



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

Report on

International Dialogue on the Role of Islamic Social Financing (ISF) in Achieving the SDGs

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2022



Table of Contents

Executive Summary 3

1. Introduction 4

2. Understanding Islamic Social Finance (ISF) 5

2.1. *Overview, Shari'ah, and Instruments of ISF* 5

2.2. *Global Economic Outlook of ISF* 9

3. ISF and SDGs 10

4. Main Themes and Topics of the Dialogue's Seminars 13

5. Organizations, Partnership, Successful Programs, and Challenges of ISF 18

5.1. *ISF and UN Agencies* 18

5.2. *Partnership and SDGs* 21

5.3. *ISF and Successful Programs* 21

5.4. *ISF and Climate Change* 23

5.5. *ISF and Challenges* 24

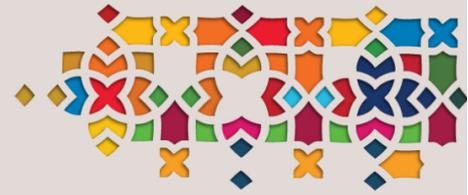
6. Conclusion and Recommendation 25

7. References 27



List of Abbreviations

APIF	: Awqaf Properties Investment Fund
FAO	: Food and Agriculture Organization
GMPFC	: Global Muslim Philanthropy Fund for Children
IOM	: International Organization for Migration
INA	: Islamic News Agency
IPF	: Islamic Philanthropy Fund
IsDB	: Islamic Development Bank
IRTI	: Islamic Research and Training Institute
ISF	: Islamic Social Finance
IsDBI	: Islamic Development Bank Institute
IsDB-BISE	
W	: Islamic Development Bank-Bangladesh Islamic Solidarity Educational Waqf
NZF	: National Zakat Foundation Worldwide
OIC	: Organisation of Islamic Cooperation
SDGs	: Sustainable Development Goals
UNDP	: United Nations Development Programme
UNHCR	: United Nations High Commissioner for Refugees
UNICEF	: United Nations International Children's Emergency Fund
UN	: United Nations
UNRWA	: United Nations Relief and Works Agency



Executive Summary

This report aims to evaluate and discuss the Dialogues between scholars, experts, Islamic social finance (ISF) institutions, United Nations (UN) agencies, and other stakeholders. The Dialogues aim to improve mutual understanding, explore ISF tools for assisting those in need, and ensure that adequate resources are provided to alleviate poverty, particularly in emergency situations, in order to achieve the Sustainable Development Goals (SDGs). Simply put, the report summarizes the role of ISF in achieving the SDGs.

To comprehend the main motive of the Dialogues of twelve seminars, the discussions on ISF and SDGs are articulated into two parts. The first part of the report explains the ISF's overview and its most widely practiced mechanisms, specifically *zakat*, *sadaqah*, and *waqf* and how these mechanisms can bolster and accelerate the achievement of the SDGs. Among the ISF tools, the global *zakat* donation is estimated at almost \$550 billion to \$600 billion per year. Whereas, because of the nature and Muslims' general inclination to donate to the less fortunate, *sadaqah* has the potential to exceed yearly *zakat* funds funds. Likewise, *waqf* also has a considerable capacity as others; the value of waqf asset is estimated to be between USD 700 billion and USD 1 trillion¹. Unlike *zakat*, *sadaqah* and *waqf* are voluntary charitable acts for Muslims. In general, these are the socially responsible financial tools that comply with the *maqasid al Shari'ah* and, as a result, helps to accomplish the SDGs.

The latter part of the report discusses and analyzes the main themes and topics as well as the contribution of various UN agencies and their partnership with IsDB, nature of different initiatives and programs, climate change and SDGs, and challenges of ISF. To articulate this part, when the discussions from the seminars are combined, it becomes clear that the Dialogues are primarily focused on the following themes and topics: Islamic social finance, SDGs, organization, collaboration, Islamic finance, and society. To accomplish the SDGs, the partnership of various agencies and organizations as well as cooperation among them are essential not just for enabling organizations to meet but for influencing and materializing the action on the ground.

In conclusion, a vibrant connection between effective organizational structure and ISF is required for the attainment of the SDGs, as scholars and practitioners opine, and UN agencies potentially have adequate efficiency and capacity to satisfy that requirement. It is summarized that ISF can be the essential mechanism to alleviate extreme poverty, strengthen collaboration in society, save the environment effectively, and improve economic conditions globally. In other words, ISF can be one of the crucial tools in

¹ See the World Bank Group, INCIEF and ISRA Report on Maximizing Social Impact Through Waqf Solutions, p. 3.



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

achieving the SDGs through cooperation rather than competition, which represents the spirit of Islamic economic thought.



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
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1. Introduction

The term "sustainable development" can be defined in various ways; however, at its core, it refers to a strategy of development that seeks to balance various, often competing, demands against the recognition of our society's environmental, social, and economic constraints. According to Brundtland Commission Report (1987), "Sustainable development is [a] development that meets the needs of the present without compromising the ability of future generations to meet their own needs." Although there has been a significant increase in the number of initiatives devoted entirely to sustainable development since the adoption of the 2030 Agenda in 2015, the Sustainable Development Goals (SDGs) endure a considerable annual financing gap, which is expected to grow as a result of the COVID-19 crisis. Approaching the "Decade of Action And Delivery", the international community has pledged to reverse the tide and increase efforts to achieve the SDGs, recognizing that progress has been sluggish and unequal in many areas. The increasing call to action and accountability to achieve the SDGs has resulted in the development of creative and previously untapped finance sources.

Remarkably, the instruments of Islamic social finance (ISF) are one of the untapped finance sources that have huge potential to reduce the SDGs financing gap. In other words, the mechanisms and capabilities that ISF possesses have yet to be explored thoroughly by the development community. Reportedly, this sector has the potential to directly contribute to financing the SDGs and to support the United Nations (UN) agencies and their initiatives in this regard. ISF broadly comprises traditional Islamic instruments such as *zakat* (obligatory contribution or poor due payable by all Muslims having wealth above *nisab* (threshold or exemption limit)), *sadaqah* (charity(ies)), *waqf* (endowment(s), foundation(s), trust(s)), *qard hasan* (interest-free loan), and Islamic microfinance.

Recently, the Dialogue (jointly organized by IsDB and UN) of various scholars and experts have taken place during the year 2021 regarding the role of ISF in achieving SDGs through twelve seminars. The aim of the Dialogue is to expand the knowledge and applications of various ISF instruments, their historical role and contemporary applications, particularly the innovative products they can offer to meet the urgent needs of societies in the post-COVID-19 period. This report consolidates and summarizes the outcomes of the ISF Dialogue, along with additional information; it is organized as follows: the second section discusses the overview, importance, role, and benefits of Islamic social finance. The third section explains the role of ISF in achieving SDGs. Section four summarizes the main topics and themes of the twelve seminars. Section five discusses the implementation of ISF tools by the UN agencies and their partnership with IsDB, success stories of various programs and initiatives, climate



change and SDGs, and challenges for ISF mechanisms. Finally, section six concludes and provides the recommendations that were suggested by scholars and experts in the seminars.

2. Understanding Islamic Social Finance (ISF)

This section of the report provides a general overview of Islamic social finance (ISF), including definition, *Shari'ah* (Islamic law) aspects, instruments or mechanisms, and current economic outlook.

2.1. Overview, *Shari'ah*, and Instruments of ISF

Social finance is a method of investing that generates financial rewards while also having quantifiable significant positive social and environmental impacts—such as alleviating poverty, providing necessary infrastructure such as schools and hospitals, and preserving life and dignity. In other words, this is an approach in investing and managing a particular fund to solve societal challenges (MaRS, 2016).

On the other hand, the concept of Islamic social finance (ISF) is broad and commonly practiced in Muslim communities and societies. It is akin to social finance in general; however, ISF has salient features that operate to achieve *maqasid al-Shari'ah* (objectives of Islamic law). ISF is a faith-based financing approach that provides financial assistance and supports people in need to alleviate human suffering and preserve the environment from conflict and disaster (World Humanitarian Summit, 2016).

There are several specific goals of ISF. The first goal is to redistribute wealth through mandatory financial obligations including *zakat*, *kaffarat* (atonements), general alms, and endowments. The second goal of ISF is to develop solidarity and cooperation among individuals and societies. The third goal is to achieve comprehensive and sustainable development for the individual, society, and the state.

From an Islamic standpoint, the economy is classified into lucrative and non-lucrative activities (Al-Suwailem, 2013). These two activities are meant to act in parallel. In reality, each form of activity is intertwined with the other, resulting in a healthy economic balance. This strategy is used to create social finance ecosystems by collaborating with for-profit and non-profit organizations to improve social and economic well-being. As mentioned earlier, ISF has its specific instruments in terms of funding and investment that are in line with *Shari'ah* (Islamic law) principles. These include the traditional Islamic institutions based on philanthropy, such as *zakat*, *sadaqah*, and *waqf*, as well as those based on cooperation, such as *qard hasan* and *kafalah* (*guarantee*) (Obaidullah, 2020). Along with traditional tools, it also includes modern Islamic financial services like microfinance, *Sukuk* (*equity based certificates of investment*), and *Takaful* (*solidarity, mutual support*), aiming to solve social issues.



Based on the aforementioned discussion, the instruments of ISF can be classified into three categories: (a) traditional Islamic instruments based on philanthropy (*zakat*, *sadaqah*, and *waqf*), (b) cooperative-based foundations (*qard hasan*² and *kafala*³) (Islamic Social Finance Report, 2015), and (c) other modern forms of Islamic financial services (microfinance⁴, *Sukuk*⁵ and Takaful⁶) (Mahmud, 2015).

Among the instruments of ISF, *Shari'ah* aspect of three prominent traditional instruments—i.e., *zakat*, *sadaqah*, and *waqf*—are explained as follows:

Zakat

Muslims are required to pay *zakat* once a year. This payment is made on a particular part of their property and is used for religious and philanthropic purposes. *Zakat* is a source of funding and finance as well as a religious obligation and is different from other forms of charity. It is one of Islam's five obligatory pillars, and it may be utilized to aid the underprivileged and needy in society. *Zakat* should amount to 2.5 percent [and 10% on agriculture produce, and 20% on ores and minerals] of the *nisāb*⁷ (threshold, exemption limit for the payment of *zakat*) accumulated over a (lunar) year, as prescribed in the second source of Islamic law, the *Sunnah*. *Zakat* is a religious requirement, although everyone should help each other whenever possible, and it teaches people to have compassion and contribute financially to the well-being of society in general.

Once it is ascertained that an individual has attained wealth that reaches the level of *nisāb*, his or her *zakat* year begins. At the end of this year, *zakat* would be calculated on this individual's net assets (assets – liabilities). A non-exhaustive list of assets that are subject to *zakat*, with their associated *nisāb*, is given below (Abidin, 1870):

- Gold: *nisāb* of 85 grams (approx.).

² Qard hassan is a loan extended on a goodwill basis, mainly for welfare purposes. “Who is he that will give Allah Qard Hasan? For Allah will increase it manifold to his credit.” (*Qur'an* 57:11). “If you give Allah Qard Hasan ... he will grant you forgiveness.” (*Qur'an* 64:17). “Establish regular prayer and give regular charity and give Allah Qard Hasan.” (*Qur'an* 73:20)

³ A contract of guarantee or taking of responsibility for a liability provided by the guarantor or kafil (Hassan and Lewis, 2007). There are basically four main types of *kafala* (Mejelle, 2001)—i.e., *Kafala bil maal*, *Kafala bil nafs*, *Kafala bil taslim*, and *Kafala bil darak*.

⁴ Includes all microfinance products (micro-credit, micro-equity, microsavings, micro-transfers, micro-insurance) which consistent with all the principles of *Shari'ah* (Obaidullah, 2008).

⁵ An Islamic bond where it bestows a share of an asset to the investor with clear commensurate cash flows and risk (IDB, 2016). Under the Islamic social finance, socially responsible investment (SRI) *sukuk* or green *sukuk* should be considered under ISF.

⁶ A *Shari'ah*-compliant insurance where a group of participants mutually agree among themselves to guarantee each other (in the group) from any defined loss that may happen upon them (BNM, 2016)

⁷ *Nisāb* is the minimum level of wealth that is subject to the *zakat* levy.



- Silver: nisāb 595 grams (approx.).
- Goods for trade and cash: nisāb is estimated according to the equivalent value of the nisāb of silver (or gold, whichever is more beneficial to the needy)

Zakat is mentioned more than 80 times in the *Qur'an* (the sacred book of Islam), 26 times alongside the command to offer *salat*⁸. As mentioned in *Qur'an*: "And establish prayer and give *Zakat*, and whatever good you put forward for yourselves – you will find it with Allah" (2:110, *Qur'an*). The payment of *Zakat* in Islam is made compulsory for those who are well-off among the Muslims on specified types of wealth. Amounts received in the form of *zakat* are channeled to eight designated categories of recipients, the neediest and destitute in society. As mentioned in the *Qur'an*:

The alms (Zakat) are only for the (1) poor and the (2) needy, and (3) those who collect them (Zakat), and (4) those whose hearts are to be reconciled, and to free (5) the captives and (6) the debtors, and (7) for the cause of Allah, and (for) (8) the wayfarer; a duty imposed by Allah. Allah is Knower, Wise. [Surah al-Taubah:60]

Sadaqah

Sadaqah is a charitable sum that can be willingly given in the form of a contribution. It is a religiously sanctioned practice. In contrast to *zakat*, there is no formula for calculating charitable contributions. *Sadaqah* can be donated directly to those who are in need. *Sadaqah* can also be directed via particular humanitarian organizations such as UNDP, UNHCR, UNRWA, and others in the case of wars or catastrophes to ensure effective management and administration. This is crucial in preventing the *sadaqah* from being misappropriated. *Sadaqah* is a powerful tool used to fight against poverty as it provides a mechanism to obtain funds whether small or large from those who are capable and direct them to those who are in need.

The *Qur'an* sometimes uses the word *sadaqah* to denote *zakat*, while contemporary usage distinguishes between *zakat* and *sadaqah* as denoting obligatory and voluntary charities, respectively. *Sadaqah* was usually used in later Islamic history to refer to exclusively voluntary charity offerings made to beggars and the needy. However, we must not allow such a tradition to mislead us and divert us from the meaning of the word at the time the *Qur'an* was revealed.

Waqf

Waqf is a concept that dates back to the dawn of humanity. The sacred building of Ka'bah in Makkah, according to Muslim jurists, was the first *waqf* ever created (Kahf,

⁸ "Salat (salah) is the Arabic term for the ritual prayer that is obligatory for Muslims to perform five times a day. It forms one of the five pillars of Islam."



2015). It is the first house of worship established for humans, according to the Noble *Qur'an*:

"Indeed, the first House [of worship] established for mankind was that at Makkah - blessed and a guidance for the worlds." (Qur'an, 3:96).

Waqf is a type of social finance that has played an important role in Islamic civilization and may be regarded as an influential contributor in bridging financial gaps to achieve the SDGs. Waqf is considered the third sector of Islamic economics. It has an essential contribution to social welfare, particularly among Muslims, by reducing poverty, assisting orphans and widows, constructing mosques and hospitals, sharing knowledge, reinforcing family bonds, and contributing to the benefit of the whole society. In other words, the role of *waqf* is a charitable form that involves donating a land, building, or any asset for religious or charitable purposes, with no intention of reclaiming this asset.

According to ISRA's compendium (ISRA, n.d.), the word '*waqf*' in Arabic literally means "to retain or hold back". Technically, *waqf* has been defined as follows: (i) "to make a property the inalienable property of its owner while making its yield and usufruct a charitable donation to specified beneficiaries." (ISRA, n.d.); and (ii) "...holding Maal (an asset) and preventing its consumption for the purpose of repeatedly extracting its usufruct for the benefit of an objective representing righteousness/philanthropy." (Kahf, 1999).

Waqf or endowment can be of numerous purposes such as serving the social welfare arena, preservation of the environment, housing, concern for the family and its stability, distribution of wealth, and balance between present and future generations. Broadly, there are two types of endowments: (1) existing endowments: a door to spend on social needs, and (2) new endowments: to achieve sustainable development goals.

The legality of *waqf* can be traced back to the primary sources - *Qur'an* and *Sunnah* (tradition of the Prophet Mohammed [PBUH]), and secondary sources such as *Ijma*, the scholarly consensus (ISRA, n.d.). Though the word '*waqf*' is not used in the texts directly, its essence and importance are well defined.

There are various verses in the *Qur'an* that encourage spending on charitable ends. For instance, "The example of those who spend their wealth in the way of Allah is like a seed [of grain] which grows seven spikes; in each spike is a hundred grains. And Allah multiplies [His reward] for whom He wills. And Allah is all-Encompassing and Knowing." (*Qur'an*, 2:261).



Additionally, numerous traditions (hadith) narrated from the Prophet Muhammad (PBUH⁹) also explain the significance of charitable endowments. As reported by Abu Hurairah, the Prophet (PBUH) said: "When a man dies his acts come to an end, except three things: ongoing charity, beneficial knowledge and pious offspring, who prays for him." (Sahih Muslim, 1255/3). It is reported that the companions of the Prophet (PBUH) had consensus (ijma') on the validity of *waqf*. Ibn Qudamah, the author of *Al-Mughni* (5/599), stated that Jabir said: "There was no wealthy companion of the Prophet (PBUH) who had not made a donation for *waqf*; there was ijma' on it. Any of them who could afford would endow. It was widespread practice among the people, and no one rejected, thus, becoming ijma'". Hafiz ibn Hajar also mentioned: "We never heard about any dispute among the companions and the followers from people of knowledge on the validity of *waqf*."

2.2. Global Economic Outlook of ISF

As mentioned in the earlier sections, according to classical Islamic law, ISF has a number of tools, the most important of which is *zakat* (which is mandated for all Muslims), *sadaqah* (voluntary charitable donations), and *waqf* (charitable endowment). According to the World Bank and the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IsDB), currently known as Islamic Development Bank Institute (IsDBI), "the estimated global *zakat* funds reached \$550 billion to \$600 billion per year. Meanwhile, the official *zakat* institutions only managed \$10 billion to \$15 billion per year" (Widadio, 2019). On the other hand, because of *sadaqah's* voluntary character and Muslims' general proclivity to donate to the less fortunate as stated in the major sources of Islamic law, it has the potential to exceed yearly *zakat* donations. Hence, one could reasonably argue that the total amount of *sadaqah* given annually could potentially multiply any *zakat* estimate for the same period. *Waqf* is another important ISF tool among Muslim communities in various regions of the world to serve a specific public good. Globally, the value of *waqf* asset, the majority of which is real estate, is estimated to be between USD 700 billion and USD 1 trillion¹⁰.

According to the Islamic Philanthropy 2021 Annual Report, "*Zakat* donations increased by 12.5% in 2020 in comparison to 2019, triggering a much higher increase in the number of *Zakat* beneficiaries, which grew by 59% compared to 2019. In 2020, *zakat* in the form of cash and goods reached over 1.6 million people in 10 countries (vs. [eight] countries in 2019), predominantly Rohingya/ Syrian refugees, and Yemeni/ Iraqi IDPs. *Sadaqah* and *Sadaqah* Jariyah donations, which witnessed a significant increase in 2020,

⁹ PBUH stands for "Peace be Upon Him," a standard supplication/expression of respect added after mentioning the Prophet.

¹⁰ See the World Bank Group, INCIEF and ISRA Report on Maximizing Social Impact Through *Waqf* Solutions, p. 3.



have assisted over half a million beneficiaries in 10 countries. This brings the total number of beneficiaries due to Islamic Philanthropy in 2020 up to 2.1 million persons in 13 countries” (UNHCR, 2021).

During this Covid-19 global health catastrophe, Islamic social finance mechanisms such as *qard hasan*, *zakat*, *waqf*, and social *Sukuk* can help nations, organizations, and individuals economically who are affected by the epidemic. The Islamic Development Bank (IsDB) was a forerunner with its \$1.5 billion sustainability *Sukuk*, which would be used to assist member nations in dealing with the pandemic’s consequences, notably in the healthcare and small- and medium business sectors (S&P Global Ratings, 2021).

Country-wise ISF Scenario

Many nations’ ISF scenarios were explored in the seminars, and a few are outlined in this report. Currently, there are few countries that include the *zakat* as part of economic policy. For example, under the State Fatwa of Malaysia, any business firm whose owners are Muslims or which is regarded as *Shari’ah*-compliant is required to pay *zakat*. In this process, *zakat* is acceptable by the Islamic financial institutions even though the shareholders are not Muslims. In Turkey, approximately USD 80 million were collected during Ramadan from al-fitr *zakat* and donations in 2020. And, 1.2 million people in Turkey benefited from this and the rest from outside of Turkey—i.e., more than 70 countries.

In Indonesia, there are a *zakat* and a *waqf* laws accompanied by several implementation regulations. Some corporations pay *zakat* using various types of mechanisms, including the electronic one. A study calculated a total of 327 trillion Rupiah or 22 billion USD potential *zakat* in 2021, which is 2.11% of the country’s GDP. However, only 12.5 trillion Rupiah or 829 million USD of *zakat* was collected in 2020. The most considerable proportion is the *zakat* of corporations. Among this collection, only 14% of *zakat* was distributed and utilized for the productive based program in 2019, which increased to 20% in 2020. However, the most significant part of *zakat* is on a consumption basis because it is provided mainly to the needy to meet their most basic requirements directly and as a response to many tragedies they face. In Nigeria, the constitution acknowledges *Waqf* and Muslims’ inherent rights to exercise their faith. Many states have passed legislation governing *Zakat* and *Waqf* collection and administration on this basis. They have even formed the Association of *Zakat* and *Waqf* Operators in Nigeria, bringing together all *Zakat* and *Waqf* institutions.

3. ISF and SDGs

A report issued by the UN in 2020 stated that the number of people under the poverty line and directly above it reached 2.7 billion people in 132 developing countries, and



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

they need US\$199 billion per month to provide for their basic needs. According to the World Bank report statistics, the number of poor people in the world is increasing due to the COVID-19 pandemic, which increased by between 143 and 163 million people in 2020. Besides, the Islamic News Agency (INA) states that 37% of the population of the Islamic world (approximately 504 million people) is below the poverty line, representing 39% of the world's poor segment. On the other hand, According to the Food and Agriculture Organization (FAO), almost 800 million people are in a state of food insecurity and hunger.

In addition, 80 million people were displaced in 2020. Over 60% of displaced people come from Organisation of Islamic Cooperation (OIC) countries, with some of the most protracted displacement crises in the world. Interestingly, countries that are members of the OIC are among the top refugee-hosting countries, including Turkey, Pakistan, and Uganda. Furthermore, 21% of people living in OIC countries live under the poverty line.

The ISF institutions have important capabilities to support this destitute segment and alleviate the ratio of poor people. The real and great potential of ISF is to end extreme poverty, promote prosperity, and achieve the SDGs. Exceptionally, *zakat* can be one of the most essential and effective ISF tools to achieve these. Preliminary surveys carried out in 2007 and then in 2019 concluded that the volume of *zakat* in the Islamic world ranges between US\$300-400 billion annually, excluding al-Fitr charity, which amounted to about US\$3 billion per annum, in addition to alms, endowments, and the like.

According to the Islamic Finance Development Report (2021), the Islamic finance sector grew by 14 percent in 2020, reaching US\$3.374 trillion in assets, and worldwide Islamic finance assets are estimated to reach \$3.69 trillion in 2024. Whereas Islamic finance has made a substantial contribution to the economic advancement and development goals, ISF has also been used as a financial tool to influence positive social and environmental development among community members.

ISF has salient features that operate to achieve *maqasid al-Shari'ah* (objectives of Islamic law). The objective of *Shari'ah* encompasses its five fundamental goals: i) preserving faith, ii) preserving life, iii) preserving progeny or posterity, iv) preserving intellect, and v) preserving wealth. These are centered on human dignity and are perfectly harmonious with the SDGs. The central purpose of *Shari'ah* can be summarized as facilitation of ease and removal of hardship for the human being and other creations (including the environment). All that may adversely affect humans, and other creations' sustenance or dignified survival are to be countered in the *maqasid*-oriented action plan. Therefore, the approach and framework of SDGs are closely compatible with the underlying ethos of *maqasid al-Shari'ah*. In addition, ISF mechanisms can be used to bridge the financing gap for the 2030 SDGs, especially in light of the use of the fourth



industrial revolution tools, including Blockchain technology, financial services technology (fintech), artificial intelligence, and others.

The UN introduced the SDGs in 2015 to help countries throughout the world to accelerate their development. The Sustainable Development Goals, also known as the 2030 Global Agenda, are divided into 17 categories that all UN member nations should accomplish by 2030 (United Nations, 2015). Briefly, the SDGs are as follows: “SDG 1: No Poverty; SDG 2: Zero Hunger; SDG 3 Good Health and Well-Being; SDG 4: Quality Education; SDG 5: Gender Equality; SDG 6: Clean Water and Sanitation; SDG 7: Affordable and Clean Energy; SDG 8: Decent Work and Economic Growth; SDG 9: Industry, Innovation and Infrastructure; SDG 10: Reduced Inequalities; SDG 11: Sustainable Cities and Communities; SDG 12: Responsible Consumption and Production; SDG 13: Climate Action; SDG 14: Life Below Water; SDG 15: Life on Land; SDG 16: Peace and Justice Strong Institutions; and SDG 17: Partnerships.” ISF is naturally related to the fulfillment of the SDGs since it aims to improve the well-being of the community or individuals living in the community by providing financial support.

Considering ISF [objectives of *Shari’ah* in a broader sense] and SDGs, SDGs 1, 2, 3, 6, 7, 10, 11, 13, and 16 go along with preserving and saving lives. The preservation of the soul and intellect is addressed by SDGs 3 and 6. The Global Muslim Philanthropy Fund for Children (GMPFC), which gives an opportunity for global youth to become empowered rather than remain recipients of charity, reflects SDGs 4, 9, and 17. The preservation of faith is addressed under SDG 5. SDG 8 refers to financial savings or preserving wealth. SDGs 12, 14, and 15 comply with preserving posterity or progeny. These are organized from a simple aspect; however, they are intertwined, meaning that one SDGs may comply with more than one *maqasid al-Shari’ah*.

To ensure harmony between the objective of *Shari’ah* and SDGs, ISF tool may play a significant role. For instance, *zakat* aims to ensure social solidarity by eradicating or decreasing poverty and unemployment. *Zakat* and endowments could play an essential role in self-preservation strategies. When *zakat* is constructed following the basic Islamic precepts and values, as it should be, it is already connected with the SDGs since it entails assisting the needy in becoming self-sufficient. The eradication of hunger, which also coincides with the preservation of life, can also be eradicated by it. History reveals that *zakat* is one of the most effective ways to combat poverty and establish unity and solidarity in society. *Zakat* can help governments deal with inflation since it may be collected in cash and in kind.

Alongside *zakat*, the SDGs align perfectly with the goals of the *waqf* as well. The main objectives of social development are to improve the quality of life for societies by promoting values at the community level and satisfying the social needs that achieve a



decent life for the members of society. The traditional *waqf* can be used to achieve sustainable development goals, and most of the *waqfs* are related to education, healthcare, combatting poverty.

In summary, Islam's promotion of social trust, cooperation, and solidarity means that Islamic social financing aligns strongly with the SDGs. ISF is a vital and largely untapped resource that might be better utilized to reduce the SDG financing gap and provide much-needed funds to underprivileged nations and communities, particularly during this critical situation of COVID-19. ISF is a socially responsible financial system that fulfills the *maqasid al-Shari'ah* and eventually helps contribute to the achievement of the SDGs.

4. Main Themes and Topics of the Dialogue's Seminars

This section summarizes the topics and themes of the International Dialogue on the Role of Islamic Social Financing in Achieving the Sustainable Development Goals. It was a global discussion on unlocking the potential of Islamic social financing to support global efforts to end extreme poverty, boost economic development, respond to the impact of the devastating COVID-19 pandemic and help countries get back on track to meet the SDGs – the world's blueprint to achieve a better and more sustainable future for all by 2030.

Table 1: Main themes and topics of ISF and SDGs seminars

Seminar No.	Topic	Theme
01	The goal of Islamic social financing to help communities	The history, origins, growth and goals of Islamic social finance, and how Islamic social financing is used to help communities and the overarching aims of <i>zakat</i> , <i>sadaqah</i> , and <i>waqf</i> .
02	Implementation mechanism of Islamic social financing	National experience regarding the implementation of ISF mechanisms such as <i>zakat</i> , <i>sadaqah</i> and <i>waqf</i> . Besides, the roles that governments and <i>Shari'ah</i> boards play in Islamic social financing mechanisms.
03	Islamic social financing as a means to achieve the SDGs	How the various Islamic giving models can be utilised to respond to humanitarian challenges around the world. In addition, how Islamic Social Finance bodies can align their work with UN partners and the SDG Framework; beyond humanitarian response, what is the role of Muslim Philanthropy in addressing socio-economic development challenges; how Muslim philanthropy can catalyze longer-term sustainable investment.
04	The awqaf properties investment fund (APIF): A model for sustainable development	Introducing APIF specifically and the awqaf model more generally, including the major benefits and challenges of awqaf as a development model as well as relevant case studies.
05	UNICEF/ISDB global Muslim philanthropy fund	How the Global Muslim Philanthropy Fund for Children (GMPFC) operates, the strategic partnership that has been made with the Islamic Development Bank and how Muslim Philanthropists can utilise this fund as a means to achieve greater impact.
06	UNGA global virtual summit on Islamic financing	Exploring the areas that <i>zakat</i> , <i>waqf</i> and <i>sadaqah</i> align with the effects of climate change while also presenting specific case studies on existing and past initiatives.


 International Dialogue on the Role of Islamic Social Financing
 in Achieving the Sustainable Development Goals

07	UNHCR's refugee <i>zakat</i> fund	UNHCR's best practices in Islamic Philanthropy (IP) for the benefit of refugees and internally displaced persons (IDPs), in particular its successful experience with the launch in 2019 of the Refugee <i>Zakat</i> Fund, a trusted, compliant and effective distributor harnessing the power of <i>zakat</i> to transform the lives of refugees and IDPs, including in hard-to-reach areas.
08	UNRWA experiences in <i>zakat</i>	Impact of <i>zakat</i> fund on the most vulnerable Palestine refugees in Gaza, mainly on food and cash assistance programs. UNRWA's engagement with corporations, government entities and individuals for its <i>zakat</i> program as well as expansion of Islamic social financing capacities to include <i>Sadaqah</i> and Ramadan campaigns.
09	IsDB's economic empowerment approach	An innovative mechanism for Utilizing Islamic Social Finance for Poverty alleviation
10	UNRWA/OIC <i>waqf</i> fund	Discussion on the Waqf Fund (endowment), a multilateral financing facility, created by the Organization of Islamic Cooperation (OIC) to support the humanitarian programs of UNRWA for Palestine refugees.
11	Muslim alms IOM	Overview of IOM's stance on Islamic Philanthropy and the future of IOM Muslim Alms Administration System.
12	Challenges of Islamic social financing & UN mechanisms SASG/ESCWA IsDB	Specific challenges faced in applying the mechanisms of implementation for Islamic social financing within the UN system.

Source: Author

The following figures are created using text mining software that shows the co-occurrence network of the main themes and connections between the major frequently used terms in the seminars. Based on the analysis, it is seen that the are focused primarily on the following terms: endowment & *waqf*, *zakat*, institution, poverty, and sustainable development goal [seminar 01]; *Zakat* and ISF mechanism [seminar 02]; *Zakat*, SDGs, ISF mechanism, and utilization [seminar 03]; *waqf*, APIF, fund, investor, and IsDB [seminar 04]; GMPFC, child, *zakat*, education, and community [seminar 05]; Islamic finance, *zakat*, climate, and institution [seminar 06]; *Zakat*, UNHCR, refugee, Islamic philanthropy, and ISF tool [seminar 07]; *Zakat*, UNRWA, poverty, and donation [seminar 08]; partnership, ecosystem, SDGs, development, and economic empowerment [seminar 09]; fund, *waqf*, UNRW, and ISDB [seminar 10]; IOM, fund, *zakat*, and challenge [seminar 11]; fund, ISF mechanism, *zakat*, challenge, and blockchain platform [seminar 12].

Considering the clusters or themes, most of the seminars concentrate on specific topics except seminars 2, 3, and 8. These three seminars focused on topics or themes that are divided into seven, four, and five areas, respectively. After combining the seminars of the Dialogue, it is noticed that the seminars are mostly concentrated to the following clusters: Islamic social finance, SDGs, organization, partnership, Islamic finance, and society.

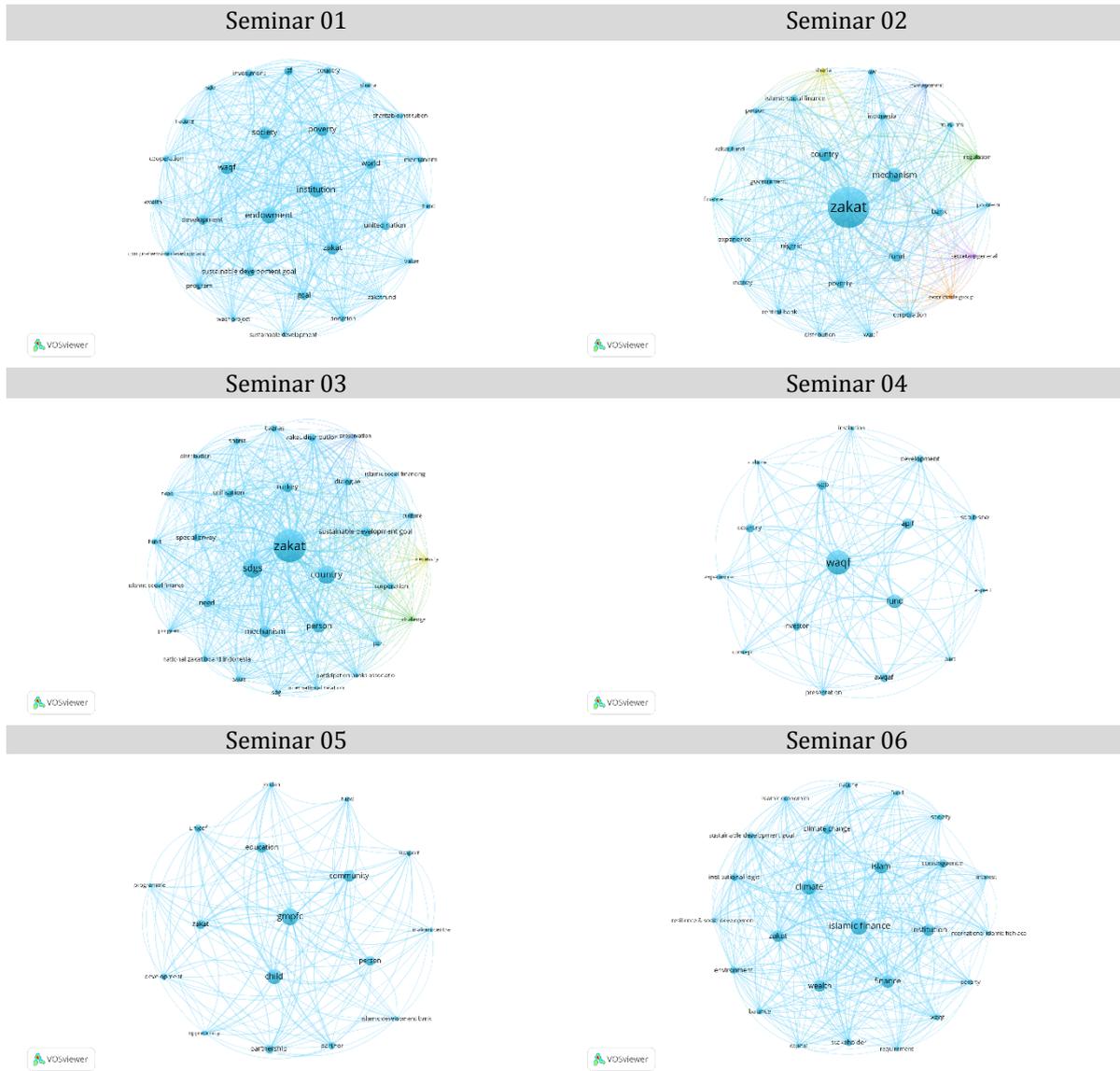


IALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

Table 2: Illustration of main themes and co-occurrence of terms (Seminar 1-6)



Source: Author

Table 3: Illustration of main themes and co-occurrence of terms (Seminar 7-12)

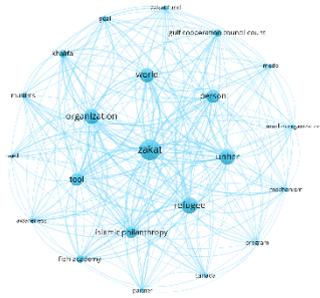




IALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS

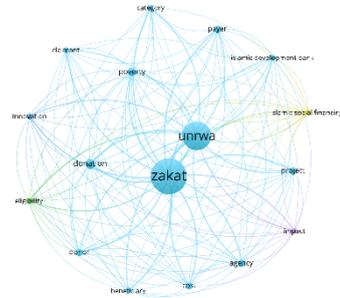


International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals



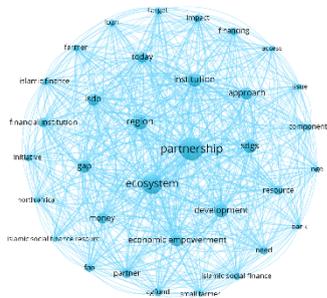
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Seminar 09



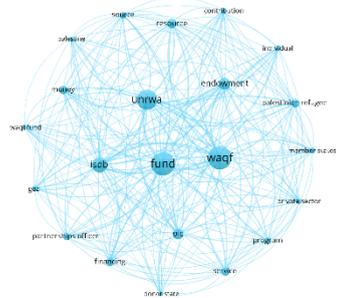
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Seminar 10



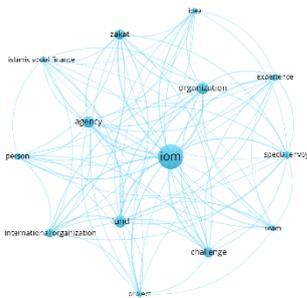
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Seminar 11



VOSviewer

Seminar 12



VOSviewer

Source: Author

Table 4: Illustration of aggregate seminars, cluster, item, link, and link strength

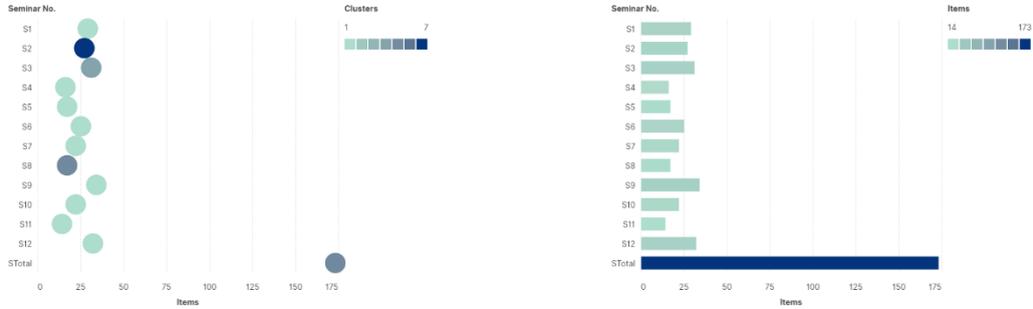
Seminar no vs. Cluster	Seminar no vs. Item
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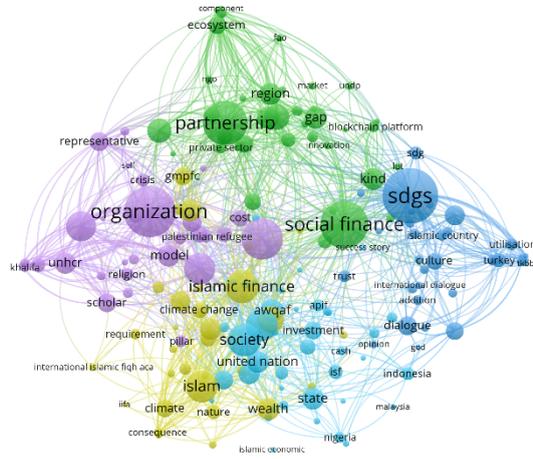
DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

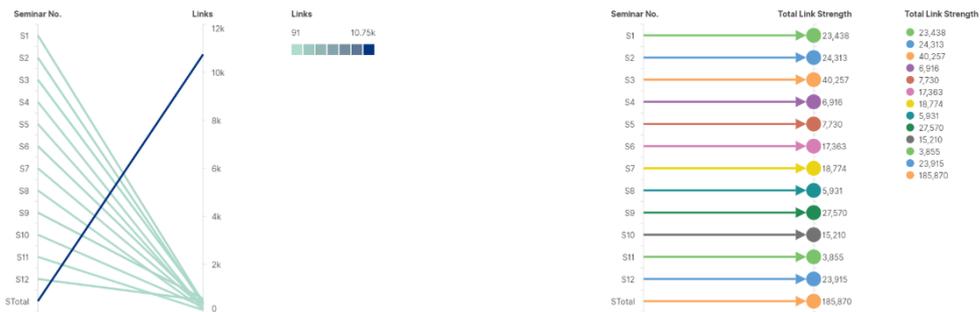


Seminar [Aggregate]



Seminar no vs Link

Seminar no vs Total Link Strength



Source: Author

5. Organizations, Partnership, Successful Programs, and Challenges of ISF

“The International Dialogue on the Role of Islamic Social Financing in Achieving the Sustainable Development Goals” explains the Islamic social financing potential to aid collective global efforts to eradicate extreme poverty, enhance economic progress,



respond to the overwhelming condition of Covid-19 and assist nations in regaining momentum toward achieving the SDGs by 2030.

In this section, the summaries of seminars are articulated into five separate subsections: involvement of UN agencies with ISF, the partnership of organizations to achieve the SDGs, success stories of various initiatives and programs, ISF and climate change, and challenges of ISF to attain the SDGs.

5.1. ISF and UN Agencies

a) UNHCR

The United Nations High Commissioner for Refugees (UNHCR) is a UN organization tasked with assisting refugees, forcibly displaced individuals, and stateless people in voluntary return, local integration, or resettlement to a third nation. It seeks to guarantee that everyone who has escaped violence, persecution, conflict, or tragedy at home has the right to protection and find a safe shelter. The UNHCR has discovered a strategic and long-term connection between Islamic charity, particularly *zakat*, and the humanitarian needs of persons who have been forcibly displaced. It is the lead agency within the UN system regarding Islamic philanthropy.

To take advantage of ISF mechanisms, particularly *zakat*, UNHCR received the necessary fatwas, allowing Muslims to channel their *zakat* through its network. The International Islamic Fiqh Academy, the Muslim World League, Al-Azhar University in Egypt, and the Canadian Council of Imams are among the organizations that have issued fatwas. It also established an interest-free account and assured that 100% of contributions go to refugees and displaced people.

After considering the mechanisms of ISF as a tool for fulfilling humanitarian needs, the outcome of the UNHCR's initiative was outstanding in the first year. As a result, they raised 43 million dollars and reached 61 million dollars in the next year. Therefore, they serve 2.1 million people in 13 countries. However, UNHCR confronts several internal and external hurdles in implementing this initiative. Although the internal challenge is up to the organization to handle it and be aware of it, for alleviating the external challenge, UNHCR requires additional international partners since they are barely touching the surface of Islamic philanthropy. Today, there are around 700-800 billion dollars in the hands of Muslim philanthropists. The organization is only reaching the tip of the iceberg, and it can do much more to cooperate with Muslim organizations around the world.

To collect *zakat*, UNHCR offers a different model: *Zakat* houses and the Muslim organizations who are working with the grassroots and who are working with the donors do the collection process. However, regarding the capacity on the ground, *Zakat*



houses might not have the capacity to distribute in certain parts of the world without having high administration fees. The organization, therefore, offers a very economical way of doing the work that maximizes the impact of *zakat* and its benefits by covering the administration fees for the *Zakat* collectors in a compliant way. It has scholars who are reviewing their implementation and ensuring any required path corrections are made. They are doing it according to the benchmarks recommended by the scholars. Currently, UNHCR does cover the admin fees. They plan to continue doing so, until they reach a point where donors are educated/comfortable enough to step in and decide to cover the admin fees.

b) UNRWA

The United Nations Relief and Works Agency (UNRWA) is mandated by the UN General Assembly to serve 'Palestine refugees'. UNRWA's Islamic financing program has grown significantly. Reportedly, out of the five million Palestinian refugees, at least two million live in poverty. A million Palestinian refugees are registered with UNRWA. This is the category that UNRWA serves. The main program that serves these groups is the cash and food assistance program, which is a program that directly qualifies these groups to receive *Zakat* funds.

UNRWA confirms the eligibility of the programs based on reviews of the National *Zakat* Foundation (NZF), and the eligibility of the beneficiaries of the *zakat* program through the field survey of poverty. The organization has obtained official certificates of eligibility for the cash and food assistance program in Gaza through the certificate it obtained from the NZF. The organization obtained a fatwa from the Sheikh of Al-Azhar and the Imam of Al-Aqsa Mosque confirming the eligibility of UNRWA and the beneficiaries of the *zakat* program to receive *zakat* donations. In the case of donations from individual donors, whether online or through bank transfers, 100% of the *zakat* funds go to the cash and food assistance program without deducting any percentage, in compliance with the rules of Islamic *Shari'ah*.

UNRWA is seeking to open a special Islamic bank account for *zakat* and *zakat* donations, in addition to obtaining new fatwas from various regions and Muslim scholars. The organization collects *zakat* through cooperation with Islamic banks and works in partnership with the official *zakat* bodies in Islamic countries.

c) IOM

The International Organization for Migration (IOM) is a humanitarian and development player with its wide global footprint of activities carried out successfully through its more than 400 offices, many of which are located in difficult-to-reach regions. IOM



intends to establish an Islamic Philanthropy Fund (IPF) to collect and disburse certain Muslim alms (e.g., zakat).

IOM has recently received a fatwa regarding the management of Muslim alms. After reviewing the primary and secondary sources of Islamic law, fatwas from renowned scholars, and objectives and operations of IOM, the IKTISAT Advisory Committee¹¹ has concluded that the International Organization for Migration (IOM), as an intergovernmental organization, is eligible to establish an IPF to collect and disburse zakat, sadaqah, and other Muslim alms to the entitled beneficiaries subject to fulfilling the Shari'ah conditions.

d) UNDP

The United Nations Development Programme (UNDP) “helps to achieve the eradication of poverty, and the reduction of inequalities and exclusion”. In this process, ISF is an important mechanism for them to achieve that goal. UNDP is a proxy Muslim alms organization, which means it receives funds from other charities or state *zakat* sources. It takes a unique strategy to obtain contributions from other Islamic organizations, which is known as projectized fundraising. Instead of a *Shari'ah* board, UNDP's Muslim alms management team includes specialists from Islamic philanthropy. They retain all of their Muslim alms in regular accounts, and they solely report to their project counterparts, with no *Shari'ah* inspection. UNDP charges the same standard overhead and other associated costs to Muslim alms-funded projects as it does to all other programs. In reality, it makes no distinction between its beneficiaries based on their religious affiliation.

UNDP has stressed the importance of local banks and local institutions because they understand the environment, have networks, and have an understanding of the situation at the local level and local legislative contact. Within the context of the Deprived Families Economic Empowerment Programme (DEEP), UNDP had about 30,000 beneficiaries. One of the successes of the program was precisely the extensive involvement of the civil society in Palestine, as people know that it is a very vibrant and competent organization.

5.2. Partnership and SDGs

Economic empowerment is an important pillar for strategic development; it relies heavily on forging effective partnerships to handle the complex development structure. It is worth mentioning that SDGs can only be achieved by working together and by seeking the collaboration all along.

¹¹ Non profit external *Shari'ah* advisory body which is authorized by Turkiye's participation bank association



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

The IsDB Economic Empowerment approach has been designed based on more than 40 years of track record in Islamic finance under all its forms, from research to field interventions, and it has also been designed based on more than 20 years of track record in poverty alleviation and also in a microfinance field. This approach aims to transform the destitute from aid and relief recipients into real economic agents or actors in an engine for socio-economic development through various financial resources, and ISF instruments such as *zakat*, *waqf*, and *sadaqah* can be one of these resources. Through these tools, the approach is providing them with access to well-designed project opportunities, enabling them with intelligent partnerships, delivering them with affordable infrastructure and basic investment support as well as with access to appropriate funding and access to markets.

There are joint projects such as with the AGFUND and other organizations—e.g., UN agencies and their initiatives and programs—that work to achieve development objectives through the ecosystem that the economic empowerment approach proposes. That ecosystem has components and needs partners for to cover each component, and it needs local associations such as water user associations and small farmer associations. So, partnerships should not be limited to financial institutions or government institutions; rather, it should include NGOs and the private sector. Indeed, partnerships are essential to influence work on the ground to achieve the SDGs.

5.3. ISF and Successful Programs

There are many successful ISF initiatives and programs that were mentioned in the Dialogue's seminars. Among them, a few are summarized as follows:

a) APIF

Waqf (plural: *awqaf*) is a type of Islamic social financing tool that has played an important role in Islamic civilization and can help bridge the SDGs' financing gap, especially because of *waqf's* tremendous resource mobilization capacity. The Awqaf Properties Investment Fund (APIF) of the Islamic Development Bank (IsDB) was founded in 2001 to promote the role of *waqf* as a development instrument by utilizing Islamic financing to fund the development, rehabilitation, and purchase of properties to be used as *waqf*. APIF is an impact investing fund that offers investors financial and social gains. IsDB has succeeded in putting *waqf* finance into practice through APIF. It has succeeded in turning the endowments model (which is used in both the traditional Muslim world and the modern West – for example, at universities) into a development policy instrument. As a result, the IsDB has elevated *waqf* financing to the forefront of development practice.

b) IsDB-BISEW



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

The IsDB and the Government of Bangladesh came together in 1987 to form the Bangladesh Islamic Solidarity and Educational Waqf (IsDB-BISEW). It was founded on the premise of establishing a *waqf* institution on property that generates money, with the surplus earnings going to full-fledged free education for needy Muslim youth. IsDB-BISEW funds, develops, and implements programs in the fields of education, human resources development, and educational institution building. The goal is to progressively turn a vast population into a productive workforce by improving their technical capacity to use existing and upcoming technology, resulting in long-term economic development and equality.

This program has experienced tremendous successes in its various initiatives. Good governance is one of the fundamental aspects of this successful program, which is now one of the primary issues various programs face at the level of beneficiaries or non-governmental organizations. In the case of IsDB-BISEW, it is all about governance and compliance. In Bangladesh, the organization established a secure location. They have a future-oriented mindset; they do not use all of the cash created annually. The organization is setting away a yearly amount in a sinking fund to anticipate a new project.

c) *Global Muslim Philanthropy Fund for Children (GMPFC)*

The Global Muslim Philanthropy Fund for Children (GMPFC) was founded in 2019 to establish an ecosystem that encourages regional strategic philanthropy. The IsDB and UNICEF collaborated to establish the GMPFC. It is a one-of-a-kind platform that supports various types of Islamic charity, including *zakat* and *sadaqah*. Under the leading implementation role of UNICEF, GMPFC sponsored three initial projects beginning in February 2021. It is dedicated to enabling philanthropists and donors to interact and work together to have a larger collective impact while maintaining individual goals. The GMPFC is devoted to promoting cross-sectoral local, regional, and worldwide relationships and collaborations with donors, as well as advocating for indigenous alternative solutions that benefit local communities while also promoting the dignity and respect that Islamic charity supports.

IsDB, through the GMPFC, is in a unique position to be a trustee for *zakat* funds since it meets all of the legal, regulatory, and organizational structure criteria. The Al Ghurair Foundation, as a founding sponsor of the GMPFC, is searching for ways to have a more significant impact and is using the potential of ISF to do so. SDGs 4, 9, and 17 are represented in the GMPFC, which offers a way for the world's youth segment to become empowered rather than being dependent on charity.

d) *Makani*



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

In Jordan, the Makani (Arabic for “My Space”) centers provide a secure environment for “children and young people to access learning opportunities, child protection, and other important services”. Makani centers are critical in identifying children who are having difficulty enrolling in school and recommending them to UNICEF and the Ministry of Education for formal and non-formal education enrollment. In 2021, 140 Makani centers in Jordan were being operated inside refugee camps, and they are hosting communities and informal tented settlements. The Makani centers were financed by the Al Ghurair Foundation through the GMPFC in 2019, allowing them to continue to serve roughly 10,000 youngsters. This support was extended until 2021, and they now have access to 4,000-4,200 youngsters who have been through the centers.

During Covid-19, the Makani centers were shuttered, but the delivery was simply moved to a remote location, allowing the staff’s worth to emerge. They continued to assist the children because they have a deep connection to their communities and are highly dedicated. Despite technological hurdles for vulnerable children, Makani center workers continued to guarantee that children were able to study when all learning moved online.

5.4. ISF and Climate Change

Climate is an integral and inseparable part of the earth that must be protected and safeguarded, and mankind as a whole must ensure that it does not face a state of destruction. Islamic finance is a branch of the Islamic economy that entails managing, spending, and ensuring that wealth does not cause harm to the environment. ISF tools may be utilized to safeguard the environment, which leads to the achievement of the SDGs.

Zakat is a religious responsibility for rich people to spend 2.5 percent of their wealth on charitable activities, such as assisting those who may have been harmed by climate change or natural disasters. The receivers of *zakat* are divided into eight (8) designated categories, one of which includes individuals whom the disaster has impacted. *Waqf* might be a second social finance mechanism to assist the climate and the people who are affected by it, as well as to be diligent in maintaining, observing, and preserving the climate. People might utilize *waqf* in this situation to plant trees and encourage the protection of nature. A third institution is wills/inheritance, through which a portion of a deceased person’s fortune can be dedicated to alleviating climate change’s consequences. Green bonds, also known as green *Sukuk*, represent another strategy to address climate change issues while also investing in ethical assets. These ISF instruments may link climate and social financing to bolster the achievement of the SDGs.

Through this social financing, individuals who are better off and choose to give to others, especially the environment and climate, establish an equilibrium in society that



is favourable to sustainability—where individuals work together to guarantee that the environment and community overcome poverty. It is crucial that this equilibrium be maintained. In order to do so, each stakeholder in society must perceive a personal interest in contributing to the overall balance.

5.5. ISF and Challenges

Ontologically, ISF itself is a challenging concept regarding the adverse effect of the competitive socio-economic world; this nature of the ISF sector alleviates the systematic and specific risks and challenges. Indeed, the ISF sector confronts all kinds of challenges regarding the social finance spectrum; however, additional challenges emerge with the nature of Islamic philanthropy. For example, some impediments halt eligible people from benefiting from the fruit of ISF tools—e.g., weak collection and distribution mechanisms, an imbalance between wealthy countries with an affluent population, and developing countries with large poor people. Even the decision for beneficiaries can be challenging for ISF institutions. This example is thoughtful to show that the systematic and specific challenges are embedded and need to be resolved.

Behind the systematic challenges, the legal and cultural issues are considered important factors from a broader aspect. Regarding the legal challenges, intergovernmental bodies (such as UN agencies) can play a significant role with their decades of experience. In this case, platforms like the ISF dialogue series may help share knowledge to increase awareness among the regulatory authorities. However, cultural differences should be deemed as advantages rather than disadvantages because cultural adaptiveness enriches people's perspectives and facilitates the global ISF institutional practices.

In terms of specific challenges, it needs to be said that ISF institutions should comply better with the core principles of Islamic economic thought. Mainly, the institutions should transform their understanding of the “rights” that is needed to be holistic as ordained by Allah (SWT). Islam only considers public (*Ibadullah* -meaning all creations-) rights that cannot be divided into segments such as human rights, animal rights, etc. The institutions should develop their understanding of public rights to achieve SDGs and spread common justice on the earth. Therefore, ISF is the most prominent segment representing the Islamic economics that raises from the applied economics wing. Verily, many related challenges can be alleviated in this way. Whenever organizations utilize Islamic philanthropic funds, it is necessary to ensure that no harm is done to the environment or any other creatures.

Regarding the primary ISF tools, e.g., *zakat* and *sadaqah*, the speakers from the Dialogues pointed out the lack of efficient collection and distribution of funds to achieve the SDG goals. They also mentioned that good governance is one of the significant challenges that is currently being experienced by ISF institutions such as *waqf*. Financial



exclusion can be an important example to indicate that how these issues cause interrelated challenges. The majority of *zakat* and *sadaqah* recipients seem not to have access to financial services for cash-based assistance. Therefore, it is cumbersome to distribute especially the *zakat* or *sadaqah* unless the organization gives them the cash by hand. On the other hand, reaching the needy in some problematic regions is more challenging compared to the distribution form. However, organizations such as UN agencies with vast and strong distribution channels, acceptability across different critical regions, and a remarkable good governance framework can alleviate the collection and distribution-related challenges. In this case, forging strategic partnerships between ISF institutions and UN agencies may play a crucial role in reaching the vulnerable in such areas and can ensure the efficiency and effectiveness of funds. Besides, ISF institutions can reach better governance capabilities by satisfying certain requirements of such partnerships.

Along with the challenges and possible policies, several speakers from the ISF dialogue series provide various recommendations and guidelines to overcome these impediments or challenges. It is worth mentioning that despite having the recommended policies and guidelines, fundamental improvements can be the main contributor to eliminate many of the challenges (see Recommendation section).

5.6. Key Milestones of IsDB Group Islamic Social Finance Initiatives

IsDB group has a significant and influential contribution to the development and acceleration of ISF sector. In this process, several social impact initiatives and programs were initiated and organized by this organization. Among them, the key milestones of the group's ISF initiatives are as follows:

6. Conclusion and Recommendation

The report discusses the role of ISF mechanisms in achieving the SDGs, as presented in the various seminars of the Dialogue. Based on Tables 1 and 4, the speakers' discussions in the seminar series can be classified into three main themes—seminars 1, 2, and 3 primarily focused on fundamentals of ISF and SDGs and their applications. Seminars 4, 5, 6, 7, 8, 9, 10, and 11 concentrated on the solutions and strategies in achieving SDGs by implementing the ISF tools and the importance of partnership between various intergovernmental agencies and non-governmental organizations. Finally, the scholars and experts discussed the crucial challenges and their possible effective solutions in seminar 12. It can be understood from the discussions of the scholars and experts that there is a strong link between proper organizational structures and ISF to achieve SDGs.



Thus, UN Agencies' partnership and participation with other organizations can be considered a response to that need to create a more vibrant ISF ecosystem.

Notably, the financing gap is one of the crucial constraints to the attainment of the SDGs. Fortunately, ISF resources, whether coming from *zakat*, *sadaqah* or *waqf*, definitely have a strong potential in filling the financing gap of the relevant and eligible SDGs—e.g. via an estimated 300 billion USD that could be coming annually from *zakat* resources. If only 1% of this amount is directed toward the most marginalized groups, this would be a significant achievement, and it will change the lives of many needy people. ISF has huge potential and enough capacity to close the gap not only in the region but worldwide. Why is it not working? This may simply be because either it is not channelled to the right designated beneficiaries or there is no ecosystem that allows it to derive the necessary benefits.

In this case, the partnership between government and non-government organizations and agencies could play a significant role. There are already many collaborative initiatives between IsDB and UN agencies, and this partnership with the agencies or organizations is anticipated to last for a long time. However, while they are working together to achieve the SDGs, it should be understood that Islamic social finance (ISF) is not an area of competition but cooperation that represents the spirit of Islamic economic thought. Furthermore, it is worth mentioning that SDGs and ISF fundamentally take a public rights perspective based on a holistic rights approach.

Recommendations

In the Dialogue, scholars and experts expressed their opinions to solve existing challenges and issues regarding ISF tools to facilitate the smooth attainment of the SDGs. The recommendations are categorized and summarized as follows:

Institutions & Partnerships

- In order to bridge the financing gap for 2030 SDGs, ISF mechanisms can be used, especially in light of the use of the fourth industrial revolution tools, including Blockchain technology, financial services technology (fintech), artificial intelligence, and others. (An initiative: Registration of waqf properties in the blockchain will help save waqf properties from illegal appropriation and from usurpers. This is in addition to optimizing the usufruct and benefits of waqf real estate throughout OIC member countries. IsDB can play a leading role in this respect.)
- In order to establish “Social banks”, the United Nations agencies and governments can work together. (An example: Nasser Social Bank in Egypt was



established in the 1960's extended benevolent interest free loans to SME's and to the poor.)

- In order to solve *zakat* collection issues, a *zakat* fund in each Muslim country should be developed and linked to independent international and national supervision without meddling in the affairs of the states. IsDB & UN agencies can extend technical assistance for the establishment of Zakat houses in OIC member countries.
- In order to maximize impact, more structured institutions should be established. More global coordination with measurable metrics, ability to scale, and increased visibility should be adopted. Sentiment indicators using artificial intelligence in addition to other relevant indexes and indicators can be used to measure efficiency and positive impact.
- In order to succeed, a system is required within the international organizations. Having a mechanism that the United Nations has adopted can help everyone be on board. It is better to have the capability and capacity to implement such a mechanism.
- In order to promote more impact-oriented outcomes, a selective partnership should be considered. for
- In order to end hunger, the scope of partnerships should be broadened to be able to synergize with adaptation funds, green climate funds, etc. OIC, IsDB and relevant UN agencies can develop relevant frameworks agreements to increase water and food security throughout member countries and globally.
- In order to understand the environment and have local networks/legislative contacts, more focus should be on local banks and local institutions.
- In order to support the development of integrated national employment and social protection strategies, address the challenge of resource mobilization, complement domestic fiscal efforts with international financial support, and enhance multilateral cooperation, the IsDB group and other ISF-centric international organizations may build a strategic partnership with the Global Accelerator on Jobs and Social Protection for a Just Transitions (Accelerator for short) that was launched by the United Nations Secretary General in September 2021.

Mechanism & SDGs

- In order to achieve SDGs, the *waqf* can be used. And most *waqfs* expenditures are related to education, healthcare, and combatting poverty.



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

- In order to achieve SDGs, other ISF tools should be explored, particularly to address the refugee crisis since ISF is not limited to *zakat*.
- In order to understand right ISF tools for each SDGs, the United Nations and partners worldwide should identify the well-fitted tools.

Training & Regulation

- In order to improve the collection mechanism, the United Nations should reach an agreement with countries through negotiations, programs, memoranda, regulations, and laws and establish a global legal framework regarding *zakat*.
- In order to educate the *Shari'ah* scholars on sustainability issues, the IIFA should play a more imperative role. So, the scholars consider these issues and the consequences related to climate, poverty, and other social issues such in their fatwas.
- In order to endorse and give more support to refugee funds, scholars should clarify and call upon all Muslims to send not only *zakat* to the organizations but *waqf, sadaqah, kaffarat* (atonements), and wills.

Editor's Recommendations

The recommendations of the speakers during the 12 Seminar of Dialogues are articulated in the previous section. However, there is more to discuss policies and recommendations that arise in the field or can be deduced from the literature. Editor's recommendations are listed below to guide ISF institutions to one unique vision given by Allah (SWT); *maqasid al-Shari'ah* that covers SDGs.

- In order to be the leading segment of applied Islamic economics, the ISF institutions should comply with the core principles of Islamic economic thought;
 - o Not to be a competitor but a collaborator
 - Focusing most comprehensive range of partnerships
 - Avoiding individualistic benefits
 - o Develop a perspective from the public rights concept
 - Removing modernist schemes like human-rights-only to serve all creations
 - No to harm any individual while serving other
 - o Considering itself as an undividable part of Islamic finance eco-system.



DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGS



International Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development Goals

- In order to comply *Shari'ah*, ISF institutions should acquire appropriate facilities for good governance;
 - o Transparent and standard reporting system
 - o Technology efficient accounting mechanisms
 - o Optimum organizational structure
 - o Developing human capacity
 - o Maintaining a friendly relationship with both the donors and the beneficiaries.
- In order to improve the global ISF capacity, the platforms for sharing knowledge should be developed;
 - o ISF Dialogue Series can be converted into the annual *International Islamic Social Finance Congress*
 - o Introducing annual contests among researchers and students on the field of ISF
 - o Rewarding the most contributed donors with an honorary doctorate
 - o Introducing ISF Prize for institutions' best practices
 - o Introducing project calls for research to increase collaboration between the universities and the institutions
 - o Starting at least one indexed (SSCI, Scopus, ESCI, ABDC) journal specific to ISF, (*Islamic Social Finance Journal* or *Islamic Social Finance Review* can be proposed)
 - o Introducing annual reporting with detailed analysis on ISF institutions, their activities, and volumes in time series locally for each country and at least one globally
 - o Developing and introducing case-based academic curriculum for universities (like Harvard University).

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