

Report 5th IDB Global Forum on Islamic Finance, Baku, Azerbaijan

The 5th IDB Global Forum on Islamic Finance is a continuation of the series of IFSD Forums that were initiated by IRTI in 2006, with close cooperation of various other organisations, including the different departments within IDB. It is an annual event held in conjunction with IDB Annual Meetings. The objectives of these forums are to provide a platform for strategic policy dialogue for sharing country and institutional experiences with regard to developing the various segments of the IFS industry; identifying key challenges of the industry's different segments in an integrated manner and promoting cooperation, knowledge sharing and partnership in alleviating the challenges, thus, facilitating the industry's orderly development, competitiveness and stability.

The aim of the 5th IDB Global Forum, held in Baku, Azerbaijan on 21st June 2010, was to highlight the need for, and discuss ways of, assessing the level of development and stability of the Islamic financial sector. It also aimed at addressing challenges and opportunities of Islamic micro-finance in various regions of the world. The theme of the Forum was "Toward Global Resilience and Inclusiveness". The Programme of the Forum consisted of five sessions:

1. Keynote Speech on Ethics and Finance:

The Keynote speech highlighted that the Islamic financial system is based on an ethical framework. It promotes justice, fairness and stability at the global level. The recent financial crisis has revealed the systemic instability of the contemporary global financial system. It also provided opportunity for Islamic finance industry to learn from experience in order to develop itself into a resilient and more inclusive financial sector.

2. Towards Developing a Template for Islamic Financial Sector Assessment Programme (iFSAP):

Periodic assessments of the developmental needs and stability concerns of the Islamic financial sector are important for devising supportive policies for its growth in the world. The main results of a study entitled "Towards Developing a Template to Assess Islamic Financial Services Industry (IFSI) in the World Bank – IMF Financial Sector Assessment Programme (FSAP)" was presented in the Forum. It was commissioned by Islamic Development Bank to see how, within the current design of FSAP methodology, a template for assessment of Islamic Financial Services Industry can be developed and what are the challenges and gaps in doing so. The study was part of ongoing efforts by the IDB Group to widen the role and enhance the resilience of Islamic finance. The

panelists offered their insights on how to address the various gaps identified in developing an assessment template (iFSAP) for Islamic financial services institutions.

3. Launching the Islamic Banks Information System (IBIS):

IRTI has developed an online portal “Islamic Banks Information System” (IBIS) which is rapidly becoming a leading provider of information and knowledge services on Islamic finance. IBIS is designed to serve the needs of academic community, researchers and industry professionals interested in Islamic finance. It contains a specialized collection of articles, research papers and books on Islamic economics and banking literature, news events, glossary of Islamic economics terms, and Fiqh opinions of distinguished Shari‘ah scholars on Islamic banking and finance, as well as Who’s Who Database. IBIS is also helping to increase awareness, promote products, and direct the development of Islamic finance. In this session the IBIS was formally launched. Detailed introduction of the capabilities of this system and a demonstration on how to use IBIS online (www.ibisonline.net) were also given.

4. Islamic Microfinance:

The IDB-Microfinance Development Programme (IDB-MDP) intends to promote Islamic microfinance and to provide assistance in member countries through delivery of Shari‘ah-compliant microfinance to the poor and ultra-poor. In this session, presentations were made by four pilot programmes (one each from Bangladesh, Indonesia, Sudan and Senegal) highlighting their experiences of successes and challenges in micro-financing. The issues include investment and co-financing of such institutions, licensing issues, provision of technical assistance, legal issues faced in provision of Shari‘ah compliant microfinance, as well as operational issues.

5. Towards Global Report on Islamic Finance:

With the rapid growth of Islamic finance in many parts of the world, there is now a dire need to measure the progress and development of this sector in a consolidated way at global level. This task will require coordinated efforts of various Islamic financial infrastructure institutions. This session served as a brainstorming and a consultative session among the stakeholders on the possible format of a Global Report on Islamic Finance that is proposed to be regularly issued jointly by Islamic finance infrastructure institutions.

IDB Prize Laureate Lecture

Scarcity, Self-interest and Maximization from an Islamic Angle

Zubair Hassan

(IDB Prize Winner in Islamic Economics, 1430H)

This lecture clarifies some misinterpretations of three foundational concepts in mainstream economics from Islamic viewpoint. These are scarcity of resources, pursuit of self-interest and maximizing behaviour of economic agents. It argues that stocks of resources that God has provided are inexhaustible. But important is the availability of resources out of stocks to mankind. Availability is a function of human effort and the state of knowledge about resources over time and space. In that sense resources are scarce in relation to multiplicity of human wants for Islamic economics as well. Self-interest must be distinguished from selfishness. The motive operates on both ends of human existence: mundane and spiritual. Its pursuit does not preclude altruism from human life. Counter interests keep balance in society and promote civility. Islam recognizes the motive as valid. Maximization relates to quantifiable ex-ante variables. Uncertainty of future outcomes of actions makes maximization a heuristic but useful analytical tool.

The concept is value neutral. What is maximized, how and to what end alone give rise to moral issues. Modified in the light of Sharī'ah requirements the three concepts can provide a firmer definition for Islamic economics centred on the notion of *falāḥ*.