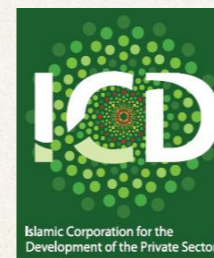




## Islamic Finance and SDGs

Nedžad Ajanović  
Senior Partnership Specialist

High-Level Conference on Financing for  
Development and the Means of Implementation of  
the 2030 Agenda for Sustainable Development  
19 November 2017, Doha, Qatar



# Together We Build a Better Future

[www.isdb.org](http://www.isdb.org)

# Agenda

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- ❖ IsDBG at Glance
- ❖ Islamic Finance and Sustainable Development Goals (SDGs)
- ❖ Lives and Livelihood Fund (LLF)



# Evolution of IDB Group (1975 - 2017)



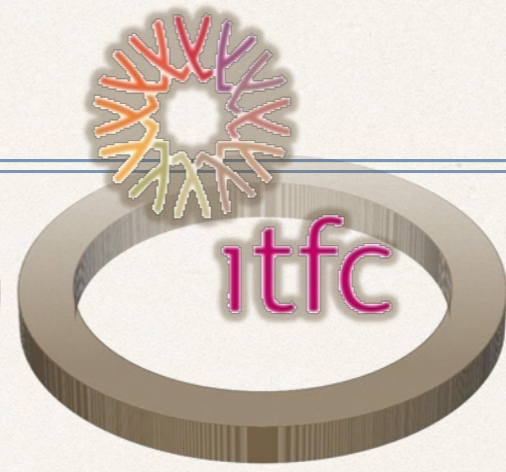
1981



1994



1999



2008



2015



1975

*Inception*

*42 Years After*

1975

2017

› 22 Member Countries

› 57 Member Countries

- › Authorized: ID 2 billion
- › Subscribed: ID 0.75 billion
- › Paid-up capital: ID 0.28 billion

- › Authorized: ID 100 billion
- › Subscribed: ID 50 billion
- › Paid-up capital: ID 4.9 billion

# Key Facts about IDB

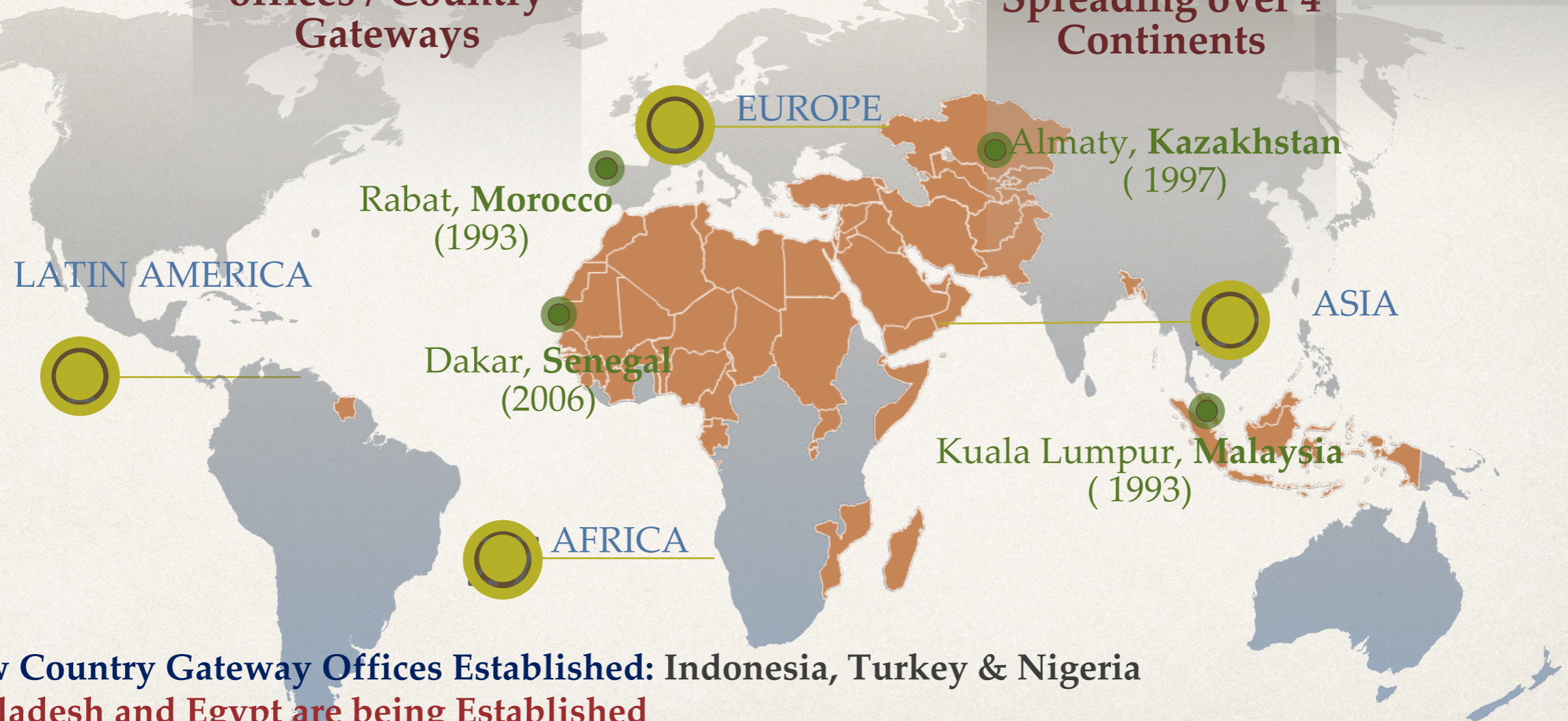
Established in 1975 with HQ in Jeddah, KSA

1,128 staff distributed across entities & regional offices / Country Gateways

A Unique Model of South-South Cooperation

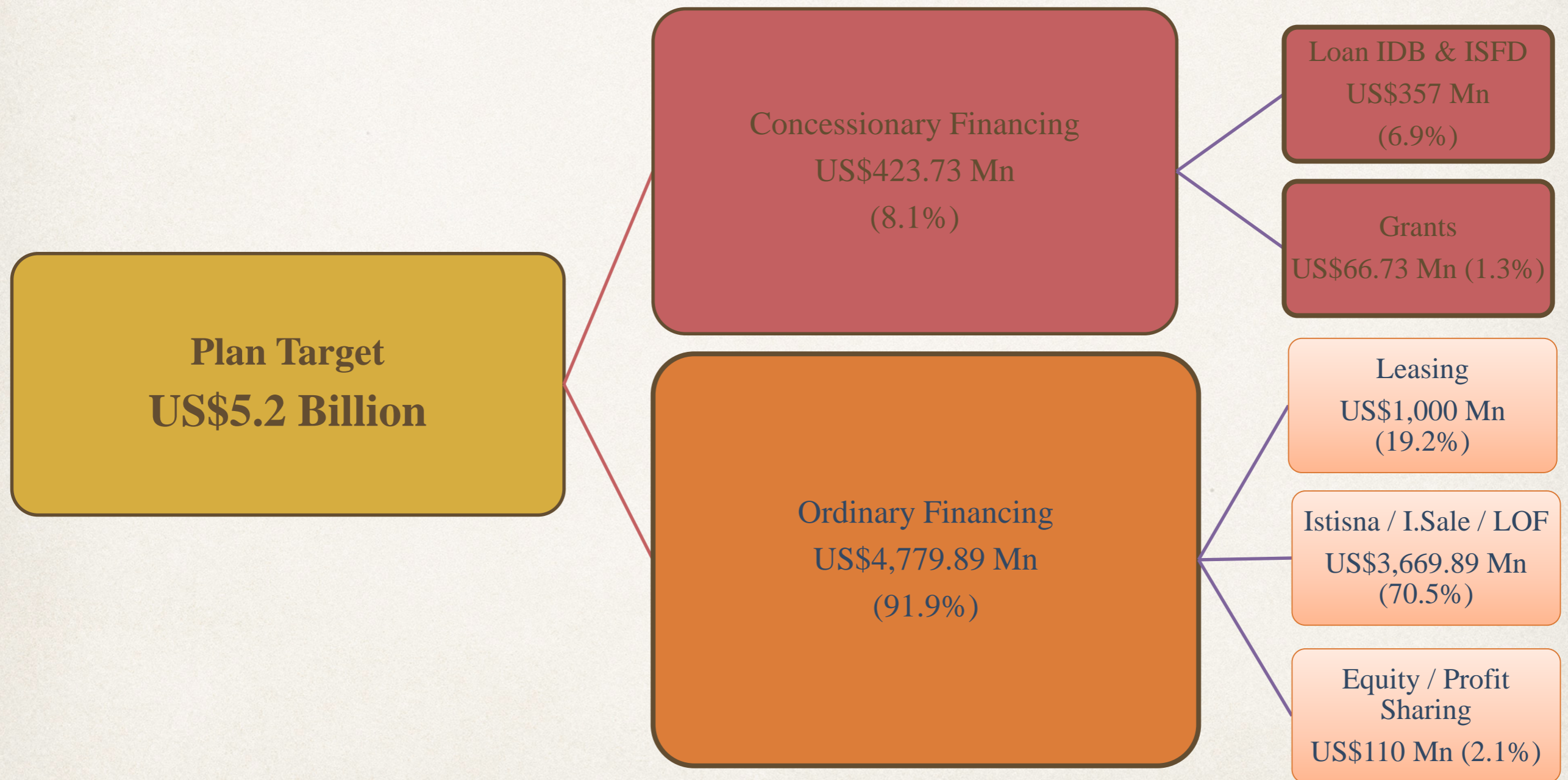
Global MDB : Membership 57 Countries Spreading over 4 Continents

4 Regional Offices



- 3 new Country Gateway Offices Established: Indonesia, Turkey & Nigeria
- Bangladesh and Egypt are being Established
- 16 Field Representatives

# Highlights of Operations Plan 2017





# Sustainable Development

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- ❖ Integrates (1) economic development, (2) social inclusion, and (3) environmental sustainability
- ❖ Development goals that are considering the present and future development
- ❖ Encompasses both science and morality to save humanity for the long run

# Four priority areas for financing the SDGs

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- ❖ MDBs, will have to take a convening role and providing technical assistance and financing to achieve development goals
- ❖ Investment flows will have to come increasingly from private sources
- ❖ Domestic resources mobilization can play a key role in achieving SDGs
- ❖ Official Development Assistance (ODA) (must be “blended” with private sources or other funding sources)



# Challenges facing the existing financial system

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- ❖ A major cause of instability is unsustainable debt
- ❖ With compound interest, debt grows beyond real wealth
- ❖ It imposes great pressures on natural resources, encouraging quick-profit-driven choices over sustainable decisions
- ❖ Recurrent financial crises prolong inequality, poverty, and misallocation of resources



# Islamic Financial Service Industry - Overview

1

## Growth

- US\$ 2 trillion by Design (1 T in 34 years and 1 T in the last 6 years)
- growing 50% faster than Traditional Banking

2

## Profitability

- Average ROE of 12% for top 20 Islamic Banks

3

## Customers

- A minimum of 25% of the world's population

### Current Outlook

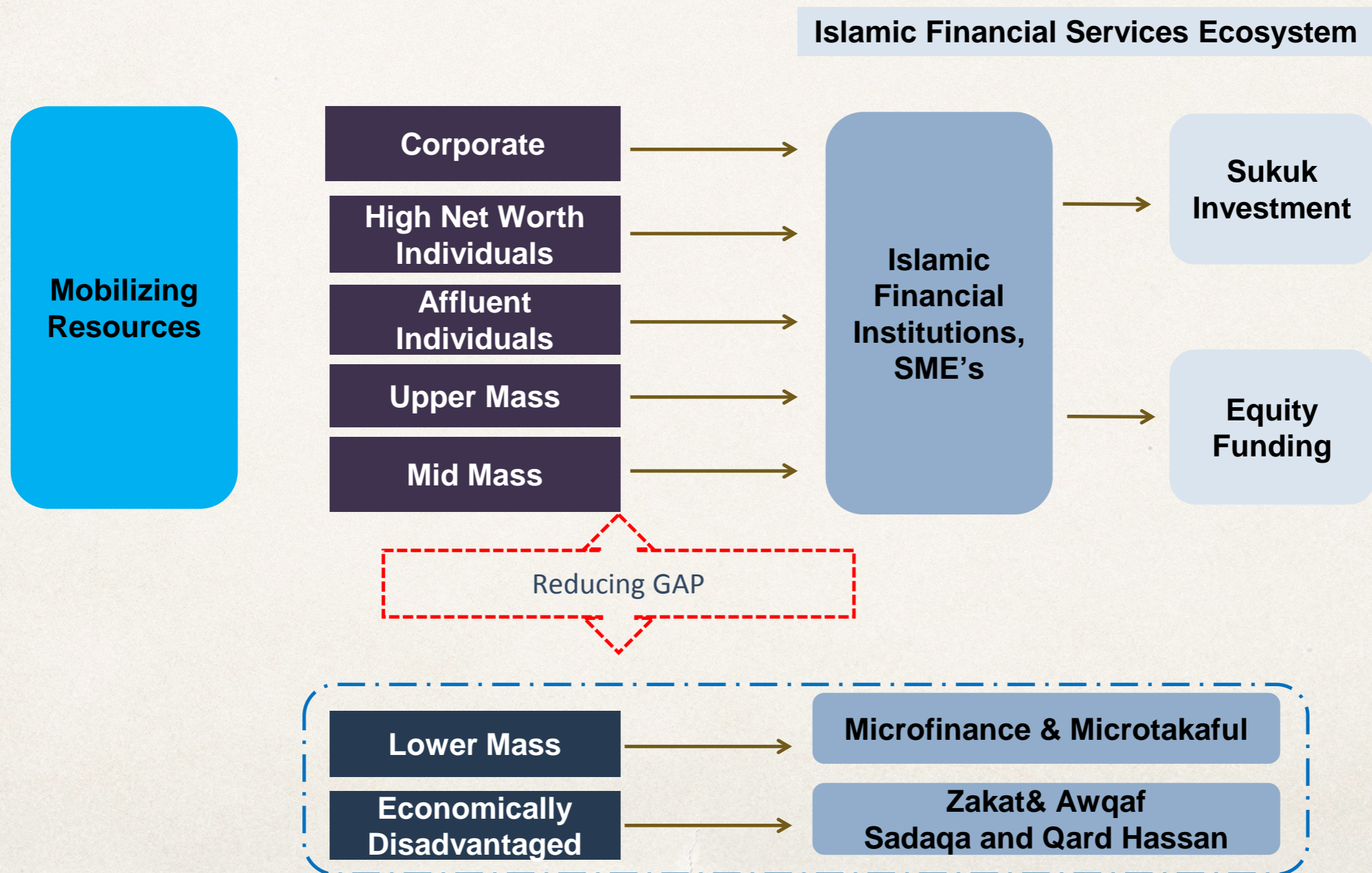
<b>Asset Growth</b>	<b>Countries</b>	<b>ROA</b>	<b>Institutions</b>	<b>Customers</b>
17%	92+	1.6%	900+	+70 million

### Strategic Needs

Create a sustainable framework for continuous development	Solutions for liquidity management	Increase Focus on Financial Inclusion
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# Islamic Finance is Comprehensive System for Society



# What is Islamic Finance

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- ❖ Promoting the economic development, social justice through the principle of risks and rewards
- ❖ The system aiming to achieve balance between market incentives and philanthropic motives
- ❖ Finance should be tightly integrated with real economic activities

# What is Islamic Finance

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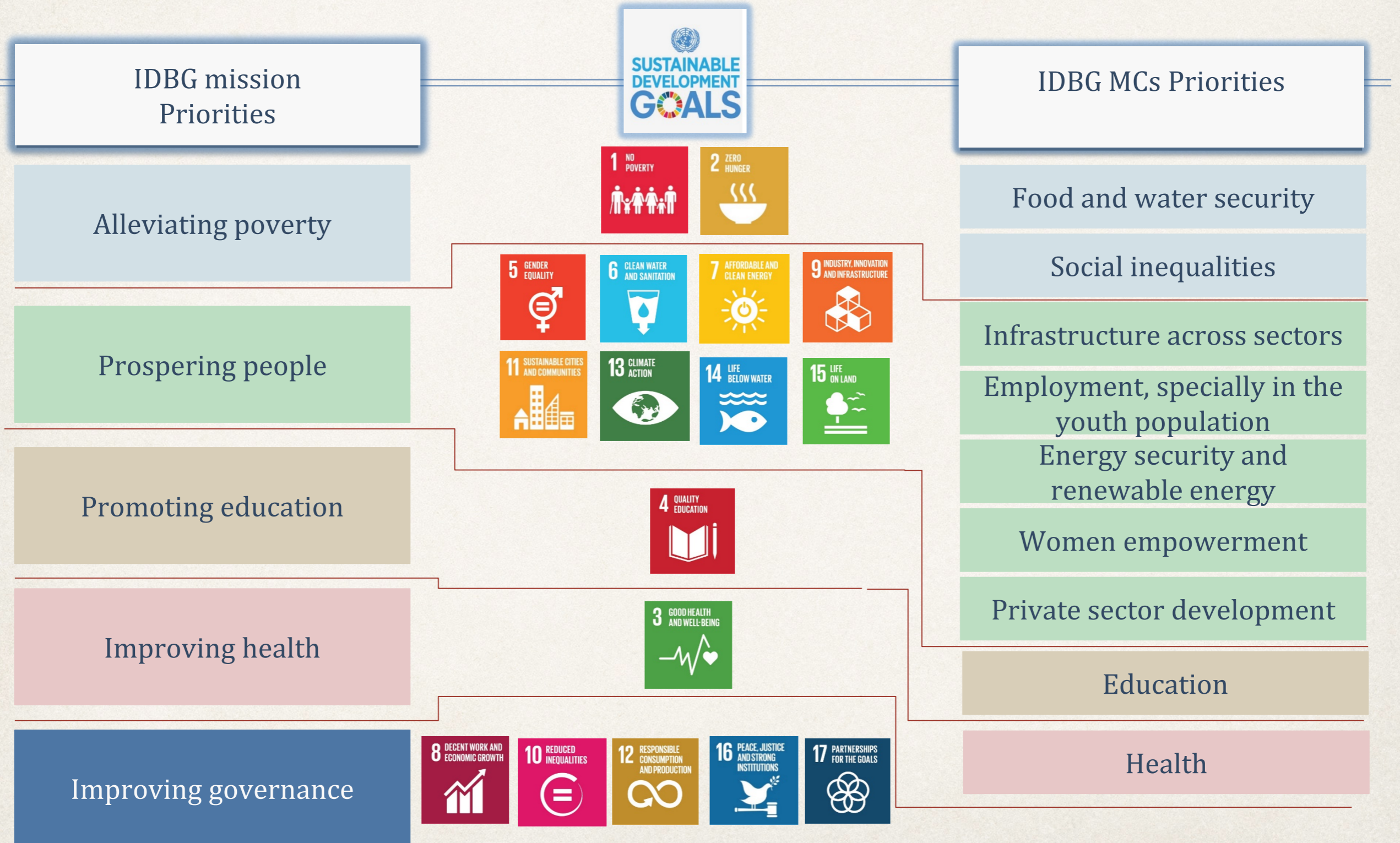
- ❖ The system's principles are universal which suitable to society at large with only prohibition on:
  - Usury/ Interest (*Riba'*)
  - Uncertainty of contract (*Gharar*)
  - Element of Speculation (*Maisir*)
  - Non-permissible (*Haram*) transactions or economic activities such as alcohol, gambling and non-halal food
  
- ❖ Islamic Finance is a financial system towards the ethical business and social responsible finance

# What can Islamic Finance bring towards SDGs?

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- ❖ IF can play a strong role in at least three dimensions:
  - IF possesses fair and equitable tools for risk appetite and allocation;
  - IF possesses effective instrument to promote domestic resources mobilization; and
  - IF possesses enabling social welfare tools to leverage concessional finance.
  
- ❖ It is important to stress that IF is a form of financial intermediation in accordance with the moral and social preference of society

# IDBG Priorities and SDGs



# Role of Finance in Supporting the SDGs





# Comprehensive Islamic Finance Solutions in Supporting SDGs

Category	Number of SDGs	Islamic Finance Mechanism
Financing for Infrastructure Development	<b>8 SDGs</b> (SDG 4, SDG 7, SDG 9, SDG 11, SDG 13, SDG 14, SDG 15, SDG 17)	Raising wholesale funding mainly from <ol style="list-style-type: none"><li>1. Sukuk programme</li><li>2. Islamic Syndicated financing</li></ol>
Finance for Social Development	<b>6 SDGs</b> (SDG 1, SDG 2, SDG 3, SDG 5, SDG 8, SDG 10)	Islamic Social and Financial Inclusion: <ol style="list-style-type: none"><li>1. Zakat</li><li>2. Waqf</li><li>3. Islamic Microfinance (including Microtakaful)</li></ol>
Financing to Promote Innovation in Achieving Efficiency	<b>6 SDGs</b> (SDG 6, SDG 7, SDG 8, SDG 13, SDG 14, SDG 15)	Equity based structure is more suitable in promoting innovation such as: <ol style="list-style-type: none"><li>1. Islamic Private Equity</li><li>2. Islamic Venture Capital</li><li>3. Equity Funds</li><li>4. Crowdfunding</li></ol>



# Islamic Finance is able to address sustainable development initiatives

Shari'ah compliant financing for various infrastructure initiatives

Economic infrastructure

Private sector development

Shari'ah compliant equity participation in developing sustainable private sectors

Islamic Finance

Inclusive Social development

Various Shari'ah compliant funding channels to social development programs i.e. microfinance, Waqf, Zakat



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والمعيشة



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Livelihoods  
Fund

# Polio Eradication in Pakistan



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Livelihoods  
Fund



**CURRENT  
DONORS**

The Islamic Solidarity Fund for Development/IsDB  
The Bill and Melinda Gates Foundation  
The Qatar Development Fund  
The King Salman Humanitarian Aid and Relief Centre  
The Abu Dhabi Fund for Development

\$100 mn  
up to Max. \$100 mn  
\$50 mn  
\$100 mn  
\$50 mn





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Lives and  
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Fund




## BACKGROUND

A unique funding facility brought about by the collaboration of development partners to unlock \$2.5bn of financing that is primarily targeted to the IsDB Least Developed Member Countries (LDMC's). This comprises a target of \$500 million of committed Donor Grants and \$2.0bn in IsDB Ordinary Capital Resources; blended together to result in a highly concessional funding package to LDMC's.

## OBJECTIVES

Addresses critical health, agriculture and rural infrastructure issues affecting more than 400 million poor people in IsDB Member Countries. The LLF targets projects that will affect directly the lives and livelihoods of the people through scaling up the annual volume of concessional financing extended by the IsDB to its Member Countries.



Sector	Eligible Project Types
<p><b>Health</b></p> 	<ul style="list-style-type: none"> <li>◆ Infectious disease eradication and control, with priority given to malaria, polio campaigns, routine immunization and neglected infectious diseases</li> <li>◆ Primary health care system strengthening: primary health care system governance and financing, performance management at both the government and facility levels and service delivery improvement at the facility level</li> </ul>
<p><b>Agriculture</b></p> 	<ul style="list-style-type: none"> <li>◆ Projects predominantly serving smallholder farmers with production of staple products (livestock and crops)</li> </ul>
<p><b>Basic Infrastructure</b></p> 	<ul style="list-style-type: none"> <li>◆ Off-grid rural power generation, transmission and distribution for poor communities</li> <li>◆ Small scale water supply and sanitation projects for poor and currently unconnected communities</li> <li>◆ Rural infrastructures to promote digital financial inclusion</li> </ul>

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## TARGETED MEMBER COUNTRIES

### ❖ LDMC's benefit at least 30% in financing as grant

Afghanistan  
Bangladesh  
Benin  
Burkina Faso  
Cameroon  
Chad  
Comoros  
Cote d'Ivoire  
Djibouti  
Gambia  
Guinea  
Guinea Bissau  
Kyrgyz Republic

Mali  
Mauritania  
Mozambique  
Niger  
Senegal  
Sierra Leone  
Somalia  
Sudan  
Tajikistan  
Togo  
Uganda  
Yemen

### ❖ Non-LDMC's benefit from a 10% in financing as grant

Egypt  
Indonesia  
Morocco

Nigeria  
Pakistan  
Uzbekistan

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Year	Project	Sector	Description	Project Cost	Government/Co-Financiers	LLF Financing	OCR	Grant Financing
2016	BURKINA FASO, SENEGAL, MALI	AGR	Sustainable Pastoralism Development (Year 1)	99,000,000	9,000,000	90,000,000	63,000,000	27,000,000
2017	CAMEROON	AGR	Agriculture Infrastructure and Value Chain Development Project	54,910,000	21,910,000	33,000,000	23,000,000	10,000,000
2016	CAMEROON	HLT	Support of Prevention of Mother-To-Child Transmission (PMTCT) of HIV/AIDS Program Project	44,000,000	4,000,000	40,000,000	28,000,000	12,000,000
2017	DJIBOUTI	HLT	Support to the Maternal and Child Healthcare Strengthening Project	27,260,000	7,260,000	20,000,000	14,000,000	6,000,000
2017	GUINEA	INF	Conakry Sanitation Project	59,000,000	5,000,000	54,000,000	38,000,000	16,000,000
2017	MAURITANIA	HLT	Support to the National Program for Reproductive Health	2,880,000	280,000	2,600,000	1,820,000	780,000
2016	MOROCCO	AGR	Support to smallholder rural communities through integrated development in the Tangiers-Tetouan-Al Hoceima region (Year 1)	55,920,760	5,589,860	50,330,900	45,300,000	5,030,900
2016	MOROCCO	INFR	Support to smallholder rural communities through integrated development in the Tangiers-Tetouan-Al Hoceima region	22,509,620	2,250,070	20,259,550	18,230,000	2,029,550
2016	MOROCCO	HLT	Support to smallholder rural communities through integrated development in the Tangiers-Tetouan-Al Hoceima region	22,509,620	2,250,070	20,259,550	18,230,000	2,029,550
2017	NIGER	HLT	Accelerating the reduction of Maternal and Child Mortality and Morbidity	44,800,000	4,800,000	40,000,000	28,000,000	12,000,000
2016	NIGERIA	AGR	Pastoral Cattle and Dairy Development	100,000,000	10,000,000	90,000,000	81,000,000	9,000,000
2016	SENEGAL	HLT	Malaria Pre-Elimination	34,000,000	2,000,000	32,000,000	22,400,000	9,600,000
2017	SUDAN	HLT	Malaria Prevention and Control	41,000,000	4,000,000	37,000,000	26,000,000	11,000,000
2017	TAJIKISTAN	HLT	Improving the Maternal and Child Health Services in Dangara District	26,000,000	3,000,000	23,000,000	16,100,000	6,900,000
2017	UGANDA	AGR	Local Economic Growth Support Project	69,000,000	36,000,000	33,000,000	23,000,000	10,000,000
2016	UGANDA	HLT	NTD elimination	22,000,000	2,000,000	20,000,000	14,000,000	6,000,000
				724,790,000	119,340,000	605,450,000	460,080,000	145,370,000

A photograph of a city skyline. The central focus is a tall, modern skyscraper with a unique architectural design, featuring a large, dark, rectangular cutout in its upper section. To the left of the skyscraper, a tall, slender minaret with a pointed top is visible. The foreground is filled with lush green trees. In the background, other city buildings and a tower are visible under a clear blue sky. Two text overlays are present: a dark grey bar at the top and a yellow bar in the middle.

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THANK YOU