Statement by

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On behalf of the Islamic Development Bank (IsDB) Group, I would like to express my sincere appreciation for the invitation to participate as an Observer in the 100th Meeting of the Development Committee, which is recognized by the IsDB as an effective platform for the exchange of ideas on global development challenges, thus proposing measures to mitigate the effects of global shocks on the economies of our member countries.

RECENT GLOBAL CHALLENGE

The global economy is facing several challenges, the most prominent of which is the uncertainties surrounding global trade arising from the US-China trade war. The effects of the ensuing trade tensions are weighing on the global economy with detrimental impacts on the economies of developing countries, including IsDB member countries. Other development challenges facing the global economy include climate change, poverty, income inequalities, migration and fragility.

In the context of sluggish global economic growth arising from weak consumer demand in advanced economies, there is a likelihood of trade decline resulting from trade tensions between US and China and posing an additional risk to global economic recovery. Furthermore, geopolitical tensions are escalating, thus straining political relationships amid tightening global financial conditions. The uncertainties surrounding Brexit also add to concerns of the global economic outlook. There are other long-term risks to the global economy, including populist uprising, slowing economic growth in China, rising global debt profile, shifting supply chain, slower growth in Europe, unpredictability of economic policies, among others.

ECONOMIC SITUATION IN ISDB MEMBER COUNTRIES

Economies of IsDB member countries are largely driven by primary commodity exports. Hence, sluggish global growth adversely affects the performance of IsDB member countries. Overall, economic growth in IsDB member countries slowed from 3.8 percent in 2017 to 3.1 percent in 2018 and is forecast to decelerate further to 2.4 percent in 2019 (as compared to the forecast global average growth of 3.3 percent in 2019). The performance is mixed across different member country groupings. The Asian group, for example, has witnessed the strongest growth of 5.3 percent in 2018, a slowdown from 5.6 percent in 2017 and is projected
to decrease further slightly to 5.2 percent in 2019. For the African and Latin American group, economic growth accelerated from 2.3 percent in 2017 to 3.1 percent in 2018 and is projected to accelerate further to 3.5 percent in 2019. However, the economies of the MENA and European group has plummeted from 3.2 percent growth in 2017 to 1.9 percent in 2018, with a forecast growth of 0.8 percent in 2019.

IsDB Member countries are facing daunting development challenges, including inadequate infrastructure, low human capital development, weak value-adding productive activities, lack of technological capabilities and rampant youth unemployment. As the role of technology and digitization is becoming prominent, it is imperative for member countries to implement policies and measures for economic transformation to spur growth and create job opportunities for the growing youth. In this context, the IsDB is encouraging member countries to leverage Science, Technology and Innovation (STI) to improve efficiency of production and expand economic activities for achieving the SDGs. Furthermore, due to limited capacity of the economies of member countries to expand economic activities, the IsDB Group has initiated Global Value Chain (GVCs) - based Member Country Partnership Strategy (MCPS) to stimulate value-adding production activities in its member countries.

The IsDB remains committed to supporting member countries with the aim of becoming a more effective and efficient development partner to leverage opportunities for accessing financial and non-financial resources to the benefit of its member countries. Achieving the SDGs is a crucial development priority; however, considering the relatively weak development fundamentals in member countries, far-reaching policies are required to transform their economies from low to high value-adding production as the springboard for achieving the SDGs.

FORWARD-LOOKING MEASURES

The sluggish global growth is another indication of the heavy reliance on the consumer’s confidence in advance economies. The emergence of a multipolar world will help reduce global macroeconomic imbalances to facilitate steadier global economic growth. Emerging economies, which are key drivers of global growth, can stimulate low growth in developing economies through spillover effects of expanding the frontiers of production and consumption anchored in GVCs. This has proved to be a viable mechanism for international production, trade and investments. By specializing in specific aspects in the production chain, based on comparative and competitive advantages, firms in developing countries can gain access to global markets irrespective of their capabilities within the entire production chain.

In recognition of the essence of GVCs in the global economy, the theme of the World Development Report of 2020 was decided to be “Trading for Development in the Age of Global Value Chains”. The IsDB recognizes the significance of GVCs in stimulating the transformation of developing economies to achieve high growth as the springboard for sustainable development. For this reason, the IsDB has incorporated GVCs-based MCPS into its development assistance mechanism for member countries. Deepening GVCs in developing countries can spur economic transformation and thereby expand economic activities that create new job opportunities. It is important to stress that GVCs do not easily permeate and benefit developing countries until certain critical conditions are met. These include robust human capital development to create high-quality skilled labor, efficient macroeconomic policy, institutional quality and effective enforcement of property rights, especially intellectual property rights.

The international development community could support developing countries by prioritizing the critical conditions for leveraging GVCs in their development partnership engagements with member countries. In this context, Multilateral Development Banks (MDBs) may agree on common principles of financing and supporting development activities. In addition, the international development community can play a greater role in crowding-in and channeling financial resources along with technological know-how into low-growth emerging economies.
Under the President Five Year Program (P5P), the IsDB has identified structural and economic transformation through leveraging STI and GVCs as an indispensable element for member countries and has aligned its New Business Model for interventions accordingly. The scale of financial resources required to support member countries in the context of required investment in infrastructure and technological applications is beyond the capability of any individual institution. In this regard, the IsDB accords high priority to partnerships. The IsDB is intensifying efforts to leverage diverse stakeholders, including governments, private sector, NGOs, civil society, philanthropic organizations, universities, and research centers.

The IsDB commitment to helping its member countries achieve the SDGs remains unchanged. We are determined to overcome the challenges of resource mobilization through partnerships and efficient utilization of resources in support of member countries’ development aspirations. The IsDB will capitalize on its institutional strengths to not only mobilize financial resources but also to bring in development partners to play crucial roles in stimulating the economies of member countries towards achieving sustainable development goals. Our main goal is to optimize the impact of projects towards achieving higher economic growth.

There is a need for countries to focus on those sectors where they have or can build comparative advantages and link the local value chain with global value chain and this will ensure the creation of jobs and added value. The developing economies need to create 10 – 12 million jobs every year and 100 million jobs by 2030. If economies fail to grow to the level that could absorb the new entrants to labour market, they will face an undesirable situation.

**CONCLUDING REMARKS**

Poverty remains a serious challenge in many developing countries despite the efforts towards the SDGs. The international development community needs to step up their efforts to enable critical investment flows into developing countries to stimulate and expand production and consumption and therefore help reduce poverty. The IsDB is confident that members of the global development community will continue to work together to devise and implement policy measures to achieve SDGs in a sustainable manner.

Finally, I wish the Development Committee a fruitful discussion in its 100th Meeting and I hereby reaffirm the strong commitment of the IsDB Group to intensifying global cooperation towards achieving the internationally agreed development goals.