IMPACT INVESTING AS AN EXTENSION TO THE ISLAMIC ECONOMY

Proceedings of the SC-OCIS Roundtable 2019

23 - 24 March 2019
Ditchley Park, Oxfordshire
United Kingdom

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Securities Commission Malaysia
3 Persiaran Bukit Kiara
Bukit Kiara
50490 Kuala Lumpur
Malaysia
Tel: +603 6204 8000
Fax: +603 6201 5078
Website: www.sc.com.my

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10TH SC-OCIS ROUNDTABLE 2019

IMPACT INVESTING AS AN EXTENSION TO THE ISLAMIC ECONOMY

23–24 March 2019 • Oxfordshire, United Kingdom

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Saturday,
23 March 2019

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WELCOME SESSION

Impact Investing as an Extension to the Islamic Economy

WELCOME ADDRESS

Dr Farhan Nizami

Director, Oxford Centre for Islamic Studies, UK

WELCOME REMARKS

Datuk Syed Zaid Albar

Chairman, Securities Commission Malaysia

SPECIAL KEYNOTE ADDRESS

HRH Sultan Nazrin Muizzuddin Shah

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

WELCOME ADDRESS

DR FARHAN NIZAMI

Director,
Oxford Centre for Islamic Studies, UK

Your Highness Sultan Nazrin Muizzuddin Shah, it is my pleasure, on behalf of the Oxford Centre for Islamic Studies (OCIS) and the Securities Commission Malaysia (SC) to welcome you to this first session of our 10th Roundtable. My thanks to all who are attending, whether as speakers or listeners. I particularly want to express my appreciation to those who have had to make space in their very busy personal schedules and have travelled great distances to be here.

As in the past when I have made these brief introductions to what should be an informed discussion among experts, I must begin by stating that I am of the uninformed. I very much look forward to hearing your conversations around the principal theme of this session, but I do so entirely from the perspective of a layman. I have neither theoretical understanding nor practical experience of social impact investment. I cannot offer you insight into whether and how the availability of vehicles for social impact investment will entice more Muslims (or indeed non-Muslims) to contribute to the further growth of the Islamic capital market.

As a layman, I can do no more than naively identify some of the questions and concerns that I have in mind. Thereafter, I gladly and hopefully defer to your knowledge and experience in the expectation of finding out if my questions are good, and how they can be better articulated and then deserve good answers.

Social purpose organisations (SPOs) are essentially non-profit ventures. Their success is measured first of all by how well they achieve the social good they are aimed at. But it is also measurable by how well

they are able to sustain their activities. Necessarily, if they are not to remain exclusively dependent on charitable donations, they have to engage other forms of fundraising or income generation. That is where SPOs need access to the know-how and financial resources of organisations that, unlike themselves, are oriented to profit-making, to income generation.

Over the last two decades, including in Europe, we have seen growing interest in venture philanthropy. I like to hope that this interest goes beyond casino managers funding local and national sports teams, or lotteries donating some of their profits to health clinics, the arts and scientific research. I like to hope that venture philanthropy is a sign of major, professional investors systematically redesigning their portfolios to include serious, long-term investments in socially responsible ventures. If that hope is justified, if venture philanthropy is not merely an exercise in protecting corporate image, then for sure SPOs must welcome the promise of investment and technical support in designing a viable business model for the social goods they are trying to realise.

But this is my first question, must SPOs not be concerned about the risks of having to adapt or rebrand their social purpose in order to attract the funds and skills they need? Are they ever in a position to pick and choose from potential funders, only those who already support their social purpose commitments? If they are not able to pick and choose, how do they make their case? How do they, with or without the help of venture philanthropists, design a business model that is not alien to their social purpose?

“However, in practice, when profit-making is done at the scale that is the norm for large investment agencies, some level of opposition is in practice built in. This is a consequence of the toxicity of the large-scale.”

The activities of many SPOs are concerned with local, small-scale, personal needs: chronic illness, joblessness, disability, homelessness, loneliness, etc. The SPOs work to meet these needs, for the most part, on a voluntary basis, in one-to-one expressions of human kindness. How do the SPOs preserve this culture if, as business models require, they measure and manage their performance in terms of abstract numbers? Or is it the case that venture philanthropy expertise and funds are deployed just for an SPO's income-generation, wholly separately from the delivery of its social purpose activities? An example would be the 'professional' (i.e., profit-oriented) management of charity shops, enabling but quite separate from the benevolent work. Is it really possible to sustain the SPOs' distinctive ethos if it becomes dependent upon, and aligned with, a profit-oriented management?

Next question: assuming that SPO and venture philanthropy are fully aligned in their commitment to the social purpose, how does the venture philanthropy monitor its investment (of funds or skills) in the SPO? Does it share executive authority? Does it have any sort of ownership so that when it exits from the partnership, it can 'sell' or in some other way 'hand on' its stake in the personnel, equipment, buildings and whatever else it has funded?

And a follow-up question: how does such a partnership affect the preferential tax regime normally accorded to SPOs? How is the use of such tax benefit shared or supervised? If there is a regulatory body such as a charities commission, what assurance that it will not be captured by the entities that it is mandated to regulate?

I gladly accept that there is not, in theory, a necessary opposition between profit-making and benevolence. However, in practice, when profit-making is done at the scale that is the norm for large investment agencies, some level of opposition is in practice built in. This is a consequence of the toxicity of the large-scale. A child eats and eats, and grows and grows as it should, but at maturity, growth is supposed to stop. Obesity is not healthy in nature. In the conventional business model, however, continuous growth is expected. Often it is a legally enforceable requirement: businesses that do not grow their market and profit share, even if their profit is in billions, are considered to be failing, and vulnerable to takeover.

How do you persuade would-be investors to invest in avenues that produce social good but no profit, or a miniscule profit over a very long term, when substantial, reliable and short-term profits are available by investing in other avenues?

The Islamic model of socially-purposed economic effort seems to me to be fundamentally different. There are many examples of sultans and governors dedicating a piece of land for a mosque, a *madrasa* and a market. The market charges rent from those who sell in it, and this rent funds the ongoing expenses of the mosque and *madrasa*. The market does run in a profit-oriented way. But the project as a whole does not. It is set up as a *waqf*, that is, any property-right in the land and in what is built on it is 'stopped': it cannot be sold on or liquidised for any purpose. Fundamentally, sultans or governors make a gift of land and buildings, not an investment.

If the aim of growing the capital market for socially impactful investments were to be realised by something like preferential tax rates and/or matching funds from public money, would we not be reinforcing the profit motive rather than re-educating it?

I am sure these are all questions, naively phrased, and I certainly do not have any answers to them. But my purpose was only to indicate my interest in the issues we are about to discuss and their importance.

WELCOME REMARKS

DATUK SYED ZAID ALBAR
Chairman
Securities Commission Malaysia

Today marks the 10th anniversary of the collaboration between the SC and OCIS. It is also a testament to the commitment of those who brought this collaboration to fruition. The SC is deeply indebted to His Royal Highness Sultan Nazrin Muizzuddin Shah. He has been steadfast in his support for the Roundtable as well as many of the SC's initiatives. The discourse at this Roundtable has been all the richer because of his insights. I want to express the SC's gratitude towards our counterparts from OCIS. In particular, we would like to thank Dr Farhan Nizami who has been part of the collaboration from the beginning. Your ongoing support, along with the OCIS team, has been instrumental in sustaining the partnership. I want to acknowledge my colleagues from the SC who have worked tirelessly behind the scenes in staging this event.

Having assumed chairmanship of the SC in November 2018, the Roundtable is another of my first. It is my first attendance at the SC-OCIS Roundtable, and from my observation, the Roundtable owes its success to a consistently high calibre, yet diverse line-up of speakers. Today, by looking around the room, I am pleased to see the diversity of Roundtable participants from academics to industry players, multilateral institutions and non-governmental organisations (NGOs). This setup enables different perspectives to be tabled and robustly debated.

To remain relevant in an ever-changing world, our body of financial knowledge should not remain static. Instead, our frontiers of understanding should continuously be challenged and expanded. The SC is committed to promoting thought leadership through platforms such as the Roundtable and the Scholar in Residence programme. For the 2018-2019 academic year, the SC and OCIS have agreed to select two Scholars in Residence given the merit of their respective research proposals on the Islamic capital market. The first awardee was Dr Siew Peng Lee, who is conducting her research on the integration of environmental, social and governance (ESG) screens into Shariah-compliant companies for sustainable development. Her research will provide Shariah-compliant companies with insights into their sustainable practices and shed light on the challenges of applying ESG screens to Shariah-compliant companies. The second awardee was Dr Hashim Jusoh, who is researching the adoption of Shariah-compliant stock index futures in Malaysia's capital market. His research focuses on the feasibility and challenges of introducing Shariah-compliant stock index futures. Also, Dr Salman Syed Ali, the fifth Scholar in Residence for the year 2016-2017, recently published a research study titled *Promoting Equity-based Islamic Finance: Micro-Consideration, Risk, Control and Choice of Islamic Financial Contracts*. The study analyses how risk, returns and ownership concerns of financiers affect their choice of Islamic financial contracts.

Ultimately, given its mandate to regulate and develop Malaysia's capital market, the SC has to transform knowledge into actions and achieve tangible outcomes. The SC has faithfully deliberated the insights from this Roundtable to inform its policies and regulatory design. Past Roundtable topics such as risk-sharing, *waqf* and the shift from Shariah-compliant to Shariah-based, have resulted in the introduction of innovative financing and investment structures. In 2017, Malaysia witnessed the launch of the world's first *waqf* initial public offering (IPO). Various discussions on sustainability issues have also informed the SC's efforts to develop a sustainable and responsible investment sector. These efforts include the issuance of the world's first green sukuk in 2017 and the world's first ESG sukuk fund in 2018.

Nevertheless, the SC must continue to evolve. When the SC first established the foundation for the Islamic capital market in Malaysia, we were only the trailblazer in what was then a nascent segment. Today, the Islamic capital market (ICM) accounts for more than 60 per cent of Malaysia's capital market, which remains one of the world's largest market for sukuk. Continued expansion of Islamic fund management and the introduction of financial products such as Islamic unit trusts, Islamic exchange-traded funds (ETFs) and Islamic real estate investment trusts (REITs) facilitate capital mobilisation into ICM, which has reached relative maturity. The SC now decided to pivot its focus towards developing a new but closely related segment, namely the sustainable and responsible investment (SRI) market. To realise this

> "Today, the Islamic capital market accounts for more than 60 per cent of Malaysia's capital market, which remains one of the world's largest market for sukuk. Continued expansion of Islamic fund management and the introduction of financial products such as Islamic unit trusts, Islamic exchange-traded funds."

aim, the SC introduced the 5*i* strategy. The 5*i* stands for *I*nvestors, *I*ssuers, *I*nstruments, *I*nternal culture and governance, and *I*nformation architecture. Under this strategy, the SC has published the SRI Sukuk Framework and the Guidelines on SRI Funds. In 2017, the SC launched the *Islamic Fund and Wealth Management Blueprint*, which articulated the SC's ambition to establish Malaysia as a regional centre for SRI.

Given the SC's various initiatives, focusing on impact investing is but a natural step for the organisation. In this sense, the SC is fortunate that conversations at the global level have moved towards greater acceptance of a more sustainable and inclusive economic philosophy. There is now a recognition of the need for responsible capitalism and mechanisms for equitable distribution of wealth and opportunities. The question is, how can we transform the financial system to be more sustainable and inclusive? The SC believes that Islamic finance provides the answer to this question. Islamic finance offers new perspectives on value creation and equitable sharing of risk and reward. The SC should leverage the knowledge from Islamic finance and integrate it with other branches of investment philosophies. Although other financial approaches may not be faith-based, they share similar goals with Islamic finance. By bringing together these different but mutually reinforcing parts of the financial ecosystem, the SC can synthesise its knowledge into a comprehensive understanding of the sustainable and responsible financial system. The SC hopes to realise this mission by engaging with the participants at this Roundtable.

SPECIAL KEYNOTE ADDRESS

HRH SULTAN NAZRIN MUIZZUDDIN SHAH

Sultan of Perak, Malaysia

Royal Patron for Malaysia's Islamic Finance Initiative

Over the past nine Roundtables, I have observed the strengthening of the relationship between the SC and OCIS. I want to congratulate them both for having played an essential role in furthering the development of Islamic finance through their joint thought leadership initiatives. The themes deliberated annually since the inaugural Roundtable in 2010 have been very progressive and reflect the substantial amount of thought that has gone into the preparation of each Roundtable. Some of the ideas at the Roundtables have been considered and further developed, driving more in-depth and applied research in several areas. The 2019 Roundtable's theme is building upon the discussions at the 2018 Roundtable. Transforming ideas into tangible actions is the key attribute and strength of the Roundtable as a thought leadership platform. A particular subject may be pursued from different perspectives throughout several Roundtables to ensure that opportunities and challenges as well as actionable recommendations are exhaustively covered.

The theme of the 2019 Roundtable is 'Impact Investing as an Extension to the Islamic Economy'. The topic is intellectually enticing and exceptionally timely. Impact investing is an essential segment of SRIs. The growing focus on impact investing suggests that there are significant opportunities for impact investing to become an increasingly prominent feature of the financial system and the global economy. There is also a close alignment between the underlying principles of impact investing and Islamic finance. Hence, the theme of this Roundtable is not only timely but also crucial, particularly in the context of mainstreaming Islamic finance.

Impact investing is defined by the Global Impact Investment Network (GIIN) as an investment made with the intention to generate positive, measurable social and environmental impact alongside a financial return. According to Jacqueline Novogratz, Founder of Acumen, 'Impact investing has become a broad umbrella that includes all investing with a focus on both financial return and social impact. But, in its best form, impact investing prioritises impact over returns and achieve outcomes that traditional investing cannot.' The critical need for responsible investing has been thrown into sharp relief in recent years. Whether intentionally or not, the pursuit of economic development has often been undertaken in a less than responsible manner, with financial institutions failing to consider the non-commercial, non-financial aspects of their actions. Concerted efforts are now being made to address the adverse social and environmental impacts of such behaviour.

The United Nations (UN) and the World Bank are undertaking various efforts to address global, social and environmental challenges. The UN in 2015 spearheaded the establishment of a global agenda known as the Sustainable Development Goals (SDGs). The *SDG Report 2018* highlights some of the progress made towards the goals. The proportion of the world population having access to electricity has increased in the least developed countries. Globally, labour productivity has risen, and unemployment rates have dropped. Besides, 108 countries have established policies and initiatives on sustainable consumption and production. At the same time, the report also indicates some areas of concern, including education, water and sanitation, and climate change. It also draws attention to the alarming reality that the proportion of undernourished people increased from 770 million in 2015 to over 800 million in 2016, reversing the downward trend observed since 2000. Even where progress has occurred, specific areas still require attention. Although the global unemployment rate fell to 5.6% in 2017 from 6.4% in 2016, youth are now three times more likely to be unemployed than adults.

The World Bank has set two goals to be achieved by 2030. First, to end extreme poverty by reducing the proportion of people living on less than US$1.90 a day to less than 3%. Second, to promote shared prosperity by fostering the income growth of the bottom 40% in every country. In terms of poverty, significant improvements have been achieved over the 25 years to 2015. In 1990, 1.9 billion people lived in poverty, representing 36% of the world's population. By 2015, the figures had improved to 730 million and 10% respectively. However, the recent trend must be accelerated to achieve the target reduction by 2030. The economies of the world's poorest countries will need to grow at a rate that is much higher than the historical track record. Poverty is still rising in several countries. A further significant challenge is posed by the reality that the living standard of the poorest 40% is falling in some countries.

According to the 2018 GIIN survey, roughly two-thirds of impact investors seek to achieve market-rate returns while the rest are willing to obtain below-market-rate returns. Only about one-third of impact investors appear to be ready to forego some of their financial returns to generate the desired positive impacts. Such a compromise is a disincentive for many investors, and it discourages them from embracing impact investing. If impact investing were able to provide the same returns as conventional investments consistently, then perhaps more investors would shift their funds towards impact investments. The survey also identified challenges raised by the respondents, which should be addressed to facilitate further development of the impact investing industry. The top three challenges are attracting appropriate capital across the investment risk-return spectrum, achieving a common understanding of the definition and segmentation of the impact investing market, and having suitable exit options.

> “Such a collaboration could potentially contribute significantly towards the estimated US$5 to US$7 trillion of funding that is required annually for the SDGs up to 2030.”

Nevertheless, the total impact investment assets managed by the survey respondents doubled between 2017 and 2018. The pace of this increase reflects the fast-growing traction of the impact investing industry. It is also instructive to note that 76% of the respondents have impact targets for some or all of their investments. Moreover, the same percentage of respondents track or plan to track the impact of their investments based on the SDGs.

Over the last five years, Southeast Asia has been the fastest-growing impact investing market in the world. The region offers a vibrant business environment and is experiencing rising entrepreneurial and investment activities, focused on pursuing inclusive and sustainable economic development. A recent report estimated that from 2007 to 2017, private impact investors had invested close to US$1 billion, while development finance institutions had invested over US$11 billion in the region.

The size of the financial resources required to tackle global social and environmental issues is significant. However, government budgets are burdened with burgeoning demands for public and welfare expenditure. Societies are increasingly looking towards the private sector to serve a higher social purpose. Furthermore, for an economy to prosper and grow sustainably over time, companies must not only deliver financial performance but must also make positive contributions to society. In this regard, impact investing and Islamic finance together have a potentially vital role to play in providing solutions for the private sector to address some of these pressing challenges.

The Islamic Development Bank (IDB) and the United Nations Development Program (UNDP) jointly published a report entitled *'I for Impact: Blending Islamic Finance and Impact Investing for the Global Goals'*. This report provides recommendations on ways Islamic finance and impact investing can be jointly harnessed as enablers to achieve all 17 of the SDGs.

Such a collaboration could potentially contribute significantly towards the estimated US$5 to US$7 trillion of funding that is required annually for the SDGs up to 2030. These joint opportunities are made yet more relevant by the fact that a disproportionate share of the world poor lives in Muslim-majority countries. The IDB-UNDP report highlights that the Organisation of Islamic Cooperation (OIC) member

countries accounted for 22% of the global population yet constitute 40% of the world's poor. The deployment of Islamic finance and impact investing can enhance financial inclusion among this segment of the global population, improving their overall well-being.

Over the past decade, Islamic finance has emerged as an effective tool for financing businesses and development projects worldwide, not just in Muslim countries, but increasingly also in non-Muslim majority countries, including here in the United Kingdom. The growth of Islamic finance reflects the growing recognition of the universality of its underlying principles and, therefore, its close alignment with sustainable and responsible finance, including impact investing. However, the growth of Islamic finance has been witnessed primarily in more economically developed nations. Islamic finance has only been improving the lives of the wealthy without equally enhancing the lives of those who are less fortunate and living in poor areas. The ideals of Islamic finance are not yet fully realised in practice.

Islamic finance is often criticised for having diverted from its core principles of socio-economic empowerment and support. For example, as in conventional interest-based finance, Islamic financing still relies on customers' credit ratings and their ability to repay. The reliance on credit ratings inevitably benefits those with already good credit standings while leaving the less fortunate in a much more difficult financial situation. We can even see the same issue in the way that Shariah scholars have engineered sukuk. *Murabahah* (debt-based contracts) are still the most common funding mechanism in the marketplace rather than *musharakah* (risk-sharing-based contracts), without obligors or guarantors. Critics argue that Islamic finance is not so very different from conventional economic systems.

As scholars, regulators, bankers, and investors, we must work hard to disprove this narrative. We must demonstrate that Islamic spiritual principles and practices have the potential to improve the global socio-economic outlook and tackle the crises facing our world. As well as providing solutions for some of the world's major issues, a mutually beneficial relationship between Islamic finance and impact investing will serve to broaden the reach of both. Islamic finance can be offered in markets where impact investing is well established and vice versa subject to compliance with the Shariah.

Another social financing model that can be explored is venture philanthropy, which combines elements of impact investing with venture capital financing and is inherently Shariah-compliant. The Bill and Melinda Gates Foundation has contributed substantially to poverty alleviation, health and education provision, helping to improve the quality of life of billions of people. The foundation operates by building partnerships that bring resources, expertise and vision, and by working with leading organisations around the globe to identify issues, find solutions and drive change.

It is also imperative that we break down the barriers that exist between profit-making and charitable activities. It was about 70 years ago that Cecil Jackson-Cole challenged the belief that profit-making and philanthropic activities must be kept separate in isolated silos of thinking and practice. Cole established the Oxford Committee for Famine Relief, which became Oxfam, using the venture philanthropy model. He believed that a charity had to be run as a business and not operate in isolation to be successful. Cole's approach was to apportion his company's profits in three ways: the first one-third to the staff, the second one-third to charity, and the rest to the organisation. He viewed his business

as a resource for developing charities as well as a vehicle for its staff to actively engage in charitable work. Four decades after his passing, Cole's legacy continues. Today, Oxfam is an international organised confederation of 20 independent charitable organisations working and campaigning with partners in over 90 countries to alleviate global poverty.

As we explore models of venture philanthropy and impact investing, there should also be innovations in the area of *waqf*. Islamic societies have a long and rich tradition of philanthropy which has shaped development throughout the Muslim world, and given rise to social, educational, cultural and religious institutions. It is now time for *waqf* institutions to operate within a new paradigm. *Waqf* institutions should enhance returns and preserve capital through their investments while achieving measurable social outcomes to maximise their impact. There is a significant potential for *waqf*, in particular, to support or even drive the development of Islamic social finance given the sizeable assets available in different parts of the world.

There are substantial similarities between the underlying principles of Islamic finance and impact investment. Hence, the Islamic capital market should capitalise on the healthy growth of the broader sustainable finance and investment segments.

As the late Kofi Annan put it, 'We have to choose between a global market driven only by calculations of short-term profit and one which has a human face.' It is now time to make a stronger statement and a more significant difference collectively.

OPENING SESSION

Update on issues raised at 9th SC-OCIS Roundtable

PRESENTER

Badlishah Bashah
Assistant General Manager
Securities Commission Malaysia

UPDATE ON ISSUES RAISED AT 9TH SC-OCIS ROUNDTABLE

BADLISHAH BASHAH

Assistant General Manager
Securities Commission Malaysia

This session provides a summary of the 9th SC-OCIS Roundtable 2018 themed 'Enhancing the Value of the Islamic Capital Market through Social and Impact Investment'. The 2018 Roundtable is a precursor to the 2019's topic, 'Impact Investing as an Extension to the Islamic Economy' as it sets out the motivation for Islamic finance to look into the SRI and impact investing segments.

Session One, titled 'Roadmap for Sustainable Islamic Capital Market', began with a presentation by Daud Vicary who made several suggestions for a sustainable roadmap for ICM. First, it is important to focus on the real economy through more innovative instruments that are genuinely risk-sharing and performance-based. Second, the approach to a sustainable roadmap for ICM should be bottom-up rather than top-down to drive wider stakeholder involvement. Third, the links between social finance and Islamic economy can be made through *sadaqah* (charity), *zakat* (almsgiving), and *waqf* (Islamic endowment). Fourth, it is important to build a financial ecosystem that is based on trust and social impact. The financial industry needs to change the dominant attitude that focuses on the legal form more than the economic substance of Islamic finance especially regarding debt-based financing and Islamic contracts.

In Session Two, Paul Milon of BNP Paribas Asset Management Hong Kong presented on 'Mitigating Inequality and Climate Change Considerations for Economic Transformation'. Milon highlighted several examples of sustainable investments that create positive environmental and social impact. One key challenge for SRI sukuk is that the green sukuk market is still in its infancy. For the market to

develop, there should be a proper allocation of capital, responsible stewardship, transparency and investor commitment.

The third session focused on the demonstration effects, aimed at sharing the successes of impact investment projects. The first presentation by Jamaludin Md Ali of the Waqaf An-Nur Corporation (WANCorp) who shared how the company issued an IPO and investors endowed their shares back to the company through *waqf*. In 2006, Johor Corporation (JCorp) endowed its shares worth RM150 million to WANCorp, and the value later quadrupled to RM630 million. From those shares, WANCorp received dividends worth RM200 million. The funds raised from the *waqf* IPO were channelled into four main areas: mosque management, as JCorp builds and manages their own mosques; healthcare, to set up Waqaf An-Nur clinics and dialysis centres; education, to support entrepreneurship programmes and *mutawif* training; and social and economic developments, which include microcredit financing, *waqf* community centres and *waqf* brigades.

The second presentation by Lee Choo Boo of Quantum Solar Park Malaysia (QSPM) talked about QSPM issuing a green sukuk, which at the time was the world's largest green sukuk. The proceeds from the sukuk were invested in solar projects in Malaysia, totalling 150 megawatts in size. The solar projects are consistent with the government's agenda of generating 20% of the country's total electricity from renewables by 2030. The projects have significant potential for sustainability and social impact as they aim to create 3,000 jobs, generate sufficient energy to support 93,000 households for 21 years, reduce 193,000 tonnes of carbon per year and develop Malaysia's solar industry.

The third presentation was by Khalid Bahsoon of Cenviro, a Malaysian company with the largest integrated waste management facilities in Malaysia. Every attempt to build a waste-to-energy plant for municipal councils has previously failed. In 2013, Cenviro built the Environmental Preservation and Innovation Centre to provide the necessary training and education to develop skills in the waste management industry. In 2014, Cenviro built the Scheduled Waste-to-Energy plant as part of their Green Initiative. Currently, it is constructing the Cenviro Eco Park, which aims to be the Silicon Valley of recycling in Malaysia and the Southeast Asian region. Cenviro's environmental impact includes efficient waste management of chlorofluorocarbon gasses, pesticides, solvents, and carbon dioxide from electrical and electronic equipment and projects. By managing waste efficiently, Cenviro helps Malaysia become cleaner and healthier. It plans to tap into the capital market for further capital expansion.

Some of the developments following the 2018 Roundtable include the issuance of a green sukuk and two SRI Islamic funds, one of them being the first ESG sukuk fund. We expect the issuance of sustainable Islamic financial instruments to grow with the increasing level of awareness among investors and issuers.

The 10th Roundtable brings into focus impact investing and its various applications in social finance. Compared to last year's, the 2019 Roundtable is more focused and targeted. We often use the terms SRI and impact investing interchangeably. SRI typically applies a set of negative screens to investing. It is an exclusionary approach. For example, in Islamic finance, negative screening is used to exclude non-*halal* food, liquor, usury, gambling and other non-permissible elements from investments. In other words, we avoid the negative. In contrast, there is the inclusionary approach, which seeks to invest in companies that demonstrate good ESG practices. Impact investing goes a step further than the inclusionary approach by actively seeking to invest in companies that have the potential to create positive economic, social, and environmental impact, and to measure and report outcomes in a transparent way.

ABOUT THE THEME
'Complementary approaches to investing for social impact: Sustainable and responsible investing and impact investing'

The 9th SC-OCIS Roundtable 2018 sets out the motivation for consolidating SRI into Islamic finance. SRI is an investment strategy that considers ESG criteria to generate positive social impact and financial returns. The 10th SC-OCIS Roundtable 2019 provides a foundation for integrating impact investing into the Islamic economy. As an investment discipline that aims to generate positive, measurable social and environmental impact alongside financial returns, impact investing and SRI share similar values that are aligned and consistent with Islamic finance. These values include social responsibility, shared prosperity, sustainable and inclusive growth.

Although SRI and impact investing are mission-driven investment strategies to generate positive outcomes, there are significant differences between these two approaches. SRI applies a set of negative or positive investment screens within investment analysis to avoid investing in companies with business practices that are not aligned with ESG criteria. In addition, it aims to direct investments towards companies with best ESG practices.

Impact investing goes beyond a passive screening by actively seeking to invest in companies whose core mission is to generate positive, measurable social and environmental impact. It places significant emphasis on the company's intention, its corporate goal, and short and long-term impact of business operations in investment analysis. A key component of impact investing is impact measurement and reporting. Impact investors seek to communicate the impact of their investments on people and the environment, and further mobilise capital for the sustainable development agenda.

SRI and impact investing complement each other by offering investment opportunities of different sizes, time horizons, asset classes, risk and return profiles, degrees of liquidity, and impact measurement and reporting approaches to investors seeking to generate a positive impact through their investments.

SESSION 1

Accelerating Growth of Social Impact Investing

CHAIR'S OPENING REMARKS

Mohamed Iqbal Asaria

Associate, Afkar Consulting Ltd, UK

PRESENTER

Geoff Burnand

Chief Executive, Investing for Good, UK

RESPONDENT 1

Aamir A Rehman

Senior Advisor, United Nations Development Programme

RESPONDENT 2

Rafe Haneef

Chief Executive Officer, CIMB Islamic Bank Bhd, Malaysia

KEY TAKEAWAYS

ACCELERATING GROWTH OF SOCIAL IMPACT INVESTING

CHAIR'S OPENING REMARKS

MOHAMED IQBAL ASARIA

Associate, Afkar Consulting Ltd, UK

The subject of Social Impact Investing has been receiving attention in the last few years but has only recently attained a level of urgency. Following the 2008 financial crisis, and with the growth of populism, people are becoming aware that there is something wrong with the financial system and we need to address it. Recently, Rajan Raghuram, a mainstream economist, published his book *The Third Pillar* (2019). Rajan argues that there are not only two elements to an economy – the state and the market. Instead, there is a third element – the community. When the balance between the three is not right, we get disruptions and problems in society. In the last 20 to 30 years, we have marginalised the community, and the state and the market have been dominant. Rajan argues that we must redress the balance of these three elements.

However, we are also observing great ideas taking shape, such as the Green New Deal (GND) introduced by Congresswoman Alexandria Ocasio-Cortez in the United States. The GND aims to address economic and racial injustice, and fight climate change. Such initiative would have been a no-go a few years ago. Similar kinds of initiatives are taking place in other parts of the world.

It is now an opportune moment to consider how Islamic finance fits into this unfolding scenario. We have had close to 50 years of experience in contemporary Islamic finance since 1975, when the first commercial Islamic bank, the Dubai Islamic Bank was founded. We have managed to put Islamic finance on the map. However, we have not quite worked out what it should be doing, what it should

be delivering, and whether it is achieving what we believe it should achieve.

Instead of only focusing on SPOs, we should also give attention to mainstream institutions and see how we can encourage them to serve the public more effectively. I define impact investing through measurable outcomes. SRIs do not have measurable outcomes. When I worked on the Millennium Development Goals (MDGs) with the UN and World Bank, our primary motivation was to ensure that every project financed by these institutions had a measurable outcome in terms of its impact on the MDGs. Now that the SDGs have become more global, widely accepted, and have been adopted not only by social purpose and multilateral organisations but also by commercial organisations, we are better able to measure the outcomes of development initiatives.

Bournville Village in Birmingham was built by the Cadbury family to provide low-cost homes in a healthy environment for Cadbury's employees. Cadbury was in the middle of making all their cocoa sourcing fair-trade compliant when it was taken over by the Kraft Heinz Company. Unfortunately, some of Cadbury's social and environmental initiatives have been reversed since the takeover. There are problems in the way the market works, which did not allow Cadbury to flourish further.

Second, we have recently witnessed Unilever experience similar problems. Paul Polman, former CEO of Unilever, worked hard to increase the company's positive social impact through the Sustainable Living Plan, without sacrificing profits but he was pressured into resigning. It is unclear if Unilever will continue in Polman's footsteps but what he achieved was quite remarkable.

"Instead of only focusing on SPOs, we should also give attention to mainstream institutions and see how we can encourage them to serve the public more effectively."

There are two cases that should give Islamic finance practitioners pause for thought. First, several institutions in the UK were inspired by the Quaker movement. The best-known of these are Cadbury, the Joseph Rowntree Foundation and the John Lewis Partnership. Although these organisations are not Christian organisations, they are informed by the Quaker ethos. For example, Cadbury became a company that was very profitable and well-regarded while also being socially responsible. Cadbury's

The two examples demonstrate that the investment ethos of investment managers are short-term returns – not returns. In the field of impact investment, it is essential to distinguish between returns and short-term returns. We have modelled SRI and Shariah portfolios against a regular portfolio and concluded that in the long run, there is no performance penalty associated with investing in SRI and Shariah portfolios.

From the SC's point of view, there are measures which can be implemented to discourage short-termism without interfering excessively in the market. Regulating the capital market is a very subtle and complicated debate. For example, Unilever wanted to delist from the UK and be listed in the Netherlands because they felt that the Netherlands has a regulatory regime which can restrict predatory investing practices by firms such as BG Capital and individual investors such as Warren Buffett. Unfortunately, the UK financial regulatory regime does not have such restrictions. The UK financial markets are interested in attracting investment capital more than any other non-financial considerations. There are many other case studies which I can bring forward to study how investor interests and regulatory structures can complement each other.

Back in the 70s, fund managers would dismiss any requests for ethical investments because it meant accepting a performance penalty. Today, about 20% of the market is ethical in one way or another and this segment continues to grow.

Several main factors are driving this growth. Ownership of companies is increasingly shifting to institutions such as pension funds and insurance companies that are informed by the sentiments of the public rather than private investors. For example, in the 70s, two-thirds of the London stock market comprised individual investors. Today, it is the reverse – two-thirds are institutional investors who are much more responsive to public sentiment.

Similarly, Malaysia is a leading SRI platform because the Malaysian capital market is increasingly predominated by institutional investors such as the EPF, which are more responsive to public demand. The EPF will consider social impact in their investment policies because it cannot ignore the demands of its contributors.

From an Islamic perspective, there are similarities between Shariah and ESG. The primary motivation for using an Islamic argument for social impact investment would be the buy-in of the Muslim public. If they feel social impact investment is keeping with their faith, they will support it.

PRESENTER 1

GEOFF BURNAND

Chief Executive, Investing for Good, UK

Until 2004, I worked in the private capital markets, where I had boards of directors whose sole focus was endless profit maximisation. It did not feel right to me. It was that experience that prompted me to start Investing for Good. This was a time before impact investing was coined as a phrase. I was inspired by reading about 'positive use of money'. Even today, I find that concept remarkable. We have seen many impact investing initiatives over the last 15 years – some have been very successful and some have been less so. Investing for Good is deliberately not a fund management firm. We do not believe the world needs more fund managers but we focus on creating investment products that can be bought by fund managers and other types of investors.

In Investing for Good, our philosophies are clear. We do not believe in having expensive layers of intermediaries. We believe in passive long-term social impact investing. We believe that value is created more by SPOs and less so by investors and intermediaries. We educate our investors to have social value ethos rather than pure financial ethos. We only work with organisations who have a primary purpose around creating social impact such as charities, social enterprises, NGOs and profit-with-purpose companies. The proceeds from the finance we raise are used mainly for social value creation. We develop investment products for fund managers, foundations, family offices, social purpose funds, high-net-worth individuals and others. We are not publicly funded. We strive to ensure that we can be sustainable as a business in the impact investment market.

We are a social purpose business. We have entrenched and embedded a social mission in our constitution. We were the first social purpose business to be regulated by the Financial Conduct Authority (FCA) in the UK. We emphasise product creation and innovation. The products we use are recognisable to mainstream investment markets because we believe that we cannot build a new market with a complicated product. We favour the simple over the complex.

The concept of blended capital offers the most promising way of combining the motivations of mainstream capital and maintaining the rigour of social impact. The financing imperative of impact investing is to ensure that finance is going where it is needed most and that no one is left behind.

According to the Organisation for Economic Co-operation and Development (OECD), social impact investing should have core target social investments that address the needs of populations at risk and those living in underserved regions. Immediately, this suggests that the experience of investees in this sector is essential. There is a risk that impact investment capital from investors does not find suitable investment opportunities because there are no social investments that meet the requirements of the investors, or the size of capital is too big for the available investment opportunity. We should also be wary of the risk of beneficiaries' over-indebtedness. If local traders sell oranges for US$10 a day, they will not be able to take on huge a debt. In our enthusiasm for the potential impact investment holds, we need to be aware of such instances of poor practice in microfinance.

Nevertheless, the interest of mainstream financial institutions in impact investing is to be highly welcomed. When I started, there was zero interest in this investment segment. We have to ensure that the interest in impact investing is driven by social motives rather than financial motives. By nature, capital markets are not altruistic. Impact investment is not part of the culture of investors. There is complacency and an expectation in capital markets that investing practices have to align with how they view the world rather than how other social actors, including impact investors, see the world. Capital markets need to be led and shaped by ethical principles and values.

We need to be vigilant about impact washing, which is something we see around the SDGs. Impact investors could cherry-pick deals they like especially in times of duress. When they face a trade-off between social motives and financial motives, will they stick to their core motivation to benefit society, or will they defer back to their financial interests? How do investors ensure that the intended impact of impact investments is being achieved? I am not easily convinced when impact funds report that they are giving tremendous attention to creating social impact.

Bridging the gap between the investment expectations of mainstream capital and the practical reality of impact investing requires innovation, expertise and a nuanced approach. We need investment models that combine public and private finance, and allow SPOs to retain their integrity and deliver on their mission while being financed by traditional mainstream investments. We have found that the concept of blended capital provides various opportunities for mainstream capital to participate in impact investing while having some level of capital protection through grants or concessions.

"... the concept of blended capital provides various opportunities for mainstream capital to participate in impact investing while having some level of capital protection through grants or concessions."

Grantmakers not only have the opportunity to shape the capital market to prioritise social value over financial interests but also can leverage investment capital for social initiatives that would otherwise not be feasible.

Investing for Good is sector agnostic. Our primary criteria are that investment proceeds will be used for social impact initiatives. We are working with a US-based NGO on women's healthcare and reproductive rights in the Western hemisphere. In addition, we are structuring a fund for independent media in Europe. Many media organisations in Europe are facing the threat of being taken over. We are involved with an exciting initiative around protective equity to help media companies retain ownership through impact investing. We are also involved in a debt issuance platform to raise finance for women-led social enterprises in the Asia-Pacific region.

We recently launched the Creative Land Trust in London. One of the problems with big cities is that artists and creatives cannot afford to stay in the cities. However, when they leave, the creative fabric of the city diminishes. The Creative Land Trust provides a financing solution that is highly replicable, and it was inspired by an impact fund for social investment in the arts. Art improves people's lives in terms of well-being, loneliness, dementia and other issues.

Besides, we are also working with a client who is the world's largest youth and community organisation, which supports 42 million people worldwide. What is interesting about their organisational model is that they have a federated structure where some of their member organisations have surplus reserves while some need additional financial resources. Establishing a peer-to-peer platform internal to the organisation is quite achievable.

What the above structures have in common are blended capital components. In a blended capital structure, capital market investors can invest with some degree of capital protection because the government or a foundation will provide some form of protective capital on concessionary terms. The government or the foundation is called a junior or mezzanine investor. Social impact investments are generally illiquid but investors are starting to understand that liquidity and social impact are not necessarily compatible. Keeping the social ethos of impact investments robust is an important part of marketing social impact investments to a wider audience.

Islamic finance is already profoundly attuned to impact investing because it is based on stringent social and ethical criteria, with an emphasis on inclusiveness. We have started working with the Ministry of Labour and Social Development in Saudi Arabia to assist them in the development of their social economy. They have a very ambitious agenda for their social economy, starting with understanding international best practices. They have an incredibly refreshing approach towards alleviating poverty, integrating disabled people into the labour market, empowering divorced women, and caring for the elderly, domestic violence survivors and orphans.

On the subject of accelerating the engagement of the capital market in Malaysia with the concept of blended capital, I have four thoughts. First, is concerning the financing imperative. Although international players can play an important role, they should not crowd out local investors. It is crucial to ensure that local investment markets are involved in promoting impact investing. It is vital that public funding is used to develop local markets and support the creation of intermediaries. Additionally, it is important to ensure that we develop simple financial products. Simple products move money better than complicated products.

Second, it is important to create an environment that promotes innovation. While the private sector plays a critical role in piloting social financial approaches, in many cases, the field of social finance can only reach its full potential through co-operation with the public sector. The UK capital markets have benefited from having a very supportive environment around social impact investments.

Third, the assessment of social and environmental outcomes is vital. It is easy to go wrong if the field of social finance reverts to a finance-first model, therefore, regulators and policymakers need to ensure that the label 'impact' is not only used as a marketing tool. We all have a responsibility to be mindful of impact washing.

Finally, there is a shortage of data that feeds conversations around social impact investments. There is a broad consensus around the frameworks for social impact investing but we cannot make an improvement in pricing outcomes unless we start paying attention to the available evidence. Facilitating transparent, standardised data sharing is essential. We are involved in several initiatives in the UK around open data principles. It is a fairly difficult endeavour because not many people want to disclose all the details involved in a deal. Sometimes it feels like we are only now retrofitting open data principles to the capital markets that we should have been mindful of a while back.

Regarding the role of regulators, in the UK, there has not yet been a need to approach retail investors for impact capital. The role of the regulator is to protect retail investors. The involvement of retail investors could propel their fund managers and their advisers towards social impact investments. The role of the regulator is to make sure that retail investors understand what impact investing involves. Are the financial products contributing to social impact? Or, is the primary objective financial? Generally, a regulator does not need to devise a new set of principles around how the market should develop. Regardless of the regulator's involvement, market activity will continue to take place. However, to ensure that the pricing of debt and equity are in line with social impact, regulation may be needed. Nonetheless, I am not convinced that a regulator needs to be involved because investors are professional who can understand the nature of their investment decisions.

RESPONDENT 1

AAMIR A REHMAN

Senior Advisor, United Nations Development Programme

Impact investing is concerned with investing for social purposes where social outcomes are measurable. It is different from negative screening (screening out harmful elements), upon which Islamic finance has mainly relied.

There are two ways in which impact investing will grow. First, there are specialised impact investors and impact investment firms whose assets under management could grow. Second, conventional investors and mainstream investment firms could enhance their social impact and develop impact-focused financial products and services. In short, either the specialists will grow, or the mainstream could become more impact-focused. Both have an essential role to play.

What are the drivers of growth for the specialised impact investment institutions? First, there is a growing familiarity and acceptance of ESG principles and impact investing, which is favourable to the growth of this sector. Second, we are starting to be able to demonstrate the performance and track records of impact investment managers and products. We need to be able to measure how impact investment portfolios are performing. Investors become more comfortable when they have track records of the products in the marketplace. Third, research points to millennials and younger owners of assets having more interest in social impact investing, which indicates that generational wealth transfers will contribute to the growth of this sector. When we are young, there tends to be more motivation for social good. Somewhere along the line in our practice, this motivation gets lost. From a spiritual perspective, we could say this is part of our *fitrah* which by nature, people want to have a positive social impact.

Next, how do we bring conventional investment managers towards social impact investing? One approach is to ensure that conventional investment managers recognise and appreciate the demand for social impact investing. A second approach is to enhance staff capability. The Columbia Business School in New York City has several social impact investing and sustainability clubs, which are very popular and well-attended. When these young graduates and professionals move forward in their careers, they bring specific impact-oriented mindset and capability to their firms. The third approach is through product development.

There are some parallels between the growth of impact investing and Islamic finance. What are some lessons from Islamic finance for the growth of impact investing? We have seen that the specialists have an essential role in developing the Islamic finance industry such as Lembaga Tabung Haji in Malaysia, which was the first Shariah-compliant investment fund when there were none in the world, and another was Bank Islam Malaysia. In the Middle East, Dubai Islamic Bank, and from a multilateral perspective, the IDB, have played a crucial role in developing the industry. We, at the UN, are following in the footsteps of the IDB, who are pioneers in this area. The specialists played an influential role in developing the concepts and moving the industry forward.

The endorsement of conventional institutions sends a powerful signal and engenders confidence in the sector. The formation of the Citi Islamic Investment Bank in the 90s brought confidence to the Islamic finance industry, which further led to the creation of HSBC Amanah, Maybank Islamic, CIMB Islamic, and Standard Chartered in Malaysia. At the multilateral level, the World Bank, the International Federation of Red Cross and Red Crescent Societies (IFRC), and the UN are also engaging with Islamic finance. The mainstream institutions can adopt Islamic finance after the specialists have pioneered the concepts and brought them to light.

One of the challenges that GIIN has highlighted is standard setting for impact investing. What are the standards and the metrics? There has been a great deal of discussion in Islamic finance on how we develop and define standards. Institutions such as the Islamic Financial Services Board (IFSB) as well as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) have extensive experience in setting these standards.

The governance of Islamic financial institutions through independent ethical supervisory boards is quite noteworthy. This innovative model of governance brings in experts on Islamic law and ethics who opine on the activities of the institutions and report them directly to shareholders.

The lessons from Islamic finance lead us to an open question: Will impact investing in the future be led by the conventional powerhouses? Will it be led by institutions such as BlackRock where its Chief Executive Officer, Larry Fink has talked about social-driven investing activities? What will be the role of specialists? In Malaysia, we observe that while Bank Islam Malaysia is strong, Maybank Islamic and CIMB Islamic are the leaders in the marketplace. Perhaps this is a natural and desirable evolution but it is certainly noteworthy.

Regarding blended finance, I believe it can be Islamic finance's greatest contribution to date. Islamic finance has two components: social finance and commercial finance. Certainly, Islamic social finance is more significant if we consider *zakat*, *waqf*, and *sadaqah* from several perspectives. Islamic social finance is larger in scale and far more inclusive. If we examine a country like Malaysia, the share of Islamic banking assets is 31%. The percentage of Muslims who say that they either give or accept *zakat* is 93%. In Indonesia, Islamic banking assets are 5% of the banking sector; 98% are engaging in *zakat* – both giving and receiving. When we talk about Islamic social finance, we are capturing a much broader segment of society. Islamic social finance offers differentiated instruments relative to Islamic commercial finance.

It is important to remind ourselves that *zakat* is assessed on wealth, not income. This is different from the taxation systems with which we are familiar. Although much good has been achieved with Islamic commercial finance, it is rightly criticised for lacking differentiation. Including social and blended finance in Islamic finance will make a real difference.

Geoff Burnand's paper mentions two components in a blended financial structure, namely the senior funder and the first loss funder. First loss capital funders or guarantors comprise charitable funds that are willing to be the first loss. If the investment does not perform, their capital gets wiped out before that of the commercial investors. First loss capital arrangements help mitigate risk, and it is an important model.

I would offer from the Islamic financial perspective, a third layer to this structure. The first loss capital could be *sadaqah* and *zakat*, depending on the scholarly positions and interpretations of these two terms. However, before we get to the senior funder, there is another layer, which is the *waqf* component. A *waqf* only requires principal protection. It does not necessarily need a high financial return, but the manager of a *waqf* must protect its principal. It is possible to construct a Shariah-compliant financial structure with principal protection. In his paper, Geoff Burnand states: 'liquidity and social value are not always compatible'. Investors trade-off liquidity to protect capital. We can include *waqf* with principal protection in a blended capital structure. The final element are the commercial investors who are the senior funders. From an Islamic finance perspective, *waqf* could be added to the model to unleash its potential.

The UNDP and IDB produced a joint report titled 'I for Impact', which considers how we can build partnerships between the Islamic finance industry and the impact investing communities. We are also working on another report looking at the landscape of impact investing in Muslim-majority countries to get a sense of how the industry is developing.

In closing, I would emphasise that Islamic finance has a great deal to offer to the conventional world, and particularly, to the impact investing world. We have discussed its innovation in governance and standard-setting. As Islamic finance practitioners, we should be confident that we have a lot to offer as we move forward. In my view, and as Geoff Burnand's paper illustrates, blended finance could be one of our most significant contributions.

RESPONDENT 2

RAFE HANEEF

Chief Executive Officer
CIMB Islamic Bank Bhd, Malaysia

I have the privilege of having attended all the ten Roundtables since they started in 2010. With each Roundtable, the topics become more exciting and challenging. In the early years, we debated whether Islamic finance is merely a legal form or if it also has some economic and social substance. The discussion then moved towards determining the difference between Shariah-compliant and Shariah-based, and between *halal* and *tayyib*. Later, the discussion moved from risk-transfer to risk-sharing. It all boils down to one key question of whether or not the form of Islamic finance that we have been engaging in for the last 20 years is truly creating the impact the original founders intended.

Through each Roundtable, we have been building towards a better definition of social impact. In the first wave of Islamic finance, social impact was viewed through negative screening. The use of negative screening is based on the classical scholarly views. Using negative investment screens allow us to capture all negatives impacts, and consequently, create a positive impact. The negative screens were based on the preservation of five key areas: faith, life, progeny, property, and intellect. The prohibition of alcohol, gambling, tobacco and arms was based on achieving those five key objectives.

In the first wave of Islamic finance, we did not have the option of restricting debt in a significant way because the whole financial system was based on fractional reserve banking, which was highly incentivised as a system by the government. Therefore, Islamic banks could not implement risk-sharing extensively. The Shariah scholars were of the view that debt could be sustainable if it were practised in a particular way. While debt was permissible, it should not be used in sectors that were creating a negative impact such as gaming, gambling and speculative transactions.

With the second wave of Islamic finance, we have started to look beyond the preservation of those five areas. The Islamic finance industry is examining ways to impact people and the planet using standard tools such as the SDGs. The industry is considering how it is impacting life on earth and life underwater, and eradicating poverty. The SDGs are very relevant to Islamic finance. While there are several elements

of the SDGs that might conflict with the classical Islamic views such as those related to LGBT issues, a vast majority are on par with the Islamic viewpoint.

There is a general trend towards broadening the concept of Shariah-compliant to include not only the original list of prohibitions based on the classical Islamic views but also to measure the positive impact. CIMB Islamic Bank already adopted the CIMB Sustainability Framework, and we are looking at implementing the framework across CIMB Group. We believe that we can only make a positive impact if we embrace everyone. The concept of Shariah-compliant should be inclusive and holistic where it should not be confined to Islamic banking. We should not approach our corporate citizenship from an opportunistic perspective such as on the profit-making side of our business that we ignore potential negative impacts. Instead, we should be holistic, and the profit-making side of the business should also create an overall positive impact. In addition to making a positive impact through our core business activities, we commit to contributing one or two per cent of our profit for Corporate Social Resposibility (CSR) activities. We have joined global institutions like United Nations Environment Programme – Finance Initiative (UNEP FI) so that we can make a positive impact.

The most important characteristic that distinguishes the Islamic worldview from other worldviews is the belief that what we own as humans is only owned on behalf of God. Everything belongs to Him. He has given to some, more than others for them to act as trustees. He has dictated how we should utilise these assets. We can only use these assets according to what is permissible. From the income we make, we must dedicate 2.5 per cent to God, the asset owner. The 2.5 per cent allocation for *zakat* is not charity; it is God's share in the returns that we have generated from using his assets.

If we reflect on the Islamic view on asset ownership, it becomes clear that everything has a particular order. We need to contribute in creating a positive impact. We have to join global institutions such as UNEP FI, to influence them to consider social impact investing holistically, and measure the outcomes of social impact investments based on specific criteria.

A third wave of Islamic finance should happen. Why is gaming currently acceptable based on ESG criteria and other standards? Investing in gaming, alcohol, and tobacco is considered acceptable provided that the companies in the sectors are not polluting the environment or employing child labour. However, the business activities of these companies have led to family breakdown, resulting in children being compelled to go to work. Should we not avoid investing in the companies in these sectors completely?

We have data from mainstream economists that confirms that debt as a system is not sustainable. Why is debt still being practised and incentivised widely? In the third wave of Islamic finance, we need to ensure that people transition from using debt to using risk-sharing to restore equitable distribution of wealth. Islamic finance has a lot to contribute. We need to be part of the mainstream financial markets to ensure that we are not isolated. We have to work with the conventional financial system to make the entire economic system more sustainable.

Q&A SESSIONS

DATO' HJ MOHD REDZA SHAH ABDUL WAHID

Chief Executive Officer
Bank Muamalat Bhd, Malaysia

There is a need to have a holistic approach to adopting ESG principles in a business operation. CSR is only a small part of a business. However, companies tend to focus more on CSR activities rather than embarking on a holistic transformation of the business. I do not see many Islamic finance leaders especially in the banking sector, embracing this holistic approach. We need to begin adopting a holistic approach in transforming our own companies.

Regarding Aamir Rehman's recommendation on having a committee that examines the social impact of a company, Islamic banks and other Islamic institutions should adopt this recommendation. Shariah committees do not currently assess the social impact of a company. Who is responsible for performing this role? Is it the board of directors, the Shariah committee or regulators? Investors are now demanding companies to assess the impact of their business operations.

DR SALMAN SYED ALI

SC-OCIS Scholar in Residence 2016/2017
Lead Economist
Islamic Research & Training Institute (IRTI), Saudi Arabia

We have to study impact investment within a broader context. We often tend to focus on the social impact of impact investments without trying to understand the environment within which impact investing is taking place. During the life of the Prophet SAW, when he migrated from Mecca to Medina, what were the three main actions that he undertook? He did not talk about creating a system of *zakat* nor starting a charity. Instead, he initiated the creation of a *masjid*, the establishment of a market, and the development of Muslim brotherhood. These were his first steps, and they created a positive impact in Medina. Impact investment, social investment, and charity do work and produce an impact. However, the impact can only be sustained if there is a conducive economic environment within which market activities can take place.

DATUK SYED ZAID ALBAR

Regarding the role of the regulator in the impact investing industry, from a regulatory perspective, investor protection is of paramount importance. If the regulator has to be involved in regulating impact assessment and reporting, then their role is going to be more extensive than what it is at present. The regulator would require an additional skill set to perform this role.

The SC has built and developed the Islamic capital market based on the principles of SRI and the 5*i* strategy. Enhanced disclosure and reporting requirements will spur the growth of impact investing. To sustain the growth of the impact investing industry, active participation of the demand and supply sides is crucial.

DR RUTH A SHAPIRO

Founder & Chief Executive
Centre of Asian Philanthropy and Society (CAPS), Hong Kong

Most of our discussions have been about widespread behavioural and mindset change. It is instructive to look at the Indian government's CSR legislation. In 2013, the Indian government put in place a CSR legislation that requires its top 12,000 companies to spend 2 per cent of their pre-tax profit on CSR activities. The CSR legislation has several other requirements. First, any CSR decision must be made by the senior leadership of the company. The C-suite needs to be involved in CSR activities. Besides, companies need to have independent directors on their CSR committee. The committee should also include women.

Before the legislation went into effect, there were a lot of complaints. Now, the 12,000 companies affected by this law have committed to abide by the law. CSR activities are currently designed and implemented more thoughtfully and strategically because the senior leadership is involved and is keen on integrating CSR activities into the company's business operation. By mandating the involvement of the senior leadership in CSR activities, the Indian government incentivises companies to adopt a holistic approach in thinking about their social missions.

DR MOHAMED DAMAK

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

Islamic financial tools such as *sadaqah*, *zakat*, and *waqf* have not been used extensively and responsibly in Islamic finance. These instruments can be used in blended finance. However, in utilising these instruments in blended finance, we need to be wary of governance risks. It is critical to ensure that they are used in a manner that is consistent with their original purposes, and are not used to subsidise commercial creditors and investors.

ABDUL HASEEB BASIT

Co-founder & Principal
Elipses, UK

I have two questions on financial structures. First, in blended finance, how useful is the structure of a donor-advised fund (DAF) in channelling donations into projects using models of blended finance to act as the first loss? Second, there has been a rapid increase in the number of B Corporations (B Corps). However, B Corps do not need to have a social impact governance framework. Is there an opportunity to create a 'B Corp plus' – a B Corp with social impact governance? Is it possible to require DAFs to invest only in companies that have robust social impact governance?

MUSHTAK PARKER

Editor
Islamic Banker, UK

There have been outstanding examples of impact investments in Islamic finance, which include investments in the agricultural and franchise industries, and small and medium enterprises in Turkey. The Nigerian sovereign sukuk is another example of an Islamic financial instrument that produces social and development impacts. Retail investors accounted for 17% of the subscription of the *sukuk*. However, the examples of impact investment in Islamic finance are fragmented and not well articulated.

In 2019, the Saudi government enforced new rules for the calculation of *zakat* on banks. *Zakat* raised from the banks can be directed to high-impact projects. The Office of the United Nations High Commissioner for Refugees (UNHCR) has an outstanding *zakat* programme, which provides funding to refugees from Syria, Myanmar, Afghanistan and the Sahel region. The UNHCR does not only provide funding to cover the basic needs of refugees but they also provide funding for start-ups.

The impact investing industry in the Muslim world, from the *mashriq* to the Levant, the *maghreb* and other parts of the Muslim world, faces two critical challenges. Most Muslim countries are facing armed conflicts and rampant corruption. How can we deliver impact investments in these environments?

In 2018, HSBC Bank published the *2018 ESG Report*. HSBC's Group Head of Strategy and Global Head of Sustainable Finance, Daniel Klier, said that capital markets need regulators to provide clarity on the definitions of ESG. Inconsistency in the meaning of ESG is an issue for capital markets. Investors need enhanced ESG disclosure and reporting. For example, the Task Force on Climate-Related Financial Disclosures developed voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders.

The view that there is a 100 per cent alignment between ESG principles and Islamic finance is a complete fabrication. Investing in gaming, alcohol, and some other areas is not consistent with Shariah. Several principles that are fundamental to Islamic finance are not applicable in ethical financial practices. We have to be clear about the principles that are specific to Islamic finance to avoid creating confusion in the Islamic finance industry.

SESSION 1
ACCELERATING GROWTH OF SOCIAL IMPACT INVESTING

PROFESSOR DR MOHAMAD AKRAM LALDIN

Executive Director
International Shariah Research Academy for Islamic Finance (ISRA), Malaysia

The focus of the Islamic finance industry in its early days was to ensure that it could offer *halal* financial products. Not enough attention was given to developing financial products with a social impact. The industry is now no longer just concerned about offering *halal* financial products. Various stakeholders have started to question the value proposition of Islamic finance. What are the differences between Islamic finance and conventional finance?

Shariah scholars' opinions on the role of Islamic finance have also evolved. I have recommended Shariah scholars to consider both the *fiqh* and *maqasid* components of a financial product. However, they used to claim that it is the regulators who are responsible for examining the *maqasid* components of the product, not Shariah scholars. Regulators have to scrutinise the social impact of the financial product before approving it. Shariah scholars are only responsible for considering whether the product complies with the Shariah.

Now, Shariah scholars agree that we need to do more to consider both the *fiqh* and *maqasid* components of a financial product. However, there is an issue on the limits of the mandate of a Shariah scholar. Traditionally, the responsibility of a Shariah committee is confined to examining the Shariah legal structure of a financial product. Should Shariah scholars be given the mandate to review the impact of a financial product?

There are various challenges to expanding the mandate of Shariah scholars to include the examination of the social impact of a financial product. There is a need for a robust system of impact measurement and verification, and comprehensive data and information on social impact. It is easier for a Shariah scholar to examine the structure of a product, and whether it complies with the Shariah requirements. However, examining whether the negative impact of a product is more significant than its positive impact, which requires comprehensive data. There is a need to look into the role of Shariah scholars in the impact investing industry.

Shariah scholars and capital market practitioners have to work together to move the impact investing industry forward. The composition of a Shariah committee should not be confined to only Shariah experts as it is currently in the banking sector in Malaysia. It should also include capital market practitioners to ensure that the Shariah committee can consider both the *fiqh* and *maqasid* components of a financial product.

TUNKU ALIZAKRI ALIAS

Chief Executive Officer
Employees Provident Fund Malaysia (EPF)

The EPF is the seventh-largest fund in the world, with around US$200 billion asset under management. We have started considering the social impact of our work.

Membership of the EPF is mandatory for Malaysian citizens employed in the private sector. Every month, EPF members will contribute part of their salary, which is then matched with their employers' contributions. The EPF will then manage the savings until they reach 55 years of age when they can withdraw their savings. Some of you might think that US$200 billion is a large amount of money. When the size of the assets is divided by EPF members, which is around 14 to 15 million members, the individual contribution is small.

Some of our members believe that the social impact of our investment strategies has no direct positive impact on them. Every year, in February or March, the EPF declares our dividends. They only care about what our investment policies mean for them in terms of financial returns as they are concerned about the rising living cost. Our members demand high dividends from the EPF.

The EPF created a Shariah-compliant fund, which is the largest and the first of its kind in the world. The size of the fund is around US$20 billion. From the perspective of the EPF, the size of the fund is small. The fund is now in its third year. It was a social experiment for the EPF to see the interests in Shariah-compliant products among its members. When the EPF first introduced the fund, we thought that we would receive strong demand from Malaysians for the product. We have decided not to increase the size of the fund because its growth has been minuscule. Our members only care whether the Shariah-compliant fund would provide them with more dividends than the conventional funds.

The reality is, money is king and money talks. With money, EPF members will be able to have a better quality of life and perform *hajj*. If our members do not care about the social impact of their investments, why should the EPF consider social impact investment very seriously?

There are three main reasons why we are considering the social impact of our investment strategies. First, we recognise that we are part of society, and with US$200 billion, we can do much good in the world if we use the money properly. We can change the world and the lives of our members. Fund managers, including the EPF, are to invest responsibly in projects and products that can contribute positively to humankind.

Second, the EPF recognises that it cannot provide the same dividend rate every year because of the recent uncertainties of market forces. For example, in 2017, the dividend rate was 6.9%. In 2018, the EPF only declared a dividend of 6.15%. Our members always make a comparison based on the previous year's financial returns. However, they do not understand that the EPF's investments in sustainable and responsible funds can transform their lives. The EPF needs to report the social impact of our investments and make it relevant to our members. Unfortunately, we have not been able to communicate the social impact of our investments comprehensively.

Third, the EPF believes that ESG criteria are a good proxy for good governance. Companies with good governance always provide superior financial returns. We are interested in impact investing because of this reason.

From a fund manager's perspective, we have to be careful about taking over the role of the government in delivering social services. The private sector can have a significant impact through impact investment, but the government has to play its role in ensuring a better and more sustainable future for all. We must not allow the government to shift its responsibilities to the private sector.

FAIZAL KARBANI

Founder & Chief Executive Officer
Simply Ethical, UK

Blended finance is a fascinating new development in the financial sector. I want to make two points concerning how Islamic finance can adopt the blended capital approach.

First, to mobilise the blended capital structure in Islamic finance, we need to include charity in the structure. Charity is a big part of Islamic DNA. For example, in the UK, many of the charities such as Muslim Aid and Islamic Relief have a considerable amount of cash reserves. These charities do not know how to use the money or how to invest it. The Islamic finance industry can utilise the cash reserves of these charities for blended finance.

Second, *waqf* is an essential instrument in Islamic social finance. Several activities related to *waqf* are taking place in some countries. Malaysia has a more developed *waqf* system than other countries. I hope we can include *waqf* in blended finance.

Islamic finance is now learning a lot from ethical finance and some aspects of conventional finance. An essential lesson in Islamic finance which we have learned over time is that we can learn from activities and experiences that happen outside the Islamic finance industry. We have to work together with stakeholders from outside Islamic finance to ensure it can make a positive impact in the world.

MOHAMED IQBAL ASARIA

I want to make two points. First, the risk distribution of a blended capital structure is heavily skewed towards charitable organisations. There might be a commercial tendency to shift risk to charity. Public-private partnerships (PPPs) have faced the same challenge. Second, concerning the use of *zakat* for development, *zakat* has been used to create resilience in small and medium enterprises via micro-takaful. We should leverage *zakat* for social impact investment in a better way.

Can we become obese because of the consumption of *halal* junk food? If we can, we still have a lot to do to redefine and rethink the concept of *halal*.

KEY TAKEAWAYS

Building an economy embedded in ethical values and norms

With the growth of global inequality and the rise of populism, there is a broad agreement that there is something wrong with the financial system. For society to prosper, we must seek to achieve the right balance between the state, market, and economy. However, recent experiences have shown that the market and the state dominate modern society, concentrating economic and political power in the hands of few. Rajan Raghuram's *The Third Pillar* (2019) offers a framework for understanding how the state, market and community interact. He argues that we need to rethink the relationship between the three pillars of modern society, and to strengthen and empower local communities.

The globalisation of economic activity should lead to sustainable and inclusive prosperity. We need to develop an economy embedded in ethical values and norms that binds together the interests of the state, market, and community. Impact investing is such an activity, which is guided by ethical investment principles aim to generate positive, measurable social and environmental impact alongside a financial return.

Defining, managing and measuring outcomes

The GIIN has developed the *Core Characteristics of Impact Investing* to ensure that investors have clarity on core principles underpinning impact investing. These principles are intentionality, use of evidence and impact data in investment design, management of impact performance, and contribution to the growth of the impact investing industry. The Core Characteristics aim to help investors understand the key elements of impact investing and define the credibility of their investing practices. Indeed, the critical difference between impact investing and SRI is the emphasis of impact investing on impact management, measurement, reporting and verification.

Although the impact investing industry has been growing and has attracted a wide variety of investors, both retail and institutional, some challenges remain. Critical challenges facing the impact investing movement are defining the meaning of impact and developing a standardised methodology of measuring impact. However, it is crucial to recognise that each impact investment is unique, and some 'impact' may not fit precisely into standardised definitions and measurement frameworks. From the perspective of Islamic finance, there is a need to broaden the meaning of Shariah to include not only the list of prohibitions but also environmental and social considerations. Nonetheless, it is important to ensure that the social and environmental goals of impact

investments are consistent with the shariah. The *Quran* and the traditions of the Prophet should be the guiding light to inform our understanding of sustainable development.

Creating businesses with purpose

The growth of the impact investing industry has helped build a more inclusive and sustainable economy by catalysing the creation and development of purpose-driven companies and redefining the meaning of success in business. Indeed, impact investors profoundly believe in the role of business in promoting and advancing the common good. Purpose-driven companies are a new kind of business that balance purpose and profit by aiming to achieve the highest standards of social and environmental performance. Some purpose-driven companies are inspired by religious ethos such as Cadbury. Others are driven by ethical values and norms, and the need to cater to the rise of socially conscious consumers.

As impact investing has become increasingly popular in recent years, more companies are paying attention to CSR and ethical business practices. However, it is essential to emphasise that ethical business practices should be inclusive and holistic across the business operation. It is no longer sufficient for a business to dedicate a portion of its profit to its CSR activities without rethinking the overall impact of the business on the environment and society.

Educating investors to focus on the impact of their investments

There are growing familiarity and acceptance of impact investing. To further accelerate the growth of the impact investing industry, we need to educate investors to consider the impact of their investments. We need to redefine our understanding of value as a holistic, comprehensive combination of three elements: economic, social, and environmental. The impact investing industry must place social and human development as its primary objective while placing respect for the integrity of the environment.

From a spiritual perspective, the desire to have a positive social impact is part of our *fitrah*. We need to communicate economic, social and environmental impacts of impact investments effectively to ensure that investors understand that their investments transform people's lives, society, and the environment. The lack of liquidity of impact investments remains a significant concern for investors. However, investors are now beginning to understand that liquidity and social impact are not necessarily compatible. When it comes to investing for social impact, patience is required.

Utilising blended finance for social impact

Blended finance has now emerged as a useful tool to pool resources from public and private sector funds to finance social impact projects. Blended finance offers the most promising way of combining the motivations of mainstream capital and maintaining the rigour of social impact. The OECD defines blended finance as the strategic use of development finance for the mobilisation of additional finance towards sustainable development. The private sector is often unable to make impact investments due to the investments' unfavourable risk and return profiles. Blended finance blends together concessionary capital with commercial funding to improve the risk and return profiles of impact investments. The concessionary capital serves as a catalytic capital, allowing impact projects to access larger, more diverse pools of capital from commercial investors, seeking risk-adjusted market returns. Blended financial instruments include guarantees, risk insurance, currency hedging, syndicated loans, collective investment vehicles, subordinate capital and technical assistance funds.

The OECD has developed the Blended Finance Principles to ensure that blended finance is utilised effectively to meet the financing needs for social impact. These principles are anchoring blended finance use to a development rationale, designing blended finance to increase the mobilisation of commercial finance, tailoring blended finance to a local context, focusing on effective partnering for blended finance, and monitoring blended finance for transparency and results. Blended finance, if carried out effectively, holds the potential of ensuring that capital is going where it is needed the most and the promise of yielding additional gains for all parties. Blended finance can be Islamic finance's most significant contribution to date. However, it is essential to ensure that funds from Islamic social finance are not diverted from their original purposes to effectively subsidise commercial investors.

Promoting social finance through innovative products, comprehensive data infrastructure and consistent standards

A conducive environment for innovation is necessary for the growth of the impact investing industry. Innovative investment products are needed to mobilise commercial finance towards social impact. These products need to be simple and impact-oriented. In addition, a comprehensive data infrastructure is required to ensure that outcomes are reported and verified. Data generated through impact investments helps enhance commercial actors' information on the investment performance of impact investments. Lack of uniform standards in the impact investing industry has led to concerns of 'impact washing', which occurs when financial institutions use 'impact' only as a label to promote their investment products, or investors cherry-pick deals that suit their profit motives. There is a critical need for a social impact governance framework in the impact investing industry to bring greater transparency, accountability, comparability and rigour to the impact investing industry.

SESSION 1
ACCELERATING GROWTH OF SOCIAL IMPACT INVESTING

SESSION 2

Taking Philanthropy to a Next Level: Venture Philanthropy

CHAIR'S OPENING REMARKS

AbdulKader Thomas

President and Chief Executive Officer, SHAPE Knowledge Services, Kuwait

PRESENTER

Dr Ruth A Shapiro

Founder and Chief Executive, Centre for Asian Philanthropy and Society, Hong Kong

RESPONDENT 1

Tan Sri Dr Jemilah Mahmood

Under Secretary General, Partnerships, International Federation of Red Cross & Red Crescent Societies

KEY TAKEAWAYS

TAKING PHILANTHROPY TO A NEXT LEVEL: VENTURE PHILANTHROPY

CHAIR'S OPENING REMARKS

ABDULKADER THOMAS

President and Chief Executive Officer
SHAPE Knowledge Services, Kuwait

There is a difference between venture philanthropy and impact investing. There are several banks in Somalia established by Somalis who wanted to make a positive impact for their country. The banks, which are a key component of the financial system, provide Somalis with access to various financial products and services. Investing in creating a robust and inclusive financial system is, by definition, impact investing.

However, many people could not access the banking services because they could not meet the eligibility criteria. It is vital to help people meet the criteria of the banks. Some investors invested in financial programmes to elevate the financial literacy and capacity of low-income Somalis. I had initially considered these investors to be venture philanthropists until Dr Ruth Shapiro corrected me. These investors are philanthropists, not venture philanthropists.

Through the creation of the banks and the improvement in financial literacy among Somalis, investors gain trust and confidence in the financial system. Some investors are willing to provide investments such as a credit guarantee to allow the banks to provide financial services to entrepreneurs with riskier projects. Besides the investments, they also provide operational support to the banks. They are the real venture philanthropists who focus on investing in capacity building and sharing business ideas and skills to SPOs to achieve better results.

PRESENTER

DR RUTH A SHAPIRO

Founder and Chief Executive
Centre for Asian Philanthropy and Society (CAPs), Hong Kong

CAPS is a research and advisory non-profit based in Hong Kong, and provides bespoke advisory services for Asian individual and corporate philanthropy, CSR, and other types of social investment. Every two years, CAPS publishes the report, *Doing Good Index*, which examines the enabling environment for philanthropy and private social investment. It focuses on the factors that are crucial for creating a conducive social enterprise ecosystem. The *Doing Good Index* allows us to report to governments and philanthropists who are allocating a significant amount of money into the social enterprise sector, which is the investments that provide the best returns given the needs and wants of social entrepreneurs.

In the past, before the days of Cecil Jackson-Cole, who was the first honorary secretary of Oxfam, traditional philanthropic and non-profit organisations were distinct from profit-oriented businesses. Jackson-Cole was instrumental in changing the dominant perspective on charity by emphasising philanthropic links between businesses and charities. He believed that to be successful, a charity had to be run as a business.

About 30 years ago, Muhammad Yunus of Grameen Bank and Bill Drayton of Ashoka further developed the discussion on sustainable social ventures. Bill Drayton coined the term 'social entrepreneur' to refer to the passion and zealous rigour of an entrepreneur who applied their business to alleviate a social problem. At the time, he was mainly referring to people who were starting non-profit businesses. Now the term has expanded to also include people who are starting social enterprises.

In the past, when wealthy business-minded people wrote a check to non-profits, they took their business acumen and threw it out the window, and gave money to these organisations without thinking about how money would be used. Those days are gone. Nowadays, a non-profit, even if it is entirely reliant on grants, has to be business savvy. It must have an impact management and measurement system, and publish annual reports to communicate the impact of its activities; acting more like a business.

There are various types of organisations that aim to create social impact. First, there are non-profits. Many non-profits such as Oxfam, have sustainable income streams to boost their income and create a reliable source of funding instead of being entirely reliant on grants and donations. Social enterprises, in contrast, are viable businesses with a social mission and cannot rely only on grant money. In addition, a social enterprise must have a double bottom line, combining profits with purpose. Next, there are also B-Corps, which are required to adhere to a stringent set of guidelines and rules. The registration process is lengthy and arduous. In addition, there are also socially responsible companies, which are regular companies that have shared values and are trying to conduct business ethically.

Similarly, there are several kinds of organisations that provide funding for social impact initiatives and projects. First, there are venture philanthropic organisations. Christine Letts and her co-authors coined the term 'venture philanthropy' in an article published in *Harvard Business Review*. Letts and her co-authors urged foundations to apply the mechanisms of venture capital to philanthropy by investing for the long term and getting involved in the management of the SPOs that they invest in. Many foundations provide financial support to SPOs without examining whether their grantees are able to continue operating, build their capacity and scale their impact. Venture capitalists want their investments to be extremely successful which is a similar view shared by venture philanthropists.

Apart from venture philanthropy, there is also impact investing. Social enterprise and impact investing are distinct concepts. Therefore, there need to be a distinctive typology of social enterprises and impact investing. Jacqueline Novogratz, founder of Acumen Fund, coined the term 'patient capital' because she felt that there was too much focus on financial returns. She believed that in order to achieve social impact, investors had to accept that they might not get their money back, or be patient until they do.

Over the past 30 years, we have observed extraordinary interest in social impact bonds (SIBs) and hybrid finance. There has been considerable experimentation, innovation, and learning using market mechanisms, rigour and tools to address social issues. However, it is crucial to acknowledge the fact that not every innovation will be successful and not every market mechanism can address social challenges. Some social problems lend themselves well to businesses more than others. For example, when there is a natural disaster, it is difficult for a social enterprise to provide emergency relief immediately such as providing blankets and medicines to the victims.

In addition, there are also mission-related investments (MRIs) and programme-related investments (PRIs), which are investments that foundations make that are aligned with their mission and strategies. Several US foundations are now using mission-related investing. The Ford Foundation has committed 9% of its endowment funds toward MRIs. They are willing to get an average of two percentage points less than the market rate of returns for investments that are aligned with their mission. Traditionally, foundations would invest their endowment funds to maximise financial returns and only spend part of it on their social impact activities. However, this is changing now.

One of the most significant discussions in impact investing right now is the notion of returns. According

to Muhammad Yunus, investors should only receive the cost of their capital. Jacqueline Novogratz states that investors should provide patient capital. Darren Walker, President of the Ford Foundation, insists that investors can achieve attractive financial returns while also contributing to meaningful social progress by following a deliberative investment approach, and building strong oversight and risk management capabilities. However, the Ford Foundation is satisfied with gaining lower returns as long as they can direct more money towards their social impact goals.

TPG Capital, one of the largest private equity firms in the world, manages the RISE fund, which is a US$3 billion fund focusing on impact investing. Its founder, Bill McGlashan emphasises the correlation between financial returns and social impact. He believes that investors do not have to sacrifice financial returns to achieve social impact. Since its inception several years ago, the RISE fund has achieved higher returns than TPG's other funds.

The concept of returns is a contentious topic in the impact investing industry. What is the rate of returns that impact investors should expect? Based on our poll, most investors highlighted that they would not sacrifice financial returns for their impact investments. However, the Ford Foundation, Muhammad Yunus and Jacqueline Novogratz would state the opposite. Investors have different financial return expectations depending on their investment preferences. If they take on a riskier investment because they believe in the philanthropic organisation, then maybe they are willing to accept lower financial returns. However, if we are trying to get the financial market to commit to impact investment, then we need to demonstrate that investors do not have to make any financial sacrifices. This is similar to what Bill McGlashan proposes.

Investors must communicate what they are trying to achieve through their investments, including their willingness and ability to take on risks and their return expectations. There is so much hype about impact investing that people jump in without having these conversations.

The original idea of the report, *Doing Good Index* came from the World Bank's ease of doing business index. The index incorporates four categories of indicators: regulations, tax and fiscal policy, ecosystem, and procurement.

Tax and fiscal policy provide incentives such as subsidies for donors and grant recipients. Regulations are crucial for two reasons. First, they determine the ease of setting up a non-profit or social enterprise, to be a legitimate entity, and to get a tax exemption status. Second, regulations can ensure accountability and transparency. An ecosystem comprises of people, companies and non-profits. Procurement is the government using the services of SPOs and social enterprises to deliver public services.

> “Investors must communicate what they are trying to achieve through their investments, including their willingness and ability to take on risks and their return expectations.”

There are several key findings in the *Doing Good Index* 2018. First, the ecosystem indicator performed much better than the other three indicators. Second, there was no correlation between the economic status of a country and how the country measured up in this study. Vietnam performed much better than Hong Kong and South Korea. Third, tax and fiscal policy matter. People often assume that philanthropists do not care about tax rebates, when actually, they do care about tax and fiscal policy. In Asia, particularly in Malaysia, public policies matter. When Singapore increased its tax reduction to 250% for both individuals and corporations, social investments increased drastically.

In the *Doing Good Index* 2018, Malaysia was placed in the second category, 'Doing better'. In Malaysia, 64% of the respondents said that the laws and policies pertaining to philanthropic activities are not easily understood. In addition, SPOs have to be up and running for two years before they can even apply for the tax-exempt status. Essentially, Malaysia is encouraging social enterprises because it is difficult to become a tax-exempt non-profit. The government established the Malaysian Global Innovation and Creativity Centre (MaGIC) and the National Innovation Agency of Malaysia (NIA) to encourage the creation of social enterprises.

To a much greater extent than some of the other countries, Malaysia gets its money from within the country. The average percentage of foreign philanthropic and social investment sources in Asia was 22% while in Malaysia, it was only 6%. Almost 20% came from the government, which is an important funder. However, other funding sources also come from individuals and companies, sometimes in the form of *zakat*.

The philanthropic ecosystem is vibrant in Malaysia. There are separate terms for philanthropy and CSR. In addition, there are multiple non-profit and social enterprise incubators and accelerators.

Nonetheless, the non-profit sector in Malaysia has a difficult time recruiting skilled. 78% of respondents among SPOs shared that they have a hard time finding talents while 80% indicated that there is a commonly held belief that people who work in the non-profit sector should earn less than others. One way to remedy this problem is to increase the number of social enterprises because they tend to attract business-minded people.

As for the procurement indicator, China has the highest share of government contracts fulfilled by SPOs, while Vietnam has the lowest. In Malaysia, only 17% of the SPOs that filled out our survey indicated that the government procurement process is important for their operational budget. The rate is pretty low.

Nini Daing, founder of MyHarapan, a social enterprise incubator that works with MaGIC and the government to incubate social enterprises, provides an insightful description of a social enterprise. 'A social enterprise is business as it should be. Somehow we got lost along the way and we are now finding our way back.'

RESPONDENT

TAN SRI DR JEMILAH MAHMOOD

Under Secretary General, Partnerships, International Federation of Red Cross & Red Crescent Societies (IFRC)

For the last three years, I have served as Under Secretary General for Partnerships at the IFRC. We are a federation of 191 national societies from around the world. A national society is formed when the government ratifies the Geneva Conventions. The IFRC is based in Geneva. We are an independent non-governmental agency that has special roles as humanitarian auxiliaries to governments. Together, our national societies are united by four principles: humanity, impartiality, neutrality and independence.

The IFRC is continuously trying to meet the needs of people around the world, whether they are affected by conflict, poverty, disease or climate change. Traditionally, international humanitarian agencies such as the UN, have only focused on funding flows from overseas development assistance (ODA), which is basically an aid from governments. ODA has not improved over time. In fact, taking inflation rates into consideration, ODA has actually declined. The size of ODA is small relative to all other financial flows including remittances. There are other sources of funding in the financial world out there that the humanitarian sector does not know how to tap into. Acquiring funds often involves getting financial support through donations.

If we are going to meet the global humanitarian needs, we have to mobilise other funding sources. The IFRC is trying to move past the traditional ways of approaching humanitarian financing. Although there are several terms used to describe impact-oriented financing from venture philanthropy to impact investing, we use the terms interchangeably. We believe that the different categories of impact finance fit into a spectrum of returns.

The IFRC has decided to approach humanitarian financing by focusing on the entire ecosystem rather than on individual projects. To mobilise capital for humanitarian activities, there is a need to create an ecosystem that supports new financing partnerships. Our target population are refugees, migrants, and internally displaced people. The environment, climate, water and food security are equally important. In the ecosystem, innovation must be a key driver of change but it requires research, finance and systems change. In a 100-year old organisation such as the IFRC, systems change is difficult. With innovation, technology and partnership, we can achieve what we want.

Water remains one of the biggest problems in the world. A total of 844 million people still lack basic drinking water services. There are approximately 263 million people who spend more than 30 minutes per trip collecting water, 159 million people still collect water directly from untreated sources, 2.3 billion people do not have basic sanitation services, 600 million people use limited sanitation services, and 892 million people practise open defecation.

Diarrheal diseases from dirty water is the second-highest killers of children around the world. Children are more likely to die of diarrhoea than any other illness. Lack of adequate sanitation and water supply costs approximately 260 billion dollars every year in global economic losses, representing about 1.5% of gross domestic product of developing countries. The return on investment in increasing water, sanitation and hygiene (WASH) services is US$4.30 for every dollar invested. If we invest in a good WASH programme, we will have a very attractive return on investment.

The discussions on impact investment often emphasise profits and dividends. How do we change the narrative and encourage people to have empathy? How do we ensure people understand that it is fine to earn less as long as they know where their money is invested and the impact it is creating?

Every year, our donors, who are usually our national societies, give us several million dollars to run the water and sanitation programmes. To develop a new financial structure for the programmes, we informed the donors that if they provide us with an initial investment capital, we could create a financing structure to raise more capital. To date, the IFRC has received US$25 million from the participating national societies whereby the investment capital is used to create the One WASH fund.

We hope to continue raising investment capital from donors to create more One WASH funds. The donors may include traditional donors such as the national societies, Department for International Development (DFID) and United States Agency for International Development (USAID). In addition, we could also raise capital through *zakat* and *waqf*.

As part of the One WASH fund, IDB agreed to provide a partial guarantee facility mechanism to enable and facilitate the issuance of WASH Impact Sukuk through the Islamic Solidarity Fund for Development (ISFD), which is considered an

> “We designed our programmes to include clear outcomes and measurable key performance indicators (KPIs) to gain commitments from outcome funders. The outcome funders are responsible for making capital disbursements to the fund following the outcomes delivery at the end of the programme.”

endowment. Traditionally, a certain percentage of the returns are spent on social projects. We have now received permission from ISFD governing board to invest a portion of the endowment in high-impact projects. The sukuk will be backed by the fund's assets, comprising donors' contributions and the guarantee.

We designed our programmes to include clear outcomes and measurable key performance indicators (KPIs) to gain commitments from outcome funders. The outcome funders are responsible for making capital disbursements to the fund following the outcomes delivery at the end of the programme.

The One WASH fund is about sustainable partnerships. We realised that if we want to create an impact, we cannot do it alone. The fund is an example of a blended capital model that utilises capital from various sources. Humanitarian financing needs to be innovative and scalable. The One WASH fund's financing model is inclusive because it includes investors and governments. We hope to encourage governments to provide upfront capital or pay for outcomes for the One WASH fund, which would help us raise additional sukuk for our water and sanitation programmes. The One Wash fund's financing model is also transformative and can be applied to different social projects.

Of course, our water and sanitation programmes have to deliver the results as required by the outcome funders. We are confident in our ability to perform. As of now, the IFRC have already served 16 million people, and by 2030, we will serve up to 30 million people. In an emergency, we have already served 20 million people. In addition, we will serve an additional 5 million people at risk from cholera.

Where do we need support? At the moment, we are working with several institutions such as HSBC, First Abu Dhabi Bank, White & Case, IDB and others. In April 2019, in Marrakesh, we launched the One WASH fund to find donors and outcome funders. In September 2019, investors will be invited to the UN General Assembly for the sukuk issuance.

The financial sector has financial expertise. As someone who has been working for 20 years in the humanitarian and development sectors, I understand social and developmental challenges. How do we get the financial and humanitarian sectors to work together? I would not have been able to develop the One WASH fund if I had not hired financial experts, even though at the IFRC, we did not typically hire people from the private sector. We have to think outside the box. How do we communicate the importance of partnerships? How do we change the narrative?

Trust is critical. The IFRC is one of the most trusted brands in the world. We are now facing a problem of global mistrust. The *2019 Edelman Trust Barometer* shows that the trust in NGOs is falling sharply. Several NGOs including Oxfam and Save the Children have had major scandals. There is mistrust even towards international institutions.

Finally, we need a different narrative about Islam to demonstrate that the Islamic financial system has tools and instruments for social good that is more advanced than any other financial system. The IFRC has utilised Islamic financial instruments to fund its programmes. In Kenya, we invested US$1.2 millions of *zakat* financing which received a total return of US$20 million. A state *zakat* official told us that it was the first time they saw *zakat* grow.

With an initial investment of US$40 million through the One WASH fund, we are aiming for a total return of US$150 million. We hope to communicate the impact of our water and sanitation programmes to our partners and investors.

Q&A SESSIONS

ERIK DETIGER

Managing Director
FundsforNGOs, US

I am thankful for the tens of thousands volunteering for the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO), who are providing vaccinations to marginalised communities. Millions of lives are saved every year because of free vaccines.

The US government has been very interested in market-based solutions for social problems. People should pay for a service even if it costs only a penny. International organisations did not charge money for vaccines. They were against charging money for vaccines, and most health ministries around the world would agree that free vaccines worked.

However, international organisations charged money for insecticide-treated bed nets for malaria. When the measles campaign was launched in countries in Sub-Saharan Africa, the campaign used a market-based approach. The market-based approach was based on creating demand among beneficiaries for bed nets to catalyse the manufacturing of the products in Sub-Saharan Africa. At the time, malaria infections were one of the biggest killers of children. After ten years of the campaign, the insecticide-treated bed net penetration rate among the beneficiaries remained at around 2%. The market-based approach did not work.

The campaigners decided to run a similar campaign in another small country. However, for this campaign, the beneficiaries received insecticide-treated bed nets for free. Parents who took their children for vaccination received this benefit, and this resulted in the decrease of death due to malaria.

Could malaria infections be resolved through a market-based solution? Yes. However, for humanitarian issues involving the death of children and emergency reliefs, it is best to have governments or traditional philanthropic organisations to play their roles.

It is also essential to distinguish between NGOs, social enterprises and B-Corps. In many countries, it is not easy to start an NGO because of potential competing roles between the social sector and public sector as NGOs play quasi-governmental roles.

DR RUTH A SHAPIRO

We need to be thoughtful about the euphoria with impact investing. A significant amount of impact capital is flowing into private education where educational providers charge parents to send their children to school. Parents would pay for private education because they want their children to have a better future. Impact investments in private education eviscerate public education. Currently, impact investing is all the rage. We need to be thoughtful about the kinds of investments we are making and the potential ramifications of directing money to one cause over the other.

ADNAN ZIKRI JAAFAR

Master's candidate in Economics for Development
University of Oxford, UK

First, there is a spectrum of social problems with varying nature of social impact. Some social problems require immediate interventions, which then produce instant outcomes. Other social issues necessitate long-term solutions and only produce results in the long run. Some outcomes are easily measurable but others are hard to measure. It is crucial to consider how instruments from Islamic finance and Islamic social finance fit into this spectrum of social problems.

Second, I want to emphasise the importance of partnership as impact investors are shifting from being passive investors to being active investors. Becoming an active impact investor obliges the investor to think critically about the development and potential unintended consequences of allocating capital to one sector over the other. Impact investors should work with development and humanitarian experts in deciding their capital allocations.

PROFESSOR DR ENGKU RABIAH ADAWIAH ENGKU ALI

Professor
International Islamic University Malaysia

Trust in NGOs has a strong relationship with the regulation and governance of philanthropic organisations. Charity fraud often takes place where some people during events of disaster or catastrophe, use deception to get money, leveraging the sympathy of others who believe they are making donations to charities. How can we achieve a balance between the need for regulation and governance, and immediate fundraising needs of philanthropic organisations?

DR RUTH A SHAPIRO

CAPS produces the *Doing Good Index* because of the need to mitigate the trust deficit towards philanthropy. The trust deficit exists for several reasons. First, several philanthropic organisations are involved in major scandals. Several philanthropic organisations in 10 out of the 15 countries that we studied were involved in various scandals in the two years before the study. These scandals affected charitable giving significantly.

The second reason is a weak regulatory system, which resulted in the misalignment of incentives for philanthropic giving. Third, in Asia, there is no distinction between a social delivery organisation and an advocacy group. Many philanthropists are hesitant to fund pure advocacy organisations. Instead, they prefer to support social delivery organisations. The term 'non-profit' is often perceived as referring to advocacy organisations. Fourth, most NGOs lack the skills to communicate their stories in a transparent and accountable way. It is hard to track how our donations are used. NGOs need to show how they use their resources and communicate the social impact of their activities.

In the social sector, the typical approach to thinking about fraudulent practices is 'guilty until proven innocent'. When one NGO is involved in a scandal, most people will accuse the whole social sector of fraud. In contrast, if a business goes bankrupt or commits fraud, people would not say that the private sector is engaged in fraudulent activities.

TAN SRI DR JEMILAH MAHMOOD

The problems that we, in the room today, are trying to solve are current. At the IFRC, we try to anticipate the futures and determine how we can transform our systems now to build resilience.

Regarding the trust issue, governments cannot regulate the social sector but they can regulate the financial sector. In a world of distributed networks, public institutions and regulatory bodies will become less important to Generation Y and Generation Z. These generations are all about self-organised groups and communities. A wonderful woman sets up a canteen in Lesbos Island, where she feeds people. She is able to raise funds through crowdfunding and Facebook. NGOs can gain public trust by having people write about the impact of their activities on social media. Do not underestimate the power of netizens. They can destroy or build trust.

I have been emphasising the importance of having accountability standards for non-profits that intend to undertake humanitarian work. It is easy to take advantage of the sentiments of people when a tsunami happens. People are generous. However, there have been cases where donations have been misappropriated by NGOs.

DR SALMAN SYED ALI

A spectrum of impact investment organisations is needed for philanthropy. There have been some experiments in social service delivery using market-based approaches where beneficiaries had to pay for the service. These interventions failed while those that offered services for free succeeded. An alternative market-based approach for social intervention is that recipients have to pay a small fee for the service. Another model can involve external stakeholders paying for the service on behalf of the recipients. These external stakeholders can be impact investors.

Regarding impact measurement, some interventions produce outcomes immediately while others in the long term. Agreeing on standard impact measurement criteria is essential. The automation of impact measurement is possible with technology. How can we enhance impact measurement so that donors or impact investors can be paid accordingly?

SESSION 2
TAKING PHILANTHROPY TO A NEXT LEVEL: VENTURE PHILANTHROPY

TAN SRI DR JEMILAH MAHMOOD

The impact target for the water and sanitation programmes is a 90% reduction in cholera-related death. The outcome is easy to measure. There is a need to ensure that social projects have clear outcomes and theory of change. Some outcomes are easy to measure and are very tangible while others are less visible.

What are the measurements for peace? Is it less war or less urban violence? Can we develop innovative financing models to build peace? Peace is needed today. However, peace is not a tangible outcome. How should we measure non-tangible social impact? We can develop barometers for non-tangible social impact. NGOs have to communicate the impact of their activities through impact measurement.

OMAR SHAIKH

Board Member
Islamic Finance Council (UKIFC), UK

Unchecked capitalism has brought us to the point where we are now. It is crucial to examine the macro view of Islamic economics and how the spectrum of returns is aligned with Islamic philosophy. After the 2008 financial crisis, the Church of Scotland conducted a study on the purpose of the economy. There is merit in referring to the study.

One of the uses of *zakat* is to pay off debts. Can *zakat* be used to repay financial debts in a blended capital structure? Using *zakat* to pay off debts is a 1400 years old opinion. We need to do a macro analysis of the different uses of *zakat* in blended finance and align our analysis with Islamic economic philosophy and ontology. We should avoid some practices that we use in the Islamic banking sector, which utilise structured synthetic vehicles to overcome textual and religious restrictions.

PROFESSOR HABIB AHMED

Sharjah Chair in Islamic Laws and Finance
Durham University, UK

The ecosystem within which the institutions of *zakat* and *waqf* operate is preventing their growth and development. Governments have a stake in the institutions. Even though these institutions have huge potentials to contribute to sustainable development, their ability to create an impact is limited because of the unconducive ecosystem. The institutions of *zakat* and *waqf* have to be supported by a conducive ecosystem. A strong political will is needed to create a good ecosystem for these institutions. In the short run, the ecosystem will remain a constraint to maximising the contribution of Islamic social finance to sustainable development.

ARSHADUR RAHMAN

Manager
Bank of England, UK

There was a discussion on the difference between market-based and market-led economies, and the problems associated with the two. In his book, *What Money Can't Buy? The Moral Limits of Markets*, Professor Michael Sandel of Harvard University argues that even if we cannot discern what a market-based rather than a market-led economy entails, it is worth discussing what it means to live a good life.

Regarding *waqf*, it is crucial to consider the history of the development and evolution of *waqf* institutions in modern times based on the colonial experience and the dismantling of the *waqf* system. *Fatwa* around *waqf* need to be updated as some of the *fatwa* impose restrictions that may not necessarily apply in the current context.

DR MOHAMED DAMAK

The structure of WASH Impact Sukuk includes a guarantee, funds from donors and outcome payments. Will the guarantee cover only the principal? Will the payments for the periodic distribution to the sukuk holders come from the donors or the outcome funders? IDB sukuk qualify as high-quality liquid assets and attract a significant demand from investors. If the WASH Impact Sukuk were of the same quality as IDB sukuk, it could be successful.

MONEM SALAM

Executive Vice President
Saturna Capital, US

First, TPG Capital's Rise Fund has been achieving financial returns above the market rates of return. Islamic finance has been claiming the same. If money goes where the money is made, why other funds of TPG have not moved into impact investment? If Islamic finance outperforms conventional finance, why has not conventional finance embraced Islamic finance?

Second, it is essential to reframe the benefits of social impact investing. The benefits of saving a life are manifested through the person's productive capacity during his or her lifetime. I do not know how to quantify these benefits. If a charitable organisation can quantify these benefits and communicate them to the government, then they can provide information on the return of the investment in saving a life. Providing information on the rates of return on social investments helps charitable organisations raise market-based rather than philanthropy-based funding.

DATO' HJ MOHD REDZA SHAH ABDUL WAHID

Selling an SRI sukuk is much harder than selling a normal sukuk because investment bankers are not used to selling social investment products. Khazanah's SRI Sukuk took a long time to sell.

One of the ways to resolve the trust issue in the impact investing industry is by establishing partnerships between impact investment firms and NGOs. For example, Wakaf Selangor Mualamat was a partnership between Perbadanan Wakaf Selangor and Bank Mualamat Malaysia to raise *waqf* funds. Wakaf Selangor Muamalat was successful because it was transparent. It published the quarterly reports and there were shared responsibilities between the two partner organisations.

In the banking sector, investment managers work with compliance officers to abide by the principles under the *Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001* (AMLA), which helps mitigate potential frauds in the banking sector. When banks provide funds for donation, they have to conduct checks under the AMLA to make sure that the fund recipient does not belong to a terrorist organisation.

MUSHTAK PARKER

There have been some outstanding successes in venture philanthropy and social investments in the Islamic finance sector. These include Sabanci Foundation in Turkey, championing women's education, the KSH programmes for drug rehabilitation in Kuwait, and the Oasis Group in South Africa that finances care services for the elderly.

In the UK, the Prince's Trust has an innovative social impact programme. They work with the chief executive officers of big corporations to mentor micro-entrepreneurs in Malaysia, Indonesia, India and other countries. In addition, the Prince's Trust concentrates on helping inner-city youth start small projects. The Trust received US$1 million from IDB. Financial resources are available for high-impact projects. However, foundations and NGOs have not been articulating the impact of their activities properly.

MOHAMED IQBAL ASARIA

The exorbitant interest rates on micro-loans that Grameen Bank used to charge have been removed because of technological development in the micro-finance sector. Technology is a key driver of change as it accelerates financial inclusion.

Grameen Bank was set up as a grant-funded organisation. They only faced financial problems when there were major disasters, for example floods, when they lost their investment capital. However, when several Indian institutions took over Grameen Bank, they raised funds from the capital markets and charged loan shark rates on micro-loans. Micro-finance has now become a tainted industry.

How does WASH Impact Sukuk deliver returns to the sukuk holders? Will the returns be financial or a reduction in cases of cholera? Will the government reimburse the IFRC for reducing cholera?

TAN SRI DR JEMILAH MAHMOOD

WASH Impact Sukuk will repay the sukuk holders using capital from the outcome funders. There are philanthropic organisations such as the Zuckerberg and Chan Foundation, Bill and Melinda Gates Foundation, and others who want to pay for outcomes. The outcome funders will provide capital to cover the total cost of the programme and the financial returns to the sukuk holders. We are confident that we will be able to meet our targets. If we do not achieve the goals, IDB's guarantee applies. The guarantee will be responsible for providing capital to cover the total cost of the programme and the financial returns to the sukuk holders.

It is crucial to have a clear definition of the role of Islamic finance and Islamic social finance in the social impact investing industry. Our investment narrative has to go beyond seeking dividends.

What is the value of human life? When the life of an Iraqi is lost, why is it valued less than a US soldier? I need financiers to calculate the value of human life. We will not be able to come up with precise return on social impact investment unless we know the value of human life. If we prevent one death from cholera, we have prevented the loss of the value of human life over his or her lifetime.

RAFE HANEEF

I do not think that the value of human life needs to be quantified. Every life is important. It is against nature to destroy lives.

DR RUTH A SHAPIRO

A wicked problem is a complicated problem. No one group can solve the problem by itself. Solving a wicked problem requires a partnership between people, the government and companies; all with different skills and strengths. There is sparse evidence of successful partnerships and collaborations.

Every successful collaboration needs a choreographer. We need someone who understands each party's contributions to the partnership. We need everyone in the ecosystem to work together, but we also need someone to figure out the role of each party so that they can work together effectively.

KEY TAKEAWAYS

Understanding impact and financial returns across a continuum

Given the diversity of investors in the impact investing industry, there is now an increasingly polarised debate about whether impact investing requires a trade-off between social and environmental impact, and financial returns. Muhammad Yunus argues that impact investors should only expect financial returns that match their costs of capital. Jacqueline Novogratz advocates for patient capital, which is a type of impact capital that has a high tolerance for risk and long-term horizons, and is flexible enough to meet the needs of social entrepreneurs. Others such as Darren Walker, argues that investors can achieve attractive financial returns alongside contributing to meaningful social progress.

Some impact investments can deliver impact alongside risk-adjusted, market-rate financial returns. However, investors are beginning to acknowledge that not all types of impact can be achieved alongside market-rate returns. There is a broad range of viable investment profiles and return expectations. To accelerate the growth of the impact investing industry, we need to embrace all types of impact capital along a continuum of financial returns. By matching impact capital to an appropriate social impact investment opportunity, we can ensure that we allocate capital more efficiently for social and environmental change. It also allows SPOs with varying operational models to access funding from investors based on their expectations of financial returns. Recently, venture philanthropy has emerged as a new financing model for social change.

Investing in organisational capacity to improve social outcomes

The European Venture Philanthropy Association (EVPA) defines venture philanthropy as a high engagement and long-term approach to generating social impact through tailored financing, organisational support and impact measurement as well as management. Venture philanthropic organisations employ the same concepts and techniques from venture capital in the social sector towards achieving charitable goals. Venture philanthropy offers a solution to a significant problem in the social sector, where many SPOs lack organisational resources to carry out social programmes. Indeed, many social programmes begin with great promise, only to end up with limited impact.

Venture philanthropic organisations not only provide SPOs with financial support but also invest in improving their organisational resources by bringing business skills and discipline into the social sector. Venture philanthropic organisations aim to strengthen SPOs' organisational capacity to sustain and expand successful social programmes. To accelerate the growth of venture philanthropic organisations, there is a need to promote and enhance the creation and growth of the social and voluntary sector.

Creating a conducive ecosystem for the social and voluntary sector

An ecosystem for the social and voluntary sector represents the laws, policies, socioeconomic norms and cultural expectations within which SPOs can flourish and thrive. A conducive ecosystem for the social and voluntary sector ensures that SPOs are trusted, supported and well-resourced to implement their social programmes. Besides, it encourages institutions, communities and people to come together in a collaborative system to tackle social problems and achieve social impact. More importantly, the ecosystem for social impact has to place people and the environment at its centre.

The *Doing Good Index* is a study that aims to examine the enabling environment for philanthropy and private social investment. It comprises four areas including tax and fiscal policy, regulatory regimes, socio-cultural ecosystem, and government procurement. The *Doing Good Index* 2018 finds that the Malaysian government has been supportive of the social sector especially towards social enterprises. The procedures to establish a SPO in Malaysia are relatively straightforward, with few required approvals and shorter waiting time. However, there is more that can be done to strengthen policy and regulatory measures to improve the ecosystem for doing good.

Developing innovative solutions to social problems through collaborative partnerships

Some of the social problems that society faces are described as wicked problems. These problems are complex, involving multiple possible causes and stakeholders, and interconnected with other issues. Because social issues are complicated and their roots are difficult to define, SPOs have to acknowledge that they cannot solve the problems by themselves. Solving social problems necessitates a deep understanding of the stakeholders involved, and creative and innovative solutions developed and implemented through collaborative partnerships. SPOs have to work with governments, businesses and local communities to develop solutions to social problems.

In addition, SPOs have to bring in talents with different backgrounds and expertise to work in the social sector, which very often faces difficulties in attracting bright talents due to a lack of financial resources. The social sector is now increasingly concerned about the growing difficulty of attracting and retaining its talent pool. Unfortunately, some SPOs still consider talent management not a priority. To attract and retain talents, SPOs should strive to create an environment that emphasises learning, development and meaningful contribution.

Building trusts

We are now facing a problem of global mistrust. The *2019 Edelman Trust Barometer* found that there was a general loss of faith in the traditional authority figures and institutions. Trust in SPOs has fallen in the past year. The problem of trust in SPOs has worsened as media outlets tend to highlight only cases of abuse, neglect or mismanagement of SPOs. Several international NGOs have faced major scandals and are caught in the web of distrust. More Than Me, Oxfam and Save the Children UK were exposed in a sexual abuse and harassment scandal.

The decline in trust in SPOs is driven by poor regulation and governance, weak impact management and

measurement practices, and a lack of transparency and accountability in communicating impact. People are demanding change and seek factual information to inform their trust in SPOs. There is now a sharp increase in media consumption and the sharing of news and information. SPOs should, therefore, capitalise on this trend to tell their stories and communicate their impact through various information channels including social media.

Changing the narratives on impact investing

Impact investing is gathering momentum among investors who seek to align investments with ethical values. Impact investors demand investment strategies that aim to contribute to environmental and social impact while achieving financial returns. However, the impact investing industry also faces critical challenges, including confusions over definitions of impact and basic principles of impact investing, ambiguous investment intentions, vague investment propositions and dubious investing practices.

It is crucial to change the narrative on impact investing. The conversations around impact investing should not only focus on financial returns. We should also teach investors empathy, and effectively communicate how impact investing affects the lives of our fellow human beings, local communities and the environment. We should emphasise that the critical purpose of impact investments is to change people's lives and make the world a better place. The impact investing industry should strive to be inclusive by offering investment solutions that appeal to people of all backgrounds and identities.

SESSION 3

Harnessing the Success Factors for Social Bonds

CHAIR'S OPENING REMARKS

Professor Dr Engku Rabiah Adawiah
Professor, International Islamic University Malaysia

PRESENTER

Andreea Anastasiu
Senior Policy Engagement Officer, Government Outcomes Lab, UK

RAPPORTEUR

Arshadur Rahman
Manager, Bank of England, UK

RESPONDENT 1

Monem Salam
Executive Vice President, Saturna Capital, US

RESPONDENT 2

Omar Shaikh
Board Member, Islamic Finance Council UK

KEY TAKEAWAYS

DEMONSTRATION EFFECT

Dr Shariha Khalid Erichsen
Managing Partner, Mission & Co, Malaysia

HARNESSING THE SUCCESS FACTORS FOR SOCIAL IMPACT BONDS

CHAIR'S OPENING REMARKS

PROFESSOR DR ENGKU RABIAH ADAWIAH

Professor, International Islamic University Malaysia

A social impact bond (SIB) is one of the instruments that can be used for impact investment. It also has unique characteristics and features that are readily adaptable for Islamic social finance. Islamic social finance is not a new concept; it is a part of early Islamic history.

Several traditional instruments such as *sadaqah*, *zakat* and *waqf* can be used for Islamic social finance. Interestingly, *zakat* is obligatory for Muslims – every Muslim who is eligible must contribute at least 2.5% of their wealth towards social purposes. *Zakat* is intended for specific categories of recipients, which include the poor, the needy, and those seeking knowledge for the betterment of society. If *zakat* is implemented correctly, it can alleviate poverty, uplift people's lives and empower the poor. Verse 24 of *Surah Al-Ma'arij* in the Quran emphasises the concept of *'haqqum ma'lum'* (a recognised right). The verse characterises *zakat* as the rights for the poor and the needy to have an adequate standard of living and to seek a better life. While *zakat* is obligatory, *sadaqah* and *waqf* are exhorted. *Sadaqah* is flexible and it can be fully utilised for social purposes, whereas *waqf* has an element of perpetuity. Therefore, *waqf* is a better instrument for long-term sustainable financing for social impact investments.

Modern instruments of Islamic social finance include SRI sukuk. It is worth discussing whether or not an SRI sukuk qualifies to be an SIB. The SRI Sukuk Framework introduced by the SC demonstrates that an SRI sukuk can behave like a conventional bond in several ways. Conversely, if the SRI sukuk is structured with certain specific features such as setting KPI targets,

it also can behave like an SIB. Unfortunately, SIBs are not well-known in Malaysia, due to limited awareness of SIBs and confusion whether they behave like conventional bonds. There is also the fear of higher risk in losing money with SIBs if the KPIs are not met, which differs from how a sukuk is usually understood as a fixed income instrument.

Malaysia's SRI Sukuk Framework identifies four main areas for eligible SRI projects: (i) natural resources; (ii) community and economic development; (iii) renewable energy and energy efficiency; and (iv) *waqf* property and asset development. Under community and economic development, there are sub-areas such as healthcare, education, community services, urban revitalisation, sustainable building projects and affordable housing.

Successful implementation of SIBs as an instrument for impact investing requires stakeholder engagement, capacity building and a supportive framework.

From the perspective of Islamic finance, the SIB framework can be framed within the existing SRI Sukuk Framework. It has also been suggested that a different term be used in place of 'bonds' to avoid misconceptions on the behaviour of an SIB. In addition, there have also been suggestions for tax incentives to be given to SIB investments. The final suggestion is to design an SIB to focus on the most important social areas which are of interest to the investors in a particular locality. In Malaysia, we have identified three top social areas: education; healthcare; and children-related improvements. Different localities may have different priority areas for SIBs.

PRESENTER

ANDREEA ANASTASIU

Senior Policy Engagement Officer,
Government Outcomes Lab, UK

At the Government Outcomes Lab (GO Lab), we work with multiple stakeholders, including social impact investors, to understand best practices in public service delivery and develop sustainable models for tackling complex social issues.

Some of the core challenges in impact investing, particularly on issues such as the definition and measurement of outcomes, trust, and data transparency are issues that resonate with the policy environment within which public service delivery takes place. The more we can learn from each other and bring together different stakeholders, the more likely we are to make progress. Indeed, the conversations we are having with policymakers and practitioners, in the UK and globally, are focused on the same challenges. How do we provide evidence to impact? How do we measure impact in a robust way, particularly when the achievement of the impact is linked with financial rewards?

There are various different models that broadly fall under the term SIB. When we look at an SIB, we do not look at it as a financial instrument but as a way to commission payment for public services. The terminology 'bond' leads to much confusion. Governments, as the outcome funder of an SIB, often question whether it is a bond or a financial instrument, and claim it is not an approach to funding public service delivery that they are used to. The European Union is very interested in SIBs, but they use the term 'social outcomes contracts' to refer to instruments similar to SIBs.

SIBs have already been used for several years in the UK. Policymakers are now exploring opportunities to improve public services using SIBs, but there has not been sufficient attention given to the evidence for the achievement of the intended outcomes based on the published evaluation work.

The UK has made significant progress in the implementation of SIBs. The current conversations revolve around scaling the SIB market. We have moved from testing an innovative approach to enacting a system-wide transformation. We are discussing with policymakers on the key elements needed to achieve the goal. Our approach is, let us

not reinvent the broken wheel if we can help people in other geographies make progress quicker. Many other governments and international organisations across the world are interested to learn from the UK experience.

The UK government has been highly supportive of the social impact investment market in which SIBs are part of the ecosystem. Government departments, for example the Department for Work and Pensions, offer to pay for a specific set of outcomes for a targeted population and invite service providers and investors to bid for those projects. Some examples of those projects include the Life Chances Fund and the Commissioning Better Outcomes Fund. The government aims to encourage more authorities at the local level to act as commissioners and outcome funders of SIB projects. Several SIB projects now have a mix of the central government and the local government acting as the outcome funders.

The Peterborough SIB, the first SIB in the world was launched in 2010 with the aim of reducing reoffending rate of short-sentenced offenders in Peterborough. There are now 65 SIBs that have been launched in the UK, with a few more in the pipeline and there has been much support from the central government to foster the growth of the SIB market. In addition, many countries across the world are more open to experimenting with impact bonds.

It is important to clarify what SIBs are. They are not bonds in the traditional financial understanding of the term, and instead could be more accurately describes as a PPP. SIBs bring in upfront capital from investors to fund services with a social focus, on the understanding that the investors would only receive a financial return upon achieving the outcomes which has been set by the government. Building a partnership between stakeholders is at the heart of the model.

The essence of an SIB is that the government as the outcome funder who defines success through a set of outcomes, will only make payment upon the successful achievement of the said outcomes. Investors will in turn receive financial and social returns from their investments, while service providers get the funding to operate. That is why SIBs are being referred to as a triple-win model. Of course, this would be a simplified explanation as the practice is not as straightforward and involves further complexity.

It is challenging to measure the overall size of the SIB market due to data scarcity. On a global level, it is a lot more complex to get an oversight of all the different SIB deals to estimate the total value of the market and the types of stakeholders involved.

Are SIBs working? What is the impact produced by SIBs? We are particularly interested in understanding how SIBs perform compared to other models of funding public service delivery. It is important to clarify the reasons for using SIBs as a funding model and the challenges that the public sector aims to overcome.

“The essence of an SIB is that the government as the outcome funder who defines success through a set of outcomes, will only make payment upon the successful achievement of the said outcomes.”

According to recently published literature and evaluation work, SIBs are being used in three different ways. First, SIBs are used to increase collaboration in the provision of public services. We know that the government alone would not be able to tackle various social and environmental problems. Therefore, good models for collaboration is needed for this purpose and SIBs are a tool to do that. On the commissioning side, SIBs can bring in multiple agencies with various strands of responsibilities to act as co-funders of outcomes. On the service provider side, SIBs enable various service delivery organisations to combine their efforts and work towards a shared set of outcomes.

Second, SIBs are used for prevention measures. Preventive services are often neglected when governments face budgetary constraints. In such circumstances, SIBs would allow preventative spending as governments would only be paying for measurable impacts.

Third, SIBs are used to foster innovation because SIBs allows for risk transfer from the government to investors. Because the investors carry the financial risk, they will compel the service provider to be more innovative and effective in delivering its services. Because the government will not be responsible for paying for failed public service delivery, it could imply that the government does not care what the service provider does as long as it delivers the required outcomes.

However, in the UK, the practice of risk transfer is more nuanced. In practice, no government agency will ever say that they are giving up all control of the provision of public services. The complexity and sensitivity of many social issues mean that the government cannot afford to allow some public service delivery to fail. There are now some SIB models where investors and service providers share the financial risk, and where service providers act as the investors. There is not a singular SIB model as there are many variations available in the market.

What does it take to get an SIB launched? Part of the GO Lab's mission is to enable better practice on the ground. There is a common belief in the UK and other geographies where SIBs are being implemented, which they tend to be technically complex, challenging and costly to develop. To some extent, this is not surprising given that SIBs are bringing together different stakeholders who may not be used to working together. The complexities of paying for outcomes add another layer of technical challenges. Part of our role in working with governments is to build their technical expertise.

I am not convinced that SIBs are intrinsically more complex than other ways of commissioning public services. For example, some government commissioners have expressed that working with other departments in commissioning a contract to buy staples, a relatively simple task, took them 18 months – let alone issues such as education, homelessness and mental health that are significantly more complicated.

We are working on different ways of building the technical expertise of governments in developing SIBs. However, the relational factors are just as important as technical expertise. Trust is fundamental. It is essential to have a shared sense of mission and understanding of what the project is trying to achieve. Building these relationships takes time, and that is where we see the potential for system-wide transformation. Through SIBs, we hope to create a culture where government agencies work more effectively with the private sector and the voluntary sector.

The success factors for SIBs can be summarised by the Leadership, Outcomes, Understanding, and Data (LOUD) SIB model. LOUD represents four

factors that are fundamental to ensuring the success of an SIB. The first is collective leadership. The second is clear outcomes. The project outcomes need to be articulated and measurable. The government wants to ensure that they are paying for results that bring impact and desired outcomes through the project.

There is a need to establish the additionality of a social intervention. When we see an improvement, for example, better social safety net programmes for young people who are at risk of being unemployed, we need to establish that the improvement came about as a result of the service provided to them and not because of other reasons such as the improved economic landscape. We need to consider how we can embed an evaluation framework that will help us demonstrate impact.

The third success factor is shared understanding while the fourth factor is systematic data management and measurement. Comprehensive, holistic data collection and management mechanisms can be expensive, particularly for smaller organisations. For governments, data fragmentation also poses a challenge.

In terms of building market capacity, there are two elements to consider. First, we need to work with individual organisations to help build their knowledge and expertise. Second, on a broader scale, we need to think about building a sustainable ecosystem. The GO Lab produces technical guidance to make it easier for governments to engage in SIBs. This includes guiding them on how to design an outcomes-based contract, how to price outcomes, and how to run a procurement process. We also conduct training, events and workshops.

We are keen on the idea of peer learning. To build a market for SIBs in Malaysia, it is worth considering how we can facilitate peer-to-peer learning and develop a culture that enables the dissemination of knowledge and learning. The GO Lab has an extensive range of resources, including case studies and a database of SIBs that have been launched in the UK. We want to have a conversation with all stakeholders, both in the UK and internationally. If we believe SIBs have the potential to help achieve better public services more cost-effectively, then how do we grow this potential? How do we grow this market? We have observed that governments are becoming more interested in setting up large outcomes funds as a way to scale impact. However, we still do not know how to change an entire system.

At the moment, we are exploring the role of transparency and open government. Because it is important to bring more actors to the market, including investors and outcome funders, we recognise the need for transparency. People need to be able to access information on deals and on the impact of the different deals to make up their minds about investing in them. We have discovered that when investment managers try to get their clients to invest in an SIB, they need to be able to show to their clients in a quick, easy, accessible and reliable way what the impact of the SIB has been to date. That is why we are keen on building and sharing knowledge.

We have been commissioned by DFID and the UBS Optimus Foundation to contribute our expertise in developing the Development Impact Board (DIB) market. We will be putting together different resources that are relevant to predominantly middle and low-income countries. We aim to develop a global hub where different countries and stakeholders get together and exchange notes on what does or does not work in their respective geographies.

RESPONDENT 1

MONEM SALAM

Executive Vice President, Saturna Capital, UK

There is a need to clarify the terminology SIBs. The term ‘social impact contracts’ (SICs) should be used rather than the term SIBs.

The SIC market is quite sizeable. Impact Alpha claims that the SIC market has mobilised more than US$400 million in total, and SICs have impacted more than 700,000 lives. According to the Brookings Institute, over US$300 million have been raised for SICs. I will discuss five key considerations for developing the SIC market: risk and return, tax incentives, charitable operations, fiduciary roles, and the potential role of Islamic financial instruments.

First, the risk and return of an SIC depend greatly on its sources of funding. Is it a *waqf*, an endowment, or a private entity? In the private sector, the investment approach for SICs is very similar to venture capital investment strategy whereby venture capital has a one in ten chance of having a successful investment, but the outcome for the one that succeeds is so great that it makes up for the nine that fail. What is the rate of return on an SIC? It is roughly 2.5% on a yield basis. The 10-year Treasury yield is around 2.54%. The 30-year is 3%. For all of the financial risk involved in investing in SICs, it is not enough that the average rate of return on an SIC just barely beats inflation. Endowments and other charitable organisations may tolerate the risk because they have a different risk and return profile. If investments in SICs may result in financial loss to investors, the rate of return on these investments needs to be higher than the rate of return on investments in equities over the long run.

We also need to consider how we mitigate the risk of investments in SICs. Scott D. Anthony, Senior Partner at InnoSight argues that innovators have about a 1 in 500 chance of success. However, if the same innovators worked within a corporate structure, their success rate goes up to a 1 in 8. Perhaps, a new approach to SICs is to consider them from the corporate level. How can corporate entities utilise SICs? If SICs are similar to PPPs, then large corporations and private investors can study a project, conduct due diligence and come up with a rate of return that is suitable for them. Then, the government can pay for what it deems appropriate.

Second, let us examine tax incentives. If the government shifts its responsibilities to the private sector, then why should the private sector be taxed? Tax savings should be given to the companies who undertake the functions and roles of the government. For example, in the United States, municipal bonds are exempt from state taxes, and some of them are exempt from federal taxes as well. The most recent example of a state tax exemption is the Trump tax plan for which the government created the Opportunity Zone programme. Investors can defer tax payments on capital gains from investments in any project in the opportunity zones as long as the capital remains in the zones. There is an incentive for investors to invest in underdeveloped areas, redevelop the area and capture the gains from the investment.

Another example of a tax incentive is a charitable remainder trust (CRT), which is tax-exempt. A CRT allows investors to place money in a trust and keep any return from the trust's investment. After the death of the investor, the initial amount of money placed in the trust will be donated.

Third, I would like to discuss charitable operations. Some people believe that workers in charitable organisations should be paid less. Because charitable organisations offer lower salary compared to the private sector, they attract less talent. Governments also face similar challenges. In contrast, the private sector competes for talent by offering a competitive remuneration package.

In addition, to enhance operational efficiency of charitable organisations, impact investors have to get involved in social impact projects like how a private equity firm gets involved in the companies they invest in. However, some charities may not welcome the investors' involvement in their operations, and claim that they know exactly what they are doing. In terms of transparency and governance, if the private sector is required to exhibit the highest level of transparency and governance, the same requirement also needs to be incorporated into the public sector.

Fourth, I want to make a small note on fiduciary roles. What is the role of a fund manager? Is it to maximise financial returns or is it to provide some other type of benefit to investors? Moreover, what is the role of a fund owner? The roles and incentives of a fund manager and fund owner are sometimes not aligned. For example, the mandate of a fund manager is to maximise financial returns. There might be an outstanding SIC out there that fund managers want to invest in but is not viable because the risk and reward profile of the SIC is not within the parameters of their investment mandate. The World Bank's Immunisation Sukuk and Khazanah's Sukuk Ihsan took a long time before there was an uptake. Investment in SICs is possible if the fund owner provided capital to the fund manager with a mandate to undertake social impact investment.

The final point is the potential uses of Islamic financial instruments. SICs can be financed using *waqf*, educational trusts, or even *zakat*. It is probably most suitable to use *zakat* for a short-term social project as *zakat* has to be given away on a short-term basis. We can potentially create a short-term SIC with short-term milestones and finance it with *zakat*. For example, a *zakat*-based SIC could be used in a refugee camp to finance infrastructure and social programmes. When a crisis occurs, the government has to spend a lot of money to procure land and build the necessary infrastructure to host refugees. Instead, SICs can bring charitable organisations to deliver services to refugees using upfront investment capital provided by investors. The government would then provide certain financial returns to the investors. A *zakat*-based SIC would be suitable for such a project because it is for the needy, and it is short term.

RESPONDENT 2

OMAR SHAIKH

Board Member, UKIFC

The issues of form and substance have been discussed in the Islamic finance sector for the last 15 years. The UKIFC concluded that the Islamic finance industry has been good at replicating existing products but has not managed to innovate and introduce financial products that align with Islamic finance's *maqasid*. *Halal* and *tayyib* are mentioned in the Quran and are a part of *fiqh*. The Quran refers to the word *tayyib* over 25 times. We can make a comparison of this concept in the capital market with light green and deep green bonds in green finance.

When I first started conversing about the importance of realising *tayyib* in Islamic finance, it did not get much attention. In the last eight years, I decided to shift my focus towards the mainstream conventional finance industry and led the Ethical Finance Hub, which is a global ethical finance initiative. Today, it is encouraging to see emerging ethical financial practices among the mainstream conventional finance stakeholders.

There is an issue with the terminology being used for SIBs. In the UK, none of the SIBs, as they are termed, are listed on exchanges. SIBs are not bonds.

The field of social finance was pioneered by the work of Sir Ronald Cohen, Chairman of Big Society Capital, and institutions such as Bridges Ventures. In the early years of social finance, we saw early preventive services and small structured projects were moving towards outcomes-based financing. An SIB is a form of outcome-based financing. The Robertson Trust and the Glasgow City Council have now been engaging with outcomes-based financing.

The use of outcomes-based financing raises an entire set of questions: What has gone wrong with the existing fee-for-service system that we have to pay for outcomes instead of for interventions? Are existing public service delivery models failing? If they are failing, why is this happening?

The beauty of SIBs lies in how they are connected to the debt capital markets. One unique feature of SIBs is that the coupon can increase or decrease depending on the contract. For example, the profit payment for Malaysia's Sukuk Ihsan decreases with better project outcomes. Recently, Thames Water, one of UK's largest utility companies, raised a £1.6

billion credit facility through a syndicate of banks led by BNP Paribas. If Thames Water meets the required ESG performance criteria, the coupon on the facility will decrease. This feature of the coupon goes against the presumed shareholder maximisation by the banks. Why are the banks investing in the credit facility?

We need to take a step back and examine the concept of returns. Who decides on the level of returns that is suitable for investors? Is it the fund manager or the fund owner? On the spectrum of returns from impact-first investors to finance-first investors, the expectation of financial returns of investors that sit between the two is unclear.

The Brenninkmeijer family is one of the largest family offices in Europe. Traditionally, the family office had separate investment and philanthropic arms. The investment arm was responsible for maximising the financial returns on investment while the philanthropic arm was involved in philanthropic work. Now, they are beginning to change their investment policy to ensure that it does not contradict their philanthropic objectives.

Along the spectrum of returns, some investors only care about financial returns. These are finance-first investors. However, even among finance-first investors, there are also investors who feel that they can no longer get away with investing in any investment opportunities without considering the negative impact of their investments, partly because of reputational risk and negative public opinion especially through social media. For example, the Church of England was criticised for investing in Wonga, a leading payday lender in Britain whose business was publicly denounced by Archbishop Justin Welby.

Another group of investors on the spectrum of returns are active fund managers who integrate ESG principles into their investment policies. For example, Black Rock's Chief Executive Officer, Larry Fink claims that the firm will consider ESG factors as part of their investment strategies. Similarly, Baillie Gifford is now attempting to consider ESG factors across all of the £260 billion pound that they manage. In addition, there are specialist impact funds such as Baillie Gifford's Positive Change Fund, Blue Orchard, and responsAbility, that are trying to achieve financial returns while using the SDGs as their parameters for impact.

Another interesting development in social finance is Malaysia's pioneering instrument Khazanah's Sukuk Ihsan whose coupon rate goes down with higher impact performance. A similar model is used for Thames Water's credit facility. Both examples show that if given a choice, some investors will seriously consider sacrificing some financial returns in order to benefit their local community and invest using specified ESG or other criteria that are consistent with their faith and values.

Furthermore, there are impact-first investors. There are two kinds of investors who do not seek financial returns. First, there are investors who only require capital protection. In Islam, this practice is known as *qard*. Then, there are donors who provide donations and grants. In Islam, the practice is known as *sadaqah*. Providing capital on concessionary terms has its own challenges. UNDP's Administrator, Achim Steiner clearly states that the current level of philanthropic giving is not sufficient to meet the SDG financing gap. The mainstream conventional capital markets are expected to cover the shortfall.

There are a few specific technical issues that we need to examine and explore in engaging with SIBs. First, there will be legal challenges. How do we draft an SIB contract with its specific requirements and ensure the enforceability of these requirements? Also, how do we ensure that there is a degree of objectivity in the measurement and analysis of outcomes? HSBC is the world's first corporation to issue an SDG bond. However, its SDG bond was not independently verified. Instead, it is a reallocation of their existing lending pool.

This brings us to the issue of greenwashing, or similarly, SDG washing. We need to learn from the Green Loans Principles and the Climate Bond Initiative, which produce technical rules around ethical criteria for impact investments. We have done the same in Islamic finance. For example, in the Islamic equity market, for a company to be Shariah-compliant, only 5% of income can come through non-permissible means. The same approach should be taken towards an ESG sukuk, SDG sukuk, green sukuk or blue sukuk. We need to build the technical expertise and legal enforcement for the social finance industry.

In conclusion, first and foremost, there is an opportunity in the finance industry to change the concept of returns. Although there is a human desire for wealth, ontologically, there is an Islamic understanding of wealth accountability or *hisab*. There is also the concept of *baraka* (blessings). *Baraka* cannot be put into an Excel spreadsheet. People need to be given a choice whether to invest for *baraka* or for only financial returns. Second, we have always urged the Islamic finance industry to focus on risk-sharing. SIBs now present an opportunity for risk-sharing for the Islamic finance industry. For example, the coupon of the Thames Water credit facility changes depending on social outcomes. Third, SIBs are fast-growing but we need to be wary of impact washing.

There are encouraging recent developments in Islamic finance such as the Nigerian Sukuk, whose proceeds were used for infrastructure, and the Indonesian Green Sukuk, which is the first sovereign green sukuk. It is a shame that the Islamic finance industry is not leading the global conversation on sustainable finance as much as it should. Recently, the UKIFC became the first Islamic finance institution to become a signatory to the UN Principles for Responsible Banking. The UKIFC is a small body and there are many bigger organisations who should actively support this initiative. While there are challenges, I remain positive that the SIB market represents a step in the right direction for addressing the aspirational dissatisfaction and creeping cynicism towards the social purpose of Islamic finance.

Q&A SESSIONS

PROFESSOR DR ENGKU RABIAH ADAWIAH ENGKU ALI

The concept of SIB is still fluid. We can expand its boundaries to include other models, regardless of their structures, risk and return profiles, and coupon payments, as long as these models include impact measurement. The commissioner of an SIB can consist of a foundation or an endowment, not only the government.

ANDREEA ANASTASIU

The commissioner of an SIB does not have to be the government. In the international development sector, several SIBs have involved both the government and other development organisations as the commissioners. For example, the West London Zone project has a mixture of local authorities, foundations and individual donors acting as the outcome funders, which is a good model of co-commissioning of an SIB.

I work predominantly with government representatives. In structuring an SIB, my advice is to focus on the problem that they are addressing and the outcomes they want to achieve. SIBs are not meant to solve all the world's problems. If there is an appetite for impact investing, it would be a missed opportunity not to use impact capital for SIBs.

An SIB contract is often designed to include regular payments based on incremental outcomes measurement and verification. It is very unusual to see an SIB contract like the Peterborough SIB, which the investors had to wait until the completion of the programme before they received any payments on outcomes. The more recent SIBs often include risk-sharing and the use of gradual outcomes payments.

ABDUL HASEEB BASIT

The venture capital industry, specifically in the UK, has been very good at incentivising early-stage capital investments through schemes such as the Seed Enterprise Investment Scheme and the Enterprise Investment Scheme. Through these schemes, venture capital investors receive financial returns if their investment yields a positive result. In this scenario, investors pay taxes as usual. However, if their investment yields a negative result and they lose money, they can claim tax relief for the loss up to a specific limit. The government can design a similar incentive structure to encourage investors especially corporations through their CSR to invest in SIBs. It is essential to ensure that a reporting requirement is integrated into the incentive structure.

As a sector matures, there is an opportunity for securitisation. Securitisation has its problems and has led to the 2008 financial crisis. Emerging technology such as blockchain and tokenisation provides an opportunity to create a securitised market for SIBs in the future.

From a legal perspective, technology such as smart contracts makes an SIB contract possible, which automatically triggers payment based on outcomes delivery. Several organisations are studying legal standards for smart contracts.

DR SALMAN SYED ALI

To include social outcomes in a financial contract, we need to define social outcomes. From an economic perspective, we can measure outcomes using the average or the marginal benefits of an intervention. We can also benefit from emerging technology such as smart contracts, to ensure accurate outcomes measurement and timely payments. Lastly, we created a financial structure for social impact called development-focused impact *waqf* or sukuk. We hope everyone can benefit from it.

NICHOLAS HD FOSTER

Senior Lecturer in Commercial Law
SOAS, University of London, UK

In implementing SIBs, accountability and governance are essential. However, it is challenging and costly to draft governance requirements into a contract. From a legal perspective, drafting an SIB contract is not impossible, but it will cost money and take some time as outcomes tend to vary depending on the SIB. We can establish a standard in drafting an SIB contract, but it will take time.

I am concerned about cases of default. Would default be considered a breach of a condition or would the entire contract be deemed to be voided? There may be ways of solving legal issues regarding default through smart contracts.

Second, assessments have distorting effects. Students' academic outcomes depend on how students are examined. Some assessments can lead to various adverse consequences.

Lastly, I have never believed in risk-sharing in Islamic finance since I first learned about risk-sharing. Risk-sharing is entirely unrealistic. Investors would not want to share risk because they are not traders. Risk-sharing in the classical period of Islam was for traders. However, I strongly believe that risk-sharing for social outcomes seems feasible and viable.

SESSION 3
HARNESSING THE SUCCESS FACTORS FOR SOCIAL IMPACT BONDS

ARSHADUR RAHMAN

In the UK context, I would caution on the use of the term PPP. It is a loaded term and often associated with fiduciary concerns and agency conflict, as well as the need to ensure that asymmetries of information are adequately considered in the partnership agreement.

Besides, a company's remuneration policy should be tied to the company's outcomes performance. Businesses should adopt a balanced scorecard approach, where non-financial considerations are embedded into the corporate strategy. The approach can motivate all the stakeholders at different levels of the business to work together in a co-ordinated manner to achieve the target outcomes.

PROFESSOR DR MOHAMAD AKRAM LALDIN

ISRA aims to harness *waqf* for social impact. We are working together with IDB to issue the first sukuk *waqf*. It may be challenging to find investors to invest in the sukuk *waqf*. Many people are concerned only about financial returns.

One of the features of the sukuk *waqf* is that it includes both the temporary and permanent *waqf*. Speaking about *waqf*, it often brings to mind the perpetual nature of *waqf*. This characteristic of *waqf* is based on the opinions of the classical Shariah scholars. ISRA found a Maliki view that permits a temporary *waqf*.

The structure of our sukuk *waqf* allows investors to invest in the instrument temporarily or perpetually. The proceeds will be used to support socially-viable projects, and the financial returns from the projects will be used to repay the principal amount of the temporary *waqf*. The returns for the perpetual *waqf* will be used for other social purposes. We have obtained the endorsement of several prominent scholars. We hope to empower *waqf* as a vehicle for social good.

DR RUTH A SHAPIRO

One of the reasons the UK is leading in the SIB market is because it has been living under severe austerity measures for quite some time. SIBs are an innovative way around the austerity measures. In other words, the government is no longer doing what it used to do. In contrast, in Asia, there are a lot of discussions about the role of the government and other organisations in providing public goods and solving social issues.

Collaboration is key. I want to see an example of a successful SIB and understand why it was successful and what were the contributions of the different parties in the partnership.

ABDULKADER THOMAS

Arsalaan Ahmed, Head of HSBC Amanah Malaysia, made important comments about HSBC's SDG bond. First, we have to start somewhere. He had to issue the bond which had to comply with the SDG criteria. However, he was able to use only the bank's limited resources. He also needed more funding to create more SDG bonds. He had to start somewhere.

The issue of premium on SIBs is related to the nature of services under SIBs. The costs of services such as childcare and social services under some SIBs are not easy to define. We worked on a housing project in Detroit where, the cap rate for housing was high enough that investors could get attractive yields on their investment even if the project did not go well. If the project went well, investors could forego some of the returns to make the service beneficiary better off.

There is a need to rethink *waqf*. I want to share several cautionary tales. First, Oliver Bullough's Moneyland shows that people of great wealth are evading taxes. Second, in Egypt, some lands were dedicated to *waqf* perpetually. Unfortunately, the revenues from the *waqf* lands went to wealthy families. The existence of *waqf* lands prevented the government from undertaking land reform for Egyptian citizens. The proposed land reform was blocked by the *mutawalli*, the guardians of the *waqf* lands. The government eventually decided to seize the *waqf* lands.

DATO' DR AFIFI AL-AKITI

Kuwait Fellow in Islamic Finance
Oxford Centre for Islamic Studies, UK

Imam al-Ghazali said famously, 'Once the meaning and substance are understood, there is no need to quibble and fight over terminology and terms.' Whatever SIBs are called, either DIBs, sustainable and responsible investment bonds, or SICs, most of us can agree that we are looking at financial contracts with social returns. The social returns are based on SDG principles, ESG criteria or even generally *maqasid Shariah*.

Islamic finance has been criticised as being too similar to conventional finance. Almost every *sukuk* issued used a *murabahah* contract, not a *musharakah* contract. Besides, it would be difficult to get a sukuk for social projects approved without a guarantor. These practices preclude the possibility of people, organisations and projects that need financing but do not meet investors' requirements. An actual profit-sharing contract does not require a guarantor. Islamic finance faces structural problems that the industry needs to consider. All stakeholders should be aware of these problems.

TUNKU ALIZAKRI ALIAS

First, why would a government want to have specific bonds for specific social purposes? It would be much better for the government to issue a bond for multiple projects to give them the flexibility to manage the bond proceeds. The UK government may be much more comfortable in raising money for specific projects with several key outcomes. The Malaysian government wants to have as much flexibility in managing bond proceeds as possible. Second, would an SIB be rated at a sovereign level or a departmental or ministerial level? If it is at a departmental or ministerial level, what would the ratings be and how would an SIB be rated? Third, are SIBs tradable?

MOHAMED IQBAL ASARIA

In the UK, the Big Society Movement was an underhand way of covering up austerity measures and shifting the burden of austerity to society. We have to be careful about shifting risk from the banking sector to taxpayers. This practice is still taking place under quantitative easing. Wealth remains concentrated and does not trickle down to others.

Organisations can be persuaded to consider social impact. For example, Munich Re, one of the biggest reinsurers in the world, is investing billions of dollars into mitigating climate change. Climate change is

SESSION 3
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the most significant risk for them. Most of Munich Re's insurance claims will involve climate-related risks. We can grow the SIB market if we can encourage entities like Munich Re to invest in SIBs by emphasising that sustainability is integral to corporate risk management. We should regard the SIB market as a laboratory for learning what works and what does not, and how to structure a financial instrument that is suitable for mainstream investors.

PROFESSOR HABIB AHMED

The justification for transferring the government's role in providing public goods to non-public bodies is to enhance efficiency and lower the cost of social service delivery. However, because non-public bodies are only concerned about efficiency, the private provision of public goods may alienate the public. The main problem of privatisation of public services is sole focus on efficiency.

The Shariah of *waqf* is very flexible. The International Islamic Fiqh Academy of the OIC permits a temporary *waqf*. The problem with *waqf* is that it is governed by national laws, which are very restrictive. Governments interfere in the *waqf* sector.

ANDREEA ANASTASIU

It is challenging for us to engage with government agencies regarding SIBs. Government agencies often think that SIBs would be similar to PPPs. Can we learn from PPPs to understand what works and what does not to improve the SIB market?

The issue of privatisation through SIBs tends to invite polarised opinions. A lot of people in the public sector are opposed to SIBs because of ethical and ideological concerns around privatisation. The GO Lab aims to enable evidence-based policymaking and provides independent opinions on SIBs.

SIBs are not traded or listed on exchanges because they are not bonds.

There are a lot of discussions around standardisation to make SIBs more appealing to commercial investors. In the UK, there are a small number of investors, who tend to have a strong social focus, that are active in the SIB market. They work closely with the government and the service providers on structuring SIBs deals and implementing social projects.

OMAR SHAIKH

The SIBs in the UK are not bonds. Examples of bonds from the ethical debt capital markets are the green bonds, SDG bonds and climate bonds. HSBC has aimed to allocate US$100 billion into social investment by 2025, which is very commendable.

ANDREEA ANASTASIU

It is not a coincidence that SIBs were developed in the UK. SIBs sit at the intersection of three different trends. The first trend is the growth of interest in social impact investing. The second trend is related to the context of the UK public administration over the past 30 years. With the new public management, the state acts as a commissioner rather than a provider of services. The UK government has a track record of contracting out public services and using payment-by-result contracts. The third trend is the increasing involvement of the voluntary sector and community-based organisations in the delivery of public services.

The SIB market is developing in France, the Nordic countries, and other parts of the world with different policy contexts. Several SIBs have been launched in France. I would have never expected a country like France with a welfare-state orientation to be interested in the SIB model. There are different motivations for SIBs.

PROFESSOR DR ENGKU RABIAH ADAWIAH ENGKU ALI

We will need to learn and relearn about how to use SIBs in Islamic finance towards a more impactful way of financing social and community projects.

KEY TAKEAWAYS

Unlocking potential of Islamic social finance for social impact

The principles of Islamic philanthropy which form the foundation of Islamic social finance, emphasise economic and social justice, shared prosperity and inclusive participation. Indeed, Islamic social finance has been instrumental in poverty alleviation and socio-economic development in Muslim-majority countries and beyond. Islamic social financial instruments like *zakat*, *waqf* and *sadaqah* have significant potential to address the marginalisation of underprivileged, deprived and neglected communities. These instruments have to be developed, managed, and used with efficiency, accountability, and transparency to realise their potential for social impact.

Islamic social finance offers governments and communities a non-traditional source of financing to meet a range of short-term and long-term development needs. While *zakat* and *sadaqah* can be vital for short-term crisis response, *waqf* can be used to build resilience through infrastructure and institutions. Islamic social finance can be used alongside traditional finance through innovative financing models to enhance its contribution to sustainable development. For example, shariah scholars and Islamic finance practitioners are now deliberating on utilising temporary *waqf* as a means of attracting impact capital from *waqf* institutions for sustainable development.

Recently, SIBs and DIBs have emerged as an innovative financial tool, aimed at mobilising private capital for delivering welfare programmes and tackling social problems. A temporary *waqf* element can be integrated into a DIB structure through which a *waqf* institution along with other investors, provides upfront capital to support the implementation of a social project. DIBs allow *waqf* institutions to fulfil the roles of *waqf* in serving the beneficiaries while also preserving the *waqf* corpus through outcomes payment arrangements.

Creating partnerships to enhance social service delivery

The strength of an SIB lies in its ability to forge a partnership between multiple stakeholders. In an SIB structure, the government only pays for demonstrable and verified outcomes delivered by social service providers who receive upfront capital from philanthropic funders and impact investors. SIBs enhance the effectiveness and efficiency of social service delivery by overcoming structural barriers that hinder the successful delivery of social services. These barriers include unclear targets and outcomes, poor cash-flow management, poor governance, transparency and accountability, and a lack of impact management and measurement.

Traditionally, governments and donors pay for a set of predefined activities and projects that will deliver their desired outcomes. This fee-for-service approach does not stimulate innovation and catalyse entrepreneurial solutions to social problems. Besides, it does not encourage social service providers to innovate and strive for better project management and delivery to produce better results. Moreover, governments and donors risk a high cost of failure if the project does not benefit the target population.

Recently, three trends are emerging. First, government and donors are increasingly budget-constrained, and therefore, seek to maximise the impact of their capital investments by paying only for successful projects. Second, social service providers are increasingly looking for creative ways to deliver social services and grow their impact. Third, the growth of the impact investing industry has produced a new generation of impact investors who look to harness the power of entrepreneurship to address social problems. SIBs draw together these trends.

Through SIBs, each party can achieve their objective, and utilise their strengths and capabilities to deliver social impact and serve marginalised and vulnerable populations. SIBs align at least three distinct stakeholders – investors, service providers, and governments or donors. This is based around the delivery of a specified set of outcomes for an agreed financial payment per social outcome.

Using precise terminology for social impact bonds

The use of the term ‘bond’ for an SIB has led to confusion and misconception about its behaviour. SIBs are not debt instruments which investors loan money to an issuer for a defined period at an agreed coupon rate. Instead, SIBs are multi-stakeholder partnerships developed and managed through a series of contractual arrangements between governments or donors, service providers and investors. There have been several suggestions to use a different terminology in place of ‘bond’ for SIBs. In Europe, SIBs are often referred to as ‘social impact partnerships’. They are known as ‘pay for success’ in the United States and ‘social benefit bonds’ in Australia. The SIB market is still in its nascent stage in most countries around the world. There is a need to continue expanding the boundaries of SIBs to include other models of payment for outcomes. These models may consist of various structures, risk and return profiles, and coupon payments.

Ensuring the success of social impact bonds through collective leadership, clear outcomes, shared understanding and comprehensive data

SIBs necessitate robust performance management systems to ensure that all stakeholders can play their roles effectively in delivering social services to achieve the intended outcomes. The LOUD model summarises the four factors of successful implementation of SIBs. These factors include collective leadership, clear outcomes, shared understanding and data. First, there is a need for collective leadership within, across and between the different organisations involved in the SIB development. SIBs are new for most stakeholders, complex to develop and necessitate the creation of new partnerships between stakeholders. Collective leadership must be established between members of the leadership team between the leaders and their internal stakeholders, and between the team and the organisation’s external environment and stakeholders. As SIBs are collective endeavours,

leadership must be collective across these three dimensions: strategic, organisational and environmental.

Second, it is crucial to define target beneficiaries and choose outcomes that are clearly defined, objectively measurable and accurately attributable to the intervention. However, given that SIBs involve multiple stakeholders; varying demands of multiples groups means that the process of defining outcomes could be timely and costly. Third, all stakeholders need to have a shared understanding of the policy problem to be addressed. They must ensure that the problem has a credible solution, and that the proposed intervention is evidence and knowledge-based. Lastly, a substantial amount of data is needed to develop a business case for SIBs from specifying target beneficiaries to defining outcomes and linking financial payments to outcomes.

Redefining fiduciary roles

SIBs incorporate the use of private finance to provide the upfront capital required by a service provider to deliver social services. The role of private funding from investors is crucial in ensuring the success of SIBs. Therefore, there is a need to rethink and redefine fiduciary duty to catalyse private investments in SIBs. There is a perceived tension between sustainable and responsible investing, including investing in SIBs, and legal understanding and interpretations of an investment manager's fiduciary duty to clients. Fiduciary duties are often characterised as a legal barrier to investors in integrating ESG issues into their investment processes. Fiduciary duties exist to ensure that investment managers act in good faith in the interests of their beneficiaries with due care, diligence and prudence.

There is now growing recognition among investment managers and investors of the need to pay more considerable attention to ESG issues in their investment practices. Various studies have shown that there is a positive association between financial performance and ESG considerations. Indeed, sustainable and responsible investing, and impact investing are about finding opportunities and managing risks through enhanced analysis of issues, including ESG issues, and enhanced financial performance over the long term. Failing to consider long-term investment value drivers, which include ESG issues in investment practices is a failure of fiduciary duty.

Utilising technology to ensure transparency and accountability

To catalyse the growth of the SIB market, we need to harness financial technology to enhance efficiency, transparency and accountability of stakeholders. Emerging technology such as smart contracts and blockchain can be used to systematically encode links between payments and outcomes, monitor operations, and trigger payments based on outcomes delivery. The use of modern technology in the SIB market helps eliminate distrust among counterparties and reduce ambiguity in service operations. Besides, it ensures sound outcomes management and measurement, and guarantees timely payments once project outcomes are verified. Technology can play a crucial role in creating positive ripple effects in forging stronger partnerships between stakeholders, allowing them to work together in developing and implementing more targeted and effective interventions to tackle social and environmental challenges.

DEMONSTRATION EFFECT

DR SHARIHA KHALID ERICHSEN
Managing Partner
Mission & Co, Malaysia

We are living on a planet that has 7.7 billion lives. If we continue using the Earth as we do now, we would require more of Earth to sustain our need for the resources. As human beings, we have unlimited potential to do both good and bad. The reality is that we all share the same home. We only have one Earth.

The UN launched the SDGs in September 2015, which build on the MDGs, intending to drive impact in specific focus areas. The SDGs are part of an effort to engage new parties and constituents. Ultimately, when we are talking about a situation in which the Earth is reaching its tipping point, it is not up to only the UN or governments to solve our problems. We all have a role to play. We need US$5 to US$7 trillion annually to achieve the SDGs as estimated by the UN. The total amount of ODA hardly reaches US$200 billion. The gap is huge.

I like the word 'tipping point' because it can have both a positive or negative meaning. We really are at the tipping point of self-destruction. Malcolm Gladwell, author of *The Tipping Point*, refers to the 'tipping point' as a small act that can make a huge difference. I believe impact investing is just the means to an end of making a difference.

Impact investing was formally coined by the Rockefeller Foundation in 2007 at the Bellagio Centre in Italy, but the field has existed for many years in terms of using capital for the public good. The year 2007 was the first tipping point for the field of impact investing, when it came to be more

widely known among people who were searching for a tool to make a difference within the world of finance and world of impact. In 2019, the GIIN estimated that the size of the market was about US$502 billion.

The Big Society Capital was created to build an ecosystem for social finance using money from dormant accounts in the UK. There has to be an ecosystem within which the work that we all envision can be implemented. Financial products and instruments on their own cannot work without having an ecosystem where there is a balance between supply and demand through intermediaries.

When the UN launched the SDGs, one of the key actions was to work closely with businesses. Change will occur when businesses understand the value of business opportunities in the SDGs. It is at least a US$12 trillion market to be tapped into, and not only the market provides financial returns but also creates an impact. Moreover, the SDGs work with the real economy where people's lives and livelihoods are affected. There are many ways that money can move around the world, and sometimes it never trickles down to those who really need it. The origin of Islamic finance is about the real economy.
The question is, how do we ensure businesses play their role in realising the SDGs with the tools, platforms, frameworks and structures that businesses have? I have worked in Southeast Asia for the last 12 years and founded Mission & Co, a global financial innovation, capital markets and investment advisory firm. Mission & Co aims to catalyse the power of financial innovation for people and businesses, and build pathways to scale social impact. The word 'Mission' emphasises our mission and the words '& Co' highlights the importance of finding collaborators to achieve our mission, which was inspired by Buckminster Fuller, a scientist and futurist who lived in America. We made it our mission to make this world work for a 100% of humanity through spontaneous collaboration without causing ecological offence or harm to anyone.

> “When the UN launched the SDGs, one of the key actions, was to work closely with businesses. Change will occur when businesses understand the value of business opportunities in the SDGs.”

Ten years after we started Scope Group, an innovation lab. We realised how important money was to making everything happen. Money truly makes the world go round, and it can also be the reason for the destruction of the world. For us, it was essential to reconcile how we could transform lives within the paradigm of finance. Impact investing was a natural progression for us as an organisation that wants to create an impact in the world. It is important to remember that there is a continuum of returns. Impact investing is about finding a balance between the world of philanthropy where you expect only social impact and not financial returns, and the world of traditional money where you expect only financial returns and not social impact.

We started our journey working with governments, international organisations, multilateral agencies and NGOs but in the last six years, we have been mainly working with businesses of all sizes. In this period, we observed that there are always six elements that are needed for businesses to scale impact. These elements known as the 6Ms are mentors, mission, markets, management, media and money, which comes last. Businesses cannot achieve impact at scale without having all six elements together.

An important component of building an ecosystem for impact investing is determining how to make investors interested in impact. In 2012, Mission & Co worked with the UNDP to examine the role of innovation in the provision of public services. We introduced the idea of social enterprise as a new type of business model to demonstrate how businesses can drive public good.

2013 was another critical year for us. A convening by the Rockefeller Foundation in Hong Kong set the wheels in motion for Asia to become the next big region for impact investing. It was also the beginning of our journey running an impact incubator with the British Council, and we began with six social entrepreneurs. In 2014, we started working with the Malaysian government to conduct a feasibility study on SIBs for the NIA. Our study resulted in the issuance of the Social Outcomes Fund, which is a small fund of RM3 million, but it acts as a demonstration effect to show that SIBs have the potential to mobilise impact capital. We published the report, *Social Financing and New Models for Public-Private Partnerships* in Malaysia. We also did a social progress assessment of the cost of social service delivery to structure a SIB.

In 2015, we realised that we have to create our own little ecosystem to ensure that impact-driven organisations can thrive. We decided to start the Impact Hub in Kuala Lumpur where social entrepreneurs can meet with businesses, the government and multilateral agencies to form partnerships and create an impact together. We also created another organisation called Human Ink, which focuses purely on innovating businesses. The year 2016 saw us experimenting with a new model, including supporting an existing NGO by creating a social enterprise arm for them to become more sustainable.

In addition, we funded an organisation that works with marginalised and at-risk youth to help them gain skills in the solar industry through a solar academy run by Sols 24/7 in Malaysia. Sols 24/7 is now Malaysia's largest fitter of independent solar panels. We also did a project with the homeless population in Kuala Lumpur for which we experimented with a model of providing micro-jobs. We worked with 170 homeless people. We were involved in a water electrification project in Sarawak, Malaysia. We also worked with visually impaired people to provide them with a means of income by setting up telecall centres, at-risk youth to help them channel their energies into Muay Thai and kickboxing while also learning English so that they could become gym fitness instructors as well as single mothers in low-cost housing areas to teach them new skills.

We also founded the ASEAN Impact Challenge, a platform that has been around since 2015, to discover innovations that can accelerate the SDGs. It is now in its fifth year, and we are looking at redesigning the programme to bring onboard more big business so that they can compete against each

other to become the best business in Southeast Asia that drives impact.

As you begin your journeys to create change in your organisation, you have to be patient and try different methods of creating an impact. In the seven years that we have been working in impact investing, we have directly invested in about 120 ventures. 60% of those ventures are still around. But, the numbers are not what is important; it is about being daring to place your bets on a field that is evolving and growing.

In 2019, the impact investing field has become more tangible than ever before. It is the second year that Larry Fink, Chairman and Chief Executive Officer of BlackRock, has issued a letter saying that BlackRock is going to focus on impact in their investment strategies. There will be sceptics saying that this is just a marketing move. However, Larry Fink manages US$6 trillion, which is more than what a lot of governments manage. Ultimately, when he says his mission is to focus on impact, it will happen.

It is important to communicate one's mission and intention. When we look at the definition of impact investing, it is about the intention and how we use money as a means to realise that intention. Perhaps I am overly hopeful, but I believe there is no risk of getting nowhere if we try.

SESSION 4

Conclusions and Recommendations

RAPPORTEUR 1

Dr Muhammad Meki
Research Fellow, Oxford Centre for Islamic Studies, UK

RAPPORTEUR 2

Nash Jaffer
Associate, Afkar Consulting, UK

RAPPORTEUR 3

Arshadur Rahman
Manager, Bank of England, UK

RAPPORTEUR 1

DR MUHAMMAD MEKI

Research Fellow, Oxford Centre for Islamic Studies, UK

Professor Iqbal Asaria opened the first session, 'Accelerating Growth of Social Impact Investing', with his presentation of case studies on firms with Quaker origins, who were both profitable and socially responsible. Professor Iqbal mentioned the importance of having more organisations such as these.

In addition, there is a general tendency for short-termism among investors. Although regulators would like to reduce short-termism, they cannot be seen interfering with the financial markets because the role of the regulators is to protect investors rather than to intervene in the markets.

Geoff Burnand discussed the importance of encouraging long-term investment and moving away from a finance-first mentality. He argued that it is not necessary to have complex products in order to build new markets, following which he discussed the concept of blended capital, a financial structure that combines the motivations of mainstream capital with the rigour of social impact.

Burnand then talked about key policy recommendations that are of particular importance for Malaysia. Although international investors have a critical role to play in the development of the impact investing industry in Malaysia, they should not crowd out domestic investors and hinder the development of domestic capital markets. Governments have a significant role to play in developing domestic capital markets, and creating a supportive and enabling environment for social finance.

Finally, to avoid impact washing, impact investing should not just be a marketing technique. It is important to be clear about which specific goals of the SDGs impact investors are trying to target, and the outcomes needed to achieve the goals. There is a need to have transparent and standardised data.

Aamir Rehman began by distinguishing between Islamic commercial finance and Islamic social finance, which he argued is larger in scale and more differentiated from its conventional counterpart. In particular, he mentioned that for *zakat*, there is a greater focus on taxing assets rather than taxing income. Rehman then discussed blended finance. Islamic finance has the potential to offer a third layer

between the proposed two layers of funding, namely junior and senior funding. The junior funding can come from charitable funds in the form of *sadaqah* or *zakat* with the approval of Shariah scholars. Rehman proposed the use of *waqf* as the additional middle layer in the blended capital structure. It is essential that the *waqf* principal is protected. However, *waqf* management can accept a lower return or even no return, which would strengthen the overall blended capital structure.

Rafe Haneef gave an overview of the evolution of the topics in Islamic finance as seen through the lens of the Roundtables. Over the years, the discussions have evolved from form versus substance to risk transfer versus risk sharing. Now, we are discussing the social impact of Islamic finance. The essential question that we are trying to answer is whether Islamic finance currently has produced the impact that its founders had envisaged.

In the early days of Islamic finance, the understanding of social impact was based on the idea that by screening out negative and harmful elements, we would create a positive impact. Therefore, the focus of Islamic finance was on screening out negative elements. *maqasid Shariah*, which included the preservation of life and wealth, which were found as not important. However, the current trend in the Islamic finance industry is to move beyond just looking at Shariah-compliant to also consider the impact of financial practices on the planet and a wider group of stakeholders.

Islamic finance needs to distinguish itself from the ESG principles. For example, an alcohol company might be approved by an ESG screen as long as it is not employing child labour. From an Islamic perspective, investing in an alcohol company is prohibited because of the problems associated with alcohol. Haneef also mentioned that the current debt-based financing system is not sustainable. However, it is difficult for Islamic banks to move away from the debt-based system towards more equitable risk-sharing models when governments incentivise debt.

Several points were made during the Q&A session. First, some scholars question whether they should have a role in assessing the impact of a financial product or service; they highlighted that their primary role should be determining whether a product is Shariah-compliant. Assessing social impact requires good data and regulations. Another point raised was to improve CSR practices of large corporations. In India, big companies are required to donate 2% of their pre-tax profits for CSR, and this has led to more thoughtful management of CSR.

The penultimate point that was raised is provocative whereby most people on the ground do not care about the impact of their investments. Their primary concerns are financial returns as these financial resources are important for education, health or other individual priorities. The EPF received only a mild take up of its Shariah funds. However, although individual investors may not concern about creating a positive impact with their investments, organisations have to be involved in promoting ethical financial practices.

The last point raised was on the potential in reaching out to charities like Islamic Relief and Muslim Aid to provide funding to support social projects.

RAPPORTEUR 2

NASH JAFFER
Associate, Afkar Consulting, UK

Venture philanthropy matches the soul of philanthropy with the spirit of investment, resulting in high engagement and a long-term approach to creating social impact. The venture philanthropic approach utilises concepts and techniques from venture capital both financial and managerial to achieve philanthropic goals. The approach applies the discipline of private businesses to NGOs, who for too long, have been very lax about developing strategic organisational infrastructure. In fact, some NGOs are still living hand-to-mouth and unable to generate sustainable income streams like an ordinary business would.

Additionally, several NGOs face challenges in measuring and managing the outcomes of their projects. Proper measurement and management of outcomes impacts the existing beneficiaries and helps the organisation grow. Venture Philanthropy aims to provide fewer, larger and longer-term funding and grants. It is an approach backed by the core belief in the power of strong organisations to produce social change.

Dr Shapiro kindly shared her diagram of a continuum of returns from the traditional sources of impact-first financing, which is from philanthropy to finance-first financing from profit-seeking investors. She placed venture philanthropy, impact investing, MRIs, PRIs, and socially responsible investments along the continuum. She then shared some examples of successful venture philanthropic organisational structures.

Furthermore, Dr Shapiro discussed the different understanding on the concept of returns. Muhammad Yunus argues that the financial returns should be limited to the actual cost of capital. The Ford Foundation claims that they are willing to accept a lower return to achieve social impact. TPG Capital, however, is not willing to make any financial sacrifices. It is healthy to have diverse return expectations because there will not be one financial solution that fits the needs of every social project.

Dr Shapiro discussed the *Doing Good Index*, which considers tax and fiscal policy, regulations, ecosystem and procurement. In particular, she focused on the ease of doing good in Malaysia. Foreign philanthropic

sources in Malaysia are limited to 6% compared to the Asian average of 22%. Moreover, there is a general perception in Malaysia that people working for an NGO should earn less, which speaks to the larger issue of talent recruitment in the voluntary sector and the need for intellectual capital to move the sector forward.

Dr Jemilah Mahmood shared the experience of IFRC. Dr Mahmood spoke about the importance of shifting from a project to an ecosystem perspective, which necessitates focusing on areas such as innovation, technology, partnerships and outcomes, while also placing people and the environment at the centre.

Outcomes are not definitive and vary depending on which organisation we ask. Ultimately, does a project or an initiative make a difference? What are the social outcomes we want to achieve? Similar to our experience in Islamic finance, we are in danger of worrying too much about the legal forms of Islamic finance and forgetting the ethos of our work. We have now moved to talk about the purpose of Islamic finance, more broadly on the Islamic economy and even more broadly, Islam, which is to do great social good.

We also discussed the WASH programme. Unfortunately, over 2.3 billion people lack access to basic toilets. The One WASH fund is about developing partnerships to produce a long-term solution to the lack of access to water, sanitation and hygiene services.

How can the ICM adopt the venture philanthropic approach? Dr Mahmood shared the experience of the WASH Impact Sukuk, with IDB providing a partial guarantee facility mechanism and foundations acting as the outcome funders. The financial returns from sukuk are dependent on achieving specific social outcomes. In summary, the key aspect of venture philanthropy is encouraging local and national social organisations to adopt the discipline of business practice while retaining their social ethos and organisational objectives.

RAPPORTEUR 3

ARSHADUR RAHMAN

Manager, Bank of England, UK

Andreea Anastasiu spoke about the work of the GO Lab, which is a joint venture between the University of Oxford and the UK government. She expressed her surprise about the commonalities that exist between the different groups in social finance and how they are all facing common challenging issues.

During the third session, there were discussions around definitions, measurements, incentives and outcomes. Professor Dr Engku Rabiah Adawiah started by noting the importance of *zakat* and *sadaqah* within the Islamic tradition, utilising and harnessing these instruments for SIBs. She noted that SIBs are not particularly well known in Malaysia. There is a general apprehension that with SIBs, investors may lose money if outcomes are not achieved. There is still a communication challenge around SIBs that needs to be addressed.

Implementing SIB successfully requires engagement with various stakeholders and government agencies. Furthermore, making adjustments to the terminology used for SIBs might help in overcoming the communication challenge around SIBs and developing partnerships with various SIB stakeholders. Anastasiu noted the differences in the terminology used for SIB in the UK and Europe. Regardless of the terminology used for SIBs, it is necessary to focus on outcomes. Getting too strung up with terminology tends to obscure the actual aim of implementing SIBs.

Anastasiu also noted that the UK SIB market is the most developed market in the world due to some extent, which is the contextual factors relating to the evolution of public policy and public service provision over time.

Monem Salam split his commentary into several key points. Regarding the risks and returns of SIBs, investing in SIBs can be challenging because of its unfavourable risks and returns profile. Indeed, the return expectations of venture capital firms are different to those of the SIB investors. A venture capital firm will invest in several individual opportunities and only requires one or two investments to succeed because one successful investment often provides sufficiently high financial returns. This model does not work in the SIB market because the average rate of returns on the investment in an SIB is low. Therefore, it will

be difficult to make up for the losses because not one successful SIB investment is going to provide sufficient returns to overcome the financial losses from unsuccessful investments. Consequently, SIB investors should not look purely at financial metrics but must also consider impact metrics.

Nevertheless, we need to be able to harness the financial metrics appropriately to encourage participation in social finance. We need to embed a balanced scorecard approach in performance management, an approach that considers both non-financial and financial metrics.

Salam also discussed tax incentives. The tax regime should incentivise SIBs. If the government shifts its responsibility for the provision of public goods to the private sector, then the private sector should not be taxed for providing public goods. Salam provided the examples of tax-exempt municipal bonds and Trump's tax plan.

Historically, one of the main challenges of the PPPs in the UK was the issue of agency conflicts. It is crucial to ensure that the leadership within an organisation aligns corporate incentives with the organisation's social mission. This can be achieved through the balanced scorecard approach, which ensures that social impact elements are embedded in the corporate structure.

With regard to developing and implementing SIBs, there are communication and co-ordination challenges in bringing different stakeholders together to solve a social issue.

Omar Shaikh pointed out that traditionally, many corporate entities tend to have separate commercial and charitable arms. While the commercial arm would do anything when it comes to making a profit, the corporate entity would redress the harm that might arise from their commercial practices through their charitable arm. Recently, several corporations have begun considering the need to acknowledge potential negative externalities that may arise from their commercial activities. It is worth recognising the potential harm from commercial practices to ensure businesses do not contribute to the detriment of society and environment.

During the Q&A session, Dr Ruth Shapiro highlighted that in Asia, there is an emphasis on the role of governments in addressing social issues. Certainly, beginning in the 90s, the UK government preferred to outsource public service delivery to grassroots. One of the challenges that could arise from this approach is a lack of consistency across the different social programmes. Grassroots organisations are often small. As a result, social service delivery by grassroots organisations could end up becoming fragmented and inconsistent.

Dato' Dr Afifi al-Akiti said we should not worry too much about terminology. If we can all agree that an essential element of an SIB is the social impact, it is perhaps not so important to be fixated on the terminology used for SIBs. However, it may be worth first thinking carefully about defining an SIB to ensure the definition is descriptive while not being too exclusive. Nevertheless, it is also important to focus on outcomes measurement and management, and to use the measurement to enforce discipline and oversight in the implementation of an SIB.

Q&A SESSIONS

MUSHTAK PARKER

To build an ecosystem for social finance, I suggest that we initiate a research to gather lessons from the experiences of social impact investing, venture philanthropy and Islamic finance. We can build on the successes of past projects and initiatives to enhance the ecosystem for social finance. Besides, alongside the *Doing Good Index*, it is vital to not forget the 'Doing God Index' as our ultimate aspiration.

ISSAM AL TAWARI

Founder and Managing Partner
Newbury Consulting, UK

Some people believe that Islamic finance only changes the terminology of conventional finance without having a real positive impact. Social impact investing is about making a difference in people's lives. Islamic finance is however, all about making an impact and a difference in people's lives. Islamic finance is 'banking with a mission'. The regulator has to emphasise the importance of social impact investment and put in place an incentive structure that encourages companies to consider the social impact of their business operations. Besides, social impact investing appeals to millennials. Therefore, we have to change our language to speak to the millennials.

By issuing socially-oriented sukuk such as Sukuk Ihsan by Khazanah, we are tapping into a new pool of funding from impact investors. If we continue to emphasise the importance of social impact investing and link it to Islamic finance, we will see a difference in the Islamic finance industry.

AAMIR A REHMAN

The SC should consider integrating blended finance into the capital markets and study the principles of blended finance from the perspective of the SC's 5*i* strategy. What are the implications of a blended capital structure for *i*ssuers and *i*nvestors? What are the instruments and information required to support blended finance? Regarding internal culture, what would be the approach to blended financial models in Malaysia? Blended finance encompasses the debt capital markets, equity capital markets and social finance. I would recommend the SC to look at blended finance in further details.

PROFESSOR HABIB AHMED

Technology has to play a crucial role in enabling social enterprises to serve people and society. It can provide social services that are not feasible with physical infrastructure.

One of the key hindrances to Islamic finance in achieving its objectives is a conceptual problem with the meaning of Shariah. We define Shariah in a very narrow sense, mainly in terms of legal compliance. We need to understand Shariah from a broader sense to include social issues. There is a need for academic contributions in linking the objectives of Shariah with the SDGs whereby they should be part of Shariah. Academics should contribute to developing the intellectual basis of relating Shariah to social impact.

ABDULKADER THOMAS

Investing in well-governed companies provides better returns. I recommend the SC to develop an index for measuring and verifying a project's social impact performance. This index will prevent issues of impact washing.

DR SHARIHA KHALID ERICHSEN

It would be great if we could find a collaborator to work on an initiative together. Although It is hard for some people to commit to an action, even having a conversation about it, is beneficial.

I recommend the SC to host a few more roundtables that bring people together to advance the mission of enhancing social finance. I was tasked by the Malaysian government several years ago to study the potential of developing the impact investing industry in Malaysia. The government saw potential in impact investing but it took the government three years to create the Social Outcomes Fund. Developing the social finance industry is not an easy job. The more collaborators we find, the more engagement platforms we develop, the more voices we hear, and the more we convene, the bigger the chance of us creating an impact.

DR RUTH A SHAPIRO

There is an opportunity to bring together values around 'doing good' and 'doing God'. These values are essential and aligned with many of the aspects of impact investing and Islamic finance. Dr Shariha Khalid Erichsen mentioned that the 6M's are critical for businesses to create a positive impact, and money is only one of the 6M's. The other M's are mentoring, market, management, media and mission.

I would add an M, which stands for 'marriage'. Collaboration is difficult but necessary. I suggest using the 6M's to apply the principles of Islamic finance in the Islamic finance industry. Do the principles of Islamic finance contribute to better management of a company to create a successful business? Investment does not happen unless investors can invest in a business. Using Islamic finance as a lens through which we look at practical issues in order to create an impact would be very useful in thinking about the contribution of Islamic finance to social finance.

NICHOLAS HD FOSTER

We need to be critical of philanthropy as a whole to ensure that we avoid causing harm. Regarding persuasion, how do we persuade people? How do we overcome mental 'stiction'? There are studies from psychology and physiology on the reasons people get stuck in a particular mental way of thinking. It is hard to convince people to change their minds. There are good people with wrong ways of thinking.

PROFESSOR DR ENGKU RABIAH ADAWIAH ENGKU ALI

There are anomalies in how conventional finance is used to do social good. Conventional finance uses *riba*-based instruments in social impact investments, which is an anomaly. There are several verses in the Quran concerning the prohibition of *riba*. For example, in verse 39 of *Surah Ar-Rum*, Allah says, 'And whatever you give for interest to increase within the wealth of people will not increase with Allah. But what you give in *zakat*, desiring countenance with Allah – those are the multipliers.' The verse indicates the underlying philosophy of Islamic finance. A *riba*-based system does not create real growth because it only benefits capital owners at the expense of capital users. *Zakat* redistributes wealth to create real growth.

We have to redefine what we mean by doing good. We have to remember God's commands and prohibitions to do good. In most instances, what people generally define as a social good is in line with what Islam defines as a social good. However, in topics such as gender equality and individual freedom, the general definitions of social good sometimes are no longer consistent with Shariah. We have clear definitions of social good from an Islamic perspective. In the context of modernity, the definitions of social good change over time.

OMAR SHAIKH

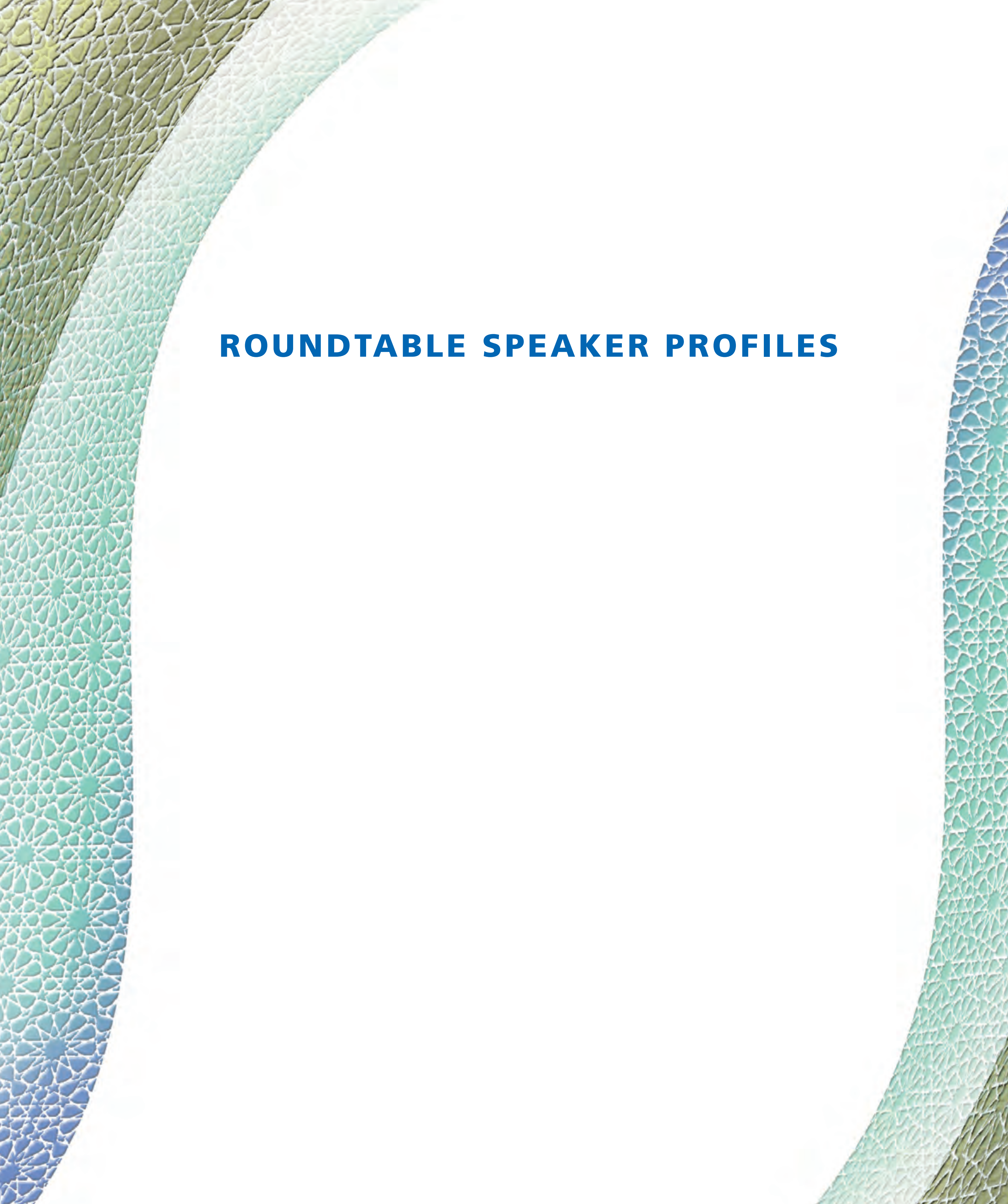
Unchecked capitalism has failed us. It has failed everybody regardless of race, religion or ethnic background. People are calling for a more socially responsible and systemically stable form of the economy. I urge people in this room, particularly the theologians and academics to work with bankers to redefine capitalism to ensure that it is consistent with the Islamic values.

Thomas Piketty, author of *Capital in the Twenty-First Century* (2013) discusses the dangers of interest and debt. The current distribution of wealth, whereby the top 1% owns half of the world's wealth, does not make sense. *Riba* facilitates a debt-based economy, which needs to be reviewed. Apprehension towards usury is not only an Islamic value. It is shared with the Abrahamic religions and other faith traditions. The ban on interest was in the Christian churches for 600 years.

When we go back to our institutions, let's walk the talk. Let us do our best to protect the environment by using energy-saving light bulbs and FSC-certified paper in our offices. Every single one of us can make a change in our institutions. Let's ensure that the fabric of our offices, staff and culture integrate ESG values and principles.

PROFESSOR DR MOHAMAD AKRAM LALDIN

Research initiatives contribute to advancing the social impact investing industry. How do we define social impact from a Shariah point of view? Some aspects of social impact from the mainstream point of view are not necessarily consistent with Shariah. We need to empower Shariah scholars to be involved in the discussions on social impact.



ROUNDTABLE SPEAKER PROFILES

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, Cambridge; Trustee of the Oxford Centre for Islamic Studies; Royal Fellow of the Institute of Strategic and International Studies, Malaysia; 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. 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 Zaid is the 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 Zaid currently chairs the Capital Market Development Fund, as well as the Malaysian Venture Capital and Private Equity Development Council. As Chairman of the SC, he is also a member of the Financial Stability Executive Committee and the Financial Reporting Foundation.

In January 2019, Datuk Zaid was elected as the Vice Chairman of the Growth and Emerging Markets (GEM) Committee of the International Organization of Securities Commissions (IOSCO), the leading international body of capital market regulators and global standard setter for securities regulation. He is also the Vice Chairman of the Management Committee of the IOSCO Asia Pacific Hub.

Datuk Zaid has a degree in law from the United Kingdom. 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 Zaid has served on the then Islamic Law Review Committee of Central Bank of Malaysia from June 2003 to November 2005 and the Appeals Committee of Bursa Malaysia from May 2013 to October 2018. 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 Surveillance and Supervision functions as well as the People & Corporate Resources division. 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 & Finance) from The Wharton School, University of Pennsylvania, US, and is a Chartered Financial Analyst (CFA) charterholder. He has over 30 years' experience in the financial services industry. He began his career with Citibank before moving to MIDF Amanah Asset Management. Just before joining the SC, Datuk Zainal Izlan was the Chief Executive Officer of i-VCAP Management, an Islamic fund management firm based in Malaysia.

Mohamed Iqbal Asaria
Associate
Afkar Consulting Ltd, UK

Mohamed Iqbal Asaria was a member of the working party set up by the Governor of The Bank of England to look into issues relating to the introduction of Islamic financial products in the UK. He was previously a resource person on International Financial Institutions and GATT/WTO for the Third World Network.

He provided specialist advice on International financial flows, multi-lateral lending and international trade (1985 – 1995); and served as Chairman of the influential World Bank – NGO Committee (1985 – 1990).

He is a Fellow of the Chartered Association of Certified Accountants and a graduate of the Victoria University of Manchester where he also completed his masters in Economics (Accounting & Finance). He was awarded the CBE in the 2005 Queen's honours list for services to international development. Iqbal has advised several financial institutions in the UK and overseas on Islamic financial services. Since 2005, he has been Special Advisor on Business & Economic Affairs to the Secretary General of the Muslim Council of Britain.

Iqbal teaches postgraduate courses in Islamic Finance, Banking and Insurance at several leading universities including CASS Business School, CASS Executive MBA programme in Dubai and Bangor Business School. He is a regular contributor to Durham University's annual Islamic Finance week.

Iqbal is the co-author of the Chartered Insurance Institute's module on *takaful*. For the last 12 years, Iqbal has been the convenor of the annual International Takaful Summit and is among the leading thought leaders in the *takaful* industry.

Geoff Burnand
Chief Executive
Investing for Good, UK

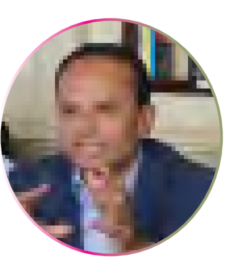
Geoff co-founded Investing for Good in 2004 after twenty years in private and institutional investment management. His experience includes designing donor advisory services at The Institute for Philanthropy and Charities Aid Foundation as Chief Investment Officer at Charity Bank and as Director of Fund Development at the Social Investment Business. By applying his experience of global capital markets, Geoff has consistently created and implemented innovative products and services that further the development of the social sector. Under his direction, IFG has arranged the first stock exchange-listed charity bonds, designed the first impact rating and portfolio assessment framework, and received numerous awards including Charity Times Award for Social Investment, the Social Enterprise UK Award for Finance/Investment Deal and The British Legal Award for CSR Programme of the Year.

Geoff is an advisor to government programmes on impact investing, a visiting lecturer at Cass Business School and an independent oversight expert on the impact effectiveness of Development Finance Institutions. Other roles include: Director, UK Sustainable Investment and Finance Association (2012-2018), Founder Member of the Guild of Investment Management and a Member of the UK National Advisory Board on Impact Investing.

Aamir A. Rehman
Senior Advisor
United Nations Development Programme

Aamir A. Rehman is a Senior Advisor at the United Nations Development Programme (UNDP), helping build the organisation's strategy and approach to engaging with Islamic finance for the Sustainable Development Goals.

In addition to his work at UNDP, Mr Rehman is a partner at Hoopoe Capital and serves on the boards of directors of Fajr Capital Advisors and Dinar Standard. He is a Senior Fellow at Columbia Business School's Richman Center for Business, Law, and Public Policy. He is author of two books, including Gulf Capital & Islamic Finance: The Rise of the New Global Players (McGraw-Hill, 2009). He has previously been an executive at Fajr Capital, HSBC Amanah and BCG. Mr Rehman holds Bachelor's, Master's, and MBA degrees from Harvard University.



Rafe Haneef
Chief Executive Officer
CIMB Islamic Bank Malaysia

Rafe became the Chief Executive Officer of CIMB Islamic Bank Bhd on 4 January 2016 and is in charge of the CIMB Group's Islamic banking and finance franchise. CIMB Islamic operates as a parallel franchise to the Group's conventional operations and covers Islamic wholesale banking, Islamic consumer banking, Islamic commercial banking and Islamic asset management and investment.

Rafe has 20 years of experience covering a range of businesses and functional roles gained from three global banks, an international asset management company and a legal firm at various financial centers including London, Dubai and Kuala Lumpur.

He has also spearheaded sustainability for the banking industry in his various capacities. He is a founding trustee of RFI Foundation in the United Kingdom, which is focused on creating more awareness on sustainable finance and integrating Islamic finance with sustainable finance globally. Rafe was also instrumental in CIMB Islamic's inclusion as a founding member of Bank Negara Malaysia's Value-based Intermediation (VBI) Community of Practitioners, working to develop VBI together with the central bank to contextualise and drive sustainability with Islamic finance institutions in Malaysia.

His commitment to driving and institutionalising sustainability and sustainable finance was a key catalyst for CIMB Group (i) to join the United Nations Environmental Programme - Finance Initiative (UNEP-FI) as a member and (ii) to be the first bank in the Southeast Asia (ASEAN) region to become part of the founding group of UNEP-FI members helping to develop the draft Principles of Responsible Banking. Sustainability is now a key pivot of CIMB Group's mid-term strategy.

He read Law at the International Islamic University Malaysia and also holds an LL.M degree from the Harvard Law School. He was admitted to the Malaysian Bar in 1995 and qualified for the New York State Bar in 1997.

Rafe first joined HSBC Investment Bank plc, London in 1999 and thereafter HSBC Financial Services Middle East, Dubai where he set up the global sukuk business in 2001. Subsequently, he became the Global Head of Islamic Finance business at ABN AMRO Dubai in 2004 covering both consumer and corporate businesses. In 2006, he moved back to Malaysia with Citigroup Asia as the Regional Head for Islamic banking, Asia Pacific. He later joined HSBC Amanah in 2010 as the CEO, Malaysia and Managing Director of Global Markets, ASP.

AbdulKader Thomas
President and Chief Executive Officer
SHAPE Knowledge Services, Kuwait

Based in Kuwait, Abdulkader has over 35 years of diversified financial services experience in major markets including Bahrain, New York, London, Los Angeles and Washington, D.C. He has served in senior positions of international banks and the CEO of regional banks and financial service companies. His areas of activity have included trade finance, real estate finance, securities and alternative finance at various global and regional financial institutions. Abdulkader works on projects that include launching regulation, *de novo* Islamic banks and Islamic banking windows, policies and procedures, Shariah compliance, product development and structuring. Clients include a diversified universe of financial institutions from North America, the MENA region, Southeast Asia, Africa and Europe. Abdulkader was the architect of three US regulatory rulings authorising Islamic credit and depository instruments. He has also worked for the successful authorisation of two Islamic home finance instruments at Freddie Mac.

Dr Ruth A Shapiro
Founder and Chief Executive
Centre for Asian Philanthropy and Society, Hong Kong

Dr Ruth A Shapiro is the Founder and Chief Executive of the Centre for Asian Philanthropy and Society (CAPS). Based in Hong Kong, CAPS is a research and advisory non-profit organisation committed to producing world-class, evidence-based research to help philanthropists, governments and social delivery organisations maximise the positive impact of private social investment.

Dr Shapiro is the primary author of *Pragmatic Philanthropy: Asian Charity Explained*, published in January 2018. She is the editor of *The Real Problem Solvers*, a book about social entrepreneurship in America. She also co-authored the book, *Building Energy Efficiency: Why Green Buildings Are Key to Asia's Future.* She has published articles in the *Nikkei Economic Review*, the *South China Morning Post* and *Philanthropy Impact*. She is a regular speaker on issues related to private social investment in Asia.

Dr Shapiro founded the Asia Business Council and served as its Executive Director since its inception in 1997 until May 2007. She spent the early part of her professional career in the field of international development. She holds a doctorate from Stanford University and Master's Degrees from Harvard University and George Washington University. She completed her undergraduate work at the University of Michigan.

Tan Sri Dr Jemilah Mahmood
Under Secretary General, Partnerships
International Federation of Red Cross and Red Crescent Societies

Dr Jemilah Mahmood began her mandate as Under Secretary General for Partnerships at the International Federation of Red Cross and Red Crescent Societies (IFRC) in January 2016. Her portfolio involves partnership and resource development, strategy, policy, knowledge as well as global communications. Under her leadership, IFRC has also developed a global innovation including a futures and foresight unit.

Before joining the IFRC, Dr Mahmood was the Chief of the World Humanitarian Summit secretariat at the United Nations in New York. She is well known as the founder of MERCY Malaysia, which she led from 1999-2009, and her previous appointments include Chief of the Humanitarian Response Branch at UNFPA; Senior Fellow at Khazanah Nasional Bhd in Malaysia's Khazanah Research and Investment Strategy Division, and Senior Visiting Research Fellow at the Humanitarian Futures Programme at Kings College in London. From 2006-2009, she was one of 16 members appointed by United Nations Secretary-General to the Advisory Group of the Central Emergency Response Fund.

Dr Mahmood has held many Board positions in NGOs and INGOs and is the recipient of numerous national and international awards for her contribution to civil society and work in support of marginalised communities. Currently, she Chairs the Board of Trustees of the Humanitarian Leadership Academy, Civil Society Governor of the Commonwealth Foundation, and is a board member of the Global Responsible Finance Institute. She is also a member of the United Nations Disaster Assessment and Coordination team (UNDAC) since 2004.

Dr Mahmood graduated as a Doctor of Medicine (MD) from the National University of Malaysia, has a Masters in Obstetrics & Gynaecology from the same university and is a Fellow of the Royal College of Obstetricians and Gynaecologists United Kingdom.

Professor Dr Engku Rabiah Adawiah Engku Ali
Professor
Institute of Islamic Banking and Finance, International Islamic University Malaysia

Dr Engku Rabiah Adawiah is a Professor at IIUM Institute of Islamic Banking and Finance (IIiBF), International Islamic University Malaysia (IIUM). She obtained her LLB (first class honors), LLB (Shari'ah) (first class honors) and Masters of Comparative Laws (MCL) from the IIUM. In 1998, she was conferred with PhD in law from the University of Aberdeen, United Kingdom. Currently, she teaches post-graduate students at IIiBF.

Her research interest is in ICM, Islamic banking and finance, Islamic insurance or *takaful* and Islamic law of transaction. Her publications include books, articles in local and international journals and periodicals; and chapters in books and proceedings.
She has presented in various conferences, seminars, workshops and in-house trainings on Islamic banking, finance and capital market.

She had also served as a member of Shariah Committee to many financial institutions in the past. Currently, she is a member of the Shariah Advisory Council of Bank Negara Malaysia (Central Bank of Malaysia), Securities Commission Malaysia (SC), Labuan Financial Services Authority (Labuan FSA), Employees Provident Fund (EPF) and an independent Shariah Advisor for Islamic securities (sukuk) issuance, approved by and registered with the SC. In addition, she is also a member of the Shariah Board of Labuan Re, Gen Re and Amanah Ikhtiar Malaysia, a member of the Board of Directors in the Malaysian Institute of Islamic Understanding, a member of the disciplinary committee for the Malaysian Bar Council and a member of Panel Pakar Syariah JAKIM. She is also a member of the Shariah Board to Khazanah in relation to four of its exchangeable sukuk.

In recognisance of her works and contributions to Islamic finance, she has been twice awarded with the Most Outstanding Individual Contribution to Islamic Finance by Deloitte in 2004 and again in 2014 in Kuala Lumpur Islamic Finance Forum (KLIFF 2014). Being the pioneer lady Shariah scholar in Islamic finance, locally and globally, she has also been listed numerous times in the list of influential women in Islamic finance including: Top 10 Women in Islamic Finance (2014 and 2017); Top 20 Women in Islamic Finance (2017); and Top 10 Most Influential Women in Finance (2017), where she was ranked No. 4. Recently, she has been ranked as the Third Most Influential Women in Islamic Finance 2018 during the WOMANi Gala Dinner and Awards Ceremony by Cambridge IF Analytica Limited.

Andreea Anastasiu
Senior Policy and Engagement Officer
Government Outcomes Lab, UK

Andreea is a Senior Policy Engagement Officer at the Government Outcomes Lab (GO Lab) at the University of Oxford. She leads the delivery of the practitioner-focused work of the GO Lab. As such, she works closely with government policymakers and commissioners, and other stakeholders across the private, voluntary and academic sectors in the UK and beyond, to help improve the understanding and practice of impact bonds and other outcomes-based models of service provision. She co-ordinates GO Lab's programme of engagement and events, including the annual international conference on social outcomes and the network of Fellows of Practice.

Prior to joining the GO Lab, she worked as a Policy Adviser in the Corporate Services team at Oxfordshire County Council. In her role at the Council, she contributed to the development and review of cross-cutting policies, managed service transformation projects and advised elected members and officers on a range of policy areas. Her role included supporting the council's strategic partnership with the Armed Forces in the region and capacity-building and engagement with local community and voluntary sector groups.

Andreea holds a first class BA in Global Politics and History from Canterbury Christ Church University, and an MA (with Distinction) in International Relations and European Studies from the University of Kent.

She is particularly interested in how innovation and cross-sector collaboration can help address society's most complex public policy challenges, and ways to improve accountability and transparency in the public sector.

Monem Salam
Executive Vice President
Saturna Capital, US

Monem Salam is Executive Vice President and Portfolio Manager at Saturna Capital Corporation and an Executive Director of Saturna Sdn Bhd, Saturna Capital's wholly-owned Malaysian subsidiary. He received his degrees from the University of Texas: BA (Austin) and MBA (Dallas).

He worked as the Chief Investment Officer for ITG & Associates (Dallas) until 1999; then as a representative with Morgan Stanley (suburban Dallas) until joining Saturna Capital in June 2003. He served as the Director of Islamic investing and Deputy Portfolio Manager to the Amana Mutual Funds Trust until moving to Kuala Lumpur in 2012 to oversee Saturna Sdn Bhd. Monem returned recently back to Saturna Capital again as a Deputy Portfolio Manager for Amana Income, Growth, and Developing World Funds.

Monem is Adjunct Professor at IE Business School and speaks at Islamic finance/investment conferences worldwide and he is co-author of *A Muslim's Guide to Investing and Personal Finance*. Monem has authored the chapter on *Islamic Investing in Contemporary Islamic Finance and Islamic Capital Markets*, and contributes articles to leading Islamic financial magazines. As a mark of recognition of his achievements in Islamic economy, Monem was ranked among 500 of the Islamic world's most prominent and influential leaders by ISLAMICA 500 in 2015.

ROUNDTABLE SPEAKER PROFILES

Omar Shaikh
Board Member
Islamic Finance Council UK

A Chartered Accountant by profession Omar holds select advisory roles. He has 20 years of experience in advisory, private equity, audit, Islamic and ethical finance. In addition to advising financial institutions, Omar has been appointed as a specialist advisor by multiple governments on strategic policy and financial regulatory frameworks for Islamic finance. Within ethical finance since 2009, Omar has pioneered the award winning Ethical Finance Round Table series, led the development of the Edinburgh Finance Declaration and currently sits as the part-time CEO of the government backed Ethical Finance Hub. He co-founded the Global Ethical Finance Initiative which consolidates the aforementioned projects and annually convenes international stakeholders in Edinburgh (governments, UNDP, financial institutions, *et al*) seeking to use finance for positive change.

Within Islamic finance, Omar was formerly head of Islamic finance for EY UK and has served on various UK Government and Mansion House initiatives for promoting the City as the 'Western Hub' for Islamic finance. He is a regular speaker at conferences and has delivered multiple capacity building programmes. Omar has published various articles and thought leadership pieces leading to regulatory upgrades in global Shariah governance frameworks and an enhanced awareness of UN SDGs and Islamic impact investing. Omar keenly supports charities he is passionate about. He sits on the advisory council of HRH Prince's Trust Scotland (the UK's largest youth charity) and supports Glasgow Museums and Colourful Heritage on preserving the heritage and contribution of Southest Asian in Scotland.

Dr Shariha Khalid Erichsen
Managing Partner
Mission & Co

Shariha is an impact advisor and investor with 20 years of experience in the public, private and non-profit sectors around the world. She brings deep knowledge of the innovation and impact ecosystem in Asia, with a particular focus on Southeast Asia.

From founding organisations dedicated to building and supporting the next impact entrepreneur, to creating safe spaces and communities for cross-sector collaborations and funding early-stage innovations that deliver impact, Shariha has been at the pulse of innovation and impact in the region for over a decade.

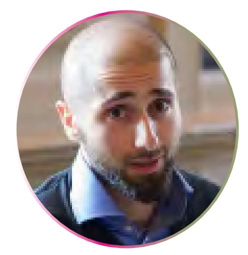
Prior to becoming an entrepreneur, Shariha was a career surgeon in the healthcare systems in the UK, US & Malaysia. As a +SocialGood Connector at the UN Foundation and a Global Good Fund Ambassador, she contributes her time to causes she's passionate about: entrepreneurship and sustainable development.

Shariha is a Social Return on Investment (SROI) Practitioner and received her degrees in design, medicine, and health systems research from the United Kingdom. Shariha is also a Fellow of the RSA and consultant to the World Bank, UNDP and UNICEF in innovative finance, public sector innovation and social innovation.

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

Dr Mustafa is the Nelson Mandela Fellow in Educational Studies at the Oxford Centre for Islamic Studies. Dr Mustafa held an Associate Fellowship at the Said 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. He has taught courses at the Oxford University Department for Continuing Education which 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, USA, 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.



Dr Muhammad Meki
Research Fellow
Oxford Centre for Islamic Studies, UK

As the Mahathir Mohamad Research Fellow, 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. He is also a Rokos Junior Research Fellow in Development Economics at Pembroke College.

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). Muhammad completed his PhD (DPhil) in 2018.

Nash Jaffer
Associate
Afkar Consulting Ltd, UK

Nash is a Chartered Accountant and Chartered Tax Adviser. He specialises in structuring transactions and funds having previously worked at PricewaterhouseCoopers and Ernst & Young where he accumulated considerable experience structuring transactions. Nash designed and implemented the structure for a significant real estate development in central London. The transaction won the Euromoney Islamic Finance Award for the best global real estate deal. Nash served as the chairman of the planning and development company with specific responsibilities for overseeing and implementing the financial aspects of the company's commercial strategy.

Nash has presented on the taxation of UK funds at a European Real Estate Fund Structuring conference in Luxembourg. He has chaired the Fleming Gulf World Islamic Finance Conference (London) and spoken at the Global Islamic Finance Forum (Kuala Lumpur) and World Islamic Economic Forum (Johor Bahru).

Nash wrote the tax section of the Accounting and Taxation Implications of Islamic Finance Products in the book, *Islamic Finance: Law and Practice* published by Oxford University Press and represented EY on the HMT/HMRC Islamic Finance Tax Technical Committee

Arshadur Rahman
Manager
Bank of England, UK

Arshadur Rahman is a manager in the Bank of England's Sterling Markets Division, overseeing access to the Sterling Monetary Framework. He is the Bank's specialist on Islamic finance, in which capacity he also provides technical support to the UK Government. A former supervisor of Islamic banks, Arshadur currently leads the Bank's Shariah-compliant facility (SCF) project, which is establishing a non-interest based central bank deposit facility for the first time in the UK. Once launched, the SCF will provide UK Islamic banks with greater flexibility to meet their liquidity requirements under Basel III rules.

Arshadur has authored/co-authored several pieces on Islamic finance, including the seminal 2007 paper: *Islamic Finance in the UK – Regulation and Challenges*, and the *2017 Bank of England Quarterly Bulletin* article, *Islamic Banks and Central Banking*. More recently, he contributed to *Sovereign GDP-Linked Bonds: Rationale and Design* (2018), with a chapter on using GDP-linked sukuk to alleviate sovereign over-indebtedness.

Arshadur holds a first degree in Psychology, an MSc in Finance from London Business School, and is currently conducting doctoral research at King's College London on the application of Basel III requirements to Islamic finance contracts.

Wan Abdul Rahim Kamil
Project Director
Securities Commission Malaysia

Wan Abdul Rahim Kamil currently serves as an Islamic Capital Market consultant with the Securities Commission Malaysia.

Throughout his three decades involvement in Islamic finance, he is personally credited with several of the Islamic finance innovations introduced in the market such as *Ar-Rahnu* (Islamic 'pawnshops'), *Murabahah* Notes Issuance Facility (MuNIF) commercial papers, Islamic bonds (sukuk) issued under the contracts of *musharakah*, *qard al-hasan* and *bay bi-thaman ajil* and the first Islamic Asset-Backed Securities (ABS).

He holds a professional membership from the Institute of Statisticians (now merged with Royal Statistical Society) of United Kingdom. He also holds a post-graduate degree from the International Institute of Islamic Banking and Economics, Republic of Northern Cyprus. Wan Rahim is currently an Academic Fellow at Kolej Unversiti Insaniah, Kedah Darul Aman, Malaysia. Having had exposures from mid-1970's at Aseambankers (M) Bhd, Bank Islam Malaysia Bhd, Abrar Discounts Bhd and the SC, Wan Rahim is regarded as a specialist in Islamic Capital Market and Liquidity Management.

Badlishah Bashah
Assistant General Manager
Securities Commission Malaysia

Badlishah began his career with Arab Malaysian Development Bhd in the financial services division before joining Bank Bumiputra Malaysia Bhd in the Corporate Banking Division. He had been involved in several of the major project finance syndications in Malaysia such as PLUS, Gas Malaysia and PUTRA LRT.

He later joined Abrar Discounts Bhd where he arranged some of the early sukuk *murabahah* and commercial papers. During that period, Abrar Discounts became the arranger for sukuk issuance. In his position as Head of the capital market department, he arranged a total of RM3 billion worth of sukuk.

He is currently with the Securities Commission Malaysia being principally involved in development initiatives under the Islamic Capital Market Business Group including development of green sukuk, screening and capacity building programmes.

ACRONYMS AND ABBREVIATIONS

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
B-Corps	Certified B Corporation
CAPS	Centre for Asian Philanthropy and Society
CSR	Corporate Social Responsibility
DAF	Donor-Advised Fund
DFID	Department for International Development
EPF	Employees Provident Fund
ESG	Environmental, Social and Governance
ETF	Exchange-Traded Funds
FCA	Financial Conduct Authority
GIIN	Global Impact Investment Network
GND	Green New Deal
GO Lab	Government Outcomes Lab
ICM	Islamic capital market
IDB	Islamic Development Bank
IFRC	International Federation of Red Cross and Red Crescent Societies
IFSB	Islamic Financial Services Board
IPO	Initial Public Offering
IRTI	Islamic Research & Training Institute
ISFD	Islamic Solidarity Fund for Development
JCorp	Johor Corporation
KPIs	Key Performance Indicators
LOUD	Leadership, Outcomes, Understanding, and Data
MAGIC	Malaysian Global Innovation and Creativity Centre
MDG	Millennium Development Goal
NIA	National Innovation Agency of Malaysia
OCIS	Oxford Centre of Islamic Studies
ODA	Overseas Development Assistance
OECD	Organisation for Economic Co-Operation and Development
OIC	Organisation of Islamic Cooperation
PPP	Public-Private Partnerships
QSPM	Quantum Solar Park Malaysia
REIT	Real Estate Investment Trusts
SC	Securities Commission Malaysia
SDG	Sustainable Development Goals
SIB	Social impact bond

SIC	Social impact contracts
SPO	Social purpose organisations
SRI	Sustainable and responsible investment
UKIFC	Islamic Finance Council UK
UN	United Nations
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
USAID	United States Agency for International Development
WANCorp	Waqf An-Nur Corporation
WASH	Water, sanitation and hygiene
WHO	World Health Organization