



**Statement  
by the President of Islamic Development Bank Group**

**for**

**The G-24 Ministerial Meeting  
13 October 2020**

**(for Distribution)**

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البنك الإسلامي للتنمية

Statement by

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**The G-24 Ministerial Meeting**  
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On behalf of the Islamic Development Bank (IsDB), I would like to commend the Group of 24 (G-24) for convening this important meeting and providing a platform for developing countries to discuss ways and means to respond to and manage this global pandemic. Indeed, developing countries are among the worst hit by the pandemic given their limited preparedness to withstand the impact of COVID-19. With the pandemic far from over and a possibility of a second wave of outbreak still present, concerted efforts and stronger cooperation at the international level are crucial to complement national programs in mitigating the impact of COVID-19.

### **The impact of COVID-19**

Since the first human case of COVID-19 was identified in December 2019, the number of infections has spread rapidly across the world. Consequently, health systems, particularly in the developing world, have been put under immense pressure to cope with this public health emergency.

However, the impact of COVID-19 extends far beyond the health sector and healthcare delivery. The pandemic has caused wide-ranging supply and demand shocks that have reverberated across the globe with devastating impact of unprecedented scale and severity. To suppress the spread of the virus, countries resorted to extreme measures of movement control, including closing borders, resulting in a severe global economic downturn, described by the International

Monetary Fund (IMF) as the “*the worst recession since the Great Depression, and far worse than the Global Financial Crisis*”.

The adverse effects of the pandemic are expected to be particularly high in countries with underlying fragilities and in economies that are highly dependent on heavily impacted sectors such as tourism and transport sectors where global demand is seen to decline.

The pandemic is also exacerbating inequalities within countries, thus reversing the progress gained in recent years, as it will be disproportionately felt by the most vulnerable and marginalised segments of society – women, older persons, low-wage and less-skilled workers, micro, small and medium enterprises (MSMEs) and the informal sector. Recent estimates from the International Labour Organization show a 14 percent drop in global working hours, equivalent to 400-million full-time jobs, during the second quarter of 2020. Losing jobs results in income losses, which in turn contribute to poverty and food insecurity. It is estimated that 40 – 60 million people will fall back into extreme poverty worldwide, and acutely food insecure people will nearly double to 265 million because of COVID-19.

### **The Debt Sustainability Challenge**

The devastating economic impacts of COVID-19, coupled with the large financing need to mitigate the pandemic’s negative health, social and economic consequences, also places additional pressure on developing economies’ debt levels, which for some countries have already hit record high. Statistics indicate that total external debt stocks of developing economies and economies in transition had reached US\$ 9.9 trillion in 2019, or 29 percent of GDP. This is more than doubled its level of US\$ 4.4 trillion in 2009. The situation is particularly dire in many of our Member Countries, where the debt burden in terms of debt level and services is fast increasing in the face of declining government revenues triggered by COVID-19. Rising debt is a recipe for economic and financial crisis for developing countries as the capacity to carry debt quickly depletes in the face of mounting negative economic impact. Thus, developing economies face mounting pressure on their limited fiscal space to fund pandemic response, economic recovery, and additional debt service on top of other expenditure programs.

In this regard, we welcome initiatives at the global level aimed at addressing the debt sustainability issue, notably the G20 and the IMF's Catastrophe Containment and Relief Trust (CCRT). With these initiatives, developing countries will have much-needed financial relief, allowing them to allocate their resources to fighting the pandemic instead. Nevertheless, these initiatives are far from sufficient to address the debt sustainability challenges faced by these economies. Widening the scope to include the private sector and improving the debt restructuring procedures are among the important additional aspects that will significantly enhance the effectiveness of these measures.

### **IsDB Group Response to Covid-19 Pandemic**

The IsDB Group acknowledges the importance of global cooperation in complementing and supporting national programs to address the multifaceted and devastating effects of COVID-19. As such, we have launched in early April a holistic response program to the COVID-19 pandemic - the 'Strategic Preparedness and Response Program' (SPRP) to prevent, contain, mitigate and recover from the impact of the COVID-19 pandemic. The SPRP comprises two main components: i) Health Emergency Response and (ii) Sustaining and Reviving the Economic and Social Sectors along the three tracks of Respond, Restore and Restart.

From an initial amount of US\$2.3 billion, we have recently 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. We have also put in place several key initiatives to enable us to quickly respond to the needs of our Member Countries by fast-tracking project approvals, fund disbursements, and procurement arrangements.

### **Leveraging on Science, Technology, and Innovation**

Recognising the power of science, technology, and innovation in unlocking global development challenges, we are focussing on mainstreaming technology and innovation as key cross-cutting elements in IsDB's interventions, with specific attention to health emergency, food security, and e-learning. In this context, the 3<sup>rd</sup> 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 Member Countries.

Adopting blockchain technologies, we have launched the "COVID-19 Global Coordination Platform" to ensure efficiency, harmonisation, country ownership, and transparency in the delivery of our response program. This online portal will serve as a platform for sharing of information among strategic partners, such as MDBs, financing partners, expert institutions, suppliers, and authorities in affected countries.

### **Holistic interventions covering short, medium to long-term.**

The IsDB's initial interventions are mainly centred around strengthening Member Countries' health systems in response to the pandemic, including case detection, confirmation and management, provision of essential health care services, and procurement of vital medical equipment. However, the focus is now progressively shifting towards the second track of the SPRP - "Restore" by supporting projects geared towards supporting trade and MSMEs to sustain their activities during this time of crisis.

The micro-, small- and medium-sized enterprises, which are an integral part of the economy more so in developing countries, are the hardest-hit sector. In this regard, the Strengthening of the Economic Resilience of Vulnerable Enterprises (SERVE) program was launched to build the resilience of MSMEs affected by the pandemic by providing needed liquidity for business continuity and job preservation. Under the Trade Finance intervention, support is provided to Least Developed Member Countries (LDMCs) and severely affected non-LDMCs to manage fluctuating exchange rates and mitigate other risks. We have also developed the IsDBG COVID-19 Guarantee Facility to assist our Member Countries in mobilising additional resources from external partners by adjusting risk profile of trade and SME operations.

Beyond these short and medium-term interventions, also in the pipeline are long-term support aimed towards building more resilient economies based on solid

foundations and catalysing private investment by supporting economic recovery and countercyclical spending.

### **Forging Strategic Partnership with other Development Partners**

The IsDB Group is actively engaging with various development partners and the private sector not only to mobilise additional resources but also to identify potential areas of collaboration for joint interventions to complement our efforts and scale up the impact of our program.

For example, in partnership with the Arab Coordination Group (AGC) members US\$10 billion was mobilised to support developing countries in their immediate response and economic recovery efforts from the recession caused by the COVID-19 pandemic and its repercussions.

In addition, we have also leveraged on the Reverse Linkages mechanism to strengthen solidarity among our Member Countries during this time of crisis, thus reflecting our strong commitment in championing South-South Cooperation. Through this unique modality, we have managed to assist our Member Countries in accessing critical medical supplies and equipment needed to fight the pandemic. We have also partnered and coordinated with several public and private sector entities as well as civil society organisations to facilitate the exchange of know-how and expertise among Member Countries.

### **Towards a better post-pandemic world**

The COVID-19 provides the necessary wake-up call for us to rethink our current economic development model. Increasing global interconnectedness, fragility of the modern supply chains, systemic inequality, growing precarity of employment, and continuous degradation of the environment are among the major fault lines in the current system laid bare by the pandemic. It is thus incumbent upon us to take advantage of this unique window of opportunity for transformation to address these challenges in order to transition towards a more resilient, sustainable and inclusive post-pandemic system. This is obviously a monumental task requiring great political will as well as enormous investment in necessary infrastructure, skills, and institutions which go beyond the capacity of national governments. As such, international cooperation and coordination involving countries, multilateral

international organisations as well as the private sector is not only useful but indispensable to ensure successful realisation of this endeavour into real and tangible solutions.

The IsDB calls for the G-24 leaders to give their full commitment in building a better post-COVID world and to act cohesively together during this challenging time to emerge stronger than ever.