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REPURPOSING ISLAMIC FINANCE FOR LONGER-TERM OPPORTUNITIES

Proceedings of the SC-OCIS Virtual Roundtable 2020

15 – 16 October 2020
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**Thursday,
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Director, Oxford Centre for Islamic Studies, UK

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Sultan of Perak, Malaysia and the Royal Patron for Malaysia's Islamic Finance Initiative

INTRODUCTION

The novel coronavirus, hereinafter referred as COVID-19, has been regarded as one of history's deadliest pandemics. As of early October 2020, it has infected more than 35 million people and caused more than one million deaths. The COVID-19 pandemic has revealed deep inequalities in our societies, disproportionately affecting the poor, both in developing countries and advanced economies, and exposed immense disparities in access to healthcare, education, employment and social security. The COVID-19 pandemic has also resulted in a global economic shock, affecting domestic production, global trade, investment, public debt and employment. It has been estimated that the global economy will contract by 4.3 per cent in 2020 and that the crisis could send up to 150 million people into poverty by 2021. For the first time ever since the 1998 Asian financial crisis, the global poverty rate is on the rise again.

We are now confronted with an urgent need to respond and manage short-term pressures from the COVID-19 pandemic as well as to catalyse long-term economic recovery. Realising that the COVID-19 pandemic presents a unique opportunity to reshape global relations, restructure national economies and reorient societal priorities, in June 2020, the World Economic Forum launched the Great Reset initiative to galvanise greater commitments to build the foundations for an equitable, sustainable and resilient recovery. How will the Islamic finance industry respond to this call? How can Islamic finance steer the economy towards equitable outcomes, advance shared prosperity and strengthen the public good?

The 10th SC-OCIS Roundtable 2019 themed 'Impact Investing as an Extension to the Islamic Economy' provided the impetus for integrating impact investing into the Islamic economy by highlighting a close alignment between the underlying principles of impact investing and Islamic finance. The 11th SC-OCIS Roundtable 2020 themed 'Repurposing Islamic Finance for Longer-Term Opportunities' aimed to further explore the role of Islamic finance, with its wide range of financing instruments, such as SRI sukuk, in mitigating the short-term impacts of the COVID-19 pandemic and supporting post-COVID-19 recovery. Islamic finance's inherent orientation towards economic and social justice, shared prosperity, and inclusive participation makes it suitable to take the lead in transforming economies for a better post-COVID-19 future.

WELCOME ADDRESS

Datuk Syed Zaid Albar
Chairman
Securities Commission Malaysia

His Royal Highness (HRH) Sultan Nazrin Muizzuddin Shah, Sultan of Perak Darul Ridzuan and the Royal Patron of Malaysia's Islamic Finance Initiative, Dr Farhan Nizami, Director of the Oxford Centre for Islamic Studies, Ladies and Gentlemen.

Welcome to the SC-OCIS Roundtable 2020. First and foremost, I would like to convey our utmost gratitude to HRH Sultan Nazrin for his unwavering support for this Roundtable as well as for many of our initiatives. I would also like to thank our peers at the Oxford Centre for Islamic Studies (OCIS) and my colleagues in Securities Commission Malaysia (SC) as they have been instrumental in sustaining this mutual collaboration all these years. In fact, this joint effort is now in its 11th year. The Roundtable continues to bring Islamic finance to greater heights. Equally significant to its success is the tremendous support and participation that we have received from a variety of people involved in Islamic finance such as scholars, expert panellists and industry leaders across the Islamic finance landscape. We are deeply appreciative for all your efforts, perspectives and contributions.

Though we are unable to meet physically, I am pleased to see that the differences in time zones and locations are not insurmountable barriers. Islamic finance has overcome many challenges over the years, and today, we have shown our adaptability by moving the conversation from the physical realm to a virtual one. In fact, this adaptability is indeed an intrinsic attribute of Islam and is reflected in Islamic teachings. Allow me to share a *hadith* relevant to our present situation today. 'Abd al-Rahman ibn 'Awf said, 'I heard the Messenger of Allah SAW say: "If you hear that the plague is in a land, do not go there, and if it breaks out of the land where you are, then do not leave, fleeing from it"' (*Riyad al-Shalihin, Book 17, Hadith 281*).

Moving forward, how we emerge from this period of upheaval will not be defined by the upheaval itself, but by our response to it. This vastly changed landscape today calls for adaptation. This goes for ourselves individually, and it goes for ourselves collectively in the case of Islamic finance. To emerge stronger, we must reprioritise the purpose of Islamic finance. To emerge stronger, we must relook at the impact of Islamic finance. And, to emerge stronger, we must ensure the long-term resilience and continued relevance of Islamic financial products and services.

Your Royal Highness, ladies and gentlemen, I want to start with the first point that I mentioned, which is reprioritising and repurposing Islamic finance. The ongoing pandemic has upended our established social structures and systems. Unfortunately, it has also set back efforts to reduce inequality. Recently, the World Bank estimated that COVID-19 could push up to 150 million people into extreme poverty by 2021. With shared prosperity diminished, vulnerable communities are at risk. One area that Islamic finance must prioritise is its societal role and outreach to the *ummah*. Islamic financial instruments such as sukuk and *waqf* can be utilised with social impact goals to help rebuild those bonds within communities, and forge a deeper partnership between market communities and the wider economy.

“...The SC is committed towards enhancing the effectiveness of Islamic financial products, especially in the impact investing segment. There is room for growth of this segment due to the close alignment of Islamic investing principles with sustainable and responsible investment (SRI) principles.”

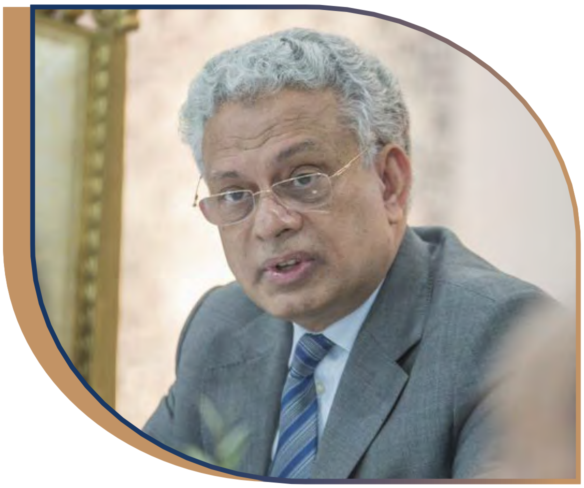
As a market regulator, the SC is committed towards enhancing the effectiveness of Islamic financial products, especially in the impact investing segment. There is room for growth of this segment due to the close alignment of Islamic investing principles with sustainable and responsible investment (SRI) principles. From our perspective, we certainly believe that *waqf* products show much promise and can be impactful in elevating the socioeconomic well-being of the community. This includes leveraging *waqf* for investment products and collective investment schemes to channel funds into social projects or initiatives where they are really needed. We are open to hearing your thoughts, especially on market-based solutions involving *waqf*, social sukuk or even a combination of both.

I am now going to shift my focus to the long-term resilience of Islamic finance. The year 2020 has displayed the underlying resilience of Islamic financial products. For example, Shariah funds have been outperforming their conventional peers. Here are two examples: From the beginning of the year till August 2020, Malaysian Shariah equity funds outperformed the conventional funds in the large-cap segment, with returns of around 7 per cent compared to less than 6 per cent for their conventional equivalent. The Shariah mid- to small-cap funds had average returns of around 13.1 per cent, more than double the 6.6 per cent average returns of the conventional funds. Islamic funds' defensive nature and avoidance of volatile stocks might explain this outperformance. It also demonstrates their value in protecting investors from downside risk. There is more work to be done to enhance the long-term resilience of Islamic financial products and services, and this resilience will depend on Islamic finance being positioned to serve future generations to ensure its continued sustainability.

When we consider the demand for Islamic finance, we must assume that the primary investors of tomorrow will be the youth of today. The youth of today have investment preferences and interests that are significantly different from years ago. They are interested in digital platforms, equity crowdfunding (ECF), peer-to-peer financing (P2P financing), digital investment managers, and digital assets and tokens. It would be completely remiss of the Islamic finance industry not to offer a full suite of Shariah-compliant digital investment products and solutions to meet these needs. In this regard, I am delighted that the SC's Shariah Advisory Council (SAC) released a landmark resolution in July 2020 on the permissibility of trading of digital assets. This significant development can be a catalyst for greater Islamic product innovation over the medium to long term. The widespread adoption of digital technology and fintech across the Islamic capital market may also assist in future-proofing the industry, and improving accessibility and the security of transactions. We will also be able to reap the benefits from potentially improved productivity and cost-savings, which will serve to increase demand for Islamic financial solutions and enhance Islamic capital market capabilities.

I have spoken about reprioritising and repurposing Islamic finance. I have spoken about the long-term resilience of Islamic finance. As we move forward, the year 2020 has presented us with its share of challenges, but also with opportunities. The more immediate task is the recovery of the global economy. As I have mentioned earlier, what defines us is not the crisis but our response to it. The SC-OCIS Roundtable is an excellent platform for bringing our knowledge and ideas together, and by doing so, we can truly harness the benefits from the opportunities that are presented to us – opportunities in the area of social finance, opportunities in sustainability and opportunities in digital technology – to further the agenda of Islamic finance. On that note, I would like to express my deepest appreciation to HRH Sultan Nazrin, Dr Farhan Nizami and all participants for your time in making the virtual Roundtable happen, and I look forward to the vibrant discussions ahead. Thank you.

WELCOME REMARKS



Dr Farhan Nizami
Director
Oxford Centre for Islamic Studies, UK

Your Royal Highness Sultan Nazrin Muizzuddin Shah, Sultan of Perak, Datuk Syed Zaid Albar, ladies and gentlemen.

It is my honour, on behalf of the Oxford Centre for Islamic Studies, to welcome you to this first virtual meeting of our joint Roundtable with the SC. As best I can from a screen, I want to personally thank each of you for taking the trouble to attend in these difficult circumstances, whether you are participating as speakers or listeners. I particularly want to thank HRH Sultan Nazrin Muizzuddin Shah, Sultan of Perak and the Royal Patron for Malaysia's Islamic Finance Initiative for inaugurating this Roundtable. His Royal Highness has supported this initiative consistently for over a decade. I am grateful to all colleagues at the SC especially its Chairman, Datuk Syed Zaid Albar, for their friendship and support.

The reason that our 11^{th} meeting has to be virtual is also the dominant theme and concern of the time. How, in the aftermath of the ongoing pandemic, can we best pick up the pieces and salvage our damaged economies? How can we make up for the inevitable loss of livelihoods? What can we all learn, rich or poor, from this crisis, about the fragility of our economies and societies?

What we especially need to understand, and should have known all along, is that the rich (individuals or nation-states) depend upon those who are often the most poorly rewarded for their efforts, those who are consistently taken for granted, the hardship of whose lives, and the precariousness of whose livelihoods, are consistently ignored. For example, what has happened to the families who depend on the remittances from relatives working in far-off lands, when the mechanisms for making those remittances have slowed down or even stopped? The same can be asked – India is the most cited example – about those who had worked in the big cities but could no longer work and had to go home to the people and places their work supported. How many took the virus with them? How many survived? Has anyone even counted?

Beyond such waking up to our human interdependence, we need to wake up to the urgency of our dependence upon the natural world – the intricate, interconnected chains of living and non-living forms, which also we take for granted, and which we generally refuse to include in our professional cost–benefit calculations. We can see the different consequences for human well-being of an economic ideology that provides safe drinking water and reliable plumbing and sewage drains, and an economic ideology that ignores those simple basic needs but does provide cheap smart-phones. Such devices do a lot for individual connectivity and entertainment but not enough for public health. In the same way, we should be able to anticipate the different consequences of economic activity that pollutes and exhausts the given world, and economic activity that works in harmony with the measures, scales and systems that have evolved in that world over hundreds of thousands of years.

It is my hope that human beings as a whole, not just the Muslims among them, will learn from the pandemic and the publicity around it (communicated by those same smart-phones), to appreciate the local. I hope that we can understand the necessity of making the local economically self-dependent while remaining open (through the educational benefits of trade and travel) to global cultural influences. If that is impossible, I hope that we can at least plan for shorter supply lines, deeper stocks, and generally better preparedness for crisis, and better resilience, than has been delivered under the banner of globalisation.

But, as I repeat on every one of these Roundtables, I am not an economist. I have no grasp of how badly the mechanisms of high or low finance have been

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affected. I can read about the abrupt drop – following the dramatic rise in 2019 – in the issuance of sukuk, the equivalent of bonds in the conventional market. Similarly, there has been (I have read) a slowing down in the take-up of *takaful* certificates, together with a large decrease in the demand (and therefore the price) for oil. But I do not know what these decreases mean for the medium-term survival and revival of economic activity in the Islamic world. I do not know if the Islamic bond market can be sustainably adapted to provide support for the health and social welfare sectors. That is something the head of the Islamic Development Bank (IsDB) suggested six months ago as an urgent measure to put us on the road to recovery, which is also the road to being better prepared for the next such crisis. No doubt this proposal will be discussed under the rubric of "longer-term opportunities", and I look forward to hearing that discussion.

I also have no doubt that participants will be reflecting on the differences this time, compared to 2008. The Islamic finance sector appears to have been insulated from the crash of that period. But the present crisis, because of the general restrictions on travelling and social gathering, has damaged not just the financial engine but economic activity as a whole. As we all know, the Islamic finance engine operates on principles very different from conventional banking and finance. Simply put, it views the profit-motive as a way of measuring competence and efficiency in allocating funds, not as the sole, overriding purpose and justification for doing so. That is part of the reason it survived the 2008 crisis in good shape.

But the COVID-19 pandemic has impacted the economy as a whole – not just the engine, but all the carriages, the tracks, the stations and all the supply chains – all are impacted severely. The clever adaptation of financial instruments within Islamic guidelines helped save the Islamic financial sector from the worst effects of the 2008 crisis. Dare we hope that, in this much broader crisis, the broader social objectives of Islamic economics will motivate and guide efforts to reboot the economies of the Islamic world? Will we see the ideal of *qard hasan* put into practice at scale by the major financial players? Will we see *zakat* funds used to help secure housing for those who are struggling to pay their rents? Or will we see what people are predicting for some major economies – that once the emergency response measures are phased out, unpaid rents and mortgages will result, alongside mass unemployment, in an explosive rise in homelessness and hunger, with unpredictable consequences for societal stability and public health?

The title for these discussions, 'Repurposing Finance for the Longer Term' – suggests that there are ideas to be aired about what comes after the emergency responses. I very much look forward to hearing those ideas and hope that *inshaAllah* in 2021, we will be able to carry forward these discussions in person, in Oxford.

SPECIAL KEYNOTE ADDRESS

HRH Sultan Nazrin Muizzuddin Shah
Sultan of Perak, Malaysia
Royal Patron for Malaysia's Islamic Finance Initiative

In the name of God, the Most Merciful and Beneficent. Distinguished guests, ladies and gentlemen, greetings to you all.

Thank you for inviting me once again to the SC-OCIS Roundtable. For more than a decade now, this Roundtable has served as a forum for proactive and productive discussions on the most pressing challenges facing Islamic finance. In a new development, the 11th SC-OCIS Roundtable 2020 is being held virtually. I would like to thank the SC and OCIS for their work in adapting this year's Roundtable to a digital platform, as well as overseas presenters and participants for making time to be with us.

The reason we can only meet virtually this year is ever-present in all of our lives that it scarcely needs spelling out. Our world is currently in the grips of a crisis, the likes of which have not been experienced in living memory. The novel coronavirus, COVID-19, is the worst pandemic since the 1918 Spanish flu outbreak, which affected around 500 million people and claimed an estimated 17 to 50 million lives. Globally, as of early October 2020, more than 35 million cases of COVID-19 have been reported, and there have been tragically over 1 million deaths caused by this terrible virus. Our hearts and prayers go out to those who have perished, to their families and loved ones, and to all those who have suffered and are still suffering from the after-effects of this pernicious pathogen.

As countries across the world start easing their draconian lockdowns to restart struggling economies, any attempt to return to a pre-COVID-19 way of living must, I believe, be accompanied by reflections on what we have learned and on what we can do to strengthen societies and economic systems in the face of future challenges. Can we take this opportunity to fathom the much rooted disconnect between finance and society? Can we ensure, going forward, that global economic and social systems are better able to respond to disasters of this kind? These are pressing issues which policymakers have so far been reluctant to confront for a variety of reasons.

Viruses do not discriminate. This is true in the sense that a virus will infect anybody, irrespective of race, religion, or nationality, but entrenched and underlying inequalities mean that the effects of a pandemic are felt much more harshly by those already disadvantaged in society. It has affected the poor disproportionately, spreading more quickly among the most vulnerable in society, those with the least ability to withstand it in financial and health terms. The pandemic has also accelerated existing trends, such as the shift towards online transactions and interactions. This has hastened the demise of already obsolete industries and sectors. COVID-19 has thus caused massive disruptions to the lives of countless ordinary people, intensifying further the difficulties already faced by so many.

While the pandemic has drawn attention to policy and institutional failures the world over, these failures are certainly not new. We are simply forced to notice them in a way that we have not before. Huge swaths of the global population in both developed and developing countries have felt increasingly alienated over recent years, which has given rise to resentment and apathy towards national and international political systems. Even the traditional middle classes, usually the backbone of economies, are only just about managing. There is also widespread dissatisfaction with the way globalisation and other forms of integration with the world economy have materialised. There is, in addition, growing concern, especially among the young, about climate change and other activities that threaten long-term harm to our environment. People are frustrated by the continued absence of any global consensus around mitigation policies in this area.

All of these issues predate the COVID-19 pandemic, but they have been thrown into sharp relief by its consequences. The challenge now is to work out how we can mobilise and adapt our existing economic and social systems, both to respond to the short-term needs of the pandemic and to shore up our economies to better withstand future crises.

The scale of the global challenges we face call for a systemic solution. Such a solution requires an economic system based on the new humanity-first agenda. This involves making deeper structural changes that are necessary to realign the functioning of the economy with the changing needs of the 21st century. This objective is encapsulated in the Sustainable Development Agenda. The World Economic Forum 2021 is, for this reason, embarking on The Great Reset agenda in order to seek new approaches to the management of the overall economy.

In the lexicon of a post-COVID-19 world, new terminologies have emerged, and old ones have resurfaced: resetting, rebooting, repurposing, realigning, and redefining the role of finance and the economy and society. Coming up with new models fit for purpose in an age when the rising tide of populism and extremism appears to be gaining traction because huge sections of society still feel left behind. Co-opting the financial sector to serve the economy rather than the other way round. Reclaiming cities for the ordinary inhabitants. These are all bold and important goals. But as well as the vision for change, we also need a clear and practical strategy for realising it.

I would like to take a moment to outline a few necessary features of that strategy, though there are, of course, myriad others. Firstly, we need more radical ways to tackle inequality. Instead of regarding growth per se as the ultimate solution to inequality, economies will need to tackle distributional issues head-on. We need greater and more generous safety nets in benefits, healthcare, and income, and to prioritise economic security, inclusion, and sustainability. We need more conducive regulatory and supervisory oversight to rein in the overweighted influence of corporates, including new tech companies, in order to improve consumer protection as well as to promote a greater social finance agenda. We need to forge new capacities to drive efficiency and productivity. And we need to invest in people, their health and their education. This means providing adequate support in the short term during the pandemic as well as reskilling people to prosper in the uncertain medium and longer term.

As a strong proponent of the Islamic system of financial and economic intermediation, I am convinced that the above aspirations are eminently consistent with the tradition of the *maqasid al-Shariah*, the spirit underlying Islamic law. How then will Islamic finance respond to this call? How will the instruments of Islamic finance be realigned for the new post-pandemic agenda to address the vulnerabilities exposed by the crisis? What needs to be done to ensure that the momentum generated for Islamic finance during the course of the pandemic can be maintained over the medium and long term? Like all important questions, these are difficult to answer, not least because delivering results, both with and for Islamic finance, depends on so many stakeholders and interested parties.

However, the best way to demonstrate this continuity and consolidation is by measuring the social developmental and financial inclusion impacts of the activities of the Islamic finance industry. It is encouraging, in this regard, to see several governments using the proven instrument of sukuk, in particular domestic issuances, to raise funds for COVID-19 mitigation purposes. These issuances are not merely one-off offerings but are based on a

“I would like to take a moment to outline a few necessary features of that strategy, though there are, of course, myriad others. Firstly, we need more radical ways to tackle inequality. Instead of regarding growth per se as the ultimate solution to inequality, economies will need to tackle distributional issues head-on...”

sustainable issuance calendar providing the reassurance of a longer-term source of support. Two notable examples demonstrate the potential for sukuk to offer genuine and much-needed relief in these difficult times.

In Malaysia, the Ministry of Finance recently issued a RM500 million *Sukuk Prihatin*, a people's sukuk. Proceeds from *Sukuk Prihatin* will be utilised for specific development programmes; such as improving the connectivity of schools, especially in rural areas; funding microenterprises with a focus on female entrepreneurs; and providing research grants for the study of infectious diseases. The issuance of this Islamic debt instrument is intended to enable the *Rakyat*, the people, to join the government in supporting post-recovery measures following the pandemic. In June 2020, meanwhile, the Indonesian Ministry of Finance raised US$2.5 billion through a three-tranche *sukuk wakalah* issuance. The achievements and the future potential for these sukuk should not be underestimated. I hope that they might serve as a model for others to emulate as we continue to navigate the severe economic consequences of this pandemic.

In the UK, Her Majesty's Treasury acknowledges the enormous task ahead of us in bridging the US$2.5 trillion Sustainable Development Goals' (SDGs) annual funding gap. It sees, moreover, a clear role to be played by Islamic finance in unlocking some of the investment needed to deliver the SDGs. This could be achieved through partnerships between Islamic finance and conventional institutions in areas of the SDGs, which are common to both, as well as through co-financing projects and initiatives with international development funds, sovereign wealth funds and development banks. But there is much more thinking to be done in this area, much of it no doubt by the great minds gathered together online for this Roundtable.

The task ahead is fraught with challenges. The most immediate danger is that COVID-19 mitigation fatigue will set in with the stresses of isolation and lockdown measures already manifesting through increased mental health issues, domestic violence, and civil disobedience against social distancing and mask wearing. This should not diminish our results. Rather, it should reinforce our determination to overcome our present pandemic adversity. Despite the propensity of the human race to pursue self-destructive actions, we also have an unparalleled ability to problem-solve and innovate.

Only a few weeks ago, the World Health Organization (WHO) declared the African region free of poliovirus transmission. Bear in mind that it has taken decades to achieve this.

Assembled today, albeit virtually, are representatives from various fraternities, from academia, industry and professional sectors, as well as Shariah scholars, users of Islamic finance, and also those from conventional finance spaces. Let us understand in a more contemporary way the *maqasid al-Shariah* and map out directions for economic development that are inclined more towards greater societal benefits, morality, universal values, and, of course, sustainability. Let us hope and pray that we can eradicate or contain COVID-19 in a much shorter time span than decades. I wish you all a productive and insightful discussion at this year's Roundtable. We are truly in need of it now more than ever. Thank you.

SESSION 1

ISLAMIC FINANCE'S INTEGRATED RESPONSE FOR RECOVERY FROM THE PANDEMIC: REBOOTING THE ECONOMY

CHAIR'S OPENING REMARKS

Dato' Mohammad Faiz Azmi

Executive Chairman, PricewaterhouseCoopers Malaysia

PRESENTER

Dr Aamir A. Rehman

Senior Advisor on Islamic Finance, United Nations Development Programme, US

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Lead Economist, Islamic Research and Training Institute, Jeddah, Saudi Arabia

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RAPPORTEUR

Siti Rosina Attaullah

Manager, Islamic Banking and Takaful Department, Bank Negara Malaysia

KEY TAKEAWAYS

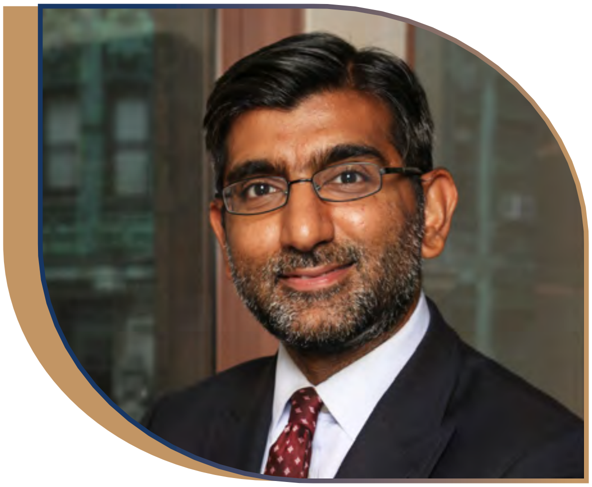
CHAIR'S OPENING REMARKS

Dato' Mohammad Faiz Azmi
Executive Chairman
PricewaterhouseCoopers Malaysia

In this session, we will be dealing with the topic of 'Islamic Finance's Integrated Response for Recovery from the Pandemic: Rebooting the Economy'. This particular session explores what more can be done to mitigate the impact of COVID-19 as well as to reboot the economy post-COVID-19. In other words, can Islamic finance with its social finance solutions, such as *waqf*, *zakat* and *qard hasan*, help in the rebooting of the economy?

Clearly, the people who are most impacted by the pandemic are the poor. The SC Chairman mentioned that the World Bank estimated that there would be 150 million people affected by extreme poverty by 2021. He suggested the use of capital markets to facilitate *waqf* asset development as a way of alleviating extreme poverty. We also heard very similar views from the Director of OCIS. However, I was particularly interested in specific issues such as the need for safety nets and for regulators to regulate and restrain corporate behaviours, as well as the importance of investing in people, in terms of health, education, reskilling and upskilling.

PRESENTER



Dr Aamir A. Rehman
Senior Advisor on Islamic Finance
United Nations Development Programme, US

The theme of my presentation will be 'Distinctive Contributions from Islamic Finance Stakeholders: A Potential Role in the Economic Recovery'. This recovery will require participation from all quarters. I would like to pose the following question to the Roundtable's participants: Is there a distinctive role for Islamic finance? If there is, what would that role be?

A Call for Solidarity was issued in March 2020 by the Secretary-General of the United Nations (UN), and it has three components. The health emergency is front and foremost, which remains the case even today. Secondly, we also need to think about the funding flows for the recovery, addressing the questions of ensuring social impact, reducing inequality and protecting the vulnerable. Finally, we need to think about long-term sustainable recovery that leads to more sustainable financial systems and economies than before the crisis.

The UN is a faith-neutral institution. We understand Islamic finance not from the perspectives of religious motivation or law, but rather from the perspectives of stakeholders and financial flows. We explore how they can be aligned with the sustainable development agenda, how they can be best used for the development needs of the world and how they can be channelled for sustainable use. The UN's engagement focuses on working with the stakeholders in the Islamic finance industry to ensure the industry's alignment with sustainable financing. Given the dire and critical need for this recovery, it is necessary for the public, private and non-profit entities to work together.

The United Nations Development Programme (UNDP) has developed the 'COVID-19 UNDP's Integrated Response' framework. The framework does not begin with response and recovery, but rather with preparation. A crisis like the COVID-19 pandemic will arise in the future. It is part of the natural course of events. We will, from time to time, face crises. The questions are: How do we prepare as nations, as a global community, for such incidents in the future? Moreover, how do we respond to them more effectively and strongly? There are preparation, response and recovery components in 'COVID-19 UNDP's Integrated Response' framework. In my comments, I will focus on the response and recovery components, address some questions related to longer-term resilience, and consider how they can help us be better prepared.

The pathway to recovery is multifaceted, from considerations of the social contract to human rights to multilateralism. When we recover from this crisis, we would like to recover in a way that is different, better, and more sustainable. Recovery is not simply a return to the status quo as it existed before the pandemic. We need to ensure that the next iteration of the global economy and the global financial system is more resilient, better and stronger than what we have seen in the past.

There needs to be a role for Islamic finance stakeholders in the economic recovery. All stakeholders in society must play a role. The statistic regarding the role of Islamic finance across many countries shows that it is systemically important. The share of Islamic banking in a country can be a proxy for understanding the significance of Islamic finance in the country. Islamic finance can be found in the Association of Southeast Asian Nations (ASEAN) nations such as Malaysia, in Asia and Europe. The role of Islamic finance stakeholders is crucial and important across the world.

The role of Islamic social finance is as important as that of Islamic commercial finance. Based on the data from a study conducted by the Pew Research Center, a non-partisan American fact tank based in Washington, DC, which asked Muslims in various countries around the world whether they engaged in *zakat*, either as givers or recipients; more people engaged in Islamic social finance than in Islamic

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commercial finance. For example, in Malaysia, 93 per cent of Muslim respondents were either givers or recipients of *zakat*. However, the share of Islamic banking in Malaysia was only around 26.5 per cent. The difference is even starker in countries like Indonesia, which has a much smaller share of Islamic banking, but more than 98 per cent participation in Islamic social finance.

Response and recovery require short term, medium-term and long-term plans. *Zakat* can play a crucial role in short-term recovery as it is designed for immediate disbursement. Each year, *zakat* can be prioritised to where the need is the greatest. From a development finance perspective, *zakat* involves cash transfer. *Zakat* ensures that assets are transferred from donors to recipients. Cash transfer is increasingly seen as an important way to empower recipients. Other types of instruments for the short-term response plan include individual philanthropy and corporate giving. In this crisis, companies and individuals not only provide cash donations but also contribute their expertise.

In medium and long-term recovery, Islamic finance is noteworthy in its focus on asset and trade financing. There will be a great need for asset and trade financing in this current time. To strengthen trade flows, Islamic financial institutions should be able to finance trade and assets, focusing more on the quality of the assets and the trade rather than focusing on the creditworthiness, credit standing or employment status of borrowers.

Sukuk can be used for long-term recovery and resilience and can play a significant role in providing long-term funding. *Waqf* endowments are critically important as they can provide permanent assets for sustainable development. The Islamic Development Bank (IsDB) issued a US$1.5 billion Sustainability Sukuk in response to the COVID-19 pandemic in June 2020, whose proceeds will be used to help fund its pandemic-related activities. The issuance of this sukuk provides an example of the use of sukuk for financing global activities in response to the COVID-19 pandemic.

In addition, the Islamic Financial Services Board (IFSB) has provided some important regulatory guidance for how Islamic financial institutions can contribute to COVID-19 response and recovery. Moreover, various nations have their country-specific initiatives. For example, Indonesia issued a sukuk specifically designed for COVID-19 recovery. The UN has worked with numerous countries, including Cameroon, on ways for Islamic finance to be part of COVID-19 recovery.

Blended finance is one of the areas that Islamic finance stakeholders can make distinctive contributions. The area of blended finance has raised considerable excitement in the development world. Blended finance entails bringing together capital structures that incorporate capital funders with different requirements. These include commercial investors who require commercial returns, concessionary capital investors, first-loss capital providers who are willing to take a loss to protect the returns of other participants, guarantee providers and philanthropic funders. Guarantee providers and philanthropic funders have an increasingly important role in ensuring that projects that otherwise may not be financeable can receive funding.

I am highlighting blended finance from an Islamic finance perspective because that is an area that Islamic finance stakeholders have something distinctive to offer. In the Islamic finance world, there are institutionalised forms of philanthropy that fit well within blended finance structures. These institutionalised forms of philanthropy facilitate the pooling of philanthropic capital, which can then be combined with investment capital in blended finance structures. Conventional finance does not have similar institutionalised forms of philanthropy alongside commercial activities, making the pooling of philanthropic capital together with investment capital more difficult.

Blended finance can also highlight the role of *waqf* institutions. *Waqf* endowments only require principal preservation and do not necessarily require positive investment returns. A blended finance structure can include not only commercial and concessionary components but also a capital preservation component, which can be funded through *waqf*. It can also include first-loss and philanthropic capital. The use of *waqf* in blended finance is an innovative solution Islamic finance stakeholders can offer to the broader financial community.

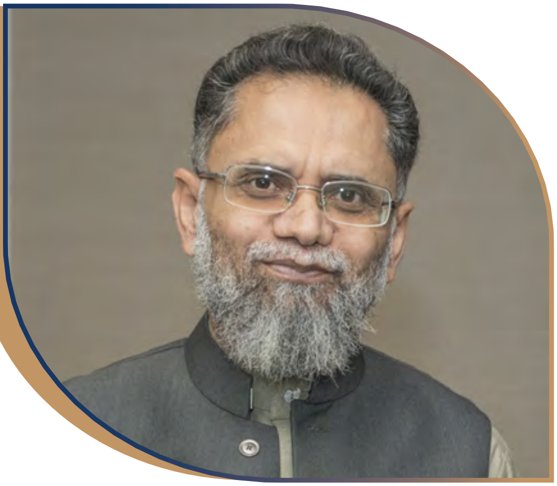
The UN has developed frameworks for financing development, broadly for financing the SDGs, and also for financing COVID-19 recovery. Islamic finance can be part of the solution throughout the SDG financing wheel.

The second distinctive contribution of Islamic finance in the economic recovery is the embedding of Islamic finance in national development plans. In some countries, Islamic finance, both commercial and social, play a central role in the economic recovery as part of SDG financing plans, through SDG-aligned public finance and sukuk, philanthropy, banking and investment activities, impact measurement, and the integration of relevant government bodies, such as *waqf* ministries and *zakat* agencies, into national SDG plans.

Currently, the UN and the Islamic Corporation for the Development of the Private Sector (ICD), a member of the IsDB Group, are working on the alignment of *waqf* with both the SDGs and Saudi Vision 2030. The project aims to create concrete and measurable linkages between *waqf* and sustainable development, to highlight the role *waqf* has been playing in sustainable development, and to further advance that role over time. Certainly, it has been recognised that Islamic finance and Islamic social finance have been contributing to sustainable development and resilience. It is important to be able to recognise and monitor the contributions and build on them in the future as we seek to develop a more sustainable financial system.

"In some countries, Islamic finance, both commercial and social, play a central role in the economic recovery as part of SDG financing plans, through SDG-aligned public finance and sukuk, philanthropy, banking and investment activities, impact measurement, and the integration of relevant government bodies, such as *waqf* ministries and *zakat* agencies, into national SDG plans."

RESPONDENT 1



Dr Salman Syed Ali
Lead Economist
Islamic Research and Training Institute
Islamic Development Bank, Jeddah,
Saudi Arabia

I would like to comment on three key points. First, how is this crisis different? Since it is different, our response needs to be different. Second, Islamic finance has the ability to contribute in many ways to COVID-19 recovery, but what is the current state of the Islamic finance industry? Lastly, what changes are needed to ensure COVID-19 response is impactful?

Based on a simple graph of the world's gross domestic product (GDP) growth rates, we can observe that the world economy has experienced two major crises: the global financial crisis and the present COVID-19 pandemic. The decline in growth as a result of the pandemic is much more severe compared to the decline in growth during the global financial crisis. Unlike the present crisis, during the last financial crisis, the Organisation of Islamic Cooperation (OIC) countries did not experience negative GDP growth rates. The global financial crisis was an endogenous crisis that resulted from the workings of the financial system itself because of debt overhang and real estate pricing bubbles. The current crisis is different because it is an exogenous crisis; it began as a health crisis, which developed into an economic crisis, and resulted in a financial crisis.

We also need to observe the impact of the crisis on capital and labour ratios. In past crises, such as plagues, earthquakes and wars, capital and labour stocks were destroyed, which resulted in a decline in output. The response strategy would then focus on building up capital and labour stocks. The current COVID-19 induced crisis is different, as neither capital nor labour stocks were destroyed. Infrastructure is still in place, and the death rates as a result of the pandemic are relatively low compared to the high numbers of deaths during the World Wars or other past pandemics or epidemics.

Although global demand has gone down, global supply has slowly recovered as lockdowns are lifted. We are now experiencing a mismatch between global demand and supply. Given the distinct nature of the crisis, we need to stimulate both domestic and global demand and supply. A monetary injection alone will not be sufficient because there is an excess of capital compared to the level of economic activity. At most, monetary injections can help address short-term liquidity challenges. Thus, what can Islamic finance do to stimulate both demand and supply?

Two distinctive features of Islamic finance can help protect against and overcome crises. First, Islamic finance advocates a direct link between the real economic and financial sectors, which protected the Islamic finance industry during the 2008 global financial crisis. Second, Islamic finance emphasises the provision of safety nets through *zakat*, *waqf*, *sadaqah* and other instruments.

"Two distinctive features of Islamic finance can help protect against and overcome crises. First, Islamic finance advocates a direct link between the real economic and financial sectors, which protected the Islamic finance industry during the 2008 global financial crisis. Second, Islamic finance emphasises the provision of safety nets through *zakat*, *waqf*, *sadaqah*, and other instruments."

Countries have taken major steps in catalysing recovery, both in the economic and financial sectors. On the financial side, countries have taken Islamic banking-related measures, offered financing and refinancing facilities, and promoted digital payments, deferment and restructuring of loans, relief for households, and lending to the private sector. Such recovery measures have been implemented by countries such as Malaysia, Indonesia, Brunei, Bangladesh, Bahrain, Oman and Saudi Arabia.

Similar efforts can also be seen at the multinational level. IsDB, for example, subscribes to a three-step recovery framework: respond, restore and restart. Respond measures focus on responding to the emergency needs of health and food security. Restore measures aim to provide medium-term global value chain financing. Restart measures focus on restarting the economy through long-term infrastructure financing. As mentioned before, IsDB also has issued a US$1.5 billion sukuk exclusively for COVID-19 recovery.

How can Islamic finance respond to this crisis? And what is the current state of Islamic finance? Economic recovery requires a focus on both the real economic and financial sectors. The financial sector comprises Islamic microfinance institutions, Islamic capital markets, and Islamic banks, whereas the real economic sector comprises households, and micro, small and medium enterprises (MSMEs). Any economic stimulus should affect both sectors, or it risks benefiting some while leaving out others.

What is the state of Islamic finance, specifically the Islamic banking sector, at present? To expect that the Islamic banking sector alone will be sufficient to bring us out of the crisis is unrealistic as the funding and financing structures of Islamic banks are similar to those of conventional banks. Although Islamic banks avoid interest and other impermissible activities, structurally, they are similar to conventional banks. While central banks favour loan deferment, Islamic banks are facing difficulties in offering it to their clients because they cannot charge higher interests to make up for the reduced profits, unlike conventional banks.

Although Islamic capital markets, specifically the Islamic fund and wealth management sector, are doing well during the pandemic, they are doing well only because Islamic funds are invested in the technology sector, and technology companies are performing very well.

Islamic microfinance institutions have experienced a substantial decline in repayment rates. A decrease in repayment rates from 95 per cent to only around 85 per cent can make these institutions insolvent. However, charity-based Islamic microfinance institutions are very likely to survive the crisis, partly because charity is in human nature, and the practice of charity provides immense help to these institutions.

The global debt situation has worsened, with poor countries rapidly accumulating debt. It was bad even before the crisis, and the crisis has simply aggravated the condition.

During the 2020 Annual Meetings of the Boards of Governors of the World Bank Group and the International Monetary Fund, David Malpass, President of the World Bank, expressed that financial institutions, commercial and multilateral, have been set up in a manner that protects the rights of creditors more than the rights of debtors. Similarly, Carmen Reinhart, the Chief Economist of the World Bank, raised concerns regarding record sovereign debt downgrades, record corporate debt downgrades, and aggressive responses from creditors, and warned to prepare for the worst after the crisis.

Islamic finance needs to return to its strong propositions, both ensuring tight integration between the financial sector and real economic activities, and developing strong social safety nets. A new paradigm focusing on both demand and supply is needed to respond to the crisis. There is a need to create safety nets, support innovation and start-ups, and focus on market-creating developments. In short, Islamic finance needs to institutionalise risk-sharing, to absorb shocks and stimulate demand, and develop organised *zakat*, *waqf* and *sadaqah* systems. A social transfer of wealth is also a form of risk-sharing. We need to create a spectrum of institutions to translate these principles into real-world impact and to encourage the blending of private, public and voluntary sector financing and engagements.

There is a need for institutionalised government support. We need to ensure adherence to the principles of Islamic finance to avoid endogenously generated crises. We need to build strong digital infrastructure and accelerate the transition to the digital economy. These are essential elements to ensure that Islamic finance can be impactful. The following are examples of ideation and innovation that are taking place at the Islamic Research and Training Institute (IRTI): *waqf*-aligned development targeted sukuk, smart credit management platforms, development-oriented domestic currency, artificial intelligence-based poor identification for assistance programmes for *zakat* and *sadaqah* recipients, and alternate scoring systems for financial inclusion.

RESPONDENT 2

Arshadur Rahman
Manager
Sterling Markets Division
Bank of England, UK

My thoughts on the topic focus on a few themes and are chiefly drawn on my experience at the Bank of England.

First, it is challenging to embed a Shariah-compliant or an Islamic finance framework within a broader 'non-Islamic' framework. The Bank of England has been working on establishing a non-interest-based central bank deposit facility for a number of years, but we had to postpone it due to the COVID-19 pandemic. We have now resumed the work, and we are hoping to make progress over the coming months. In a country where Islamic finance is a small component of an overarching and complex financial system, it can be challenging to marshal sufficient resources to implement Shariah-compliant alternatives for a response contributing to efforts to counter the global pandemic.

Around March 2020, when the fall-out from COVID-19 became very clear, several initiatives took place to implement a number of COVID-19-related schemes within the United Kingdom (UK). The Bank of England has introduced a new Term Funding Scheme with additional incentives for small and medium-sized enterprises (TFSME). Through the scheme, the central bank provides funding to banks on a term basis to allow them to provide credit to small- and medium enterprises (SMEs) and help kick-start the economy. Another important initiative is the COVID-19 Corporate Financing Facility (CCFF), which supports liquidity among larger firms through the purchase of short-term debt in the form of commercial paper. To be eligible, these firms need to make a material contribution to the UK economy. Both of these schemes were introduced within a matter of weeks. It was almost unprecedented the extent to which high-level co-ordination resulted in a marshalling of people, resources, processes, systems and testing within a very short period to ensure that these schemes were able to help counter the impact of the COVID-19 pandemic.

We were not able to introduce similar schemes on the Islamic finance side, partly because Islamic finance in the UK is very small, constituting less than 1 per cent of UK's total financial assets, and also because of the short implementation time-frame. For example, the CCFF provides lending to larger firms within the UK through the purchase of short-term debt with a term of less than one year in the form of commercial paper. Clearly, this scheme is not relevant for Islamic banks, as they would not be active in the commercial paper market in the first instance. The transmission mechanism to provide COVID-19-related support in the UK is predicated on the institutions and banks that are already embedded within the existing financial environment. In this environment, it is quite difficult to utilise Islamic finance for COVID-19 response.

Zakat is a powerful catalyst for channelling funds in impact initiatives. In the UK, institutions such as the National Zakat Foundation (NZF) are challenging the traditional notions of *zakat*, in terms of its meaning, scope of utilisation and timing of distribution. *Zakat* contributions are highly concentrated within the month of Ramadan. Muslim charities in the UK will typically receive a greater level of donation within the month of Ramadan than they will any other time during the year, which poses a logistical challenge. Strictly following the injunction around immediate disbursement of *zakat* funds makes it very difficult for longer-term resource planning and for ensuring efficient and stable funding for impact initiatives. The NZF is challenging the need to disburse *zakat* funds so quickly on the basis of *maslahah*, given the need for steady and growth-focused distributions.

The other important question is on where to pay *zakat*. There are approximately 3.3 million Muslims in the UK. Even among the second and third generation Muslim diaspora communities, there is still a tendency to disperse *zakat* payments in their respective countries of origin. Several initiatives have been implemented to encourage people to pay *zakat* locally.

The last point is on metrics and measurement. With regard to blended finance, it is important to ensure that we can measure the progress and success of blended finance projects. There are very strong parallels and overlaps between blended finance and green and sustainable finance. There is an ongoing effort to measure the progress and success of sustainable and green finance initiatives. For a given project, a blended finance arrangement may involve different tranches of financing, some of which will be more philanthropically driven and others will be more commercially driven. There is a risk that the objectives and incentives of each level of financing are not made sufficiently clear, hence preventing the financing arrangement to work as effectively as it should. There are questions around impact-washing as well.

SESSION 1: Q&A

Mohamed Iqbal Asaria

Associate, Afkar Consulting, UK

When do you expect the One WASH Sukuk to be issued, as I believe that there were problems with the guarantee structure?

Dr Aamir A. Rehman

I am not aware of the precise issuance timeline. The concept of blended finance as used in the One WASH Sukuk, is very noteworthy and commendable. Through blended finance, projects that would otherwise not be investible become investable. Blended finance helps unlock and catalyse private participation in these projects because concessionary and first loss capital are included in the financing arrangements. Blended finance, of course, exists in conventional settings, but Islamic finance has the potential to offer blended finance arrangements in a very clear and differentiated way. In Islamic finance, there exist institutionalised philanthropic institutions, such as *zakat* and *waqf* institutions, that can co-ordinate and collaborate to advance blended finance initiatives in ways that are less familiar in conventional finance.

Professor Dr Engku Rabiah Adawiah Engku Ali

Member of the SAC, SC

Islamic financial and banking institutions face several constraints in terms of meeting their bottom-line requirements and key performance indicators (KPIs). This issue is connected to the issue of metrics and measurement of progress and success. In order to repurpose Islamic finance, it is important to measure Islamic finance's contributions to society and the economy in general, beyond just meeting profit targets. In Malaysia, for example, when the loan moratorium was introduced, there was a heated discussion whether interest on loans should still be levied and compounded during the moratorium period. Ideally, if we wanted to help the people affected by the COVID-19 pandemic, then we should not be levying all the extra charges. However, banking institutions claimed that they would face capital losses and a decline in profits. We know that the moratorium has a positive social impact. How can we measure the social impact of the moratorium, and provide evidence showing that if the bank did not levy the extra charges, they would achieve certain social impact KPIs, beyond just monetary value? We need to deliberate on ways to measure the performance of Islamic financial institutions.

Dato' Mohammad Faiz Azmi

It is important to remember that banks are subject to prudential rules. Unlike many other crises which involved destructions of lives and economic infrastructure, the COVID-19 pandemic has not destroyed existing infrastructure nor resulted in high death rates. The pandemic, though, has increased uncertainty, especially related to mobility. Arguably, once certainty returns as the COVID-19 pandemic is controlled, the economy should recover fairly quickly.

Dr Salman Syed Ali

Islamic financial institutions, apart from having a profit bottom line, also face Shariah restrictions. The Islamic banking sector can only respond to the crisis by offering loan payment deferment. In order to enable Islamic finance to stimulate demand and supply, there is a need to bring together all Islamic financial institutions, not only those with for-profit motives but also those with other motives, such as *waqf* institutions. When certainty returns, the economy will recover, and for-profit institutions will be able to operate as usual. The for-profit market and the non-profit voluntary sectors need to support each other. Conceptually, volunteer initiatives receive funding from profits that were made in the past.

Many countries do not have clear laws on *waqf*. Although several countries have tolerated the existence of *waqf* institutions because they are considered Islamic institutions, there are no formal laws or support mechanisms for these institutions. We need to consider changes that are needed to ensure that there are legal structures and support mechanisms to enhance the role of *waqf* institutions in COVID-19 recovery. The participation of the private and non-profit sectors in COVID-19 recovery needs to be institutionalised in the national agenda.

Khairul Nizam Md Som

Chief Executive Officer, Finance Accreditation Agency, Malaysia

The speakers have summarised a lot of the issues and challenges that we are facing during the pandemic and potential ways to address them. We have been discussing these solutions over many years, including at previous roundtables. Why has Islamic finance in general, and Islamic capital markets in particular, not been doing more? Should we expect the COVID-19 pandemic to catalyse actions among stakeholders in Islamic finance and Islamic capital markets? We need to develop metrics and measurement to assess whether Islamic finance has been doing enough.

Dato' Mohammad Faiz Azmi

There is a saying, 'Never let a good crisis go to waste'. While immediate actions in the past may not have been necessary, they are now. Given that we are facing a cataclysmic problem, what are several key practices that Islamic capital market stakeholders should do differently? As Professor Dr Engku Rabiah Adawiah mentioned, we need to rethink the necessary support for debtors who are unable to repay their loans. What actions should be taken within capital markets to help these distressed borrowers?

Dr Aamir A. Rehman

The level and scale of the crisis are remarkable. Moreover, conventional finance has seen increased appreciation for the SDGs and sustainability. The opportunity for Islamic finance to be relevant to broader national responses is higher than ever. From the capital market perspective, enabling frameworks, such as the frameworks around SDG-aligned sukuk issuances in Malaysia, are very important. I am very pleased that the SC has provided grants for impact measurement for SRI issuances. The initiatives to enable issuers to measure their impact, align the impact with the SDGs or SRI frameworks, and embed them into national agendas are very important.

I hope to see, as part of national development plans of countries with sizable Islamic finance segments, more mention of *zakat*, *waqf* and blended finance. That would make a material difference, though it may take many years before we see any developments in these areas. I do think that this is a timely opportunity.

Mohamed Rafe Mohamed Haneef

Chief Executive Officer, Group Transaction Banking, CIMB Group Malaysia

Dr Aamir Rehman mentioned that we must recover to a better stage as opposed to recovering back to the status quo. The UNDP engages with various Islamic financial institutions across the world. How many Islamic financial institutions have embraced the SDGs and have made commitments as part of their corporate objectives that their profit targets would align with the SDGs? Several banks in Malaysia have already embedded the SDGs into their corporate objectives, but there are not many similar examples from the Middle East and elsewhere.

Regarding the loan moratorium, several questions were raised on whether banks should continue charging interests to sustain their profits. Banks have various competing interests and a fiduciary responsibility, not only to customers, but also depositors, investors and shareholders. Ultimately, banks need to ensure their sustainability so that they can continue paying returns to depositors, profits to investors and returns on equity to shareholders. Eventually, the shareholders are linked to pension funds, to which we make monthly pension contributions. Balancing these interests requires a fine balancing act. We have to leave it to the banks to decide on their own.

In this regard, the role of Shariah committees is to provide guidance to banks and let them exercise *ihsan*. *Ihsan* has to be exercised in a targeted manner. When a broad moratorium applicable to everyone was implemented, there were many free riders, those who did not face liquidity challenges and were solvent, but they benefited from the moratorium. It is a form of injustice to not require these people to pay the interests or profits that they have contractually agreed to pay. Deciding on this matter requires a balancing act. Banks welcome any guidance on exercising the balancing act, but ultimately the decision should be made by individual banks.

Dato' Mohammad Faiz Azmi

We expect banks to support COVID-19 recovery, but we often forget that these institutions are essentially commercial vehicles. We may need to mobilise different sets of funds through blended finance with less commercial interests, quickly, to be able to support the recovery.

Ahmad Shahriman Mohd Shariff

Chief Executive Officer, CIMB Islamic Bank Bhd, Malaysia

There are other roles that Islamic banks can play beyond capital markets. Banks can empower local communities to pool their funds. The approach of CIMB Niaga in Indonesia in providing financial services, such as cash management solutions, is through community-based engagements. The same infrastructure that these communities use to pool their funds can also be used for them to offer support to each other. These community organisations have a large membership with more than one million members. Islamic banks can offer assistance to local communities by developing infrastructure that allows them to reallocate resources among themselves to support each other throughout the crisis.

Another way to help local communities is to rebuild trade links. Because of lockdowns, many communities are now isolated and cut off from trading activities. Islamic banks can play a unique role in reconnecting and rebuilding trade linkages between local communities so that they can buy and sell goods among each other. It is necessary to move the conversation on the role of Islamic finance to beyond capital markets. We need to focus on ways to empower communities to help each other recover – ways that are more sustainable and more effective at supporting the livelihood of local communities.

Dato' Dr Afifi al-Akiti

Kuwait Fellow in Islamic Studies, OCIS, UK

Islamic finance operates in multiple types of jurisdictions such as faith-friendly, faith-neutral, and Muslim-friendly jurisdictions. There were interesting innovations regarding *zakat* management that were proposed by the NZF. It is important to reflect on the operations of Islamic finance within these different jurisdictions and how they might differ. Can the practices of managing and utilising *zakat*, for example, in a faith-friendly jurisdiction like the UK, change traditional practices in Islamic countries and inspire participation of faith-neutral organisations in Islamic social finance?

Dato' Mohammad Faiz Azmi

Zakat is often viewed as a religious duty, and *zakat* payments are often made in a very structured way. Could you share the experience of *zakat* authorities in the UK? Do they provide *zakat* to non-Muslims, for example? How are they different from *zakat* authorities in Islamic countries?

Arshadur Rahman

The NZF is challenging the traditional understanding of what *zakat* is meant to achieve, what it does, and when is it collected. Iqbal Nasim, Chief Executive Officer of NZF has mentioned that it is a logistical challenge for many Islamic charities in the UK to increase their staff during the month of Ramadan to be able to collect donations and *zakat* payments. However, these charities have projects that run year-round. They do not just require a huge amount of funding in one month, but also throughout the year. Several *zakat* authorities have applied a liberal interpretation in terms of the timings for *zakat* disbursement.

Zakat authorities in the UK are also considering supporting faith-based projects that contribute to wider society. For example, these organisations have been supporting institutions that promote interfaith dialogue, which can help ensure a strong positive profile of Islam and Muslims. A narrow conceptualisation of what *zakat* is meant to do would say that *zakat* should be allocated to, for example, homeless shelters. *Zakat* authorities in the UK are trying to be more holistic and long-sighted in their approach to *zakat* management and use, while recognising that the diaspora Muslim communities within the UK have been around for a long time and are therefore responsible for reaching out to wider society as well.

Abdulkader Thomas

Chief Executive Officer
Shape for Economic Consultancy, US
SC-OCIS Scholar in Residence 2020/2021

One important role of *zakat* is to provide assistance to people in financial difficulty. However, in modern times, we do not see the utilisation of *zakat* to help those who are struggling with their financial obligations, whether to Islamic banks or other creditors. We need to consider expanding the role of *zakat* to bringing relief to society in a broader sense, as opposed to the narrow sense, as practised now in Islamic countries.

KEY TAKEAWAYS

A post-pandemic recovery must prioritise tackling the health emergency, focusing on social impact and economic response and recovery, and recovering better.

The COVID-19 pandemic has brought extraordinary global health and economic challenges. The spread of the coronavirus globally has taken a devastating toll on global health and is expected to cause the deepest global recession since World War II (World Bank 2020). While its long-term after-effects are still unknown, the COVID-19-induced crisis presents a unique opportunity to steer the recovery towards a more sustainable, equitable and inclusive path. In March 2020, the Secretary-General of the UN, António Guterres, issued *A Call for Solidarity*, urging co-ordinated, decisive, and innovative policy action from the world's leading economies. He outlined three critical areas for action: tackling the health emergency, focusing on social impact and economic response and recovery, and recovering better. All stakeholders – public, private, and non-profit sectors have important roles to play in the post-pandemic response and recovery.

An integrated and cohesive response to the crisis should be aligned with the United Nations' SDGs.

The complexity and scale of the crisis demand an integrated and cohesive response. United Nations Development Programme's (UNDP) integrated approach is framed around three key objectives: preparing for and protecting people from the pandemic and its impacts, responding during the outbreak, and recovering from the economic and social impacts of the pandemic. Similarly, IsDB's Respond, Restore & Restart (3R) programme offers a holistic approach to support IsDB member countries mitigate the adverse impact of the COVID-19 pandemic in the short term, strengthen the health and economic systems in the medium-term, and kick-start the economy and catalyse private investment in the long term. Although the COVID-19 pandemic has negatively affected some of the SDG targets and reversed some progress in human development, it has also created several tipping points that can propel countries to accelerate their development agenda towards the achievement of the SDGs. UNDP has identified seven such tipping points: social contract, capabilities, climate and nature-based transition, inclusion and diversity, digital disruption, peace, and human rights and multilateralism. National and global policy action should look beyond recovery and implement a multi-faceted recovery and response plan that is aligned with the SDGs.

Islamic finance has embedded features that safeguard it against the frequency and severity of economic crises.

The lockdowns that have been imposed by countries around the world have slowed down production and trade activities, leading to an overall decline of economic output. As long as fear and uncertainty remain, the global economy will continue experiencing a breakdown of global supply chains and the shrinking of demand. Holistic solutions to the pandemic should focus on strengthening safety nets through *zakat*, *waqf* and *sadaqah*, supporting innovation and market-creating development, and institutionalising risk-sharing. Islamic modes of financing offer a diverse range of capital that is participatory, patient, and philanthropic in nature. Islamic finance's emphasis on the coupling of finance with real economic activities and strong social safety nets ensures that the Islamic finance industry is resilient in the face of a crisis. Islamic finance ensures tight integration of finance with real economic activities through the prohibition of *riba*, *gharar*, *maysir* and other rules of trade. It provides strong safety nets through social finance instruments such as *zakat*, *sadaqah*, *waqf* and other voluntary activities. Long-term post-pandemic recovery requires the development of integrated Islamic financial institutions that combine both commercial and social instruments to satisfy both market and non-market needs.

Islamic finance has a critical role at all stages of the COVID-19 response to catalyse inclusive economic recovery.

The COVID-19 response requires support from all stakeholders, including those from the Islamic finance and Islamic social finance sectors. Given the significant size of the Islamic finance industry in numerous economies across the world, Islamic finance has a critical role to play in the COVID-19 response and recovery. Islamic modes of financing, especially Islamic social modes of financing, are highly applicable and relevant at all stages of the COVID-19 response and recovery. *Zakat*, and both individual and corporate philanthropy, are suitable for short-term emergency support because of their ability to alleviate hardship and meet the immediate needs of those who are most affected by the crisis. Islamic asset and trade financing, as well as impact investing, are relevant for medium-term response and recovery, providing liquidity and catalysing the flow of capital to businesses, especially small- and medium-sized enterprises. Sukuk and *waqf* endowments are applicable for long-term recovery and resilience, providing long-term capital for governments and companies, and contributing to long-term resilience by developing permanent assets for sustainable development. The COVID-19 crisis presents unique opportunities for Islamic finance to catalyse inclusive economic recovery towards achieving shared prosperity and sustainable development.

Blended finance offers an opportunity for Islamic finance to make distinctive contributions to the COVID-19 response and recovery.

The concept of blended finance has been gaining popularity as a tool to pool resources from public and private sector funds to finance large global sustainability and climate change projects. Blended finance offers an effective way of combining the motivations of mainstream investment and philanthropic capital while maintaining the rigour of social and environmental initiatives. It allows for a flexible capital structure, combining commercial investment capital, concessionary investment capital, first-loss capital, guarantees and philanthropic capital, which holds the potential of catalysing the flow of capital to where it is needed the most. Blended finance offers an opportunity for Islamic finance to make distinctive contributions to the COVID-19 response and recovery and can be Islamic finance's most significant contribution to date. The institutionalisation of philanthropy in Islamic finance through *zakat* and *waqf* institutions can facilitate the integration of social finance instruments within the broader financial ecosystem to effectively mobilise blended finance instruments towards social impact projects and initiatives.

SESSION 2

COVID-19 AND ISLAMIC FINANCE: IMMEDIATE IMPACTS AND LONGER-TERM OPPORTUNITIES

CHAIR'S OPENING REMARKS

Tan Sri Dr Jemilah Mahmood

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Haithem Kader

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KEY TAKEAWAYS

CHAIR'S OPENING REMARKS

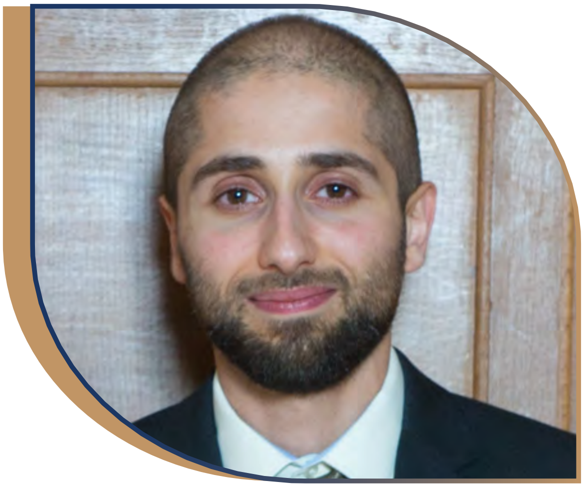
Tan Sri Dr Jemilah Mahmood
Special Advisor on Public Health
Prime Minister's Office of Malaysia

No country has been spared the economic impact of COVID-19. The World Bank, the International Monetary Fund (IMF), and other financial institutions have revealed numbers signifying GDP contractions of countries around the world. However, behind those numbers are real human stories: men, women, boys and girls facing immense challenges. As of 15 October 2020, the COVID-19 virus has infected around 39 million people around the world, and more than 1.09 million people have died.

The COVID-19 virus does not differentiate between borders, but the risks are highest among those who were already vulnerable before the pandemic: the poor, the marginalised, and those with low standards of basic hygiene. It is easy to tell people to wash their hands, but it is a tall order for those who do not have clean water, let alone soap.

The One WASH initiative was a timely call for solidarity to address the basic need for clean water, taps and soaps. We all saw this coming. Whether it is COVID-19, SARs, MERS-CoV or cholera, the underlying causes are all the same: inequality and poor access to basic human and health needs. COVID-19 has exposed these inequalities and stripped them stark naked before our eyes. The double whammy of health and economic impacts has further widened disparities in income and safety nets. In the face of a crisis, many institutions, including non-profit organisations, microfinance institutions and charities have come forward to work with the public. However, these institutions are struggling to adequately function due to financial inequalities, economic pressures and a deficiency in funds. In this situation, who then should be intervening?

PRESENTER



Dr Muhammad Meki
Sultan Hassanal Bolkiah Fellow in Islamic Finance and Lecturer in Oxford Department of International Development, Oxford Centre for Islamic Studies, UK

We have heard about the effects of COVID-19 on the poorest, the human stories behind the numbers and the SDGs. In this particular talk, I will focus on the poorest, specifically on the microfinance sector, which is critical for realising the SDGs.

As of 2018, there were around 140 million individuals who are being financed by microfinance institutions all across the world. It is a large sector, with 80 per cent of borrowers being women and 65 per cent living in rural areas. These borrowers are often underserved and overlooked.

The issue of financial inclusion is particularly salient in the Muslim world. There are proportionately large numbers of Muslims who do not have access to financial products, and hundreds of millions of poor individuals live in Muslim countries. The World Bank has highlighted the role of Islamic finance in helping us reach the SDGs. There is an emerging evidence that Islamic microfinance institutions are more successful than conventional microfinance institutions at reaching the poorest people. The issue of outreach is very important when it comes to the question of whether microfinance institutions should prioritise profits or social goals.

I will primarily be focusing on microfinance institutions that offer financial products to the poorest in society, and discuss the short-term impact of COVID-19 on microfinance borrowers by highlighting microfinance institutions in Pakistan. While our study focuses on the impact of COVID-19 on the most impoverished in Pakistan, some general themes arise that raise questions about how Islamic finance can build a more resilient financial ecosystem for the absolute poorest in society.

For our study, we surveyed approximately 1,000 microenterprises and 200 loan offices from across the country, and conducted semi-structured interviews with the chief executive officers (CEOs) of the largest microfinance institutions in Pakistan, as well as regulators such as the securities commission and the central bank. Pakistan has a two-tier regulatory structure: the central bank regulates microfinance banks, which are allowed to take deposits, while the securities commission regulates non-bank financial corporations.

The results we found were catastrophic. Week-on-week, the income for the microenterprises dropped 90 per cent, from US$50 to US$5. When we started this study, we were worried whether the borrowers would be able to repay their loans. What we found was that these people were not even able to eat. It comes back to human stories. The crisis was not even about finance; it was about basic subsistence. Some of these people were living right to the edge. Even those who had businesses and regular sources of income, with the lack in several weeks' worth of income, they were struggling to eat and needed money for food. This was particularly affecting females and people in the informal sector.

The income collapse among borrowers led to a collapse in their ability to repay their loans. The expected repayment rate had fallen dramatically, dropping to 34 per cent. Luckily, the regulators stepped in and offered deferrals of principal payments. However, this problem is going to arise again if there are additional lockdowns. Borrowers reported high levels of stress about health, food shortages and mobility restrictions. Although the study was initially about finance, it became about more basic concerns.

The CEOs were also concerned. The inability of the borrowers to repay their loans meant an inability of the microfinance institutions to repay their funders and investors. A short-term hit can affect both sides of the market.

Our interviews with CEOs revealed several insights into how Islamic finance can help improve the financial ecosystem for the poorest. First, microfinance is a broad category and consists of different types of institutions. Some organisations identified themselves primarily as charitable organisations that are also offering microfinance services in the form of *qard hasan* as well as *zakat* and other services. Once the crisis hit, some of these Islamic microfinance institutions contributed immensely to affected borrowers by providing food packages, donations and other support.

For-profit microfinance institutions are another type of microfinance institutions. The CEOs of these institutions presented themselves in ways similar to investment bankers–professional and focused on numbers and profits. Some of the borrowers complained about the approaches used by microfinance institutions that were asking borrowers to repay their loans even though they should have had a deferral. The borrowers asked why these institutions could not be like other institutions that were more charitable. Why could they not support the borrowers with food? The study made apparent the heterogeneity of these institutional structures.

The second insight is related to digital finance and fintech, including Islamic fintech. We often hear about the digital revolution, but it has not significantly affected the poorest and those who are unable to read and write. In Pakistan, Islamic microfinance institutions are some of the least sophisticated institutions when it comes to their digital infrastructure. The microfinance sector still relies heavily on face-to-face interactions, personal meetings, and human contact. Is digital finance viable for the poorest who rely on group meetings and social interactions to access financial services?

The third insight is related to trust between microfinance institutions and their borrowers. These microfinance institutions in Pakistan had spent a long time building up trust between the institutions and their borrowers. In this crisis, some for-profit microfinance institutions had broken trust by harassing borrowers to repay their loans, even when the borrowers were struggling. It is clear to us that communication needs to be transparent. Trust between these institutions and the borrowers is fragile and needs to be preserved. In contrast to for-profit microfinance institutions, we found that Islamic microfinance institutions had been successful at preserving trust as they were providing additional charitable services, and were not framing themselves as for-profit organisations that were indifferent to social concerns.

The fourth insight is risk-sharing. Many of the CEOs we interviewed told us that there were opportunities for them to lend. While some people were struggling, others had business opportunities. In Pakistan, the agricultural sector was doing well during the pandemic. In general, there are specific sectors that require financing support because there are still investment opportunities within those sectors, whereas other sectors are in decline. It does not make sense to provide support to all sectors. Because of the hit, microfinance institutions expressed the need for insurance mechanisms, such as credit guarantee schemes, to allow them to provide financing to these important sectors. These insurance mechanisms can be provided in the forms of *takaful*-based schemes and insurance-based schemes, through co-ordination between microfinance institutions and central banks or development finance institutions.

> “These insurance mechanisms can be provided in the forms of *takaful*-based schemes and insurance-based schemes, through co-ordination between microfinance institutions and central banks or development finance institutions.”

To conclude, COVID-19 is different. It is different for many reasons. The microfinance sector has faced several crises previously, such as the 2008 financial crisis and other isolated crises in particular countries. During these crises, microfinance institutions were able to receive support from their funders, development finance institutions, and multilateral organisations. In this particular crisis, due to COVID-19, a shock has hit everyone at the same time. Both client-facing and capital-facing sides have taken a hit. It is truly a unique crisis for the industry as a whole.

Some current conversations about the microfinance sector need to be reassessed, particularly with regards to profit motives of microfinance institutions, the need to remove subsidies to the sector, and the need to increase the professionalisation of the sector. There is potential for Islamic finance to play a role in these conversations and providing a more resilient financial system. We need to understand how borrowers use microcredit. There is often an assumption that borrowers use microcredit for business investment. While it is true that many borrowers are using microcredit for microenterprises, many borrowers are also using it for immediate consumption, which we need to acknowledge.

When we think about the relationship between financial institutions and their clients, we need to consider the nature of the financing, whether it is for liquidity or consumption purposes. If it is for consumption purposes, should it be provided at high interest rates?

Consumer protection is essential. We observed the potential for exploitation of the borrowers by loan officers, who were asking for loan repayments even when the central bank had allowed for deferrals. Islamic microfinance institutions can inculcate trust and ethical behaviour.

We need to rethink microfinance business models. We need to challenge the rhetoric that claims there are no trade-offs between profit and social motives in the microfinance sector. There are trade-offs. Islamic microfinance institutions can have a role in developing a more resilient ecosystem for the poorest.

The World Bank released a report recently about the potential of microfinance as a tool in Islamic fintech. We need to address the concerns regarding digital transformation for the poorest and the most illiterate.

Tan Sri Dr Jemilah Mahmood

Some key lessons I learned from the presentation are on issues such as trust, protection, ethics and the digital divide. Microfinance products are available, but during these times of crisis, trust breaks down, and there are issues around protection. We have to re-examine these tools. The issue of the digital divide is very valid.

How might we effectively mobilise capital and assets for the benefit of the real economy?

Islamic finance emphasises equity, fairness and the spirit of giving in times of hardship. However, sometimes Islamic financial structures are focused on replicating interest-based transactions, side-lining the spirit of alleviating hardship for others. How does an Islamic microfinance institution reckon with post-COVID-19 challenges at a time when financial institutions are being pressured to reconsider their models?

It would be very beneficial to hear about Turkey's experience in providing relief for the Muslim world in times of crisis. Turkey is now hosting an estimated 3.7 million Syrian 'guests' — a term commonly used in Turkey instead of 'refugees'. Turkey is spearheading the Global Compact on Refugees.

RESPONDENT 1

Dr Tarik Akin
Division Director (Islamic Finance)
Finance Office of the Presidency of the Republic of Turkey

I will focus on three messages from the presentation, which will form the basis of this response. First, the pandemic has disrupted both the supply and demand of the microfinance sector. Borrowers have difficulties in loan repayment, and lenders have difficulties in fundraising, resulting in a 'perfect storm'. Second, risk-sharing remains a viable solution. However, the type of risk-sharing needed requires shifting from traditional risk-sharing instruments that tackle idiosyncratic shocks to new risk-sharing instruments focused on systemic and system-wide risks. Several respondents from the study specifically mentioned credit guarantee schemes. Third, microfinance is primarily a tool for liquidity management for borrowers, and it is only partly used as a mode of finance for entrepreneurship and business investments. These three messages should be the starting point in thinking about how the current Islamic microfinance structure can be more resilient, effective and accessible.

COVID-19 is just the first episode in a series of subsequent large problems facing the world economy. The world has already entered an age of turmoil. No one can guarantee that the world will not face another virus next year. Maybe in a few years, food prices will skyrocket, or there will be a climate-related stall in economic activities. The nature of risks facing the world economy is becoming more systemic and widespread, and uncertainty and ambiguity are increasing.

The notion of risk-sharing stands at the core of Islamic finance. Developing instruments and institutions to implement more risk-sharing frameworks is essential. However, the current understanding of risk-sharing and the current financial instruments for risk-sharing are, to a large extent, confined to idiosyncratic shocks. While existing financial instruments and financial markets are well equipped to tackle such idiosyncratic shocks, any crisis in the form of a perfect storm, such as the current crisis facing Islamic microfinance, requires active government involvement.

In conventional finance, government intervention in the economy often takes the form of risk shifting. Bank bailouts are an example of such risk shifting. We need to consider redistribution policies such as universal basic income and asset as complementary to *zakat* and *waqf* institutions. These policies can be a source of permanent risk-sharing between a government and all of its citizens, as protection against future shocks in this age of turmoil. In the near future, we will need to deal more frequently with perfect storms and systemic events rather than idiosyncratic events for which Islamic finance has already developed important tools and instruments. Universal basic income is gaining traction among policymakers and scholars. It will allow countries to be more resilient against the repercussions of systemic shocks. Moreover, universal basic income will provide liquidity to the poor. As a result, Islamic microfinance and other Islamic financial institutions can refocus on their essential role in providing funds for entrepreneurship and investments.

Asset-based redistribution is another important risk-sharing mechanism for systemic risk. It is based on the distribution of income-generating public assets to the asset-poor through risk-sharing contracts. Asset-based redistribution will empower equity participation. Market instruments such as GDP-linked retail sukuk are important tools for implementing risk-sharing asset-based redistribution.

Universal basic assets are another important risk-sharing tool. The difference between universal basic income and universal basic assets is that the former is income-based while the latter is asset-based. Digital assets can be used for universal basic assets.

“Asset-based redistribution will empower equity participation. Market instruments such as GDP-linked retail sukuk are important tools for implementing risk-sharing asset-based redistribution.”

As opposed to South or East Asia, microfinance and Islamic microfinance institutions have a minuscule share in the financing pie in Turkey. Turkey's COVID-19 response is mainly based on its Economic Stability Shield Programme, which was announced in March 2020. Turkey's recovery package was harshly criticised for its relatively small size compared to the stimulus packages of some other countries, especially European countries. However, Turkey's strategy was to selectively direct public funds, rather than implementing a massive monetary expansion, which can result in increased public indebtedness. The resources from the economic stability shield programme have been directed towards SMEs, healthcare and protecting employment. This programme is akin to providing a basic income to the poor. The targeted programmes have been successful at keeping the labour force at work and protecting income. Recovery has been very quick in Turkey. It is expected that Turkey's 2020 growth rates will be higher than the growth rates of most G20 countries.

Turkey is currently hosting around 4 million refugees, 3.6 million of whom are Syrian guests. They are already benefitting from temporary protection status and have access to education, the health system, social services and the labour market. However, their formal labour market opportunities are limited, and most of them work in informal sectors, which makes it difficult for them to benefit from the COVID-19-related protection schemes.

Tan Sri Dr Jemilah Mahmood

We need to consider how much rigidity has been built in from the capital side of financial institutions. Islamic microfinance institutions are needed in COVID-19 recovery, but without flexibility from funders who are willing to share the burden of supporting borrowers, the pressure will continue building up on microfinance institutions to collect loan payments. This pressure would then be transferred on to borrowers.

RESPONDENT 2

Professor Dato' Dr Mohamad Azmi Omar
President and Chief Executive Officer
International Centre for Education in Islamic Finance, Malaysia

Rather than focusing only on finance as the solution for COVID-19 recovery, I would like to consider a broader perspective. The sources of funding for Islamic microfinance comprise equity, impact investment loans, donations in the forms of *sadaqah* or *waqf*, government grants, as well as *mudarabah* capital. In the case of Akhuwat in Pakistan, its sources of funding are equity and donations, and it provides loans on the basis of *qard hasan*, without a profit element. Akhuwat's borrowers only need to repay the principal based on an agreed schedule.

Another model is Blossom Finance's platform. Blossom Finance facilitated the issuance of a US$50,000 smart sukuk in 2019 on the basis of *mudarabah*. With funding from the sukuk, BMT Bina Ummah can provide loans on the basis of *murabahah* to its borrowers.

If microfinance institutions are not able to provide additional support to their borrowers in times of crisis, these borrowers will not have sufficient funds to continue running their businesses. How can we tackle this problem?

One possible solution is to embed risk-sharing principles into the funding and financing structures of microfinance institutions by ensuring that their source of funding is on the basis of *mudarabah*, and their use of the funds is also on the basis of *mudarabah*. However, this model is only applicable to Islamic microfinance institutions that are not regulated by central banks. In some countries where central banks regulate the Islamic microfinance sector, it is not possible to develop a risk-sharing model that allows for the application of *mudarabah* principle in both the sourcing and using of funds. So far, I have not found an Islamic microfinance institution that applies risk-sharing principles both in its source and use of funds.

Another possible solution is to use a blended finance model that incorporates *zakat*. *Zakat* can be used to pay for the profit component of the loans for microenterprises. Microfinance loans often have both principal and profit components. By using *zakat* to pay for the profit component, microenterprises will only be responsible for paying the principal component of the loan. One crucial requirement for this model is to ensure that the borrowers meet *asnaf* criteria. This model allows for the use of *zakat* as a form of subsidy to support distressed microenterprises as well as microfinance institutions.

Zakat or *sadaqah* can also be used to provide microenterprises with fixed assets, such as food trucks and kiosks, as well as working capital such as raw materials. Consequently, loans from microfinance institutions can be used solely for operating expenses, which reduce the financial burden on microenterprises. They no longer have to borrow to purchase fixed assets or raw material supplies. For example, this model has been implemented in Malaysia through the Bangkit Khaira programme developed by the Federal Territories Islamic Religious Council Zakat Collection Centre, which provides fixed assets and working capital to microenterprises. Microenterprises only need to borrow to cover their operational costs. This model helps ease the financial burden on microenterprises in servicing their loans.

“Without a holistic ecosystem, microenterprises will face difficulties in sourcing materials and selling their goods and services. The development of a holistic support system will help minimise the impact of COVID-19 on microenterprises.”

Another innovative model is the development of a holistic support system for microenterprises. For example, Bank Indonesia has developed a whole value chain to support microenterprises, of which Islamic microfinance institutions are only one component. Other components of the value chain include capacity-building programmes for microenterprises and e-platforms for sourcing raw material supplies and selling their goods and services. From this perspective, providing support to microenterprises goes beyond providing financial support to strengthening capacity building as well as developing markets. Without a holistic ecosystem, microenterprises will face difficulties in sourcing materials and selling their goods and services. The development of a holistic support system will help minimise the impact of COVID-19 on microenterprises.

SESSION 2: Q&A

Tan Sri Dr Jemilah Mahmood

There is a question about investing in information and communication technologies (ICT) to increase transparency and accountability and to reinforce trust. Have there been any stories and lessons in ICT investments, both at international and organisational levels?

Professor Dato' Dr Mohd Azmi Omar

The *zakat* authority in the state of Kedah, Malaysia has developed an application called *Zakat* on Touch, through which users can see how much *zakat* is being collected and where it is being distributed. Such use of technology allows for transparency, which is key to building trust.

A more advanced application of technology to increase transparency could be through the use of blockchain, allowing for end-to-end visibility from the source to the use of *zakat*. We have not yet seen any application of blockchain for *zakat* management; it is a technology that can be developed. In the context of Islamic social finance, transparency and trust are important. Givers have to trust that their funds reach the beneficiaries.

Dr Muhammad Meki

ICTs can also be used for consumer protection, particularly against any unethical behaviour by loan officers. Credit information bureaus exist to prevent people from over-borrowing because some people do take multiple loans. There has been a suggestion for the creation of a staff information bureau, whose function is to monitor the interactions between loan officers and borrowers. We have heard of many cases in which loan officers behaved unethically by forcing borrowers to make loan repayments. Even when their organisations fired them, they would get hired at other organisations and continue with their behaviour. Currently, there is no mechanism for monitoring the unethical behaviour of loan officers who do not treat borrowers with the respect they deserve. Microfinance institutions can potentially leverage technology to monitor their staff.

Dr Tarik Akin

One concrete example of using technology to develop trust is the proposed OIC Business Intelligence Center, whose role would be to build a business intelligence ecosystem and a business intelligence database or digital platform for the OIC countries. If it operates in the near future, it can be a great example of how blockchain technology and credit information systems can be beneficial in enlarging the scope of trade transactions and the flow of investments between countries.

Tan Sri Dr Jemilah Mahmood

An immediate and potentially long-term impact from the COVID-19 pandemic is unemployment. Unemployment is also a larger issue affecting the world economy resulting from the Fourth Industrial Revolution (Industry 4.0) and digitalisation. One key policy agenda for the Islamic financial system needs to be supporting employment and job creation. How can Islamic finance, especially Islamic capital markets, play an effective role in influencing policymakers to formulate the right policies and initiatives that will lead to mass employment creation? How can we link Islamic finance, climate ambition, and other SDG targets to employment and job creation?

Dr Muhammad Meki

We want to take a more focused approach towards providing support to sectors with investment opportunities. We also need to complement financing with capacity building and other ecosystem support. Microfinance institutions are often seen as only playing an intermediary role in providing loans to microenterprises on standardised terms and conditions, without considering their business needs and risks. Microfinance institutions should adopt venture capital mentality in providing support to enterprises. We need to consider how blended finance can be used to facilitate these kinds of investments.

Professor Dato' Dr Mohd Azmi Omar

We should not be focusing on creating employment. Instead, we should focus on creating entrepreneurs so that people are self-employed and can generate not only employment for themselves but also for others. For example, micro entrepreneurs, through their business ventures, may employ two, three or even up to ten individuals.

Funding is needed, either through Islamic microfinance institutions or digital crowdfunding, to support microenterprises so that they can generate employment. Blossom Finance has utilised smart sukuk, using blockchain to raise funding from international impact investors on the basis of *mudarabah*. The capital raised is used to provide funding to Islamic microfinance institutions.

A digital platform can be created to connect funders with microenterprises. Microenterprises can create employment by getting funding from funders. Capital markets can be utilised to provide funding to microfinance institutions through the use of sukuk, which will be regulated by the SC. Indonesia's Securities and Exchange Commission has no regulation on the use of smart sukuk. We need to develop regulation to enable the use of smart sukuk in Malaysia, and create a crowdfunding platform to catalyse funding flows to MSMEs, thus enabling them to generate businesses and create employment.

Tan Sri Dr Jemilah Mahmood

There is much emphasis on reskilling and upskilling to prepare the labour force for the future of business and work. Reskilling and upskilling programmes are about providing skills, especially digital skills related to digital literacy and the digital economy.

We have spoken about the importance of *zakat*, *qard hasan* and other instruments for shocks. How can we systematically use some of these tools to address systemic shocks? Crises facing the world are not going to end with COVID-19. This crisis should never have been viewed as a 'black swan'. We all saw this coming; it was only a matter of time. We will also face climate shocks because of our transgression of planetary boundaries, and we will have many more viral pandemics in the future. We can start planning for the future. My call to action is to bring all ideas and resources together and start implementing some of them. Hopefully, by the time the next Roundtable takes place next year, we will have some really good achievements to report. What do we need to do to make that happen?

Regarding the use of capital markets to provide funding to microenterprises, Professor Dr Azmi highlighted the need for more crowdfunding platforms, so that funders, from relatives to other stakeholders, can help SMEs raise short-term funding. We need a more organised way to raise non-bank funding.

Dr Muhammad Meki

I would like to share my experience working with Kiva, a company that facilitates peer-to-peer lending and investment in SMEs. To obtain funding, borrowers often share their profiles and business ventures on the platform. Sometimes, this method of raising funds can lead to more exclusion. Individuals tend to choose to lend money to the people with the nicest pictures and profiles. It can lead to the exclusion of the most marginalised individuals who need support. Cash transfers and other financial instruments may be more appropriate.

Dr Tarik Akin

In development studies, there is an important motto: 'one size does not fit all'. We should consider local obstacles, local traditions, and other monetary or institutional restrictions and limits prior to implementing a programme.

In using crowdfunding for SME financing, the environment within which SMEs operate needs to be ready for crowdfunding or equity-based solutions. In Turkey, crowdfunding and equity-based solutions for SMEs are becoming more important, but the success of these policies is mostly dependent on SME structures and perceptions. For historical reasons, some microenterprises choose not to engage with crowdfunding and equity-based solutions because they do not want to disclose their business information to outside parties.

Dato' Dr Afifi al-Akiti

I would like to take a slightly contrarian view on the issue of the healthiness of Islamic capital markets during the pandemic. According to the latest data, the number of sukuk issuances is expected to decline this year. While there are a few flagship sukuk programmes in Malaysia and Indonesia, in general, sukuk issuances have declined.

I also take the issue with the potential direction of repurposing Islamic finance for longer-term opportunities. I am uncomfortable with the suggestion to move away from non-social finance towards further reliance on social finance. In the post-COVID-19 age, the size of social finance will get ever smaller, and Islamic social finance institutions are still facing structural, systemic and institutional issues.

Professor Dato' Dr Mohd Azmi Omar

We should not underestimate the power of Islamic social finance. Many studies still show that awareness of *zakat*, *waqf* and *sadaqah* among Muslims is still very low. Several studies have found that the potential of *zakat* is tremendous. We need to tackle problems related to the question of trust in *zakat* collection and distribution.

For example, using approaches such as blended finance, the utilisation of *zakat* alone would be sufficient to support distressed microenterprises that are affected by the COVID-19 pandemic. *Zakat* remains underutilised, and we have not improved *zakat* institutions. If we can develop trust in *zakat* institutions, *zakat* collection would increase, and *zakat* could be a powerful tool to support *asnaf* during this pandemic.

Dr Mohamed Damak

Senior Director, Global Head of Islamic Finance, S&P Global Ratings, UAE

I am not sure if it is right to use *zakat* for loan repayments to microfinance institutions, both the principal and profit portions. Given the impact of the pandemic on enterprises and economies across the Muslim world, banks have been asked to defer loan payments and refrain from imposing additional fees for loan deferments. Can *zakat* be used to pay the principal portion of loans to allow microfinance institutions to sustain their operations, and not the profit portion since it tends to be fairly expensive compared to the profit portion of other financing solutions?

Professor Dato' Dr Mohd Azmi Omar

First, *zakat* cannot be used to support all enterprises, but only those that are owned by *asnaf*, the beneficiaries of *zakat*. Second, I suggest using *zakat* to repay the profit portion of loans. However, the implementation of this approach needs to be contextualised, depending on country-specific considerations. In the context of Malaysia, where the profit rates charged by Islamic microfinance institutions are small, the profit portion of loans can be repaid by *zakat* institutions. However, in countries where the profit rates are high, this approach is not feasible. In other countries, *zakat* can be utilised to repay the principal portion of loans. It depends on the contexts within which the approach is implemented.

Dr Tarik Akin

In Islam, there are three stages related to economic activities. The first stage is preparing individuals to participate in the market, which includes considerations of Islamic ethics and injunctions. The second stage is distribution, and the third is redistribution. Although microfinance, *zakat* and *waqf* are instruments well-suited for the redistribution stage, we need to focus on the distribution stage, which is the stage responsible for wealth and income inequality in the world. People require a decent income for their needs. Only after being able to meet their needs are they able to borrow from microfinance institutions for business investments.

Tan Sri Dr Jemilah Mahmood

There is a strong call for a universal basic income. The concept of social justice and the distribution of wealth in Islam are essential and in line with the *maqasid al-Shariah*. We need radical ways to tackle inequality and to provide broader safety nets. We had a very different roundtable this year. We have been able to show that we can be green by having the Roundtable virtually. We need to commit ourselves to some action points that we want to implement and focus on best practices and pilot projects.

KEY TAKEAWAYS

Islamic microfinance institutions have enormous potential to improve the lives of the world's poor.

Some Muslim-majority countries are among the poorest in the world, as measured by their GDP per capita, and a large proportion of the world's poor live in those countries. Hence, financial inclusion initiatives are particularly important in the Muslim world. Microfinance institutions, including Islamic microfinance institutions, have enormous potential to improve the lives of the world's poor. The term microfinance encompasses microloans, microsavings and microinsurance. Microfinance institutions provide access to capital and resources to the financially underserved, a group that is often excluded from mainstream financial services. The provision of microfinance is considered important for poverty alleviation and critical for meeting the UN's SDGs. A study by Ahmad, Lensink and Mueller (2020) shows that the market for Islamic microfinance is substantial and significant, and is expected to continue growing in every region of the world. They also found evidence suggesting that Islamic microfinance institutions performed better in terms of outreach, serving more borrowers and poorer borrowers, compared to conventional microfinance institutions. Islamic microfinance institutions can play a key role in improving the lives of the poor who are acutely affected by the COVID-19 pandemic.

Islamic microfinance institutions can provide important liquidity and saving services to alleviate the short-term impacts of the COVID-19 pandemic.

The effect of the COVID-19 pandemic on the world's poor has been devastating. Stringent and rapidly adopted lockdowns around the world have led to the collapse of businesses, especially SMEs, and household income. Islamic microfinance institutions can play an important role in alleviating the short-term impact of the COVID-19 pandemic by providing important liquidity and saving services to affected enterprises. As more borrowers are struggling to meet the required payments on their loans, Islamic microfinance institutions can mobilise charitable sources to support their borrowers, drawing on Islamic social finance instruments such as *zakat* and *sadaqah*. *Zakat* and *sadaqah* funds can be used not only to subsidise loan payments of distressed borrowers but also to support capital and operational expenditure of microenterprises. As the after-effects of the pandemic remain unknown, Islamic microfinance institutions will continue to have a significant role to play in reshaping the financial ecosystem for the poorest in society.

Islamic microfinance institutions can maximise their impact by utilising risk-sharing principles both in raising funds and distributing credits.

Islamic microfinance provides an alternative to conventional microfinance in meeting the needs of the poor and financially excluded. While both Islamic and conventional microfinance institutions share fundamental similarities with regard to their focus client groups and financing methods, Islamic microfinance institutions must conform to Shariah principles and requirements and embody the intrinsic values of the *maqasid al-Shariah*. To further maximise their impact, Islamic microfinance institutions should utilise risk-sharing principles both in raising funds and distributing loans to their borrowers. The COVID-19 pandemic has significantly reduced the ability of microfinance borrowers to repay their loans. Microfinance institutions are now facing difficulties in repaying their investors and funders and in funding their ongoing operations. Risk-sharing financial instruments, such as a credit guarantee scheme, could lessen the burden of microfinance institutions by absorbing a portion of their losses on microfinance loans made to enterprises in the event of loan default. Risk-sharing instruments can improve the resilience of Islamic microfinance institutions in the face of a crisis and strengthen its ability to rebuild the well-being of society.

Beyond providing financial services, Islamic microfinance institutions have a significant role in strengthening 'social capital' based on trust.

Microfinance institutions use innovative lending methodologies, such as group loans with joint liability, to increase the probability of loan repayment due to the lack of physical collateral. Hence, the success of a significant part of the relationship between microfinance institutions and their borrowers depends on the social capital the microfinance institutions can inculcate among their borrowers and the social capital those borrowers can bring into the contractual arrangement. As a result of the COVID-19 pandemic, borrowers are struggling to repay their loans. Several microfinance institutions have resorted to coercion and harassment to force borrowers to honour their debt obligations, resulting in loss of borrower trust. Beyond providing financial services, Islamic microfinance institutions have a significant role in safeguarding and strengthening social capital to protect their borrowers from exploitation. Islamic finance institutions can inculcate principled and ethical behaviour based on Islamic values and principles among their staff members to ensure that they treat borrowers with respect, dignity and care. Furthermore, Islamic microfinance institutions should embrace technological innovations such as blockchain technology to provide end-to-end transparency and enable trust in their fundraising and financing activities.

Islamic capital markets provide a unique avenue for Islamic microfinance institutions to raise capital funds based on risk-sharing principles.

The advent of new technologies such as blockchain technology and digital financial platforms have transformed the traditional way of raising funds and providing banking and financial services. The use of these technologies has enabled Islamic microfinance institutions to widen the focus of their fundraising efforts beyond institutional investors, structure innovative financial products and services to better serve their customers, and reshape the distribution model for their financial services to enhance the efficiency and effectiveness of their operations. In this regard, Islamic capital markets provide a unique avenue for Islamic microfinance institutions to raise capital funds based on risk-sharing principles through innovative instruments such as blockchain-based sukuk and ECF. For example, through its SmartSukuk™ platform, Blossom Finance facilitated the issuance of a US$50,000 smart sukuk in 2019 for BMT Bina Ummah to expand financing for local entrepreneurs. The SmartSukuk™ platform leverages Ethereum blockchain smart contracts, allowing Blossom Finance to standardise and automate the legal and operational overhead of sukuk offerings and increase the efficiency and reach of sukuk issuances.

Perfect storms such as the COVID-19 pandemic, requires government involvement in safeguarding the population.

The COVID-19 pandemic has negatively affected the microfinance industry as a whole. Microfinance institutions are suffering from both a lack of loan repayments from their borrowers and a lack of access to funding from their funders and investors. The COVID-19 pandemic has created a perfect storm for the microfinance industry, particularly affecting the poorer communities. Governments need to step in to alleviate the hardship of the poor and ensure a decent standard of living for all segments of society. Tackling perfect storm events, such as the COVID-19 pandemic, requires government involvement in safeguarding livelihoods and economies. Universal basic income, universal basic assets and asset-based redistribution programmes are some of the tools that can complement Islamic social finance instruments such as *zakat*, *sadaqah* and *waqf* in mobilising capital to empower communities and build social resilience. Redistribution of income and wealth programmes act as a form of risk-sharing between the government and its citizens and can strengthen resilience, safeguard communities against systemic shocks, and provide liquidity to the poor during crises.

SESSION 3

CONCLUSION AND RECOMMENDATIONS

CHAIR

Dr Basil Mustafa
Senior Bursar, Oxford Centre for Islamic Studies, UK

RAPPORTEUR 1

Siti Rosina Attaullah
Manager, Islamic Banking and Takaful Department, Bank Negara Malaysia

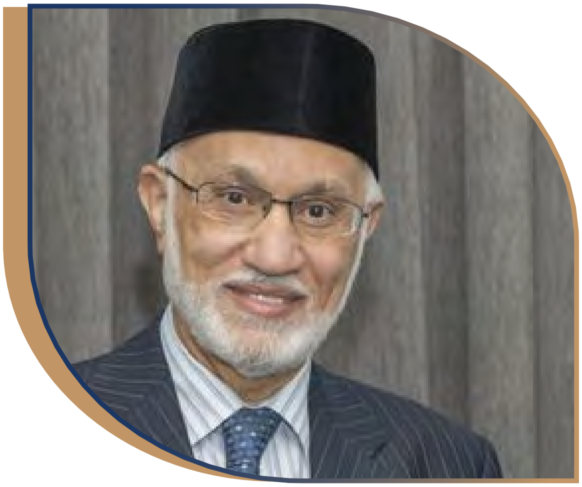
RAPPORTEUR 2

Haithem Kader
MPhil Development Studies, University of Oxford, UK

CLOSING REMARKS

Sharifatul Hanizah Said Ali
Executive Director, Islamic Capital Market Development, SC

CONCLUSION AND RECOMMENDATIONS



Dr Basil Mustafa
Senior Bursar
Oxford Centre for Islamic Studies, UK

The past Roundtables have consistently focused on challenging contemporary issues facing the financial world, specifically the issues facing capital markets. In the last 11 years, the Roundtables have explored how Islamic finance can remain relevant and build momentum as the finance sector progressively shifts its objectives towards including social, sustainable and environmental considerations. We have engaged in these lively discussions year after year, trying to bring new ideas and an impetus to explore how Islamic finance can remain relevant to a large population of the world, and make a difference. The 11th Roundtable is a continuation of this effort. As we face the impact of a worldwide pandemic on both financial markets and livelihoods, we are again asking how Islamic finance can contribute socially and economically to the developing situation. Hence, given the pandemic, our theme for this year was 'Repurposing Islamic Finance for Longer-Term Opportunities'.

RAPPORTEUR 1

Siti Rosina Attaullah
Manager
Islamic Banking and Takaful Department
Bank Negara Malaysia

In this summary of the first session, I will focus on key actions for Islamic finance to reboot the economy. The chair of the session emphasised the importance of reflecting on what Islamic finance can do as part of its integrated response for COVID-19 recovery. The following are key ideas from the session.

First, Dr Aamir Rehman highlighted the relevance of Islamic financial instruments at each stage of COVID-19 response and recovery. These include short, medium, as well as long term responses. Second, he emphasised the need for embedding Islamic finance as part of national development plans, especially in countries that have a sizeable share of Islamic finance, given that Islamic financial instruments, both commercial and social, can play a bigger role in supporting public finance as well as strengthening national plans.

Third, Dr Salman Syed Ali drew attention to the need for safety nets, which calls for more integrated and organised *zakat*, *sadaqah* and *waqf* systems. Social transfer of wealth in the form of *zakat*, *sadaqah* and *waqf* is a form of risk-sharing. The question of just social transfer is related to the concept of *ihsan*. We need to be just with all stakeholders. For example, with regards to the relationship between Islamic banks and their customers, Mohamed Rafe Mohamed Haneef suggested that support must be provided in a targeted manner as Islamic banks are bounded by fiduciary duties. Fourth, Islamic finance needs to support innovation, especially among SMEs.

Fifth, Dr Salman Syed Ali accentuated the need to optimise the use of social finance, and to explore opportunities to support the real economy by combining Islamic social finance instruments with commercial instruments through blended finance. Sixth, he also noted that Islamic finance contains embedded features that protect it against crises. Seventh, Arshadur Rahman and Professor Dr Engku Rabiah Adawiah emphasised the need for integrated social impact measurement systems that can assess Islamic finance's progress in creating a positive impact on society and the environment. Finally, Ahmad Shahriman encouraged Islamic financial institutions to explore alternative ways of empowering local communities, such as through developing community-based financial infrastructure and cash management solutions. These community-based initiatives can help community members support each other and facilitate linkages between communities. The Islamic finance industry should respond in a timely manner in rebooting and supporting the recovery from the pandemic.

RAPPORTEUR 2

Haithem Kader
MPhil Development Studies
University of Oxford, UK

In summary, the session chair, Tan Sri Dr Jemilah Mahmood, opened the session by focusing on the human stories behind numbers, the need to deal with underlying issues such as inequality and access to basic health needs, and questions of who should take responsibility and step in to support these needs. Dr Muhammad Meki discussed the short-term impact of COVID-19 on the microfinance industry in Pakistan, with insights for Islamic finance. He highlighted that the COVID-19 pandemic is a unique crisis that affects not only the ability of borrowers to repay their loans, but also the ability of microfinance institutions to repay their investors and funders.

He offered several insights on policy reforms and the role of Islamic finance in COVID-19 recovery. The first was on prudential regulation that recognises the heterogeneity of microfinance institutions. The second was on the role of digital infrastructure in supporting the poor, and the relative lack of digital sophistication among Islamic microfinance institutions. The third was on the issue of trust between microfinance institutions and borrowers. The fourth was on the issue of risk-sharing and credit guarantee schemes.

Dr Tarik Akin emphasised the changing nature of risks. The type of risks we are facing are becoming more systemic and widespread; hence, the type of risk-sharing instruments we use should shift from those that deal with idiosyncratic shocks to those that deal with systemic risks. He also discussed the need for government involvement in COVID-19 recovery through the provision of a universal basic income and universal basic assets, as well as Turkey's COVID-19 response that focused on strategic sectors.

Professor Dato' Dr Azmi Omar discussed the potentials of structuring the source and use of funding for Islamic microfinance institutions based on the principle of *mudarabah*. He also highlighted the various ways in which Islamic microfinance institutions can adopt a blended finance model using *zakat* and *sadaqah* to help ease the burden on distressed borrowers and provide fixed assets and raw materials to microenterprises. He presented two examples of innovative solutions to support microenterprises, namely the Bangkit Khaira programme in Malaysia, as well as the ecosystem support programme by Bank Indonesia.

The first question of the session was about using ICTs to develop trust. In response, Professor Dato' Dr Azmi Omar gave the example of the use of mobile applications, such as *Zakat on Touch*, to improve *zakat* collection and distribution, and increase transparency and trust. Dr Tarik Akin discussed the need for a credit bureau encompassing the OIC region to provide credit ratings and support financial activities among member countries.

The second question was about unemployment and job creation. Professor Dato' Dr Azmi Omar mentioned that we should be focusing on creating entrepreneurs through supporting enterprises, not simply on creating jobs. One of the ways to support enterprises is through crowdfunding. Nevertheless, Dr Tarik Akin cautioned against 'one-size-fits-all' solutions and emphasised the need to consider local conditions, potential obstacles, and limits to crowdfunding and equity-based solutions.

Finally, Dato' Dr Afifi al-Akiti cautioned against moving from non-finance to social finance. Professor Dato' Dr Azmi Omar responded by emphasising that the potential of *zakat* is tremendous, but there is a need to resolve issues around trust to enhance *zakat*. Tan Sri Dr Jemilah Mahmood concluded the session by a call for action and call for piloting the ideas discussed at the Roundtable.

SESSION 3: Q&A

Dato' Mohammad Faiz Azmi

I would like to emphasise the discussion on safety nets. We are witnessing the collapse of business savings and the ability of businesses to raise money. We have already started seeing the beginnings of corporate failures. We are not only talking about large corporations, but also small enterprises.

Additionally, the SC Chairman's comment about extreme poverty affecting 150 million people around the world and HRH Tuanku Sultan Nazrin's comment on exhortation of safety nets suggest that as we consider big picture solutions to the pandemic, we also have to consider the basics. In other words, this crisis is about food. It is about the wherewithal to survive. Within the Malaysian context, for example, do we know where the food kitchens are, and from where do such organisations receive financing to provide basic necessities like food?

Safety nets are not just about relying on *zakat* and *waqf* institutions to help the poor. These institutions have their limitations. I have worked with a number of *zakat* bodies. Although they always have good intentions, they have limited funding and face uncertainty regarding future *zakat* payments. We need to start working with a wider range of stakeholders.

Finally, what is rather unusual about this crisis is that there is no destruction of assets, such as the kind that might result from war. There is no shortage of people who are willing to work. The infrastructure, the talents, and the means of working remain intact, although health concerns have halted economic activities. This is a unique situation upon which we ought to reflect. It is not about the need for vast sums of money to restart the economy. It is about providing enough for people to survive a period of time before they can return to work.

Tan Sri Dr Jemilah Mahmood

There will be many more perfect storms in the future. We have not even discussed the issue of complex systems. We are not only dealing with a pandemic; we are also dealing with the impact of climate change. We are falling short in our ability to anticipate future crises and develop our responses together. With our collective minds, we can reimagine systemic changes that need to happen.

When I was at the International Federation of Red Cross and Red Crescent Societies (IFRC), I tried very hard to focus on large collective impact. If we want to end the spread of a disease, we have to get the basics right. We need to provide people with access to water and sanitation.

If the One WASH initiative had been implemented five years ago, we would have been able to improve access to water, sanitation, and hygiene for people in some of the most underdeveloped and war-torn countries, and we could have addressed primary health concerns in these countries. We struggled to get support for the initiative. I will be very honest – many people did not see the initiative as critical. It was merely seen as building taps and providing water. We are not giving up. Some of my former colleagues at IFRC are continuing the effort to get support for the initiative. I have spoken to representatives from the Malaysian government and local institutions about the initiative, and they are very interested in figuring out how they can support the initiative. Malaysia could become the first donor to the One WASH Fund. The One WASH Fund is a very innovative funding structure that incorporates a blended finance model.

This crisis could spiral into massive widespread poverty. The economic shocks are going to affect everyone. In my role, I have been asked to advise on Malaysia's healthcare reform. A holistic reform is not just about providing healthcare. As people are going to live for longer, healthcare is about well being. The existing safety nets, which are mainly through our pensions, may not be sufficient. It is going to be a considerable challenge, but I think Islamic finance can offer some solutions. I want to challenge every one of us to consider what else we can do to become adaptive, given the possibility of future shocks.

Mohamed Iqbal Asaria

There are differences in opinions in different *madhhabs* on the issue of *zakat* distributions. The Hanafi position regarding the use of *zakat* is quite stringent, requiring *zakat* to be used for immediate consumption. Compared to the Hanafi position, the Maliki position is relatively relaxed. The Shafi'i position seems to be the least strict, permitting *zakat* to be used as leverage; for example, using *zakat* to pay for micro-*takaful* premiums or to provide credit insurance guarantees. Using *zakat* as leverage is a better way of preserving livelihoods for the long term than using *zakat* to provide handouts at the present moment. The use of *zakat* can be supplemented by universal basic income or universal basic services.

We often think that the poor are illiterate and, therefore, unable to participate in the modern economy. However, the data on the growth in mobile technology reveals that more than 95 per cent of the world population currently hold a subscription to mobile cellular telephones. In many countries, people are using mobile money despite being illiterate. We should not assume that because the poor often have low levels of literacy, they cannot be part of digital-based safety net systems. We can include them in these programmes easily. For example, Togo has used an effective method in distributing immediate assistance to its citizens, by distributing money to their mobile wallets from the beginning of the pandemic. Other countries can implement a similar programme.

Our main problem at the moment is that we are only considering solutions that could potentially increase people's debt burden. Debt builds up incrementally and then becomes unsustainable. It is very much like climate change. The climate, year-on-year, changes incrementally, and the changes are not perceptible. The damage from climate change builds up, and suddenly, it blows up before our eyes. The Islamic finance motto of using equity instruments rather than debt instruments needs to be rigidly adhered to.

Professor Mehmet Asutay

Professor of Middle Eastern and Islamic Political Economy and Finance, Durham University, UK

The COVID-19 pandemic has delivered an important lesson: we cannot be selfish. In other words, if I want to be healthy, other people have to be healthy. This is the key lesson that we have put forward as Islamic economists. The *falah* of an individual is subject to the *falah* of other people. In this unfortunate circumstance, the COVID-19 pandemic has demonstrated that this lesson is a universal reality. We hope that the Islamic finance industry can come up with structured responses to this universal reality.

However, Muslim economies are experiencing heavy financialisation. Unfortunately, the Islamic finance industry has followed the same trends and policies as the conventional finance industry, where financing strategies have become heavily financialised. As such, it is difficult for Islamic finance institutions to respond to issues in the real economy such as the pandemic. Despite the subject matter here being 'Repurposing Islamic Finance', we have shifted the entire discussion onto *zakat*, *sadaqah* and *waqf*, which tells us something about the Islamic finance industry. Financial regulators have been developing and regulating Islamic finance and banking institutions with the same regulative environment and institutional logic as those used for the conventional finance industry. Unfortunately, the scriptural meaning behind Islamic finance and the objective of benefiting the larger society was wiped out in the process.

While *zakat*, *sadaqah* and *waqf* are essential, it is important to remember that Islamic finance institutions have specific objectives to achieve and roles to play. When Turkey was facing the 2001 economic crisis, household debt was only 2 per cent of GDP. During the crisis, thousands of people were unemployed. However, affected people were supported by the safety nets provided by their parents and other family members. These safety nets prevented a social catastrophe. During the same time, Argentina, which had a high level of household debt, went through a similar crisis, but people were looting on the streets.

Unfortunately, by the end of 2012, household debt in Turkey increased to 19 per cent of GDP. Currently, it remains high, which means that if we were to face another economic crisis, people would lose jobs and they would not have sufficient safety nets through their parents and family members because they too would be in debt.

We have to create structured responses that can deliver development. At the same time, we have to examine the holistic purpose of Islamic finance, focusing on its objectives. Rather than shaping Islamic finance and banking institutions to prioritise profit maximisation, working within the same institutional logic of conventional risk management, regulators have to explore how we can alter the regulatory environment and develop innovative solutions so that Islamic finance can deliver on its objectives. To respond to the current crisis, we should not rely only on the mercy of the rich, through donations in the forms of *zakat*, *sadaqah* and *waqf*, but on public policies that work together with private capital.

Tan Sri Abdul Wahid Omar

Chairman, Bursa Malaysia Bhd, Malaysia

There are many comments blaming debt as the cause of the problems that we have in this world. Debt is not the problem. The problems are the *riba* element in debt and excessive gearing. We must be pragmatic. We live in a world where most people earn salaries and have fixed incomes as opposed to being entrepreneurs. By having access to debt products, they can acquire assets, such as buying homes, and generate wealth. In this environment, it is not feasible to only rely on equity-based solutions. Some businesses may be able to raise money through equity-based products, but most households would not be able to get any equity-based funding. In Malaysia, the Investment Account Platform (IAP) was launched to facilitate financing based on profit-sharing. However, to date, the amount of financing under the IAP has been very small compared to that of debt-based financing platforms.

The COVID-19 has catalysed growth in online transactions on platforms such as e-commerce. Given the low interest rate environment and rapid adoption of e-commerce, there is a need for a new financing platform based on gold dinar, which is truly *riba*-free. Gold is probably the most effective hedge against inflation. Creating a financial system based on gold, which has no interest element and is entirely *riba*-free, could mean a revival of Islamic finance. We have seen some saturation in the growth of the Islamic finance industry operating under existing models. We need a new path to rejuvenate Islamic finance.

CLOSING REMARKS

Sharifatul Hanizah Said Ali
Executive Director
Securities Commission Malaysia

Thank you very much to all for joining us virtually at the Roundtable this year. Adaptability is indeed an intrinsic attribute of Islam. It is also inspiring to observe this amazing level of energy in a virtual roundtable such as this. While I am not able to share anecdotes of the nice weather or the lakeside scenery as normally observed from the previous Roundtables, this being my first, I am confident we will be able to converge again together physically. I will try to pursue the possibility of having a physical roundtable for everyone.

This is my first time giving the closing remarks for a platform that has successfully served the need for continuous ideation in Islamic finance. Indeed, the next step is to translate these ideas into action plans and implement them to ensure that the aspirations of the Roundtable are attained. I will refrain from repeating the presentations of the Roundtable that have already been excellently summarised by the rapporteurs.

During the 11th SC-OCIS Roundtable 2020, we heard several keywords such as 'rebooting', 'reprioritising', 'repurposing', 'resetting', 'recalibrating' and 'resilience'. Impact investing and blended finance are subject matters that have also been discussed in past Roundtables. As a market regulator, the SC is committed to enhancing the effectiveness and innovation of the Islamic capital market, especially in impact investing, given the close alignment between the principles of impact investing and Islamic principles.

I am happy to share that despite the challenges and constraints of deep-dive engagements in the current situation, following the 10th SC-OCIS Roundtable, we have organised Impact Investment Roundtable Series recently, arising from topics raised at the previous roundtable in Oxford, to discuss further the role of issuers, investors, and intermediaries in developing the impact investing segment of the Islamic capital market. We view impact investing as a new virtuous asset class, which is receiving heightened interest due to the increased level of awareness and commitment to societal good. We aspire for the growth and strengthening of the impact investing segment. The blending of different types of capital, including impact capital, is ideal for addressing the pertinent issues discussed during this Impact Investment Roundtable Series.

We have momentum; it is now time for hard work. We have to synchronise and orchestrate our action plans effectively. Without a conducive ecosystem, these plans will remain as ideas. The growing importance of ECF and P2P financing platforms was also reiterated. We need more awareness of these programmes. We look forward to working with all participants of the Roundtable in creating long-term resilience.

Out of concern that some may start experiencing COVID-19 mitigation fatigue, HRH Tuanku Sultan Nazrin reminded us of the need to continue, with an undiminished resolve, to overcome the current adversity. The SC Chairman also noted that what defines us is not the crisis, but our response to it. Our collective response would allow us to benefit from the opportunities presented to us during the crisis.

On that note, thank you to everyone who has been with us at the Roundtable, including the moderator, session chairs, presenters, respondents, rapporteurs and floor respondents. I would like to thank the team from OCIS, led by Dr Farhan, Dr Basil and others for the keen collaborative partnership we have had over the years. I look forward to many more collaborations. I would like to thank Wan Abdul Rahim and the SC team who put together this programme with our colleagues from OCIS. I hope that all of you are looking forward to the next Roundtable, to meeting and getting to know each other in person, and coming together with fellow thought leaders for the next chapter of Islamic finance. May Allah keep us safe and blessed in these challenging times.

SPEAKER PROFILES

1. HRH SULTAN NAZRIN MUIZZUDDIN SHAH
2. DATUK SYED ZAID ALBAR
3. DR FARHAN NIZAMI
4. DATUK ZAINAL IZLAN ZAINAL ABIDIN
5. SHARIFATUL HANIZAH SAID ALI
6. DATO’ MOHAMMAD FAIZ AZMI
7. DR AAMIR A. REHMAN
8. PROFESSOR DATO’ DR MOHAMAD AZMI OMAR
9. ARSHADUR RAHMAN
10. TAN SRI DR JEMILAH MAHMOOD
11. DR MUHAMMAD MEKI
12. DR TARIK AKIN
13. DR SALMAN SYED ALI
14. DR BASIL MUSTAFA
15. SITI ROSINA ATTAULLAH
16. HAITHEM KADER

HRH Sultan Nazrin Muizzuddin Shah
Sultan of Perak, Malaysia
Royal Patron for Malaysia's Islamic Finance Initiative

HIS ROYAL HIGHNESS SULTAN NAZRIN MUIZZUDDIN SHAH is the 35th Sultan of the State of Perak, Malaysia. He ascended to the throne on the 29 May 2014, upon the demise of his father, His Royal Highness Sultan Azlan Muhibbuddin Shah Al-Maghfurlah.

His Royal Highness was the Financial Ambassador and is currently the Royal Patron for Malaysia's Islamic Financial Initiative. His Royal Highness is Chancellor of the University of Malaya; Honorary Fellow of Worcester College, Oxford; Honorary Fellow of Magdalene College and St Edmund's College, both Cambridge; Vice-Chair of the Board of Trustees of the Oxford Centre for Islamic Studies; the Royal Fellow of the Institute of Strategic and International Studies, Malaysia; and the Royal Fellow of the Malaysian Institute of Defence and Security.

Besides his constitutional duties in Malaysia, Sultan Nazrin Shah served as co-chair of the United Nations High-Level Panel on Humanitarian Financing. He has also served as Malaysia's Special Envoy for Interfaith and Inter-Civilisational Dialogue at the United Nations Alliance of Civilisations (UNAOC).

His research interests are in the areas of economic and political development in Southeast Asia, economic growth in developing countries and economic history. His previous publications include *Charting The Economy: Early 20th Century Malaya and Contemporary Malaysian Contrasts* and *Striving for Inclusive Development: From Pangkor to a Modern Malaysian State*. He has written articles and spoken on a wide range of issues including constitutional monarchy, nation-building, governance, Islam, Islamic finance, ethno-religious relations, education and socio-economic development.

His Royal Highness holds a BA in Philosophy, Politics and Economics from the University of Oxford and a PhD in Political Economy and Government from Harvard University.

Datuk Syed Zaid Albar
Chairman
Securities Commission Malaysia

DATUK SYED ZAID is the Executive Chairman of the Securities Commission Malaysia (SC). Prior to his appointment as the SC Chairman on 1 November 2018, he was the Managing Partner of Albar & Partners.

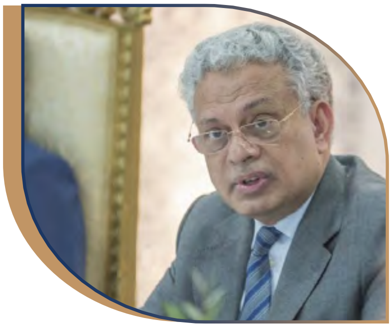
Datuk Syed Zaid currently chairs the Capital Market Development Fund (CMDF) and is a member of the Board of the Financial Reporting Foundation. He is also a member of the Financial Stability Executive Committee and a Board member of Securities Industry Development Corporation (SIDC).

He represents the SC as the Asia Pacific representative on the governing Board of the International Organization of Securities Commissions (IOSCO), the global body of capital market regulators.

Datuk Syed Zaid has a degree in law from the United Kingdom (UK). He is a Barrister at Law of the Lincoln's Inn, UK and an Advocate and Solicitor of the High Court of Malaya. He has over 38 years' experience in legal practice predominantly in the fields of corporate finance, equity and debt capital market, conventional banking and Islamic finance.

He has been recognised for his contribution and achievements in the legal practice through numerous domestic and international awards.

With his experience in finance and law, Datuk Syed Zaid has served on the Islamic Law Review Committee of Bank Negara Malaysia and the Appeals Committee of Bursa Malaysia Bhd. He has also served on the boards of several public-listed companies in Malaysia.



Dr Farhan Nizami
Director
Oxford Centre for Islamic Studies, UK

FARHAN NIZAMI CBE (D.Phil.Oxon) is the Prince of Wales Fellow in the study of the Islamic World, Magdalen College, Oxford University and the Founder Director of the Oxford Centre for Islamic Studies. He read Modern History at Wadham College.

From 1983, he was a Fellow of St Cross College, Oxford: Rothman's Fellow in Muslim History and subsequently Fellow in Islamic Studies.

He is an Emeritus Fellow of St Cross College and a member of the Faculty of History and of Oriental Studies at the University of Oxford. He is Founder Editor of the *Journal of Islamic Studies* (OUP, 1990-To Date); Series Editor, *Makers of Islamic Civilization* (OUP, 2004-To Date). He specialises in Muslim social and intellectual history.

Datuk Zainal Izlan Zainal Abidin
Deputy Chief Executive
Securities Commission Malaysia

DATUK ZAINAL IZLAN was appointed Deputy Chief Executive of the Securities Commission Malaysia (SC) on 5 April 2018.

He joined the SC in January 2011 as Executive Director, Islamic Capital Market and was appointed Managing Director, Development and Islamic Markets in November 2016. He currently provides direct oversight on the SC's Supervision and Surveillance functions as well as the People and Corporate Resources divisions. He is also Chairman of Capital Markets Malaysia, an entity established by the SC to promote the Malaysian capital market.

Datuk Zainal Izlan holds a Bachelor of Science in Economics (dual concentration in Accounting and Finance) from The Wharton School, University of Pennsylvania, US, and is a Chartered Financial Analyst (CFA) charterholder. He has 30 years' experience in the financial services industry. He began his career with Citibank before moving to MIDF Amanah Asset Management. Just prior to joining the SC, Datuk Zainal Izlan was the Chief Executive Officer of i-VCAP Management.

Sharifatul Hanizah Said Ali
Executive Director
Securities Commission Malaysia

SHARIFATUL HANIZAH is the Executive Director, Islamic Capital Market Development (ICMD) of the Securities Commission Malaysia (SC).

At ICMD, she manages a team that facilitates developmental initiatives for internationalisation of Malaysia's Islamic Capital Market, reviews industry proposals and conducts compliance screening on public-listed companies from the Shariah perspective. This encompasses initiatives through the deepening and broadening of ICM products and services, to further facilitate globalisation of Malaysia as an ICM hub.

Sharifatul Hanizah has an extensive and diverse experience of over 30 years in the fields of investment analysis, portfolio management, equity trading and unit trust while serving in various organisations such as Permodalan Nasional Bhd (PNB), RHB Investment Management Sdn Bhd and Muamalat Invest. During her tenure in PNB and RHB, Sharifatul Hanizah's board experience was vast, spanning consumer goods, technology and manufacturing companies. She served on the boards of exchange-listed and private companies as a Nominee Director for both organisations.

Prior to joining the SC in August 2019, Sharifatul Hanizah was the Chief Executive Officer of SIDC, the learning and development arm of the SC. She is a Fellow of the Financial Services Institute of Australasia (F Fin), a Certified Financial Planner (CFP), an Islamic Financial Planner (IFP) and a Fellow of the Institute of Corporate Directors Malaysia (ICDM).

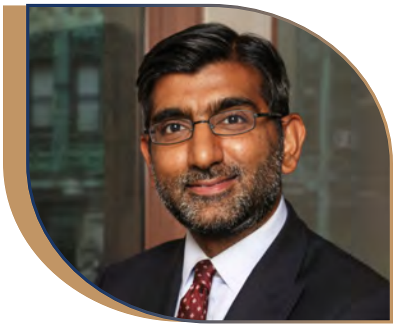
Dato' Mohammad Faiz Azmi
Executive Chairman
PricewaterhouseCoopers Malaysia

DATO' MOHAMMAD FAIZ is a Partner with PricewaterhouseCoopers (PwC) Malaysia. He has held the position of Executive Chairman of PwC Malaysia since 2012. Previously, he was the leader of PwC Global Islamic Finance Team practice from 2007 to September 2012. He was also the Financial Services Leader and joint Head of Audit for PwC Malaysia.

Faiz has over 35 years' experience in the audit and business advisory services of financial institutions in Malaysia. He has also been involved in the audits of clients in the banking, healthcare, power and construction sectors. He has led a number of projects relating to strategy, investigations and merger work both locally and internationally. Faiz was also the Project Director leading the team on the Accrual Accounting project with the Malaysian Accountant General's office and was a member of the Federal Government of Malaysia's Debt Management Committee. He has also acted as the Administrator for a national airline and two public-interest entities.

Faiz is a member of the Malaysian Institute of Accountants, a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW) and Council Member of ICAEW UK. He has held the post of the President of the Malaysian Institute of Accountants, Chairman of the Malaysia Accounting Standards Board, Exco and Council Member of the Malaysian Institute of Certified Public Accountants and ICAEW City Group Chairman.

Faiz was educated in Malaysia and UK and read law at the University of Durham before being called to the English Bar. He is also a Liveryman of the City of London, and a member of the Worshipful Company of Chartered Accountants England and Wales. He was conferred an honorary degree of Doctorate of Laws by the University of Nottingham in July 2016.



Dr Aamir A. Rehman
Senior Advisor on Islamic Finance
United Nations Development Programme, US

DR AAMIR A. REHMAN is Senior Advisor on Islamic Finance at the United Nations Development Programme (UNDP). His work includes engaging Islamic finance stakeholders on aligning their activities with the Sustainable Development Goals (SDGs). UNDP has partnered with *zakat* bodies, sukuk issuers, industry bodies, and banks on identifying, enhancing and documenting their SDG impact. At UNDP, he also supports inter-agency initiatives on Islamic finance across the UN system.

Dr Rehman has recently written on Islamic finance instruments for COVID-19 response. He has presented to the CFA Institute on the role of Islamic finance instruments in the recovery.

In addition to his work with UNDP, he is a Senior Fellow at Columbia University's Richman Center for Business, Law and Public Policy in the United States. His work at Columbia explores ESG considerations and the public impact of private equity investments. Dr Rehman was previously a co-founder and managing director of Fajr Capital, a private equity group that has successfully invested over US$700 million.

Dr Rehman is author of the book, *Gulf Capital & Islamic Finance: The Rise of the New Global Players* (McGraw-Hill, 2009). His work has been featured in journals including the *Harvard Business Review*, the *Journal of Applied Corporate Finance* and *McKinsey on Society*.

Dr Rehman holds bachelor's, master's and MBA degrees from Harvard University and a doctoral degree from Columbia University.

Professor Dato' Dr Mohamad Azmi Omar
President and Chief Executive Officer
International Centre for Education in Islamic Finance, Malaysia

PROFESSOR DATO' DR AZMI serves as the President and Chief Executive Officer of International Centre for Education in Islamic Finance (INCEIF) – the Global University of Islamic Finance since October 2017. Prior to this, he was the Director General of Islamic Research and Training Institute (IRTI), Islamic Development Bank (IDB) Group, Jeddah, Kingdom of Saudi Arabia where he held the position for almost six years, and a senior professor and university administrator at the International Islamic University Malaysia for almost 30 years. At IRTI, Azmi pioneered and introduced many innovative policy researches, which culminated into flagship reports such as IRTI Islamic Social Finance Report and IDB-World Bank Global Report on Islamic Finance.

Azmi has also advised and provided technical assistance to a number of IDB member countries in their implementation of Islamic finance. He is a member of the External Advisory Group for the International Monetary Fund (IMF) Inter-Departmental Working Committee on Islamic Finance and Board of Trustees of Responsible Finance Institute (RFI) Foundation. He also serves as a member of Shariah Committee to Bank Rakyat Malaysia, Etiqa Takaful Malaysia and as the Islamic Finance Expert to the Autoriti Monetari Brunei Darussalam.

Azmi was awarded 'The Most Outstanding Individual Contribution to Islamic Finance' in the KLIFF Islamic Finance Awards 2015.

Arshadur Rahman
Manager
Sterling Markets Division
Bank of England, UK

ARSHADUR (ASH) RAHMAN manages the Sterling Monetary Framework Applications Team at the Bank of England, UK, and is also the Bank's Islamic Finance specialist, leading its project to establish a non-interest-based deposit facility for the first time in a major Western central bank.

Ash has spent 20 years in financial services, regulation and central banking, including 15 years working on Islamic finance issues. He holds a degree in Psychology, and an MSc in Finance from the London Business School. He is currently undertaking doctoral research at King's College London on the application of Basel III rules to Islamic finance contracts, and is a Visiting Fellow of King's Business School.

Tan Sri Dr Jemilah Mahmood
Special Advisor on Public Health
Prime Minister's Office of Malaysia

TAN SRI DR JEMILAH is currently the Special Advisor to the Prime Minister of Malaysia on Public Health. She is an experienced humanitarian with more than two decades in national and international organisations including MERCY Malaysia, the United Nations and the International Federation of Red Cross and Red Crescent Societies.

Dr Muhammad Meki
Sultan Hassanal Bolkiah Fellow in Islamic Finance and Lecturer in Oxford Department of International Development, Oxford Centre for Islamic Studies, UK

As the Sultan Hassanal Bolkiah Fellow in Islamic Finance, Muhammad Meki's research interests are focused on the effect of equity-like (*Musharakah*-based) microfinance contracts (which involve profit and loss sharing and/or shared asset ownership) on the investment and growth of microenterprises in developing countries. Muhammad Meki is also a lecturer at the Oxford Department of International Development, UK.

Before undertaking his doctoral research (in the University's Department of Economics and St. John's College, Oxford), Muhammad Meki worked for five years in financial markets (Bank of America in London and Deutsche Bank in Singapore) where he traded fixed-income products, foreign exchange derivatives and government bonds. He has previously completed postgraduate degrees in Finance (MSc, London School of Economics), Economics (PGDip, Cambridge) and Economics for Development (MSc, Oxford).

Dr Tarik Akin
Division Director (Islamic Finance)
Finance Office of the Presidency of the Republic of Turkey

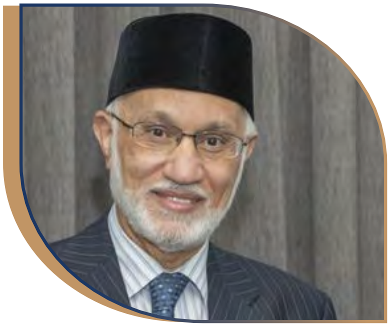
DR TARIK AKIN is a division director (Islamic finance) at the Finance Office of the Presidency of the Republic of Turkey. Prior to joining the Finance Office, Dr. Tarik worked at the Ministry of Treasury and Finance, Islamic Financial Services Board (IFSB), World Bank, UNDP, Silatech and Center for International Development (CID) at Harvard University, US.

He was an SC-OCIS Visiting Fellow in Islamic Finance at University of Oxford for academic year 2019-2020. Dr. Tarik earned his bachelor's degree from Bilkent University, Turkey, master's degree from Harvard University and obtained PhD in Islamic finance from INCEIF, Malaysia. His research areas include Islamic capital markets, inequality and redistribution, macro-financial linkages and SME finance.

Dr Salman Syed Ali
Lead Economist
Islamic Research and Training Institute
Islamic Development Bank, Jeddah,
Saudi Arabia

DR SALMAN SYED ALI is Lead Economist at Islamic Research and Training Institute (IRTI), Islamic Development Bank (IsDB). His work focuses on multiple areas of Islamic finance and Islamic economics. Currently, he is leading the Research Division in Smart Economy Initiative using technology for economics and financial development, directed the cluster on *maqasid al-Shariah* based Socio-Economic Development at IRTI. He is also contributing to Community of Practice and training in the area of Islamic Financial Development. He is the editor of the journal, *Islamic Economic Studies and Academic Coordinator*, *IRTI*.

He was Visiting Fellow in Islamic Finance at OCIS, Oxford University (2016-17). Prior to joining IsDB, he served as the Director of Research and Director of Training in the International Institute of Islamic Economics (IIIE) at International Islamic University Islamabad (IIUI). Salman holds B.Sc. (Hons) in Economics from International Islamic University, Islamabad, Pakistan and Ph.D. from University of Pennsylvania, US. His areas of interest are Islamic finance, capital markets and game theory. He has a number of research articles and publications to his credit. Organised and moderated sessions of major international conferences. Represented IsDB in the Technical Committee and various Working Groups of the Islamic Financial Services Board. Led many research projects for IsDB and other international organisations, and contributed in key development initiatives and policy reports for the progress of Islamic economics and finance.



Dr Basil Mustafa
Senior Bursar
Oxford Centre for Islamic Studies, UK

DR BASIL MUSTAFA is the Nelson Mandela Fellow in Educational Studies at the Oxford Centre for Islamic Studies. Dr Mustafa held an Associate Fellowship at the Saïd Business School, University of Oxford (2010-2012) and was an Associate Tutor at the Department for Continuing Education, University of Oxford (1998-2008). He was awarded a Visiting Professorship at the International Business School, Universiti Teknologi Malaysia (2014-2017).

Dr Mustafa has special interest in e-learning and distance learning programmes. His taught courses at the Oxford University Department for Continuing Education include 'Islam in the Modern World' and 'Islam and the West'. He has contributed to the Leadership Development Programme of the Executive Education Centre, Saïd Business School. At Saïd Business School, Basil has participated as lecturer at the Oxford Leadership Advantage Programme for State Farm Insurance, US, and coached leadership competency workshops for the Abu Dhabi Civil Service Department (2009-2011). Dr Mustafa has been a speaker and coach on the Program for Advanced Leadership and Management, Madinah, Saudi Arabia.

Siti Rosina Attaullah
Manager
Islamic Banking and Takaful Department
Bank Negara Malaysia

SITI ROSINA ATTAULLAH is currently a Manager at the Islamic Banking and Takaful Department, Bank Negara Malaysia (BNM). She has 15 years of experience in the Islamic finance industry.

She began her career at BNM in 2005 where she was involved in strategic and developmental projects for the Islamic financial services industry. In 2013, she joined KFH Research Limited, the former investment, advisory and research arm of Kuwait Finance House. As the Head of Islamic Capital Markets Research Unit, she oversaw research and advisory services for Islamic finance, namely Islamic banking, takaful, sukuk, Islamic fund management, financial inclusion as well as Islamic finance regulatory developments and financial stability analysis. Her portfolio at KFHR also comprised projects with multilateral organisations, a pension fund, corporate clients and KFH's subsidiaries in Turkey, Saudi and Bahrain.

Siti Rosina's industrial experience has also spanned over the areas of talent development. This was evidenced by her appointment as the national consultant to the Asian Development Bank (ADB) for talent migration research in ASEAN; the Panel Committee Member for the development of learning frameworks (both the Islamic Finance Professional Qualifications Structure and the Finance Professional Qualifications Structure) by the Finance Accreditation Agency. She also helped formulated the *Code of Ethics* and the *Code of Professional Conduct* for the Chartered Institute of Islamic Finance Professionals (CIIF).

Siti Rosina holds a Bachelor of Economics (Honours) from Universiti Utara Malaysia and a Master's Degree in Finance from the University of Warwick, UK. She is the proud alumni of the G20 Global Leadership Program and the MOSAIC International Leadership programme.

Haithem Kader
MPhil Development Studies
University of Oxford, UK

HAITHEM KADER studied BSc Economics at SOAS (2011-14), MSc Islamic Finance at Hamad Bin Khalifa University, Qatar (2015-2018). He completed the UK Civil Service Fast Stream recruitment programme as a government economist (2018-19). He was awarded a scholarship to study MPhil Development Studies at Oxford University (2019-21).

Haithem has work experience in the humanitarian sector. During his time as a master's student, he helped to organise and participate in humanitarian missions to Bangladesh, Jordan and Turkey; providing psycho-social support and aid to refugees. He followed this up with an internship in 2018 at Education Above All Foundation, Qatar, which aims to enhance educational provision for out-of-school children around the world.

Haithem has worked as a research assistant, working on various topics in English and Arabic, from fintech in Islamic finance to socioeconomic development in the MENA region. His research interests include political economy and development of the MENA region, Islamic economics and finance, and Islamic legislation and ethics. His MSc thesis was entitled *Human Wellbeing and the Moral Economy: an Islamic Perspective*. He presented this topic at the 12th International Conference on Economics and Finance in June 2020.

ACRONYMS AND ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
CEO	chief executive officer
GDP	gross domestic product
HRH	His Royal Highness
IAP	Investment Account Platform
ICD	Islamic Corporation for the Development of the Private Sector
ICT	information and communication technology
IFRC	International Federation of Red Cross and Red Crescent Societies
IFSB	Islamic Financial Services Board
IMF	International Monetary Fund
Industry 4.0	Fourth Industrial Revolution
IRTI	Islamic Research and Training Institute
IsDB	Islamic Development Bank
KPI	key performance indicator
MSME	micro, small and medium-enterprise
NZF	National Zakat Foundation
OCIS	Oxford Centre for Islamic Studies
OIC	Organisation of Islamic Cooperation
SAC	Shariah Advisory Council
SC	Securities Commission Malaysia
SDGs	Sustainable Development Goals
SME	small and medium enterprise
SRI	sustainable and responsible investment
TFSME	Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises
UN	United Nations
UNDP	United Nations Development Programme
WHO	World Health Organization