Statement by

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President

Islamic Development Bank Group
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(VIRTUAL)

I would like to thank the World Bank Group and the International Monetary Fund for convening this virtual meeting at this time of crisis, and for spearheading the global efforts to mitigate the impact of the pandemic. As the long-term effects of COVID-19 pandemic remain unknown, with possible new waves of the outbreak, strengthening transnational cooperation and partnerships have become more crucial than ever before.

As we transition to a post-pandemic world, coordinated and collaborative efforts at the global level are key to building long-term resilience against future challenges and crises.

The impact of COVID-19 on IsDB Member Countries

The impact of the COVID-19 pandemic is unprecedented and its severity has reached into every corner of the global economy. Due to the wide-ranging supply and demand shocks that have reverberated across the globe and the imposition of severe lockdowns to limit the spread of the pandemic, several of our Member Countries have in the first half of 2020, experienced the worst economic recession in their recent history. Countries with underlying fragility and weaker fundamentals were worst hit given their limited resources and fiscal space to withstand the impact of the pandemic.

Similarly, within countries, the toll of the pandemic is disproportionately felt by the poor and vulnerable segments of society – women, elderly, low-wage and less-skilled workers, micro, small and medium enterprises (MSMEs), and the informal sector – exacerbating poverty and economic inequality.

In line with global trends, the recovery in IsDB member countries is expected to be gradual and uneven. In this context, a stronger and better coordinated support by multilateral development institutions is of vital importance, especially for low-income economies faced with heightened vulnerabilities.
The issue of Debt Sustainability

The COVID-19 pandemic has also brought to focus the issue of debt sustainability, particularly among developing economies. After being on a declining trend since the end of the 1990s, due among others to HIPC/MDRI relief and generally healthy growth performance, the average level of indebtedness among our Member Countries started to follow an upward trajectory. From 28 percent in 2012, it is projected to reach 40 percent in 2020. The debt service for IsDB Member Countries is also expected to soar by almost 50 percent from US$ 224 billion in 2012 to US$ 341 billion in 2020. Expectations are that these estimates are conservative and the longer we continue to grapple with getting the pandemic under control the more the debt levels would balloon.

We therefore welcome the G20 Debt Service Suspension Initiative (DSSI) in response to the call by the World Bank and the IMF. Out of 73 countries currently eligible for this initiative, 29 are IsDB Member Countries. Similarly, we are encouraged by the adoption of the IMF of the Catastrophe Containment and Relief Trust (CCRT), which will provide immediate debt service relief for its poorest and most vulnerable members affected by the COVID-19 pandemic. Nevertheless, these initiatives are far from sufficient in addressing the debt sustainability issues faced by these economies.

The past few years have also witnessed a change in the creditor base of the external debt contracted by our Member Countries. In 2010, debts owed to official creditors comprised on average more than 66 percent of total external debts of the MCs. This share has decreased to less than 57 percent in 2018, indicating the increasing share of public debt being contracted from private lenders. Hence, there is clearly a need to widen the scope of the debt service moratorium initiative to include the private sector.

IsDB Group Response to the COVID-19 Pandemic

Acknowledging the need to expeditiously assist the Member Countries in facing the devastating effects of COVID-19, the IsDB Group has launched in early April the ‘Strategic Preparedness and Response Program’ (SPRP) to support Member Countries (MC) in preventing, containing, mitigating, and recovering from the pandemics impact. Comprising of two main components, (i) Health Emergency Response and (ii) Sustaining and Reviving the Economic and Social Sectors, which are along the three tracks of “Response, Restore and Restart,” the program aims to provide a holistic approach in its support to the Member Countries in the short-, medium- and long-term.

From an initial amount of US$2.3 billion, we have increased our commitment to respond to the COVID-19 pandemic to US$2.95 billion, thus enabling more Member Countries to benefit from the program. To date, a total of 31 Member Countries have benefited from the SPRP. In addition, we have also successfully completed the on-boarding of 20 Member Countries on our Global Coordination Platform (GCP), a blockchain-based online platform which transparently shares IsDB Group’s interventions in each country and allows interaction with all stakeholders and development partners.

Through our continuous engagement with various development partners and the private sector, we have successfully mobilised additional resources to complement our efforts and scale up the impact of our program. In addition, we have effectively utilised our Reverse Linkage program to mobilise resources while contributing towards strengthening solidarity among our Member Countries. By partnering and coordinating with relevant public and private sector entities as well as civil society organisations, the Bank, through the RL program has enabled access to critical medical supplies and equipment and facilitated the exchange of know-how and expertise in dealing with the pandemic.
Enhancing Pandemic Preparedness and Response through Science, Technology and Innovation

An integral element in all our interventions is harnessing the power of science, technology and innovation in unlocking global development challenges. STI contribution through the SPRP benefitted IsDB Member Countries through mainstreaming of technology and innovation as key cross-cutting elements in IsDB’s interventions, focusing on health emergency, food security, and e-learning. The 3rd Call of the Innovation Fund dedicated to COVID-19 was launched under our US$500 million Transform Fund with the aim of identifying, encouraging and rewarding innovative applications that will support our MC’s preparedness and response to the COVID-19 pandemic and other emerging infectious diseases. In addition, global partnerships are being forged to support the Restore and Restart tracks of SPRP for ensuring global supply security for priority medical testing in MCs.

Providing Holistic Support beyond Health Emergency Response

Strengthening Member Countries’ health system in response to the pandemic constitutes the primary area of support delivered by IsDB. However, we are progressively shifting our focus by providing financing for projects geared towards supporting trade and MSMEs. In this regard, the Strengthening the Economic Resilience of Vulnerable Enterprises (SERVE) program was launched to provide needed liquidity for business continuity and job preservation. Together with the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), an IsDB Group member, we have developed the IsDBG COVID-19 Guarantee Facility (IsDBG CGF) to act as a catalyst to mobilise additional resources through adjusting risk profile of trade and SME operations for external partners.

The COVID-19 pandemic has exposed several key weaknesses and gaps in our societies and economic systems, such as inadequate healthcare, systemic and structural inequalities, and limited access to social protection. On the other hand, it also provided a rare opportunity for us to pause and reflect on the political and economic factors leading to the current crisis while identifying appropriate measures to “build back better”. The priority in this recovery phase is therefore for countries to invest proactively in necessary infrastructure, skills, policies, and institutions in order to build a post-pandemic economic order that is more resilient, sustainable and inclusive.

As MDBs, we also have a critical role to play in charting and shaping the direction of this new course of economic development by leveraging on our know-how, networks and resources. As it is chairing the Heads of MDBs Meeting for 2020, the IsDB will continue fostering this collaborative spirit for the benefits of our Member Countries and particularly to support them achieving the 2030 Agenda. The IsDB looks forward to contributing towards this new endeavour, sharing its expertise and working closely with the members of the global development community to support low- and middle-income countries in transitioning to a post-pandemic world and enhancing preparedness for future crises.

I wish the Development Committee a successful and fruitful discussion in its 102nd Meeting. Thank you very much.