

Summary: Panel 3

Financing, including through Islamic banking, and technology transfer for sustainable development

- In my introductory note, I highlighted the challenges of rapid urbanization in the region, in terms of providing adequate and affordable housing, especially for the poor and avoiding environmental degradation and the need for resource mobilization,.
- Special attention need to be provided for promoting South-South cooperation, and public-private partnerships for technology transfer and adaptation to suit the needs of the region, and to respond particularly to water scarcity and green house emissions.
- The presentation of Dr. Seyfeddin Muaz on Clean technologies transfer reflected the gap between the Arab and Islamic countries' and the world, where the Islamic and Arab countries rank low and are well behind the world average, in terms of rate of R&D expenditure to GDP, the number of scientific and technical journals, the number of patents, and internet penetration.

- The rate of investment in science to GDP also lags behind the world average and is dominated by the government sector (70%), in contrast to OECD countries, where the private sector has the dominant share.

- Action is required to foster cleaner technologies and to bridge the gap with the other parts of the world at three levels:
 - (1) At the policy level: there is a need to develop strategies and action plans to encourage the application of clean technology. This includes developing the legislative framework and providing incentives (deduction in tax and custom duties).

 - (2) At the technical level: there is need to support technical programmes that ensure capacity building in cleaner technologies, encourage dissemination of results and findings, and adopt Building Codes and Technical Standards.

 - (3) In financial matters, it is necessary to ensure the availability of funding. Islamic banks can introduce funding mechanisms like Green Credit.

- His recommendations include the development of eco-based strategies, awareness-raising, development of technical capacity, support entrepreneurship and creation of incubators, and the provision of venture capital by Islamic banks.
- In response to a question on why R&D in this region comes mainly from governments, Mr. Muaz said that the private sector is not fully aware of the benefits derived from R&D. The return from research and product development usually more than offset the costs of R&D in a short time. He noted though that the region should be specialized and concentrated on specific products which will enhance the chance of success. The experience of South Korea and Malaysia is a case in point. He also indicated that investment in the use of solar energy is timely.
- A comment was made on climate change adaptation and mitigation, It was clear in UN-FCCC that mitigation efforts of developing countries depend on developed countries' assistance in technology and finance. Little money was provided to developing countries, and Islamic financing may provide an opportunity.

- Mr. Khalid Ahmad explained the role of Islamic banks in real estate development. These banks have yet to explore the means of financing medium and low housing and micro finance. He informed that a micro finance bank was announced today in Bahrain. Islamic banking uses the “Mourabaha”, “Mousharaka” and “Istirbah” concepts. A new concept is being developed for Islamic financing, that is, “Soukouk” (Islamic Bonds). Government support is required to enable Islamic banks to provide project financing and meet the needs of the poor.

- In response to questions on the need to reduce the risk exposure of Islamic banks, the use of interest rates and the effect of the credit crunch on Islamic banks, Mr. Ahmad provided the example of Bahrain which will be introducing soon government guarantee for specific individuals and groups who are middle and/or low income. With the substantial rise in land prices in GCC countries, the governments may consider to subsidize the price of land and encourage joint ventures between the public and private sectors.

- He explained that Islamic banks do not charge interest rates but have a joint venture with a share in the profit or request re-payment by installments over a determined period of time. He also indicated that the house credit crunch in the USA did not have a direct impact on the region, though it reduced the profits of some banks.

Recommendations to be Raised to ECOSOC

- The need to address the unsustainable patterns of consumption, increase the efficiency of use of resources, especially water resources which are scarce in this region. In this respect it is important to highlight the importance of ensuring not only the quantitative aspects of water availability but also the quality of water.
- Strengthen institutional capacity to plan, monitor, coordinate and ensure sustainable urban development, by fostering public private partnerships; address social housing issues for the poor, including the access to transport facilities, and land tenure; and mobilize the necessary financial resources.
- Need to encourage the financial sector, and especially Islamic banks to provide Green Credit and venture capital for supporting sustainable urbanization.
- Bridge the gap between urban and rural areas but also among neighborhoods within cities.
- Encourage and facilitate the use of appropriate and affordable technology to reduce the effect on

the climate change. The meeting provided an good opportunity to exchange knowledge and information on latest development of smart buildings that consume less energy. However, such developments are still costly and would require reducing their cost to make them more affordable.

- Encourage the public and private sectors to support R&D in the region to provide clean technology.
- Address climate change issues and climate adaptation and mitigation measures. Climate change will have more detrimental effects on the poor and the marginalized.
- The exchange of good practices and of information between the countries at the sub-regional level in the region is a must.