

# Mobilizing private sector investments to accelerate the SDGs

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**G**lobal partnerships have never been as critical as they are today. Development funds have been declining for several years, with foreign aid from official donors falling by 5.7 per cent between 2015 and 2018.<sup>2</sup> The funding gap — funds required to maintain the ongoing operation of achieving the Sustainable Development Goals (SDGs) — stands at US\$ 2.5 trillion per annum. It is agreed that private sector partnerships will be the most important in bridging this gap, however, continued efforts have not yet been able to achieve the targets set out by the SDGs.

The private sector's objective will always be to create value for stakeholders, but with progress evident for the adoption of the SDGs at government and consumer level, the mindset is moving in the right direction. Now it is more beneficial than otherwise for businesses to align themselves with the SDGs, but not all have the luxury to do so.

The journey for small and medium-sized enterprises is a continuous, everyday struggle for existence, recently exacerbated by the Covid-19 pandemic. Many OIC countries have deep-seated, complex challenges ranging from food insecurity, weak infrastructure and a low level of education, to conflict, job creation, an increasing youth population, health, and poor governance. According to several reports, the pandemic has set back the progress made so far on the SDGs to initial levels. Part of the solution to these crucial challenges is an increase in partnerships, particularly among international organizations.

The fundamental work of the Islamic Chamber of Commerce, Industries and Agriculture (ICCIA) is the promotion of partnerships for the growth of trade for the OIC countries as well as Muslim business communities across the world. The organization's renewed strategy is focused on designing, developing and deploying programmes that are centred on unlocking private sector capital to support the SDGs as they aid the long-term interests of the businesses and member economies. By providing investment-ready opportunities, the business case for investment is accelerated and this has been recognized as one of the best ways to bridge the funding gap for the SDGs. There is now the potential to inject almost US\$ 10 trillion for high-impact investments in fast growing economies.<sup>3</sup>

The largest portion of the funding gap inheres partly in economic infrastructure<sup>4</sup> — the facilities, activities and services that support the operation and development of other sectors of the economy. Most of countries in which

the achievement of the SDGs is most needed are in high-risk zones, resulting in a higher cost of operation. To mitigate risk, governments need to put in place laws and policies to incentivize that risk versus its return. This is most important when considering areas where much work is needed, for instance, the climate change risk that will impact the private sector organizations' commodity supply chains, a fact not considered by the international regulators in their models for financing emerging markets.<sup>5</sup> Moreover, policies are needed to encourage private sector donations, special projects that promote the hiring of disabled people, and projects that aim to work in remote areas.

A challenge additional to the funding gap is that rising external debt in developing countries is putting SDG achievement at risk, with the private sector's SDG finance mostly focused on advocacy instead of action.<sup>5</sup>

The renewed strategy of the ICCIA to support programmes that drive action is a product of extensive discussions with global sector thought leaders over a period of two years. To achieve this, the ICCIA is intensifying its partnerships with international organizations, foundations and private sector stakeholders to include developing businesses in addition to running capacity building and networking programmes. Outlined below are examples of some of the most important projects on which the ICCIA is working in partnership with multiple stakeholders.

## Green Waqf

Waqf (Arabic for endowment) is a special kind of philanthropic deed in Islam, which is established in perpetuity. This model has been used for centuries to support the poor by providing them with education, health, mosques, clean water and other needed services. Waqf is a sustainable finance concept that has been part of Islamic philosophy from its inception, and involves donating a fixed asset which can produce a financial return or provide a benefit for its recipients. Research suggests that many waqf properties end up being designated as schools, cemeteries or mosques but, unfortunately, not many generate income for the waqf or the beneficiaries. Thus, within the ICCIA's strategy and in line with its initiatives, it has launched the Green Waqf initiative. The project will identify waqf land, both across OIC countries and around the world, and convert any non-productive areas into productive land through cultivation and, in the process, sequester atmospheric CO<sub>2</sub>. This land will be planted with income-generating trees, relevant to

local climate and resources, that would create value for the land as well as jobs and tertiary small cottage industry, thus strengthening local biodiversity and overall economic activity within the surrounding communities. The waqf will also work on capacity building initiatives within these areas to turn them into sustainable businesses, generating income and value for all stakeholders.

Dr Fazlun Khalid, member of the Multi-Faith Advisory Council to the United Nations Interagency Task Force on Religion and Sustainable Development has remarked that: “The historical awqaf system did not just depend on the generosity of those who established waqfs but also on innovative ideas that responded to prevailing conditions. In this instance, the Green Waqf initiative is a groundbreaking project that is meeting current global challenges head on by breathing new life into critical spaces with a global tree planting programme and other environmentally friendly activities”.<sup>6</sup>

This enormous undertaking requires a large number of partnerships across countries and sectors. For the private sector, mainly those companies operating in industries with a high carbon footprint such as aviation and logistics, such projects will provide a way to offset activities with carbon credits. For international organizations and governments, the project will provide a cross-cutting initiative that touches

on several SDGs. The relevance of the waqf concept to OIC countries lends Green Waqf enormous power as it is well entrenched in Islamic culture and the availability of under-utilized land is extensive. Given a propitious environment by Islamic governments through policy support, this will be one of the most effective projects for partnerships on the SDGs.

#### **The OIC Arbitration Center**

Another example of building collaborative partnerships is that of increasing trade between OIC countries and encouraging South–South and Triangular Cooperation. During the 13th Islamic Summit in 2016, the President of the Republic of Turkey and Chairman of COMCEC, Recep Tayyip Erdogan, made a proposal for the establishment of the OIC Arbitration Center, under ICCIA in Istanbul. ICCIA was subsequently given the mandate to set it up, with the Center hosted by the Government of Turkey and affiliated to the ICCIA in collaboration with the Union of Chambers and Commodities Exchanges of Turkey (TOBB).

Within the partnership’s framework, the ICCIA works on two tracks. The first entails promoting and marketing the Arbitration Center within member institutions by encouraging its business people and investors to use its services. The second involves working in cooperation with the TOBB to



Image: ICCIA

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Cooperation will take place between SMIIC and the ICCIA to organize joint seminars and conferences with the aim of spreading awareness of the importance of the halal industry as well as its requirements for production and trade among all interested parties, including governments, producers and consumers

complete its establishment process and launch the operation in a manner that will fulfil the objective of its serving as a reputable global institution, providing high-level international arbitration services.

### **Serving the halal economy**

Halal is a trillion-dollar global economy, providing a significant opportunity for Muslim countries to participate in global supply chains. However, the lack of required infrastructure in many of the low- and middle-income countries has been a key factor in holding back the sector's promise. ICCIA's vision supports the growth of halal exports from OIC countries as well as ensuring the quality and sharia-compliance of products that have been checked by credible institutions to ensure their authenticity.

In line with this vision, ICCIA launched the Halal Certification Services Company in 2020 and recently signed a cooperation agreement with the Standards and Metrology Institute for Islamic Countries (SMIIC) an affiliate organization of OIC. Within the agreement's framework, cooperation will take place between SMIIC and the ICCIA to organize joint seminars and conferences with the aim of spreading awareness of the importance of the halal industry as well as its requirements for production and trade among all interested parties including governments, producers and consumers. It will also help advance the industry's

infrastructure in member countries through the development of a national framework for accreditation and control throughout the value chain of production, trade and import of food, via training, technical consultation, a review system, the issue of certificates and the ICHCS Halal Mark. All of these companies are being designed as model organizations to be used as an example for others to follow.

### **Recommendations**

The above projects provide an overview of how international organizations such as ICCIA are developing programmes in partnership with multiple stakeholders to mobilize much needed private sector investment in support of the SDGs. However, much more is still required. To enable more partnerships in the Islamic world to attract private sector finance for the SDGs, governmental and international development organizations need to:

- Develop new laws, policies and intervention modalities to incentivize the private sector to play a more significant role. These should include special projects that have previously frequently failed, for instance those in remote areas or projects that hire disabled people.
- Formulate incentive structures designed to encourage the private sector to donate more.
- Urgently consider the promotion and development of policies to better utilize the waqf concept.