

SUMMARY OF SEMINAR 6
“VIRTUAL GLOBAL SUMMIT OF ISLAMIC FINANCE AND THE SDGs”Agenda

Moderator – Dr. Roula Majdalani, Director of the ESCWA Sustainable Development Policies Division at UN-ESCWA

	Speaker
Welcome	Moderator
Fiqh Perspectives and Practical Applications	Prof. Dr. Koutoub Sano, Secretary General, International Islamic Fiqh Academy (IIFA)
Role of ISF in Climate Action	Prof. Mehmet Asutay, Director, Durham Centre for Islamic Economics and Finance
Practical Applications of Islamic Social Financing to Reduce Effects of Climate Change	<ul style="list-style-type: none"> Dr. Daouda Ndiaye, Lead Climate Adaptation Specialist, Resilience & Social Development, IsDB Mr. AlTayeb AlDajani, UN-ESCWA
Q&A	Lead by the Moderator
Closing	Dr. Ahmed Al Meraikhi, Special Adviser to the UN Secretary-General

Seminar Summary**Prof. Koutoub Sano, Secretary-General, International Islamic Fiqh Academy (IIFA)**

Climate is something that needs to be preserved and protected and all humanity must ensure it is not destroyed. Islamic finance is a portion of Islamic economy which in and of itself is the way that Islam proposed to manage, spend and ensure that wealth is not the source of harm on the earth. Consequently, it is incumbent on Muslims, as a duty to Islam to ensure that the climate is not destroyed. Once you have obtained wealth you must use it ethically and in accordance with Islamic principles. Thus, Islam has created institutions that are meant to ensure the ethical use of wealth and these include social institutions that can utilise funds to help people preserve the climate and respond to climate disasters.

Zakat is an obligation upon wealthy people to spend 2.5% of their wealth including to help those who may have been affected by climate change when the causes of their harm may be a natural disaster. The recipients of zakat are known to be 8 categories and one of those includes people affected by calamity.

Waqf could be a second social finance mechanism to support the climate and people affected, and be vigilant to maintain, observe, and preserve the climate itself. In this context, people can use waqf to plant a tree and encourage nature to come back.



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A third institution involves wills which may allocate a portion of the deceased's wealth to be spent on responding to the effects of climate change.

Not only does Islam firmly prohibit destruction of the environment, it simultaneously has these finance mechanisms to help repair earth. These three institutions will protect the climate and help to repair what has been destroyed.

Prof. Mehmet Asutay, Director, Durham Centre for Islamic Economics and Finance

Shifting to a stakeholder and shared value perspective is at the heart of understanding a proactive response to climate change. We need to look at how we can prevent it happening not just moderating its effects. Islamic finance constitutes a rescuing process and prompts us to address not only issues of poverty, but also the source of poverty “why the poor is poor” and understanding the balance of society. This balance includes the climate and environment, and the relationships between stakeholders becomes about ensuring that balance exists. It is important for this equilibrium to be maintained and in order for this to be achieved, each stakeholder must perceive a personal interest in contributing to this societal balance.

Islamic finance also prompts us to address issues of climate change, and also preventative measures we can employ using pillars of Islam. It provides a framework to address the balance of stakeholder relationships.

Everyone should be considered to be complementing each other. Universality underpins this approach: “If I want to have a better climate, I have to make sure that the other people have it” too. Consequently, Islamic finance embraces stakeholder shared value perspective.

Voluntary participation by those who are better off and who decide to contribute to others, including the environment and climate issues creates an equilibrium in society which is conducive to sustainability—where a balance is struck between individuals who work together to ensure that the environment and community overcomes poverty.

Dr. Daouda Ndiaye, Lead Climate Adaptation Specialist, Resilience & Social Development, IsDB

From the perspective of the climate and utilising Islamic instruments there are specific methodologies that classify funding for climate finance. Charity based organisations or grassroots organisations are collecting funding but not specifically thinking of whether they're addressing climate change or not.

In order to make the link between climate finance and Islamic social finance, we have to have these institutions with these “specific foods that would allow them to identify the link between the climate hazards that has happened, and the activities that they have.

The Global Muslim Philanthropy Fund for Children (2019) focused on Muslims giving food to the poor. UNICEF and IsDB designed it to finance humanitarian aid and respond to child related



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sustainable development goals. This encourages us to take this fund as an example, by having a results framework with a theory of change at the forefront of its activities that would include aspects related to climate, then the link between climate and Islamic finance can be achieved.

Mr. AlTayeb Al Dajani, UN-ESCWA

Presentation on Sharia Compatible Green Sukuk & Climate- SDGs- Debt Swaps to be attached.

In Islam, hoarding wealth without recognizing the rights of the poor is declared immoral. Sustainable development cannot be reached without social justice and economic welfare. The two major instruments of distribution of wealth are Zakat and Waqf. Green sukuks are the Sharia compatible version of green bonds that finance renewable energy projects and environmental assets. Green bonds are a way to address concerns about climate and put money in ethical assets. Debt swaps convert national debt serving and or principal payments on foreign debt into domestic investment for implementing climate-resilient projects through collaborative arrangements between debtors, creditors and donors.

UN ESCWA has the convening power to liaise with member States and has detailed knowledge of national and regional development challenges.

Discussion

Prof. Mehmet Asutay, Director, Durham Centre for Islamic Economics and Finance

Question: In theory, could an ESG legacy fund be set up as a charitable trust administered in accordance with zakat principles under English law?

Question: Is it possible to develop a stakeholder model of capitalism for Islam in a shareholder world?

The institutional logic is that the marketplace or the capitalist institutional logic has its own unique feature as compared to Islamic. Unfortunately, when we use that particular institutional logic we reproduce existing outcomes. The institutional logic, after years of experimentation with Islamic finance, reproduced Islamic Capitalism. I do not believe Islamic finance and Capitalism go together because the institutional logic and the ontological basis are entirely different. Islam, in its essence, aims at looking at a balanced society in which the interests of the stakeholders are integrated in an endogenous manner in the production function in the initial equation rather than producing a particular outcome with the domination of capital and thinking how we can moderate the consequences. Islam does not consider instrumentalization. However, Islamic finance in its current operation instrumentalizes the Islamic normativeness to produce Sharia compliant financing. Capitalism has a particular value theory, which suggests that value theory is created through capital and the domination of capital. The issue goes back to the institutional logic issue. We have to consider how to moderate the consequences of this domination. All the stakeholders should be on the same level, without domination. Labour cannot dominate over land and land cannot dominate over capital. The institutional logics are different. Islamic finance is grafted into capitalist logic.



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It is important to consider the regulative environment which imposes the same regulative requirement for Islamic banks and financial institutions and creates this grafting process and shapes Islamic finance with the same outcomes that are expected from conventional finance. In the long run, the solution is to provide an alternative regulative environment and educate shareholders of Islamic banks and financial institutions that their obligation is to the stakeholders. Although the paradigm is a new industry, however a paradigm change in relation to the original promise is essential to consider and Islamic Fiqh Academy should play a more imperative role in essentializing sustainability issues and educating the Sharia scholars to consider sustainable issues in their Fatwas and consider the consequences related to climate, poverty and social issues such as human rights, etc. We need to have such a paradigmatic change in order to be able to move into a different institutional logic as Islam expects.

Prof. Koutoub Sano, Secretary-General, International Islamic Fiqh Academy (IIFA)

Question: Many people in the western countries have campaigned for wealth taxes analogous to Zakat. Does this show the wisdom of these institutions?

We have to take into account the consequences. It may not be enough to get the appeals and the conditions on the requirement of a transaction to determine whether it is halal or haram. If all requirements are achieved but the consequences are harmful to humanity, even if legal, it is not allowed in Islam. The most important thing when you come to the transactions, it's about the meanings and it is about the objectives. When you have "Mudaraba" or "Musharaka", will the objective be achieved? If you find that the objective won't be achieved, even if all the requirements are met, then we do not choose "mudaraba". "Mudaraba" is a trust based partnership.

In today's world, trust is rare, so "mudaraba" is not recommended in this environment. For the Islamic finance to survive, it should not be in competition with the conventional one. The conventional one has its own setting and objectives different from the Islamic finance. However, the Islamic finance and the conventional finance can meet somewhere. There are differences in the philosophies behind each.

Regarding Zakat, it is an obligation and one of the pillars of Islam. "Fi sabil Allah" is broad and deals with the protection of humanity such as the protection of climate, life and anything in line with the 5 objectives of Islam/Sharia. Zakat is a very resilient system – it is fair enough. Islam aims for the increase of the middle class society. Zakat fights against poverty. It is a tax upon the wealthy in order for wealth to be shared to reduce crime and hatred. Zakat leads to equity. Zakat does not differentiate between Muslims and non-Muslims – It applies to needy people regardless of their religion, gender and location. When it comes to victims of calamities and natural disasters, zakat is used to help everyone.

The Waqf is an endowment, which is needed today and can help in the preservation of nature. All philanthropies such as zakat, sadaqah and donations should come together in order to ensure the preservation of nature.



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Dr. Daouda Ndiaye, Lead Climate Adaptation Specialist, Resilience & Social Development, IsDB

Question: How can we increase awareness of climate change in the Muslim World? What has worked for you and what has not?

You have to appeal to all these elements and concepts that Professor Asutay and Koutoub discussed. We have to get to the essence of Islamic economics and concepts to link those with climate issues in order to comprehend the values of having a Waqf for nature or for giving Sadaqa to specific adaptation activities for the poor. The aspect of communication is very important because it allows philanthropic institutions to convey such messages.

Dr. Daouda Ndiaye, Lead Climate Adaptation Specialist, Resilience & Social Development, IsDB

Question: Could Islamic fintech be a useful way of knowing or guarantee the impact of Islamic Financing? Currently, it is difficult to understand intentions or consequences, so the form suggested by Professor Asutay is hard to achieve.

Fintech is one of the solutions. Through the blockchains, you could have a financial institution that is linked with research providing climate data, and other individuals or institution that could link the specific hazards, giving an index that can relate to those with specific beneficiaries.

Prof. Mehmet Asutay, Director, Durham Centre for Islamic Economics and Finance

Fintechs in general and Islamic fintechs in particular, in the case of Islamic finances is a new and great story. There is a huge impact area that we can consider with Islamic fintechs and an important consequence can be financial inclusion and financial reach. Islamic fintechs can provide us that reach, reaching out to those places where people have not been able to have access to finance. However, that has to come with a caveat, as in we have to be responsible enough not to get people into debt. In order to achieve one aspect of sustainability that is financial inclusion, we should not put people into the ease of borrowing and unfortunately going into a reckless consumption culture. One of the important aspirational objectives of Islamic economics is emancipating and empowering people – emancipating from the chains including debt and empowering to give them the power to live with their dignities. The zakat practice is one of those providing universal income to people when it is properly exercised. Therefore, Islamic fintech is an amazing story; however, it comes with a caveat whether we are empowering people or unfortunately just sustaining the existing rather than sustaining human lives with their dignities. As for the second part, it sounds very utopian, but just to remind our colleagues that if we were talking about sustainable development goals becoming global morality such as in the world of Friedman who suggested that the only social responsibility of the firms is making profit. In his world (1960s-1970s), sustainable development goals becoming global morality – that was utopian. However, today, the United Nations declared the sustainable development goals as a global morality, which implies that utopias can easily be converted into realities. Without utopias, we cannot move on.



Concluding notes

Prof. Mehmet Asutay, Director, Durham Centre for Islamic Economics and Finance

We have an amazing story with the sustainable development goals, but in order to make it emancipatory and to empower people, we have to tackle the initial question rather than instrumentalizing sustainable development goals. Unfortunately, as I can see in certain circles, sustainability financing is increasing financialization in the process rather than working in line with sustainable development. Therefore, we need to make sure that the empowerment and emancipation process is taking place and we have to gear Islamic finance to work within the initial objective function, so that this rescuing process of emancipation and empowerment can take place and we can achieve peace and a better and more liveable world with people living with their dignities.

Prof. Koutoub Sano, Secretary-General International Islamic Fiqh Academy (IIFA)

Islamic Social finance today has to give more importance and interest on the social aspect of Islamic economy itself. By doing so, I think we will prove that this finance is human in its nature. This finance has never taken into account any differences when it comes to the distribution of the wealth. It is a very flexible finance and system that takes into account the consequences, the interest, the benefit and the nature of the problems we are faced with. It has to develop and reach the level of expectations and reach all society.

Mr. AlTayeb Al Dajani, UN-ESCWA

The cultural wealth of the Islamic civilization throughout the past 14 centuries should be tapped upon when developing this new paradigm in Islamic social finance. Such cultural wealth and tremendous international civilization that we witnessed whether it is in the South Asia, the Mughul Empire, in Arabia or in Africa must be tapped upon in a manner that will help us to reach a better future and mapping the SDGs with the maqasid al sharia.

Dr Ahmed Al Meraikhi, Special Adviser to the United Nations Secretary-General

Professor Sano debuted this session with hope on how Islamic mechanisms can respond to the causes of climate changes and repair it using zakat, sadaqah and waqf. Professor Mehmet highlighted the importance of coming together and sharing the responsibility of bettering the society and complementing each other by responding to climate change. Linking financing to real world opportunities and funds, as pointed out by Dr. Daouda, shows how existing mechanism can respond to climate action and how both social and climate financing align. Thanks to Al Tayeb Al Dajani for demonstrating the potential of green sukuk and debt swapping. The International Dialogue on the Role of Islamic Social financing in Achieving the Sustainable Development Goals aims to bring everyone on board to figure out how we can implement Islamic Social finance through the United Nations agencies.