

DIALOGUE ON
ISLAMIC SOCIAL
FINANCING
AND THE SDGSInternational Dialogue on the Role of Islamic Social Financing
in Achieving the Sustainable Development GoalsSUMMARY OF THE VIRTUAL SEMINAR 9
“IsDB ECONOMIC EMPOWERMENT APPROACH:
AN INNOVATIVE MECHANISM FOR DEVELOPMENT THROUGH ISLAMIC FINANCE”**Agenda**

Moderator - Dr. Nabil Ghalleb, IsDB Director of Economic Empowerment Department

	Speaker
Welcome	<i>Dr. Nabil Ghalleb, IsDB Director of Economic Empowerment Department</i>
Presentation on Zakat	<ul style="list-style-type: none"> ● <i>Dr. AbdulHakim Elwaer, Assistant-Director General & Regional Representative of the Regional Office for the Near East and North Africa - FAO</i> ● <i>Nasser Baker Alkahtani, the Executive Director of the Arab Gulf Programme for Development (AGFUND)</i> ● <i>Mrs. Yvonne Helle, Special Representative of the Administrator UNDP's Programme of Assistance to the Palestinian People</i>
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Seminar Summary**Moderator - Dr. Nabil Ghalleb, IsDB Director of Economic Empowerment Department**

Islamic Social Finance resources, whether coming from Zakat, Sadaqah or Waqf, have definitely a high potential in filling the financing gap of the relevant and eligible SDGs and in fact an estimated 300 billion USD that could be coming annually from Zakat resources if we direct only 1% of this amount toward the most marginalized groups this would be a significant achievement and it will change the lives of a lot of poor people. Today, IsDB has shaped its poverty alleviation and impact investment approach. The economic empowerment through Islamic social finance. This approach has been designed based on more than 40 years track records 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 micro finance field and after that the bank has built a strong and deep understanding of the poverty problematic challenges and its different dimensions and components in its member countries. So the aim of this approach is to transform the poor from aid and relief recipients into a real economic agent/actor in an engine for socio-economic development and this had required a paradigm shift in the way the poor is regarded and perceived and what believes are guided the development intervention targeting them and this is why today we will discuss how to achieve the poor economic inclusion with a win-win involvement of all types of



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relevant stakeholders from the government, the private sector and the NGOs. So basically, we work on six main vectors to upgrade and uplift the poor people from the circle of poverty. We are providing them with access to well-designed project opportunities, we are enabling them with intelligent partnerships, we are providing them with affordable infrastructure and basic investment support. We are also providing them with access to appropriate funding and access to markets. It is clear that no financial institution can afford to support these types of interventions and services. We therefore believe that achieving an effective economic empowerment of the poor should rely on different resources and on different financial resources mainly Zakat, Sadaqah and Waqf that are very effective to cover these non-financial services. We will discuss today the pressing issues in relation to the seminar theme mainly the Islamic social finance and the SDGs financing gap, as well as topics related to COVID-19 impact and measures taken by the global community. We will also discuss partnership potentials between different institutions, MDPs, NGOs, philanthropists.

When I joined the IsDB in 2014, the whole world was busy preparing for the SDGs that were endorsed in the UN General Assembly in September 2015. In July 2015 there was a big conference for financing for development that is why the Addis Ababa action plan came out. One of the side events' themes was the role of the Islamic Finance in achieving these objectives (before the SDGs were globally endorsed) and it is very important to mention that with the SDGs we as FAO are custodians for the achieving these g2 which is zero hunger.

Islamic finance is doing a great job widening the accessibility to financial mechanisms through innovative digital means. We need to capitalise as development partners on that particular achievement to make sure that we reach out to especially the poor in the rural areas and from food and agriculture organizational perspective, it is the farmers and people living in the rural areas that we are always starting to reach. A very important question has been tackled regarding the gap and the financing app and that is why I emphasized the ICP efforts at the financing for development conference that was prior to the SDGs on how Islamic Finance can help and support the fight against these diseases. But you lead it to the crisis that came out and how this increased the gap tremendously in terms of reaching out today without covering we know by the Prophet that many of the SDGs were off time and they would not be able to achieve them by normal needs COVID-19 just escalated the problem and showed that from a positive perspective it was a wake-up call that we really need to do something different. COP-26, that has just been concluded a few days ago and has also brought to our attention that we will not be able to achieve the climate targets that will impact every one of the SDGs. And you name it, the lists goes on that of course calls on doing things differently and we need to reorganize ourselves. The UN is doing a tremendous effort and the reform that is going on intensively in terms of coordinating with original directors covers the various edges in the region with all the UN agencies on a regular basis to try and streamline our interactions to make it easier for them to avail the resources being public or private but also identify key targets of how do we deliver and reach out to the beneficiaries at the right time so that is one aspect we really need to streamline and identify and prioritize our interactions through more partnership and coordination with the development plans, the second one is to reach out to potential and new development partners. So those are the people who have their financial resources and have the means and the will to finance development but they may not have the necessary capacity and they don't have the



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know-how so they need the development players on the ground to achieve those targets identified who are the democrats and we take social finance as means. Today if you look at the social finance and the figure you mentioned the figure of itself by Islamic social finance is enough to close the gap not only in the region but worldwide it's a huge figure. Why is it not working? It's simply because either it's not channeled to the right targeted beneficiaries or there is not ecosystem that allows it to derive the necessary benefits so having an ecosystem like the EPA, the economic component approach with the right leadership from the financial institution in religion to take it up and bring the partners and determine if you are contributing to tan Islamic social finance to the region here is an ecosystem that would ensure that you get the right impacts you're trying to achieve instead of this money on going on a more as a random way of spending as it is righty now is to put it on a more impactful and more targeted achievements where you still achieve globally either at the global level or the regional level the targets that you want to achieve in reaching out to the poor and reaching to the lady and in a more sustainable manner the wisdom says teach me how to fish don't give me a fish... its that's what economic empowerment is all about setting up a sustainable ecosystem where people you know get a sustainable job and creating their own sustainable economy so probably a positive side is a wakeup call that is triggered in our minds that we cannot carry on doing visits as usual and talk about comprehensive development coverage.

Mr. Nasser Baker Alkahtani, the Executive Director of the Arab Gulf Programme for Development (AGFUND)

We have been supporting the small farmers because those groups with microfinance are considered as banks think it is risky to support them so we as AGFUND. We found out those people are not a risk compared to others when it comes to COVID-19 . we made a little study, after covid-19, what is the most effective goal among the 17 SDGs? We found out that it was goal #2 because 30% of job creations internationally comes from the sector of agriculture. 790% from small farms. What we did regarding having a global policy to recognize the small farmers as micro enterprise. That insurance complies with Islamic Sharia because within that ecosystem we found out those groups of farmers is the people who we need them, because during covid-19 we faced food security problems and those people don't need the charity they fed themselves and fed the community and the whole society and they could export . they only need international recognition as micro enterprises and have loans,. They need a distribution system to help them. If given the opportunity to save money, those farmers could be able to pay Zakat. We need global and regional policy with a regional initiative to support small farmers within the Arab region. We need to push and improve the growth in the financing and food security and come up with innovation. We must empower women by giving them loans to start their business, as well as safe transportation and nursery for their children. Within a year, we have started 600 startup nursing kindergartens. We enrolled 15 000 students and created 1000 job opportunities. These kind of startups are successful because they are aligned with the SDGs through the empowerment of women. In the region, there is a plan for Vision 2030 but there is no public policy, which allows the initiatives to be linked to the SDGs. We should have blended finances. If there is a gap that means there is no sustainable development. With sustainable developments,



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there are no gaps because the private sector will be working towards making money out of initiatives to empower small farmers.

Question: How effective the partnerships and the SDGs and how this can help you in crating this ecosystem of economic empowerment while using the Islamic social finance resources through definitely the network?

In the future, with the IsDB and with the coordination group we cannot work without the guidance of the IsDB when it comes to economic empowerment and now as you know together closely even with the follow-up project document and Libya. We are aiming to make the Libyan project unique. AGFUND is currently working in a conflict area zone: we are also working in Yemen, Syria and Sudan. We do not have any project without partnership. Our real partnerships besides IsDB is the private sector. We develop what we call a profit company called a non-diffident company dedicated to solve a human problem. Without this approach, we would not be working today during the crisis. By 2030, AGFUND should double the amount of money for financial inclusion. We want to upgrade our banks in Yemen and Sudan to become ABEC funds.

Mrs. Yvonne Helle, Special Representative of the Administrator UNDP's Programme of Assistance to the Palestinian People

We can only achieve the SDGs by working together and by seeking these synergies all along. In that sense the deep program that we spoke about previously is such a great examples because that is an active partnership for example between the Palestinian authority, between IsDB, UNDP, and 70 different civil society organizations and I think that you know in the end that kind of magic formula and the sustainability that you get out of it where you do anchor that deeply into you know the social programs of the government this is in the end also really the way forward to make sure that the approach continues but in general everyone recognizes that strength fits in our ability to discuss, to work together closely, to seek synergies and common approaches to be able to tackle these very much complex issues that no institution or agency is able to deal alone with the complexity of today.

Dr. AbdulHakim Elwaer, Assistant-Director General & Regional Representative of the Regional Office for the Near East and North Africa - FAO

Building on the economic empowerment is definitely strategic development intervention it relies heavily on forging effective partnerships to handle this complex development situation. How can those strategic partnerships help in achieving SDG 1 and SDG 2 and especially that Islamic Social Finance resources are perfect to fit to finance all these causes?

If you want to look too far, you need to work with others. We look at sustainable development on how to really sustain our beneficiaries. The target is to really sustain people and transform their livelihood to a more prosperous situation therefore, we need to focus on selective partnership as in a more impact oriented partnership for impact. We need to focus on the impact we are trying to achieve. So there is a project to achieve through the ecosystem that the economic empowerment



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approach proposes. That ecosystem has components and you need a partner for each component to cover. But as you go you will find out that you need local associations such as water user associations and small farmer associations. So partnerships should not be limited to financial institutions or government institution, it should include the NGOs, the private sector. Once you have all those components that fill in all the gaps that you have in the ecosystem, you can completely build the ecosystem. From our perspective, we need to make sure that we plug in into this ecosystem with IsDB at least in the region, AGFUND as a financial institution. We need to work together to mobilize partners both from private and public sector but mostly social finance on gathering more private and personal contributions from manufacturers. All the UN system in the region that help us in gathering more. The civil societies of the region to be able to create that.

Discussion

Moderator - Dr. Nabil Ghalleb, IsDB Director of Economic Empowerment Department

I could not agree more with the topics which is the empowerment of the rural poor and of the poor. I want to focus that if you produce and you don't enable the producer to sell their produce, you cannot actually contribute a lot to ending hunger. One of the issues is the partnership with the private processors, the exporters and the sellers and this is very important and we have many cases in many countries in the Arab Region and it is important to make sure that the social inclusion financing should also cover the post-production aspects of the value chain. The second most important element as well is the issue of the climate change and its impact on food production and therefore the food security. In order to end the hunger, we have to enlarge our partnership to be able to deal and synergize with the adaptation fund, the green climate fund, etc... Those are plenty of resources that are very much needed because the smallholder farmers are the ones working in the very vulnerable and climate change affected environments.

Dr. AbdulHakim Elwaer, Assistant-Director General & Regional Representative of the Regional Office for the Near East and North Africa - FAO

The financial institutions that are dedicated to cultural development and food security are our right hand at the FAO in all of what we do in relation to agriculture and food security. Regarding SDG2, these institutions are crucial.

Question (Khalid Ahmed): I would like to tackle the importance of building partnerships not only with the financial institutions but also with the local institutions that are working on the ground. There is growing literature on the importance of the intermediary institutions that the financial institutions rely on in terms of picking the right people to finance the non-financial service like the capacity building. Sometimes these intermediary institutions could be like a local NGO or like a cooperative. I would like to hear more about these intermediate institutions. Was the UNDP providing trainings and financing, or did you have a partnership at the local level with these intermediary institutions?



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Mrs. Yvonne Helle, Special Representative of the Administrator UNDP's Programme of Assistance to the Palestinian People

In the discussion, we have pressed the importance of the local banks, the local institutions. They understand the environment, they have networks, and they have the understanding of the situation at the local level and local legislative contact. Within the context of Deprived Families Economic Empowerment Programme (DEEP), we had about 30 000 beneficiaries but we worked with 70 different civil society organizations to actually do all these different activities that we did under the DEEP which you know was exactly as you say, business planning, basis management, training skills, specialized technical training. One of these successes of the program was exactly the extensive involvement of the civil society in Palestine as you know is very vibrant and very competent so it was an enormous element in the success of the program.

Question (Mohamed Mazen Dakhli): The most crucial affordable infrastructure that is not within the capacities of poor or small holder farmers and the appropriate funding for the needs of a specific project and the most crucial and most important aspect of accessing to relevant markets. All these aspects need strong financial support that will not have short-terms returns and we need patient capitals such as those coming from Islamic social finance resources. I strongly support the idea of setting an initiative on the very short term on establishing a dedicated trust for sub trust fund and I think IsDB has the proper knowledge, R & D and capacity implement and help in structuring that fund, trying to gather partners around the fund and help in mobilizing resources with the support and help of its partners that are willing to achieve the same targets.

Dr. AbdulHakim Elwaer, Assistant-Director General & Regional Representative of the Regional Office for the Near East and North Africa - FAO

I would like to highlight that the need to build everything around the ecosystem is very important. The economic empowerment approach ecosystem identify the components identifies their roles and responsibilities and get the actors to work together towards a more impactful and accountable framework around it so that you know people especially you're dealing with more Islamic Social Finance charity money that people need to know.

Question (Ghasedd Khelifi-IsDB): How do you foresee that this APEC entity will contribute in reaching the deepest poverty pockets in the region?

Mr. Nasser Baker Alkahtani, the Executive Director of the Arab Gulf Programme for Development (AGFUND)

Our initiative will include people in the financial system. Poor people need access to finance and if those people and small farmers etc linked with the supply chain and they could export now they could pay and transfer remittance electronically. If we come to exchange the balances, people who have food could export it and sell it to the refugees themselves. We have 70 million refugees all over the world and they need food and agriculture but do not have money. So if the ecosystem is built then someone from Sudan could sell products in Saudi Arabia so with that platform is available for people to trade. Trading is the future and the money that retains the whole African and Arab region comes from trade. If you include the young poor people in the financial system and give them all the



instruments (saving, insurance, school loans, housing loans, etc...), then they will be able to double their money due to the ecosystem that would enable them to be linked to supply chains.

Closing - Dr. Ahmed Al Meraikhi, Special Adviser to the UN Secretary-General

During the previous seminars, we tackled the models in which UN organizations can implement through Islamic social finance. In this seminar, we tackled economic empowerment and innovative ideas. During the seminar, we realize that the momentum still exists and we realize the importance of Islamic finance. Today we shed light on economic empowerment. Empowerment of women is a matter of dire need and focus. When I met a woman in Mogadishu, she said that she owns a herd of consisting of more than 200 camels and 400 sheep. However, due to the drought and the regional conflict that happened, only 20 camels remained. She said, "We do not want you to help, but we want economic empowerment, even if it through loans, because if I can be economically empowered, not only will I be self-sufficient, my family and the community I belong to will be self-sufficient as well",.

We also found out how we can go from ideas to actually amassing funds. This is one of the examples that we want to achieve with the existence of a system within the United Nations that sets policies and a system that sets out how to spend and how to arrange. Therefore, there is an achievable mechanism. We do not only need a partnership that enables us to meet, but a partnership to influence work on the ground. We must focus on how to deliver this aid to those who deserve it. We are looking forward through this seminar, with the presence of the FAO and the UNDP. This expands the circle in which we worked from the beginning and we look forward to reaching the roadmap that we will put at the end of these symposiums with the participation of specialists. We look forward, in the end, to come up with a mechanism for Islamic social financing that enables us to reach those who are in need as well as to fill in the gap that exists in the United Nations humanitarian and development organizations.