

Unlocking the Public Opportunity Cost to Financing Sustainable Development:
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the United Nations in New York

Protocol

Let me express my appreciation, on behalf of the Organisation of Islamic Cooperation, to Basel Institute of Commons and Economics and to Dr. Alexander Dill, Director, World Social Capital Monitor, for initiating the convening of this side event and for the extensive coordination deployed to ensure its success.

Introduction

2. The theme of this side event, namely: Unlocking Public Opportunity Cost to Financing Sustainable Development is at the core of the global discourse. Opportunity cost being defined by economists as “the alternative forgone” signifies the need for seeking alternative ways and means for financing SDGs and scaling up global prosperity and people’s welfare.

3. The attainment of UN Sustainable Development Goals has continued to face such constraints; chief of which are:

- (1) inadequate financial resources.
- (2) the COVID 19 pandemic and its after-shocks, and
- (3) proliferation of political conflicts and pervasive insecurity.

4. Given the enormous resources needed to achieve the targets set in the MDGs, which programme is in its mid-term, and the promising growth level in the post-pandemic phase, there is need for creative ways of bridging the resource gap.

5. The United Nations and its partners among regional and cross-regional organisations have continued to make efforts towards mainstreaming mobilization of resources for SDGs in their respective agendas.

6. As a foremost South-South Cooperation actor, the Organisation of Islamic Cooperation and its various specialised financial institutions have prioritized funding for SDGs, through the establishment of dedicated funds for socio-economic development in its member states, including such creative ways as mainstreaming Islamic financial products, and Islamic social finance and philanthropy, among others.

7. While unveiling the various challenges standing in the way of the attainment of the Sustainable Development Goals, this presentation will capture the various responses of the United Nations and the OIC towards freeing-up resources hitherto spent on national and inter-state conflicts, including other creative means of bridging the ever-increasing financing gap for SDGs.

Major Challenges and OIC Economic Profile

8. The 2024 SDG Report revealed that “only 17% of SDG targets are on track”, while a funding gap of US\$14-17 trillion is required annually to attain the set target. Specifically, UNCTAD has recently put the financing gap for SDG in developing countries at about US\$4 trillion annually.

9. According to SESRIC, the Ankara-based OIC center for socio-economic research, OIC Gross Domestic Product amounted to US\$8.7 trillion in 2022. This figure represents 8.7% of the global GDP during this period. Measured against Purchasing Power Parity (PPP), OIC GDP posted US\$24.4 trillion in 2022, which amounted to 14.9% of the world total.

10. Notwithstanding the impressive growth rate, the various financial challenges facing most OIC countries range from fragility relating to peace and security constraints, high unemployment, dwindling FDI and ODA and most importantly, debt crisis, among others. This is in addition to fact that OIC member states account for 21 out of 45 UN-classified Least Developed Countries.

11. On Foreign Direct Investment, OIC figures plummeted by 15.2% to US\$98 billion in 2020, while its share of global FDI inflows was as low as 10.5% in 2022.

12. The above situation is compounded by the total external debt profile of OIC posting a staggering amount of US\$2.064 trillion in 2022, up by US\$81 billion from the previous year.

13. On the supply side, the personal remittances by the Diaspora populations of OIC countries was as low as US\$195 billion, averaging 25.4% of the world figure in 2022.

14. On progress made on attainment of SDG, SESRIC revealed that only moderate progress was made on Goals relating to poverty eradication (1), good health and wellbeing (3), quality education (4), and affordable clean energy (7). Others in this category include those relating to industry, innovation and infrastructure (9), Life Below Water (14) and Peace, Justice and Strong Institutions (16). Unfortunately, other goals remain stagnant or unrecorded.

15. Essentially, it is believed that OIC as a group, like other developing countries, would need to upscale local, national and international options to boost their investment drive to help in bettering the lives of their peoples.

Supporting UN Peacebuilding and Financing Efforts

16. One of the various international support available for developing countries is the United Nations support programmes of SDG. In addition to the SDG Stimulus package and the outcome of the UN Financing for Development Forums, the United Nations has intensified its funding for peace-building, through the Peacebuilding Fund. Conflict management and development financing are the major barriers to attaining SD Goals. It is a truism that the enormous resources spent on military arsenals and waging regional wars have succeeded in crowding out investments for sustainable development's support.

17. In this regard, statistics show that war spending globally amounted to US\$2.44 trillion, having increased by 6.8% in 2022. UN latest report stated that the steady increase in military spending is traceable to the current wars in Middle East, Ukraine, Sudan and other flashpoints around the world.

18. Consequently, all investments in conflict prevention, management and resolution and counter-terrorism can free resources needed for the attainment SDGs.

19. In 2022, UN peacebuilding fund approved support for 37 countries to the tune of US\$231 million, with 32 donor countries committing a total of US\$170 million for the implementation of its 3-yr strategy ending in 2024. The scope of operations includes the war in Ukraine, violence in West and Central Africa, Latin America and the Caribbean and post-conflict rehabilitation, among others.

20. Furthermore, the mobilization of regional financial institutions has been recognized. The Islamic Development Bank Group has identified with these global efforts, considering the fact that about 70% of international crisis and fragility occur in OIC member states.

21. Similarly, the African Development Bank (AfDB) has adopted its 3rd Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026), while the Asian Development Bank (ADB) has approved a programme, entitled: "Fragile and Conflict Affected Situations and Small Island Developing States Approach".

OIC Responses at Unlocking Public Opportunity Costs for SDG

22. In the first place, the institutional set-up of the OIC on development and infrastructure financing features the Islamic Development Bank Group, a

specialised OIC institution; and the Islamic Solidarity Fund, a subsidiary institution of the OIC General Secretariat. These two funds are dedicated to financing human and physical infrastructure development as well as humanitarian, educational and emergency interventions.

23. In the second place, the OIC has several special purposes funding mechanisms, aimed at providing resources for various socio-economic development projects across its member-states. The Islamic Solidarity Fund for Development (which is generally known as the poverty alleviation fund) was established with a target capital of US\$10 billion in 2008 and has been intervening in such strategic sectors as food security, vocational training and microfinance, among others.

24. In the third place, the mainstreaming of the Islamic financial products, through the instrumentality of the Islamic Banks and the Islamic bond (known as sukuk) is another tool for stimulating economic growth. The Islamic Finance assets have grown overtime, amounting in 2023 to US\$4.5 trillion.

25. In the same vein the Halal Food industry, including pharmaceutical products, has been growing due to such factors as globalization, innovation, and health and safety concerns. The size of the Halal market is put at US\$2.4 trillion and is projected to reach US\$5.8 trillion by 2032.

26. In the fourth place, the Islamic Philanthropy, also known as Islamic Social Finance, comprises the traditional Islamic institution based on zakah (mandatory donation to the poor), Sadaqah (charity), and awkaf (endowment). UNHCR has continued to engage with OIC and other Islamic organisations for the mainstreaming of this financing model. In 2023, a total of US\$46 million was raised to help 20 million refugees and internally displaced persons in 23 countries. This tool includes in-kind donation, also known as sadaqah jariya, such as a program to install water points for refugees.

27. Fifthly, the various national funding agencies in middle-income OIC countries do coordinate their funding activities through the Arab Coordination Group meetings, which feature ten development financial institutions, namely: the Abu Dhabi Fund for Development, the Arab Bank for Economic Development in Africa, the Arab Fund for Economic and Social Development, the Arab Gulf Development Program, the Arab Monetary Fund, the Islamic Development Bank Group, the Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development, Qatar Fund for Development, and the Saudi Fund for Development. The recent reaction of the Arab Coordination Group to addressing and mitigating the negative effects of Corona Virus pandemic saw the allocation of US\$ 10 billion to developing countries in 2020.

Summary of Recommendations

28. In view of the foregoing, the following recommendations are worthy of consideration:

- The international community, through the United Nations, should continue to accord priority to the various UN programmes on peace and security as this “peace dividend” would free up resources hitherto expended on conflicts for sustainable development and the emergence of a more stable, prosperous and secure world;
- Calling on multilateral development and financial institutions and agencies to urgently respond to the mobilization of SDG Stimulus package of US\$500 billion annually for the SDGs;
- Commending the various programmes of the United Nations and their specialised agencies, aimed at mobilizing all national, regional and international public and private organisations towards achieving rapid progress on SDGs;
- Emphasising that the traditional model of North-South economic cooperation and the emerging South-South economic cooperation, have the potentials of providing needed investments to bridge the funding gap for SDGs;
- Expressing the conviction that the recently adopted Pact of the Future would fast-track the attainment of SDGs, including socio-economic development of children and future generations; and
- Commending Basil Institute of Commons and Economics and the OIC for following up the outcome of this side event.

27 October 2024