



**SUMMARY OF THE VIRTUAL MEETING**  
**“THE ROLE OF ISLAMIC SOCIAL FINANCING**  
**IN ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS”**

## Agenda

Moderator Dr. Abdullahi Muhammad, Senior Financial Products Development Specialist, IsDB Institute

		Speaker
1min	<b>Welcome</b>	Moderator
5min	<b>Islamic Social Financing to Help Communities</b>	<i>Dr. Ahmed Al Meraikhi, Special Adviser to the UN Secretary-General</i>
The Goals of Islamic Social Financing		
12min	<b>Zakat, Sadaqah</b>	<i>His Eminence Sheikh Dr. Ali al-Qaradaghi, Islamic Scholar</i>
12min	<b>Waqf</b>	<i>Dr. Al-Ayachi Sadeq Faddad, Islamic Development Bank</i>
Discussion		
40min	Lead by the Moderator	
5min	<b>Closing</b>	<i>Dr. Ahmed Al Meraikhi, Special Adviser to the UN Secretary-General</i>

## Seminar Summary

### Moderator's Introduction

The mechanisms and capabilities that Islamic Social Financing (“ISF”) possesses have not yet been explored thoroughly. This sector has the potential to contribute strongly to financing the sustainable development goals and to publicizing the current United Nations platforms and initiatives in this regard. ISF generally includes Islamic charity institutions utilising zakat, waqf endowment and sadaqah as well as non-profit microfinance institutions, which collectively make up the charitable financial sector.

The ISF sector, with its multiple mechanisms and tools, is based on the values of cooperation, compassion, and care for the weak and fragile segments of society, which are well-established Islamic values whose foundations were laid down in the Noble Qur’an and the honourable Sunnah of the Prophet. Historical sources have documented the great contributions of Islamic charitable institutions in achieving the economic, social and cultural development of Islamic societies and their keeping pace with the public and private needs of the nation during the glorious ages of Islamic civilisation.

Although the role of these institutions has subsequently declined due to the combination of many factors, the recent decades have witnessed great efforts and active movement by scientific research institutions, development institutions, governments and charitable institutions to study the historical contributions of these charitable facilities and the



DIALOGUE ON  
ISLAMIC SOCIAL  
FINANCING  
AND THE SDGS



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

opportunities they provide to combat poverty and achieve economic well-being and social progress.

Since its establishment, the Islamic Development Bank Group (“IsDB”) has been at the forefront of these efforts, as the IsDB has sought to devise contemporary mechanisms to benefit from Islamic charitable institutions to confront the crises that direly affect member states, including poverty, diseases and epidemics, based on the IsDB’s vision 1440AH/2020AD, marked “Vision for Human Dignity” as this vision appreciated that the charitable institutions represented in the endowment, zakat and charitable institutions in general have important capabilities and abilities that have not yet been explored. The IsDB has launched several initiatives in this regard.

In January 2016, a report from a High-level Committee on Humanitarian Finance submitted to the Secretary-General of the United Nations highlighted the real and great potential of ISF to help meet the challenges of ending extreme poverty, promoting prosperity and achieving sustainable development goals, which prompted the United Nations to search for ways to harness the power of ISF to implement United Nations projects in a way that achieves the sustainable development goals. Several UN agencies have begun to explore new and innovative Islamic financing tools and partnerships.

In this context, the Dialogue on Islamic Social Financing and the SDGs is organised in partnership between the United Nations and the IsDB.

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

This dialogue aims 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. Moreover, ISF mechanisms can be used to bridge the financing gap for the 2030 Sustainable Development Goals, especially in light of the use of the fourth industrial revolution tools, including Blockchain technology, financial services technology (fintech), artificial intelligence, and others. To talk about all of that, we have with us today a group of distinguished scholars, experts and specialists, during this symposium, to whom I extend my sincere thanks and gratitude.

#### **Dr. Sheikh Ali Al-Qaradaghi, Secretary General of the International Union of Muslim Scholars, Professor of Sharia and Islamic Economics**

Allah Says:

(Take from their wealth ‘O Prophet’ charity to purify and bless them, and pray for them—surely your prayer is a source of comfort for them.)

Surah At-Tawbah / Verse 103



There are several general goals of ISF. The first goal is the redistribution of wealth through mandatory financial obligations including – zakat, atonement, an obligation when zakat is not sufficient, by imposing a function on money that God Almighty called (the benevolent loan of God Almighty) meaning (the just tax), general alms, and endowments. The second goal of ISF is solidarity and cooperation. The third goal is achieving comprehensive and sustainable development for the individual, society and the state.

The general goals Islam includes what is called Maqasid AlSharia (the objectives and the general purposes of Sharia), which are:

1. Preserving religion;
2. Preserving life by providing the material aspects (food and health), the necessary and the need, and developing it by providing improvements.
3. Preserving the intellect and mind by preventing everything that harms and affects it, and developing its talents through beneficial education and creativity, to serve humanity and to extract the bounties on earth to achieve the Sunnah of succession, urbanization and human happiness in this world and the hereafter.
4. Preserving the progeny/offspring and the family by providing them with a decent life;
5. Preserving wealth for the benefit of mankind (and those who pay zakat) Surat Al-Muminoon /verse 4.
6. Preserving human dignity, honour, rights and freedoms, while providing security and safety for the individual, society, the state, the environment and animals, and preventing political, financial, social and environmental corruption (He who fed them from hunger and secured them from fear) Surat Quraish/verse 4.

#### **The nature of Islamic social financing institutions -**

- The nature of Zakat: It is imposed as a self-sustaining institution that carries itself through a share of zakat funds extended by the contributors (and those working on it).
- The nature of penances: specific, and linked to a violation, as they are rewarders and deterrents.
- The nature of the tax: It is related to the extent of the nation's need, which is estimated by the state by relying on experts to achieve comprehensive development and the like.
- The nature of public handouts: non-specific capabilities of Motassadeq "And whoever is protected from the stinginess of his soul - it is those who will be the successful.) Hashr / verse 9, (who give, whatever they give in charity, with their hearts trembling at the thought that they are destined to return to their Lord. It is these who hasten to do good works and vie in so doing with one another. (Surat Al-Muminoon 61:60).
- The nature of endowments: to continue with investment, and to benefit from its proceeds - with its terms and controls - to achieve comprehensive development.

Almost half of the world's population is poor who lives on less than two dollars a day, a fifth lives on less than one dollar, and a fifth of children in poor countries die before the age of five because of lack of food, medicine, treatment and vaccination, and deadly diseases. The impact of which is exacerbated by global underdevelopment and illiteracy, etc.



According to the World Bank report statistics indicate that the number of poor people in the world is increasing due to the COVID-19 pandemic, which led to an increase in their number by between 143 and 163 million people in 2020. The number of the poor (extreme poverty) in the world ranges between 800-973 million, and most of them live in five countries: India, Nigeria, the Democratic Republic of the Congo, Ethiopia and Bangladesh.

However, a report issued by the United Nations and published on its official website in 2020 stipulates the necessity of implementing the (temporary basic income) procedure to enable 3 billion people through measures to contain the pandemic. Poverty and directly above it reach 2.7 billion people in 132 developing countries, and they need USD\$199 billion per month to provide for their basic needs. According to the Islamic News Agency (ITA) 37% of the population of the Islamic world is below the poverty line, which is equivalent to approximately 504 million people, and their ratio to the world's poor is 39%.

Preliminary surveys carried out in 2007 and then in 2019, came to the conclusion that the volume of zakat in the Islamic world ranges between USD\$300-400 billion annually, not to mention al-Fitr charity, which amounted to about USD\$3 billion per annum, in addition to alms, endowments and the like. Problems associated with collection and distribution is why we have not seen the most effective use of these amounts.

We have a unique experience in our Islamic history, which is the experience of Caliph Omar bin Abdulaziz (may God be pleased with him), in the First Century AH, where he eliminated poverty. In order to achieve comprehensive development, we must establish the following general institutions -

- To combat poverty and unemployment, with its four programmes to achieve (subsistence) and move to self-sufficiency for the poor;
- A comprehensive popular development programme to combat poverty, based on solidarity, endowment, investment, zakat, and financing; and
- An integrated scientific programme that offers alternative models to the non-Sharia compatible model.

The Comprehensive Popular Development Program "Kafi" for the Arab and Islamic World is an integrated, homogeneous package serving as a comprehensive system to achieve all-inclusive development. The Kafi Program is implemented by way of models:

1. Values added to the individual and society
  - o Comprehensive development and reconstruction
  - o Shift from a society of consumption to production
  - o Achieving effective economic cycles
  - o Deflection protection
  - o Directing alms and loans for production and development
  - o Justice and Equality
  - o Solidarity, adoration, cooperation and cohesion of society
  - o So that money does not remain among the rich only
  - o Operating value, production and labour



DIALOGUE ON  
ISLAMIC SOCIAL  
FINANCING  
AND THE SDGS



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

2. Benevolent loan Institutions
  - o Studies, contracts, guarantees and cooperation with associations
  - o Auditing and making sure that the loan is for production or the purchase and provision of production tools
  - o Lending and contracting
  - o Takaful and protection contract
  - o Exchange department
  - o Marketing
  - o Collection follow-up
  - o Training and qualification
3. Co-operation of associations and institutions participating in the program
  - o Customer selection or recommendation    Availability to purchase production tools and deliver them to the customer    Follow up with the client    a) cash collection  
b) In-kind collection

The Kafi Program seeks to contribute to the eradication or alleviation of poverty in the Arab, Islamic, and humanitarian world, and support comprehensive popular development with a vision to achieve complete sufficiency for the world's poor. The Program understands that mercy, benevolence, and the legitimacy of development for the poor are a necessity for world peace. The Kafi Program is unique by its comprehensiveness of zakat, loan, financing, and endowment, and directing them towards comprehensive development, from eliminating poverty to advancing the nation. The Program seeks to target a million families in the beginning to reach all the poor, God willing ("And we have not sent you but as a mercy to the world") over 10 years. The Program requires USD\$600 million over the the next three years, and then USD\$150million in year four, USD\$200million in year five and USD\$250million in year six.

### Dr. Al-Ayachi Sadeq Faddad, Islamic Development Bank

*- Does the endowment have a role in social development?*

Takaful in Islam is an essential pillar in the financial system that includes zakat, financial duties, penance, donations and sadaqah, as well as serving as a link between family and society.

A waqf is a charity/donation; however, it is a special charity with a special meaning - it is an ongoing charity that continues after the death of the donor, over time and generations, and ends according to Sharia. Examples include building a school or an agricultural project. Waqf projects give to other/next generations and preserves their rights.

*- How is the endowment an equation (an integral part) in sustainable development?*

The endowment is flexible and based on ease and tolerance. Rulings are easy, and the legislation includes a great deal of forgiveness since this is a donation made by an individual, a human being. It is the will and purpose of the waqf that should govern the projects and alms. It has great flexibility, so the waqf legislation allows the construction of waqf structures and waqf products. This facilitation



DIALOGUE ON  
ISLAMIC SOCIAL  
FINANCING  
AND THE SDGS



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

and this flexibility in waqf led to it being the dependent in construction of the rulings of waqf according to legitimate Sharia purposes and waqf purposes.

The second characteristic that benefits us in sustainable development is that in waqf, the donation is an element of permanence. We require the donor to make the donation based on sustainability and permanence. For example, if a school has been built, it cannot be destructed. Sometimes temporary waqf projects are allowed in order to motivate people to donate and come up with a waqf project.

By definition waqf means: "Withholding the asset/ayn and distributing its dividends/fruit, meaning that the donor allocates a financial asset (whether it is real estate, an orchard, a building or cash and other liquid financial assets). Blocking this asset, even if the benefit from it is direct, unites the beneficiaries (the poor, students or the Institute of Scientific Research). It can be an investment waqf, if it was an investment project then its profit goes to finance charitable projects determined by the waqf administration. Therefore, the waqf, is a form of increased investment and leads capital to be accumulated. Economically, it is defined as the transfer of funds that are privately owned to become a long-term investment. And these private investment funds serve the purpose of permanence and sustainability. We may add to this the economic meaning, that waqf is transferring the funds of individuals, from the field of consumption to the field of investment. This is an essential element in establishing development projects to serve the community. If we also add to the economic definition, legislative definitions, we will find that these new added meanings create an integrated environment and climate for the establishment of waqf projects that bring benefit to the weak segments and strata of society.

The most important characteristic that the waqf provisions is the feature that these donations are permanent. The management of the waqf has to invest the gains of waqf investments in an optimal investment or else this management would be considered as negligent. And if we were to add to the gains the enhancements of the waqf capital resources with part of the profit we will therefore see an increase in the capital base for charitable funds. We add to the environmental improvements that occurred in the waqf legislation and waqf provisions, the good drafting of waqf documents (sukuk/deeds). When we come to build a new waqf projects, the waqf document must be based on what is known in the waqf, even according to Western thought, formulated in a tight structure, so that it contains everything that can benefit endowment projects. Also, one of the improvements is to be diversified in assets: real estate, movables, money, securities. There are also different types: permanent, temporary, charitable, etc... Projects are not left to a certain social class solely. Financial instruments such as sukuk and shares in all purchases and crowdfunding platforms that also allow financing such projects. Consequently, we can build waqf capital.

The Sustainable Development Goals and the goals of the United Nations align perfectly with the goals of the waqf. 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. These goals and their details mentioned, whether it is encouraging work (fighting unemployment and fighting poverty), education, training and rehabilitation We have two types of endowments, such as the social welfare arena, the preservation of the environment, the housing, the concern for the family and its stability, the distribution of

DIALOGUE ON  
ISLAMIC SOCIAL  
FINANCING  
AND THE SDGSInternational Dialogue on the Role of Islamic Social Financing  
in Achieving the Sustainable Development Goals

wealth - the balance between generations and the future. These types are: (1) existing endowments: we find in them a door to spend on social needs, and there are (2) new endowments: which we dispose of according to the conditions we want to achieve sustainable development goals.

## Discussion

*Dr. Ahmed Al Meraikhi – Special Adviser to the UN Secretary-General*

**Question** – From your position as a special advisor to the Secretary-General of the United Nations, and by virtue of your long experience in charitable work and your knowledge of the challenges and opportunities that exist, to what extent do you think that the United Nations will be able to help rehabilitate and activate endowment and zakat institutions and make them part of countries' national strategies for financing sustainable development goals, and what are the features The mechanisms that the international organization will use to achieve this?

**Response** - This seminar is the beginning of a series of seminars and consultation within *The International Dialogue Forum on the Role of ISF in Achieving Sustainable Development Goals*. One of the outcomes of this dialogue is integrating ISF into the Secretary-General's Strategy and Roadmap for Financing a Plan and Initiative 2030 for Financing Development in the Era of COVID-19 and Beyond while identifying challenges, obstacles and opportunities for mobilising ISF.

Importantly, this Dialogue will explore how these institutions be activated with respect to Muslim minorities in other countries, especially with regard to everything that is Islamic, especially when it comes to collecting and distributing funds, as well as the escalation of the phenomenon of Islamophobia in many countries.

*Dr. Sheikh Ali Al-Qaradaghi - Secretary General of the International Union of Muslim Scholars-Professor of Sharia and Islamic Economics*

**Question** -You issued a fatwa entitled “Controls of Dealing with the United Nations Organization and Its Institutions in Disbursing Zakat Funds and the like.” The fatwa revolves around the existence of mechanisms for cooperation and dealing with United Nations organisations to deliver zakat funds to deserving people in the world. What added value do you expect the United Nations interest in collecting and distributing Zakat funds to achieve to achieve the goals of sustainable development, with regard to the challenges facing the institutional application of zakat in general, and what opportunities this provides for development in this aspect, especially in light of the cooperation of the United Nations with a development institution such as the IsDB includes in its membership all Islamic countries?

**Response** - The old awqaf can be used to achieve the sustainable development goals. And most of these awqaf are related to education, healthcare, combatting poverty. The explanations and opinions of Sheikhs can help in the adaptation of the old awqaf to the new ones. The old awqaf are numerous, and total 10 times more than the new ones. Therefore we shouldn't solely focus on the new awqafs



DIALOGUE ON  
ISLAMIC SOCIAL  
FINANCING  
AND THE SDGS



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

and we should use them to achieve the sustainable development goals by using tools such as zakat, taxes.

*Dr. Salma Abbassi –eWorldwide Group*

Commenting on the need for a holistic approach to build resilience particularly with regards to agricultural projects. Additionally, Dr. Abbassi noted the circular economy of Islamic social financing and its ability to act sustainably in a predictable long-term manner.

*Dr. Al-Ayachi Sadeq Faddad, Islamic Development Bank*

There are no obstacles regarding new endowments according to the authentic need.

*Dr. Sheikh Ali Al-Qaradaghi - Secretary General of the International Union of Muslim Scholars-Professor of Sharia and Islamic Economics*

Qatar Foundation is the “jewel in the endowment crown” and can be used as an excellent example for future implementation. Within Islam and Shariah there are 50 types of contracts.