



**Statement by Dr. Muhammad Al-Jasser
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for

**110th G-24 Ministerial and Governors Meeting
Strengthening Multilateral Development Banks to Address the
Global Challenges of the 21st Century**

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(For Distribution)

The Islamic Development Bank (IsDB) Group extends its appreciation to the 110th Ministers and Governors Meeting of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24).

In recent years, the global economic and development landscape has been facing one crisis after another, each with profound implications for economies and populations worldwide. The chain impacts of these crises, especially those related to the COVID-19 pandemic and the Eastern Europe crisis, have exacerbated the global development challenges. This situation tests the resolve and commitment of the international development community, where the G-24 is a crucial stakeholder to continue and bolster its efforts to address these challenges. We must scale up and innovate our response to these challenges with adaptivity, resilience, and a more decisive collective action anchored in cooperation and partnerships.

Multilateral development banks (MDBs) are vital institutions in this dynamic landscape to overcome these challenges and build a more equitable and sustainable world. First, it is crucial to recognize the invaluable role MDBs have played since their inception. These financial institutions have acted as catalysts for development in emerging and developing nations. By providing financial resources, technical expertise, and policy guidance, MDBs have been pivotal in driving progress on a global scale. However, the urgency of our global challenges necessitates reevaluating and reinforcing their role and capacities. Economic slowdown, extreme poverty and inequality, climate change, infrastructure gap, and debt distress are among the daunting issues that demand collective international action. Within this context, we must underscore the pivotal role of MDBs and the necessity to fortify their capacities to forge a path toward a future in which no one is left behind.

Economic Slowdown Globally and in IsDB Member Countries

Following a sharp decline from 6.3 percent in 2021 to 3.5 percent in 2022, global economic growth is anticipated to slow further to 3.0 percent in 2023. This deceleration in the global economy is primarily driven by the tightening financial conditions and the rise in central bank policy rates to curb inflation posed by the Eastern European crisis. Similarly, IsDB member countries' economic expansion is

projected to drop from the 5.5 percent growth achieved in 2022 to 3.6 percent in 2023. Several factors contribute to this decline, including the challenging external economic environment, particularly in advanced economies. Additionally, the sluggish recovery following a period of elevated inflation and the downward trajectory of oil prices since the latter half of 2022 are substantial factors influencing this anticipated deceleration.

Within the IsDB member countries, there are variations in growth expectations for 2023. The projected growth for least developed member countries (LDMCs) in 2023 is 4.9 percent, down from the 5.5 percent recorded in 2022. In contrast, the expected growth rate for the non-LDMCs in 2023 is 3.5 percent, considerably lower than the 5.5 percent achieved in 2022. These distinctions in growth trajectories reflect the diverse economic conditions and challenges faced by IsDB member countries, with non-LDMCs confronting a significant deceleration in their economic growth while LDMCs experiencing a relatively more favorable outlook, albeit with a slowdown.

Extreme Poverty and Inequality

The scourge of extreme poverty and inequality persists, casting a shadow over aspirations for a more equitable world. While significant progress has been made in reducing poverty over the past decades, a lot remains to be done. The COVID-19 pandemic has exacerbated inequalities, pushing many vulnerable populations further into poverty. MDBs could be instrumental in tackling the daunting task of uplifting over 600 million individuals from extreme poverty. To this end, MDBs must intensify their commitment to inclusive development, focused on healthcare, education, and social safety nets. Gender equality, universal access to quality education, and equitable healthcare services must be the cornerstones of this endeavor. By prioritizing these elements, MDBs can contribute to creating resilient and just societies capable of withstanding future crises.

MDBs should also consider reevaluating their efforts to address poverty and inequality within the context of present-day realities. The World Bank, in its evolution roadmap, strengthened its commitment to eradicating extreme poverty and boosting shared prosperity by recalibrating its broad efforts to contemporary developments. This roadmap considers adding a higher poverty line and adopting

new indicators for measuring prosperity. Similarly, the imperative of "tackling poverty and building resilience" has been firmly embedded in the IsDB Realigned Strategy (2023-2025) as one of three core priorities for attaining inclusive economic progress. The IsDB also achieved a significant milestone through its groundbreaking partnership with the Arab Coordination Group, dedicating a substantial US\$10.54 billion for an all-encompassing food security initiative that will also contribute to addressing the poverty challenge.

Moreover, the IsDB has made a significant pledge to bolster agricultural development in Africa, as announced during the "Feed Africa" Summit held in January 2023. This commitment, totaling \$7.8 billion allocated through 2027, underscores IsDB's unwavering commitment to promoting agricultural advancement in the region to tackle extreme poverty. As part of its drive for more impactful, evidence-based decision-making to tackle poverty, the IsDB has partnered with the Oxford Poverty and Human Development Initiative (OPHI) to better understand the nature and the extent of poverty in our member countries.

Climate Change

Climate change is an existential threat that looms on our horizon. The consequences of climate change are undeniable, with far-reaching and dire implications for our planet's ecosystems and human well-being. Effectively addressing climate change requires collaborative efforts among nations, as its impacts transcend borders and affect the well-being of all humanity. It is a global challenge that requires collective efforts to mitigate its impacts on human lives and livelihoods. It is, therefore, imperative that MDBs place climate change mitigation and adaptation at the core of their agendas along with other developmental priorities. This implies that MDBs need to find a balance between their efforts on climate change issues and other developmental priorities. To the extent that climate change issues and many developmental challenges are interlinked, this balancing act will require significant efforts and commitment.

The 21st century could witness an emerging growth narrative prioritizing environmental sustainability and embracing green principles. This growth trajectory strongly emphasizes human capital investment, ensuring the security of livelihoods for those vulnerable to natural calamities, and harnessing the potential

of cutting-edge innovations in green technologies. MDBs' efforts should include not only financing renewable energy and sustainable infrastructure but also leveraging their influence to encourage sustainable practices across sectors. In this context, MDBs could allocate a significant percentage of their development financing to climate-related projects, with targets for emissions reductions, renewable energy infrastructure, and sustainable transportation. Notably, IsDB has already made substantial progress and is on the verge of reaching its climate finance target of 35% by 2025, with climate finance making up 33% of the Bank's total approved investments in 2022.

Infrastructure Gap

The world grapples with a severe infrastructure deficit that impedes economic growth and our ability to effectively address contemporary challenges, such as climate change. The theme of sustainable infrastructure is intrinsically tied to climate change, as resilient and low-carbon infrastructures are essential for mitigating greenhouse gas emissions and adapting to a changing climate. By prioritizing sustainable infrastructure development, we can effectively tackle the dual imperatives of fostering economic growth while safeguarding the environment in response to climate-related demands. MDBs have a unique role in facilitating investments in infrastructure, which is fundamental to sustainable development. However, to effectively contribute to closing the infrastructure gap that meets 21st-century demands, MDBs must come to terms with the evolving realities of the international development financing landscape to consolidate their position as development partners of first choice to their member countries. In this regard, innovative financing that blends investment with technological advancements could enhance the effectiveness and efficiency of financing infrastructure projects. Furthermore, MDBs could give additional emphasis to digital infrastructure, sustainable transportation networks, and the development of smart and efficient cities, in addition to leveraging public-private partnerships to use the expertise and resources of the private sector to finance and execute transformative infrastructure projects.

Debt Distress

The debt levels in the developing world have surged to unprecedented historical highs in recent times. This escalation in debt levels has been exacerbated by the sharp depreciation of local currencies against the U.S. dollar, intensifying the external public debt burden for many developing countries. Consequently, concerns regarding the sustainability of these debts and the potential for debt distress have arisen. Vulnerable developing countries may face difficulties refinancing their debt obligations, particularly those with significant foreign-currency-denominated debt. The escalating debt service requirements pose a significant challenge to these countries, especially regarding tighter financing conditions and rising borrowing costs. The alarming statistics reveal that approximately 25 percent of developing countries still grapple with sovereign credit spreads exceeding 1,000 basis points as of June 2023, a substantial increase compared to a mere 6.8 percent observed two years earlier in 2021.

The issue of debt sustainability has become a prevalent and multifaceted concern in today's global landscape. Many developing economies grapple with the mounting burden of debt and the daunting challenge of meeting their financial obligations. A comprehensive agreement remains elusive while discussions regarding debt relief arrangements persist, particularly for the least-developed countries. In this context, MDBs could step up their efforts in bolstering global cooperation to expand concessional financing options for low-income countries and provide technical and institutional support to enhance effective and efficient domestic resource mobilization and utilization.

Conclusion

It is imperative for MDBs to strengthen their capabilities and capacities to face the emerging global economic and development challenges of the 21st century. Scaling up project financing to help countries achieve the SDGs is a big challenge, especially in the face of shrinking global concessional financing. Investing in prudent and efficient management of available resources is necessary to achieve optimal development impacts. This could help attract contributions from member countries, cooperate with other financial institutions, and effectively leverage private sector investments.

Additionally, MDBs must ensure that funds are allocated efficiently to projects that have a meaningful impact on sustainable development goals. Indeed, navigating member countries' diverse priorities and interests while aligning financial resources with specific development objectives can be a delicate balancing task. However, as the global economic and development landscape evolves, MDBs must adapt to new financing strategies, such as leveraging green bonds and pursuing impact investing, to advance sustainable development effectively.

The IsDB Group is committed to global partnership initiatives based on collective efforts to enhance aid effectiveness as the springboard for achieving sustainable development.

The IsDB Group wishes the G-24 successful deliberations that would lead to a fruitful outcome for progressing on our journey for a more balanced and equitable global economic growth and sustainable development.