



**Statement by His Excellency
Dr. Bandar Bin Mohamed Hamzah Hajjar**

**President of the Islamic Development Bank Group
at the**

Opening Session of the 44th Annual Meeting of the Islamic Development Bank

Marrakech, Kingdom of Morocco

5 April 2019



Praise be to Allah and Prayers and Peace be on the Seal of Prophets and Messengers, our Prophet Mohamed, his family and companions.

.....

Excellency Mr Omar Kabbaj, Advisor to His Majesty, King Mohamed VI, King of the Kingdom of Morocco, May God preserve him

Excellency Mr Mohamed Benchaaboun, Minister of the Economy and Finance, Chairman of the Board of Governors,

Excellency governors and Alternate Governors,

Ladies and Gentlemen, members of delegations,

Assalamu Alaikum Wa Rahmatullahi Wa Barakatuhu!

At the outset, I would like to extend my thanks and appreciation to His Majesty King Mohammed VI of the Kingdom of Morocco, to His Majesty's Government and to the Moroccan people for the warm welcome and generous hospitality that characterize this beloved country.

We truly appreciate His Majesty's patronage that has graced our meetings, already giving us signs of the success for our meetings before they could even start.

I would also like to extend my thanks to the Governors and Executive Directors for having made the journey this year to Marrakech in the Kingdom of Morocco, to take part in the proceedings of the IsDB Group meetings, which constitutes a support to the IsDB's successful endeavours.

My thanks also go to our guests representing international banks and development institutions, and our guests from inside and outside the Kingdom of Morocco.

The Kingdom of Morocco is a founding member of the IsDB and a member of all the entities of the IsDB Group. The cooperation between Morocco and the IsDB Group is exceptional. The IsDB Group has been supporting sustainable development in Morocco since its inception through financing and non-financing activities. The net approvals of the IsDB to support sustainable development in Morocco amount to US\$6.7 billion in addition to the US\$437 million contribution of the Islamic Corporation for Investment Insurance and Export Credit (ICIEC).

We have also successfully cooperated with Morocco to implement a first country partnership strategy between 2013 and 2016 for a total value of US\$2.77 billion and an achievement rate of 115%.

Within the new model of the bank based on value chains development, we launched the second value chain-based country partnership strategy (2019-2022). The IsDB Group will contribute to developing value chains in the agreed upon sectors in which the country has comparative advantages, including aquaculture: a promising sector in terms of creating added value and jobs, especially for the youth.

Due to the strategic importance of this country, I visited it multiple times. The latest was in early March 2019 as part of the second session of the PPP forum and the promotional campaign programme for the 44th Annual Meeting. During this visit I examined the projects that the IsDB is implementing. This visit boosted cooperation for sustainable development.

**Excellencies,
Distinguished Audience,**

"**The Road to the SDGs in a Fast-Changing World**". Such is the theme of this year's annual meeting. These are indeed multiple, rapid changes giving rise to a new world of four key scenes:

Scene One: Unprecedented developments in science, technology and innovation, as a result of the Industrial Revolution 4.0.

Scene Two: Huge gap in investments needed to implement the SDGs, formerly counted in billions now running into trillions.

Scene Three: Fast demographic leaps in member countries.

Scene Four: Increasing rate of armed conflicts, fragility and environmental problems in certain member countries.

Now the question that comes up in this context is how the IsDB responded to these changes?

Before addressing this question, I would like first to emphasize that, over the past four decades, the IsDB made remarkable accomplishments. My responsibility as President of this institution is to protect those successes and build on them to raise the IsDB to even loftier horizons of development and improvement. At the same time, I have to help member countries positively adapt to the fast-moving world.

**Excellencies,
Distinguished Audience,**

Only a few years ago, the world we're living in today used to be characterized as a world of science fiction and virtual reality. Today, thanks to robotics, big data, FinTech, 3D, AI, Block Chain and nano technology, that fiction has turned into reality.

Today economic growth is driven not by capital or natural resources, but by innovation. Countries with the fastest-growing economies and low unemployment rates are those which harnessed the power of innovation to maximize the added value of their natural resources and enhance their comparative advantage. The same is true for corporations.

Recently, some companies rose to become gigantic corporations without owning any tangible assets. They started with little financial assets. What they had instead was apps, through which they made a large wealth, generating thousands of jobs across the world.

It is a fact today that entrepreneurs are at the fore front of development in the advanced world. They are the leaders because they have a clear vision about the world today and the world tomorrow. Thanks to this vision, they have been able to conquer new markets and generate thousands of job opportunities.

Today, a given item may be assembled in one location, but its components are made in different places depending on the relative advantage of the territory where it is produced. Innovations have transformed the nature of jobs required for the new world. Many jobs have been abolished and will be abolished and replaced in some industrialized countries with ones enhanced by robotics and AI.

Our member countries have experienced remarkable demographic leaps, bringing the population from 1.7 billion in 2015 to 2.2 billion by 2030, 65% of them young of age. Between 2015 and 2030, about 100 million new young people in the 57 member countries are forecast to join the job market, at a time when unemployment there is on the rise.

Moreover, the funding required to implement the SDGs has risen from billions to trillions. The largest funding provided by the IsDB to member countries amounted to 5 billion USD annually, 12 billion USD if we include the entire IsDB Group, the total multilateral development banks' funding in 2017 was about 145 billion USD. However, our member countries need one trillion dollars per year to implement sustainable development goals. Fortunately, these financial resources are there waiting for investment opportunities. However, attracting such opportunities requires radical transformations in the business models of the Islamic Development Bank and its member countries.

As far as political instability, insecurity and the state of fragility experienced by some member countries are concerned, 30 out of 50 armed conflicts worldwide have occurred in IsDB member countries, leading to acute humanitarian crises. It is estimated that 89 million people in IsDB member countries need humanitarian assistance, while the impact of migration flows and refugee movements on neighbouring countries is known to all.

This is the overall situation in a rapidly changing world, replete –despite all these challenges– with promising opportunities for those who know how and when to seize them.

Amidst these rapid changes, the development model of some member countries is based on raw materials production and exportation, which neither adds value nor creates jobs, but rather export job opportunities to importing countries. Also in these countries, development is driven by public spending and foreign aid. At the same time, we find that the Bank's current business model needs to be developed and scaled up to help member countries move towards a sustainable and inclusive development model.

**Excellencies,
Distinguished Audience,**

This takes us back to the question I asked at the beginning of my statement, that is how the IsDB responded to these rapid succession of transformations.

In fact, the IsDB had two options to choose from.

Option One was to ignore all these transformations, play down their impact and significance and dismiss them as the business of member countries, not that of the IsDB, and continue with business as usual, that is being reactive, rather than pro-actively seeking solutions. **Now is this what member countries want and expect from their institution, the Islamic Development Bank...?**

The answer is no.

They want the IsDB to be pro-active, swift, flexible and innovative. This is the desire expressed by the majority of member countries in the IsDB 40-year assessment, which is why we moved to option two.

Option two:

We assessed the transformations currently taking place in the world. In all four scenes I described earlier, in terms of size, trend and impact on member countries and on the IsDB as their partner, we came to understand the gains and losses of both changing and keeping the IsDB's business model.

Based on that assessment, we launched a new business model designed to help member countries launch or implement their own economic transformation programmes and thereby **turn their economies into sustainable and inclusive economies, capable of generating jobs by focusing on those sectors where they have a comparative advantage.** Under such a scenario, the IsDB will be able to attract projects of high economic feasibility and tangible developmental impact, which will make it easier for it to mobilize the necessary financial resources for those projects, which will create an added value, provide job opportunities, and transfer knowledge

and skills to member countries. Thus, the IsDB's role will go beyond that of a financier to one of a catalyst for development, markets and investment facilitator for the benefit of development.

According to this vision and new business model, the IsDB plans to help member countries mobilize 1 trillion USD for investment projects in five strategic sectors in member countries, capable of generating 10 million jobs annually.

In this regard, Islamic financing is going to be the main tool to support these industries. It is an opportunity for Islamic banks to make use of financial technology, big data and artificial intelligence in their business. This will help Islamic banks reposition themselves as contemporary profitable and diversified institutions. In fact, if Islamic banks don't keep abreast of these changes, they will lose their ground, not only to conventional banks, but also to non-banking institutions.

Today's competition in the field of science, technology, innovation and inclusiveness

Some might say it's all nice words, theories and no more. How about results and applications? **Does the IsDB have the required capacity to apply this model? Are the targeted member countries ready to embrace the proposition?**

To answer these two questions, let me turn from theory to practice. Let me introduce you to only **3 out of 40 initiatives** we implemented over **the last two years alone**. Also, allow me to convey to you positive reactions to these practical initiatives expressed by some Heads of State, Governors, Ministers, youth men and women in member countries, Muslim communities and non-member countries.

The first initiative:

It is part of an economic transformation programme, which aims to help member countries turn their economies into sustainable and inclusive economies by enhancing competitiveness in sectors where they enjoy a comparative advantage in order to diversify and expand their economic base and break the cycle of producing and exporting raw materials, which does not add value, but merely exports jobs to raw material importing countries. This programme helps implement **Goal 8**.

We selected the **Gabonese Republic** as a pilot for the application of this programme. An IsDB technical team visited Gabon and met with a wide range of officials **from the public and private sectors**. Based on these meetings and the general survey carried out, **two productive sectors were selected**, in which Gabon had a comparative advantage: **manganese and timber**. A feasibility study was carried out, which identified the needs in terms of infrastructure, human capacity, financing services, information databases, technology and innovation. Key partners in this chain were identified and linked to global value chains. The IsDB will have projects in these sectors and begin mobilizing financial resources for their implementation. It is expected that these projects will generate employment opportunities and contribute significantly to driving

economic growth forward, through gradual transition from the exportation of raw materials to the manufacturing of alloys and added-value products.

Today, we are signing agreements with three member countries (the Kingdom of Morocco, the Gabonese Republic, and the Republic of Maldives) on strategic partnership with the IsDB, using a new value chains-based business model.

**Excellencies,
Ladies and Gentlemen,**

Now I come back to the question I put earlier, that is whether the IsDB is ready to implement this programme.

The IsDB took the following steps to implement this programme:

First: Set up a fund to finance feasibility studies and consulting services.

Second: Signed a contract with US Duke University , , to provide staff with a 5-day training session in this field.

Third: Set up a Science, Technology and Innovation fund to provide funding to innovators who would contribute to processing raw materials into finished products, develop production processes, mobilize financial and human resources for each component of the value chain.

Fourth: Published the first edition of the book titled “Making Markets Work for Development”, which presents a comprehensive technical methodology aimed at building the capacities of the staff of the ministries specialized in competitiveness analysis and industrial transformation.

Fifth: Developed the Regional Islamic Super Islamic Entities (RISE) as a means to mobilize market resources for investing in industrial infrastructure projects off-balance sheet.

Sixth: Adopted many policies for various project sectors to ensure a combination of financial viability and developmental impact in IsDB projects. This would promote private sector involvement in financing SDGs and bridging the financing gap while alleviating the debt burden.

What are the reactions to this programme in Gabon and elsewhere?

His Excellency the President of Gabon commended the new direction of the IsDB and promised to remove all restrictions hampering the implementation of the programme. The local press praised the new initiatives and programmes of the IsDB.

Governors in member countries (Guinea, Niger, Indonesia, Malaysia and Afghanistan) have also reacted to it. In fact, some of these countries are preparing for a symposium that will bring together ministries, the private sector and NGOs to present the results of IsDB preliminary study on the future prospects of competitiveness and the new business model, as a means to promote

the state's good management of the national development agenda and expand its regional and international role.

The Second Initiative:

It is part of the **science, technology and innovation programme** as an engine for economic growth, job creation and solutions to development challenges. This programme falls in line with **Goal 9** of the SDGs and is directly related to the Fourth Industrial Revolution. The Programme's objectives include helping member countries build an integrated science, technology and innovation eco-system, complete with institutions, policies, programmes, funding and the transfer of knowledge and expertise. Innovation will maximize the added value of natural, financial and human resources.

**Excellencies,
Distinguished Audience,**

I will revert once again to the question as to whether the IsDB is prepared to carry out this role...

The answer is yes and we have already started as follows:

First: Set up a science, technology and innovation directorate.

Second: Set up a global Engage Platform, linking innovators with markets, and providing opportunities for funding opportunities, mentoring services, incubating unique ideas likely to be transformed into development solutions.

Third: Set up the Transform Fund with an initial capital of 500 million USD, of which the IsDB and ISFD contributed 100 million USD each. The Transform Fund is a waqf investment fund, with its own Board of Trustees and a high-level scientific committee made up of eminent scholars in various fields of knowledge.

The Fund provides seed capital to innovators, start-ups, small and medium-sized enterprises, with a focus on investments in the 5 key sectors where member countries have a comparative advantage.

Fourth: Set up an Intellectual Property Unit in cooperation with the World Intellectual Property Organization to facilitate and accelerate patent registration.

Fifth: Launched in December 2018 crowd funding platforms to support science, technology and innovation projects by opening financing channels, for projects not funded by the Transform Fund, in the host countries of IsDB's regional offices, namely Bangladesh, Indonesia, Kazakhstan, Malaysia, Morocco, Niger, Senegal and Turkey. Within 15 days of their launch, the platforms attracted more than 100,000 people from 183 countries, in a clear indication of the interest in such initiatives. It is hoped that these platforms will link projects holders, donors and researchers around the world.

Sixth: Launched a creative capacity-building programme and organized a first training course for specialists in the field in Cambridge .

Seventh: Organized the first conference on science, technology and innovation to honour innovators. 4600 creative projects were received from 100 countries, 32 of which were selected as finalists.

Eighth: Organized 7 promotional campaigns for the Transform fund in 7 member countries to introduce the programme, mobilize support for the fund, identify partners and create awareness among decision makers in member countries of the magnitude and direction of global changes driven by innovation.

Excellencies, Ladies and Gentlemen,

The awareness that we see today at the regional and international level shows that there are indeed plans for the future. We have seen, several months ago, the **7th session of the World Summit of Governments** in the United Arab Emirates. We also sense this interest in Saudi Arabia through initiatives, led by His Royal Highness Crown Prince Mohammed bin Salman, which seek to enhance the role of entrepreneurship and creativity through the **MiSC** Foundation, for example.

We have also seen in the Kingdom of Morocco, this country which we hold close to our heart, successive initiatives to encourage entrepreneurship in new technologies, especially in the field of renewable energy and water.

We have also seen it in the Arab Republic of Egypt through “Towards a learning, thinking and innovating Egyptian Society” programme, which benefited more than 23 million teachers and students of science, technology, engineering and mathematics.

In the same connection, Malaysia’s experiences in using sciences, technology and innovation in the development of islamic financing and the halal industry are among today’s most international successful experiences, which can be benefited from and transferred to the member countries.

This new direction was also seen this year at the Davos Forum, which devoted its sessions to the Fourth Industrial Revolution or Industry 4.0.

In this respect, a team from the IsDB and UNESCO prepares to travel to Uzbekistan and Mozambique to assist the two countries in developing science and innovation policies and programmes. We also seek to respond to the requests of a number of other member countries in this regard.

Reactions of member countries to the programme

The programme received strong support and encouragement from some Heads of State in member countries. For example, His Excellency the President of the Republic of Senegal, Mr. Macki Sall, addressed a voice message to the Confernce in which he praised the programme and the IsDB's new approach to science and innovation and offered to host the **Second Science and Innovation Conference in Dakar**. The IsDB has received requests from other countries to host the conference.

IsDB's promotional campaigns in the 7 countries were organized under the patronage of the country's Prime Minister, and attended by Governors and Ministers, including the Republic of Niger and the Republic of Bangladesh.

The reactions from young men and women were very positive in member countries and Muslim communities in non-member countries. They are no less intelligent and capable than their advanced industrial counterparts, but lack the tools to participate in building their societies. They thank the Islamic Development Bank for this new interest in science, technology and innovation.

As a result, one billion and 800 million followed IsDB news and activities in 2018.

The Third Initiative:

This is part of the economic empowerment programme, which aims to turn those who are able to work from aid recipients to empowered individuals to preserve their dignity, integrate them in development and make the markets work for their benefit through incubation and partnership.

Micro and small business owners do not have the required guarantees, lack marketing skills and make up a large segment in all member countries.

We implemented this programme in two countries, Palestine and Tunisia.

The IsDB set up an international investment fund for the Palestinian people with an initial capital of 500 million USD to invest to employ the poor and the unemployed. About a quarter of a million Palestinian families are expected to be empowered over the next decade.

The IsDB turned the programme into a foundation. A Presidential decree was issued to this effect. The IsDB invests the Fund's capital and resources in Palestine, with and for the poor in Palestine. Also, the IsDB contributed 100 million USD, the ISFD 50 million USD and the Palestine Investment Fund 25 million USD.

. In my meeting with Palestinian President Mahmoud Abbas in Amman, in March 2019, he commended the IsDB's initiative in institutionalizing the programme and establishing the fund as it will create employment opportunities for Palestinian families. The IsDB considers that

facilitating access of the poor to markets as the best solution to address poverty through partnership with the poor through funding and capacity building.

In Tunisia, the participatory programme for empowering and employing the youth could achieve a great developmental impact compared to the relatively small investments.

Following the success of the experience in Palestine and Tunisia, the IsDB is currently seeking to replicate it in other member countries.

**Excellencies,
Distinguished Audience,**

It is time to turn the global development discourse from short-term operations, dealing with the immediate symptoms to addressing the root causes of sustainable growth while adopting a business model that provides integrated solutions. We need a radical and qualitative transformation in development to keep the promise we made of achieving the SDGs. Financing is not an end in itself but a means to enabling people to take the initiative and improve their lives. **Empowerment, not aid, is the goal of financing.**

Distinguished Audience,

I am optimistic and I see a bright future for our member countries in the new world. This optimism stems from the fact that some of our member countries have made great strides down the path of transformation. They have started to implement economic transformation programmes with remarkable results. Others started the process and achieved significant progress in record time. Still others remain convinced and keen to follow suit. The IDB Group considers itself a partner to all these groups. It can help promote competitiveness, mobilize resources, improve the investment environment, transfer successful experiences and make markets work for development.

**Excellencies,
Distinguished Audience,**

Before concluding, I would like to reiterate my thanks and appreciation to His Majesty King Mohammed VI of Morocco for his kind patronage of this year's meetings and for his Majesty's Government's efforts which contributed to the creation of a fruitful working environment that prevailed throughout our meetings.

I would also like to thank the Board of Governors and the Board of Directors for their continued support to me personally and to the management of the IsDB to achieve the objectives for which the IsDB was established 44 years ago.

Thanks and gratitude go to the Government of the Headquarters country, the Kingdom of Saudi Arabia, for their unfailing support since the establishment of the Islamic Development Bank.

I would like to point out here a contribution by the host country, the Kingdom of Saudi Arabia, announced at the Arab Summit in Dhahran, Saudi Arabia (Al-Quds Summit), to allocate 150 million USD to support the Islamic Waqf in Al-Quds and to entrust the Islamic Development Bank with its management.

Special thanks to my colleagues across IsDB Group for their dedicated efforts in delivering quality initiatives in record time. The IsDB along with the IsDB Group have indeed made great strides forward. I thank all those who contributed and worked hard and with dedication, day and night in the management and organization of our meetings.

In conclusion, I am pleased to launch a book in three languages giving full details about the President's 5-year programme, to serve as a guide and reference for anyone dealing with the IsDB.

May Allah guide us all to that which secures his love and pleasure.

Wassalamu Alaikom Wa Rahmatullahi Wa Barakatuh