



5th CEOs AND ISLAMIC FINANCE LEADERS ROUNDTABLE: **SOCIAL FINANCING MODELS**

Effective Financial Tools for Fragile Economies

Sunday, November 3, 2019



INTRODUCTION

The goal of this roundtable series is to create a forum for understanding and enhancing the field of Islamic economics and finance, by fostering an open dialogue among industry leaders and academia while providing an opportunity for students to become more involved in the industry.

With this goal in mind, we have invited representatives from industry and academia to participate in the discussion in order to:

- ▶ Understand on-the-ground realities and challenges;
- ▶ Work together to reduce barriers in accessing Islamic finance;
- ▶ Create more sustainable, genuine and ethical Shari'a-compliant products;
- ▶ Encourage a more robust economy that meets the needs of all segments of society.

This roundtable will act as a catalyst for a dedicated communication channel between financial institutions and academics, to discuss perennial and emerging issues and products in the industry.

The event is organized by the Center for Islamic Economics and Finance (CIEF) at the College of Islamic Studies (CIS), Hamad Bin Khalifa University (HBKU).

The roundtable will include:

1. Paper presentations; and
2. Open discussion with stakeholders.

In order to facilitate frank discussions during the roundtable, "Chatham House Rule" applies; all views will be kept anonymous and news media will not be present during the discussions. The discussion format will be based on a moderated, open discussion between participants on the topics outlined in the agenda.

CIEF would like to thank CIS' Dean's Office, the HBKU leadership, and our faculty for their confidence and trust, and for providing assistance in organizing the roundtable. CIEF would also like to thank industry leaders and regulatory authorities for participating and supporting this event. CIEF values all of their support, and looks forward to fostering and strengthening these relationships in the future.

AGENDA

8:00 am – 9:00 am	Registration and Networking
9:00 am – 9:30 am	Welcome Remarks Dr. Emad El-Din Shahin Interim Provost, Hamad Bin Khalifa University Dean, College of Islamic Studies Keynote Address His Excellency Sheikh Abdulla Bin Saoud Al-Thani Governor, Qatar Central Bank Roundtable Moderator's Remarks Dr. Abdulfatah Mohamed Adjunct Professor, Hamad Bin Khalifa University
9:30 am – 10:00 am	Roundtable Paper Presentation
10:00 am – 11:30 pm	Roundtable Discussion Session 1 Examining the current approaches to alleviate the economic distress of fragile economies; their merits, shortcomings, pitfalls and ineffectiveness: <ul style="list-style-type: none">▶ What are the conventional approaches towards addressing the economic and financial requirements of fragile countries?▶ Are there any financial products customized to the unique needs of these economies?▶ How effective has the deployment of philanthropic funds in these regions been so far?▶ Do these philanthropic funds have a sustainable and positive impact on societies?▶ What are the limitations of philanthropic funds in addressing the needs of fragile economies?

11:30 am – 1:00 pm	Roundtable Discussion Session 2 Exploring innovative and feasible approaches leveraging synergies among Islamic financial institutions, philanthropic organizations, and government entities to address the onerous task of rebuilding economies: <ul style="list-style-type: none">▶ Are there any areas of synergy between finance institutions, philanthropic organizations, and government entities in this field?▶ How can the Islamic finance industry work in synergy with philanthropic organizations to address the needs of fragile economies?▶ Does Islamic finance have tools available in its arsenal to work together with philanthropic organizations to finance the transitional development of fragile economies?▶ Have the latest innovations in fintech such as blockchain, P2P lending, crowdfunding etc. created opportunities for more efficient methods of execution?▶ Given the scale and extent of funding required in the Muslim world, is there a need for urgency to embrace new ideas and technologies to harness synergies?▶ Is it possible to transcend theorizing by initiating the launch of multiple pilot programs to establish a 'proof-of-concept' that is then scaled?
1:00 pm – 2:30 pm	Prayer and Lunch (End of Roundtable)

DISCUSSION PAPER

Long and sustained periods of war, conflicts and neglect in several OIC (Organization of Islamic Cooperation) countries such as Libya, Yemen, Palestine, Afghanistan, Mali, Syria, Sudan and Somalia have rendered their economies and institutions dysfunctional. Nevertheless, they seem close to see the light at the end of the tunnel since many of these fragile countries are on the brink of a political solution which is likely to usher a period of long-awaited peace and stability. Several millions of dollars of funds have started to flow into these regions from countries who wish to support and participate in the process of rebuilding these economies. A significant proportion of these funds is directed towards the social financing projects. However, the fund inflow alone will not suffice in comprehensively addressing their problems, particularly among the most vulnerable and marginalized sections of these communities. There is a lack of implementation of proper strategy, structures and financial tools to address their needs leading to a suboptimal allocation and ineffective deployment/disbursement of funds. Complete dependence on local institutions, which may be insufficient or weak to undertake the mammoth task of rebuilding the devastated economies, risks another failure thereby perpetuating the cycles of economic stagnation or downfall and conflicts in these affected countries.

Furthermore, global challenges today are interconnected, and many conflicts are triggered either by climate shocks or due to inequality of resource distribution.

Therefore, there is a need for a paradigm shift in assumptions, approaches and narratives when addressing such challenges in OIC member states. Islamic financial industry can play a positive role in the global resilience efforts as one penny in prevention is more worthy than millions of dollars in reaction and recovery at later stages.

Islamic social financing (ISF) institutions (i.e. zakah, sadaqah and waqf) and its diverse actors, therefore, need also to engage the global agenda of UN development finance; as such engagement would streamline the topic of Islamic finance and ISF within the global agenda. The process of harmonization and agenda alignment would contribute positively to both UN SDGs (Sustainable Development Goals) achievement and appreciate the untapped potential of Islamic Finance and ISF at the global level.

The emergence of latest technologies such as blockchain, crowdfunding, online peer to peer lending etc. has significantly altered the landscape of social financing and increased its viability, scope and reach while ushering greater transparency and accountability to the entire process. United Nations Development Program (UNDP) is, for instance, helping to develop the first blockchain enhanced digital waqf platform to increase waqf collections and enable more effective use of waqf land. Islamic Development Bank (IDB) is working on Islamic social finance-linked sukuk, some of which would also be based on blockchain technology.

A Blended Finance approach can be adopted for a more effective and sustainable impact. The Organization for Economic Co-operation and Development (OECD) has defined Blended Finance as “the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries”. Samans and Solheim have described it as “the strategic use of development finance and philanthropic funds to mobilize private capital flows to emerging and frontier markets”. According to studies done by OECD, blended finance has generated over USD 81 Billion for development goals in four years from 2012 to 2015 and is expected to have the potential to bridge the existing investment gap of USD 2.5 Trillion per year in achieving the Sustainable Development Goals (SDGs) in the developing countries.¹ The implications of such an approach go well beyond the financial aspect wherein the strengths of all the participants, public and private can be leveraged to more effectively tackle the persistent development challenges.

Addressing the developmental issues in fragile countries is a multi-faceted problem which requires a collaborative approach for solving. It requires the institutions to understand the anthropological and sociological backgrounds of the respective populations, the demographic make-up, strengths and opportunities of existing and potential industries, appropriate ISF structures and the fintech tools such as crowdfunding and blockchain which can be put to use. The philanthropic and charitable organizations, with their hands-on experience

with local communities in these regions, can enrich this collaborative exercise with their understanding of local population and their specific problems while the Islamic finance institutions and academia can support these efforts by sharing their knowledge of Islamic finance instruments and innovative economic empowerment fintech tools. With this instance, ISF shall approach the World Bank and global donor agencies and work in tandem with multi-trust funds for transition financing for post-conflict or disasters reconstruction of fragile economies.

While there is no shortage of investment capital, particularly in the Gulf region where several Muslim nations are endowed with abundant natural resources which have translated into enormous reserves and large sovereign and private wealth funds, the investment funding addressing the developmental needs of the fragile nations has been almost negligible. Although these countries have been generous when it comes to philanthropic contributions, it cannot suffice even the minimum development needs of these fragile economies unless it is supported and scaled by the investment capital. The biggest impediment for these funds and commercial investors to participate in these development projects is the lack of sufficient risk-adjusted returns. The charitable funds, if deployed in the right manner, can change this equation, altering the risk-return profile of the development projects to make it more favorable for participation from the private and commercial investors.

¹ OECD (2018), *Making Blended Finance Work for the Sustainable Development Goals*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/en/9789264288768/10.1787en>

Another challenge with the charitable funds is that they tend to lose from 3% up to 10% of the funds in transaction fees and inefficiencies caused by having to go through multiple intermediaries such as banks, agencies, and governments.² This is especially critical for aid organizations dealing with large sums of money and more complex geographies and financial systems. As the donors are becoming more results and impact-focused, they are demanding greater transparency and proof of effective utilization of their funds. New technologies such as blockchain create the decentralized platform, without the need for intermediaries, thus enhancing transparency, reducing costs through disintermediation, and enabling new mechanisms for monitoring and tracking impact. This new technology will also help to make the critical distinction to identify bonafide Islamic charities whom their mission is purely humanitarian.

Additionally, donors globally, including philanthropic institutions and governments, are adopting these new approaches and techniques to maximize the impact of their development funds. For instance, the UN World Food Programme (WFP) has used blockchain for aid distribution in Jordan to pay vendors directly, facilitate cash transfers for over 10,000 Syrian refugees, and audit beneficiary spending. In the initial pilot, they were able to reduce the costs of bank transfer fees by 98%.³ Also, 17 of the OECD

Development Assistance Committee members are engaged in blended financing, and 167 facilities have been launched from 2000 to 2016 to pool the finance for blending.⁴

Qatar envisions itself as a hub of Islamic banking, enjoys a strong reputation of playing a significant and positive role in supporting and enhancing the socio-economic development and progress of nations across the globe. Qatar is in a unique position due to the existence of strong local institutions across the globe. Hence, this roundtable aims to create a platform to initiate a dialogue among the leaders of institutions belonging to the Islamic social financing ecosystem which includes philanthropic and charity organizations, Awqaf institutions, Islamic banking and Islamic finance/microfinance organizations, academic institutions and the relevant local government ministries in order to address the urgent social financing needs of the fragile economies.

PAST ROUNDTABLES AND PARTICIPANTS

The Islamic Finance CEOs Roundtable series is an annual event organized by the Center for Islamic Economics and Finance at HBKU.

Past editions of this series are as follows:

- ▶ 1st CEOs Roundtable on Islamic Finance: "Expectations & Reality", November 10, 2015
- ▶ 2nd CEOs Roundtable on Islamic Finance: "Financing Infrastructure Projects – What Role for Islamic Finance?", November 22, 2016
- ▶ 3rd CEOs and Islamic Finance Leader Roundtable on: "Islamic Finance, Fintech, and Cryptocurrencies", November 29, 2017
- ▶ 4th CEOs and Islamic Finance Leader Roundtable on: "Corporate Social Responsibility in the Financial Sector", November 26, 2018

The past four events saw the participation of CEOs and senior management from local and regional financial institutions, regulatory authorities, and nonprofits, including:

- ▶ Bank AlBilad
- ▶ Al Hilal Bank
- ▶ Al Khaleej Takaful
- ▶ Amwal
- ▶ Bait Al-Mashura
- ▶ Barwa Bank
- ▶ Bedaya
- ▶ Citibank Bahrain
- ▶ Derasat
- ▶ Doha Bank
- ▶ Ernst & Young Qatar
- ▶ Ezdan Holding Group
- ▶ Finocracy, Dubai
- ▶ First Finance Company
- ▶ General Takaful
- ▶ Investment House
- ▶ Inpleo
- ▶ Islamic Development Bank
- ▶ Kuwait Finance House, Bahrain
- ▶ Masraf Al Rayan

- ▶ Mazaya Qatar
- ▶ Ministry of Commerce and Industry (Qatar)
- ▶ Ooredoo
- ▶ Qatar Central Bank
- ▶ Qatar Computing Research Institute
- ▶ Qatar Development Bank
- ▶ Qatar Exchange
- ▶ Qatar Finance and Business Academy
- ▶ Qatar Financial Centre Authority
- ▶ Qatar First Bank
- ▶ Qatar Islamic Bank
- ▶ Qatar National Bank
- ▶ Qatar Petroleum
- ▶ Bank of Tokyo-Mitsubishi UFJ, Dubai
- ▶ QInvest
- ▶ Silatech
- ▶ Siemens Qatar
- ▶ Vodafone
- ▶ Woqod

Deans, faculty and students from the following colleges also participated in the events:

- ▶ College of Islamic Studies
- ▶ College of Law
- ▶ College of Science and Engineering
- ▶ HBKU Press
- ▶ Georgetown University in Qatar
- ▶ Qatar Computing Research Institute
- ▶ Qatar National Research Fund
- ▶ Qatar University
- ▶ University of Durham

Please scan the QR code to find the summary reports of all the previous roundtables:



² Galen, Doug. "SOCIAL IMPACT." PhD diss., Stanford Graduate School of Business.

³ <https://cointelegraph.com/news/dlt-in-migration-policy-how-blockchain-can-help-both-refugees-and-host-nations>

⁴ OECD (2018), *Making Blended Finance Work for the Sustainable Development Goals*, OECD Publishing, Paris, <https://doi.org/10.1787/en>.

