development.

**Mobilizing Additional Financial Resources and Promoting Islamic Finance**

In order to bolster financial resources provided to its member countries and supplement its own limited resources, the IDB has intensified its resource mobilization effort through issuing more sukuks. Funds raised from the sukuk market have generally been used to finance medium- to long-term projects mainly in the areas related to SDGs. The IDB’s sukuk, apart from being listed on the London Stock Exchange, are also listed on the member countries’ securities exchange including Bursa Malaysia, Nasdaq Dubai and Borsa Istanbul.

The IsDB continues to promote and advance Islamic financial services industry through partnership with governments, private sector and multilateral financial institutions. It continues to facilitate the development of the sector by providing technical assistance for create the requisite legal, regulatory, supervisory and Shari’ah frameworks. The various programs for this purpose include improving access to Islamic finance for the poor, supporting Islamic Infrastructure Institutions, participating in equity investments, and undertaking research, training and product development. The IsDB has also been developing the religious trust (Awqaf) sector for social and economic development specifically for financing education and health.

In order to enhance its financial capacity and flexibility to meet increasing demand, the Bank is making every effort to increase its allocations of soft loans and grants through the concessional financing window, namely the Islamic Solidarity Fund for Development.

**Conclusion**

The international community is entering a new era with more ambitious goals and more pressing global challenges. In this context, we, as the development institutions, need to adapt to our new roles and responsibilities by becoming more responsive to the challenges facing our member countries.

The increasing complexity of challenges facing the international community requires that all major international organizations further strengthen their cooperation and partnerships. Our collaboration should include diverse activities such as capacity building, technical assistance and policy advice for making development more inclusive and more sustainable. This requires mobilizing financial resources from a wide range of sources, public and private, bilateral and multilateral. 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.

With these thoughts and on behalf of the IsDB Group, I wish the Development Committee fruitful deliberations in its 96th Meeting.