

**Implementation Mechanisms of Islamic Social Financing**

23 June 2021

15.00-16.30 Beirut Time

Topic	Implementation Mechanisms of Islamic Social Financing
Seminar Lead/Support	SASG/ESCWA/IsDB
Language	English & Arabic
Summary	These discussions will provide in-depth looks at the mechanisms used to implement zakat, sadaqah and waqf including presentations on several national experiences with these mechanisms. This discussion will also include the roles that governments and shari'a boards play in Islamic social financing mechanisms.
Participants	A diverse audience of individuals relevant to the Global Sustainable Development Agenda is targeted, including senior government officials, potential investors and beneficiaries, development partners, international and national civil society organizations/NGOs, private sector, philanthropists, foundations, think tanks and academia.
Objectives	<ul style="list-style-type: none"> ● To discuss the various mechanisms utilised to achieve the goals of Islamic social financing. ● To present illustrative modern case studies on the above

1. Background Information

Islamic scholars have a profound influence on the day-to-day practice of Islamic social finance. Islamic social financial institutions generally maintain boards of scholarly advisors, called shari'a boards, to review all proposed structures for conformity with the religious law. A religious Board is a higher authority in so far as the determination of permissibility and approval of Islamic Social Finance products, operations, services and documentation being in accordance with Islamic Sharia is concerned.

In the contemporary experience of Islamic social financial institutions, all the products, operations services and documentation are to be submitted by the management of the benevolent institution to the Shari'a Board for approval before these are offered to donors and beneficiaries.

The Religious Board has the general responsibility to ensure that all activities including those of subsidiaries or controlled affiliates conform to Islamic principles and laws. The Religious Board has the power to examine documentation of sources, uses and operations made at any time it so



requires. The Religious Board has the powers and authority to adopt procedures governing the holding of meetings, records of meetings, quorums for meetings and other matters related to its affairs and the business of the Islamic social financial institution.

In general, prior to rendering a Shariah ruling, thorough research should be carried out encompassing the following:

- The principles and rules of Shari'a upon which the methodology or social financial structure is based.
- Determination of the elements of prohibition if any in the proposed structure.
- Religious criteria used to develop the proposed operation or financial structure.
- Quotations from relevant writings of old and contemporary scholars regarding the operation under scrutiny.
- With the conclusion of the research, the Shariah Board decision is rendered and the grounds upon which the decision is based are clarified and published.

Furthermore, in order to ensure that the operations of the Islamic Social Financial institution are in complete compliance, the Religious Board undertakes Shari'a audit and submits a formal report that is usually published in the annual report of the institution together with the audited financial statements.

Nevertheless, it should be emphasized that in Islam there does not exist one higher body of any sort that could be considered a supreme council of scholars whose rulings are final and irrevocable by all Muslims with regard to contemporary transactions. Differences of opinion are accepted in the vast area of Fiqh Al-Muamalt and are regarded as an important positive attribute in Islamic Shari'a. The judgment of religious scholars is neither absolute nor uniform. In Sunni Islam, the four schools of Islamic jurisprudence mentioned above apply Islamic teachings to social finance in different ways. Disagreements on specific points of religious law occur both between these various schools of jurisprudence and within them. Furthermore, shari'a boards sometimes change their minds, reversing earlier decisions.

The sophistication of *shari'a* boards has visibly increased as they have gained experience with modern financial concepts and their applications in the contemporary experience. Today, *shari'a* boards are more knowledgeable about modern social finance and the practical requirements of proper governance, risk mitigation, and they increasingly consider the intent as well as the letter of situations brought before them.

Although the *raison d'etre* for the practice of Islamic social finance is undeniably religious, politics and national government policy also play important roles in determining how it manifests itself in the Islamic world. Government stances can be divided into several categories:

- those that embrace Islamic social finance as a national policy;
- those that neither support nor oppose Islamic social finance within their jurisdictions; and



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International Dialogue on the Role of Islamic Social Financing
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- those that have actively discouraged a separate Islamic social finance presence

2. Agenda/Format

		Speaker
2min	Welcome	<i>Dr. Salma Abbasi, Chair and CEO of eWorldwide Group</i>
17min	Mechanisms to Achieve the Goals of Zakat, Sadaqah, Awqaf	<i>His Eminence Sheikh Dr. Ali al-H.E. Qaradaghi, Islamic Scholar</i>
Case Studies		
7min	Malaysian Experience	<i>Dr. Kamaruzaman Bin Nordin, University of Malaya</i>
7min	Pakistan Experience	<i>Justice Mohammad Taqi Usmani, Darul Uloom</i>
7min	Indonesian Experience	<i>Dr. Ahmad Juwaini, Director of Islamic Social Finance, National Committee of Islamic Economic and Finance (KNEKS)</i>
Discussion		
40min	Lead by the moderator	
5min	Closing	<i>Dr. Ahmed Al Meraikhi, Special Adviser to the UN Secretary-General</i>

3. Additional Information

- We should aim to achieve representation of the world geographically. Also, make sure youth and women are well represented.
- Shedding light on the live feedback received from the attendees through social media. This is to be carried out by the moderator of the session.