

## **The 11<sup>th</sup> International Conference on Islamic Economics and Finance, Kuala Lumpur, Malaysia, 11-13 October 2016**

The 11th International Conference on Islamic Economics and Finance (11<sup>th</sup> ICIEF) was held from 11 to 13 October 2016 in Kuala Lumpur, Malaysia. This year the conference theme was "Rethinking Islamic Economics and Finance: Paving the Way Forward for Inclusive and Sustainable Development." Some key topics covered under this theme included:

- The Sharī'ah and its role in economics and finance;
- Institutional aspects of Islamic economics;
- Islamic economics in theory and practice;
- Socio-Economic justice and human development;
- The Socio-Economic role of *zakāh*, *waqf* and Islamic microfinance;
- Economic reforms;
- Business ethics, marketing, and corporate social responsibility from an Islamic perspective;
- Socially responsible investments (SRIs);
- Islamic corporate finance and capital markets;
- Risk management and stability of the Islamic financial services industry;
- Regulatory and legislative landscape for Islamic financial markets and institutions;
- Central banking and monetary reforms; and
- Financial reforms.

Besides the opening and closing addresses, there were four keynote speeches, three plenary sessions and several parallel sessions. Approximately 103 presenters from more than 35 countries presented their papers. A symposium on Islamic economics and finance education also took place on the last day to discuss the issues of curriculum and quality of teaching.

The conference was a joint effort of the Kulliyah of Economics and Management Sciences (KENMS), International Islamic University Malaysia (IIUM); the Islamic Development Bank (IDB) Group through its Islamic Research

and Training Institute (IRTI); and the International Association for Islamic Economics (IAIE), with the support of Ministry of Finance Malaysia as Strategic Partner.

The 11<sup>th</sup> conference communique (Kuala Lumpur Declaration) issued at the end of the conference had following key messages:

- The need for development of a consistent theory of Islamic economics and finance to strengthen the practices of Islamic finance.
- The Conference agrees that another area of emphasis should be policy-oriented research in the fields of Islamic economics and finance.
- The Conference participants noted the need for further consolidation, coordination and streamlining efforts in teaching and research in Islamic economics and finance.
- The Conference also agreed that there must be a balance between growth strategies and equity considerations.
- A genuine risk sharing system that is rooted in Islamic economic philosophy must be developed to replace the existing risk transfer/risk shifting system that has caused much concern and destruction in many communities.

The conference noted that the 12th ICIEF will be held in March/April 2018 in Makkah al-Mukarramah hosted by the Umm al-Qura University and co-organized with IRTI and IAIE.

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## **Global Report on Islamic Finance 2016 (GRIF)**

### **Background**

The Islamic Development Bank Group (IDBG) partnered with the World Bank Group to publish the GRIF 2016. The theme of this year's is "Islamic Finance: A Catalyst for Shared Prosperity". It was launched at a side event during the Annual Meetings of the World Bank Group and the International Monetary Fund in Washington on 06 October, 2016. It provides a comprehensive overview of trends in the various sectors of Islamic finance; identifies the major challenges hindering the industry's growth; and recommends policy solutions to leverage Islamic finance to help eliminate extreme poverty and build shared prosperity. The report is available at <http://irti.org/English/Pages/Publications.aspx>.

## Overview of the report

The report develops a theoretical framework of Islamic economics and finance towards promoting development, growth, and shared prosperity based on four fundamental pillars: (i) an institutional framework and public policy oriented to the objectives of sustainable development and shared prosperity in line with the broader objectives of Islam; (ii) prudent governance and accountable leadership; (iii) promotion of the economy and entrepreneurship based on risk sharing; and (iv) financial and social inclusion for all, promoting development, growth, and shared prosperity.

Islamic banking sector is the largest component of the Islamic finance sector. For Islamic banking sector to contribute to the shared prosperity, there is a need of creating an enabling regulatory and supervisory environment that address the systemic risk across jurisdictions; introducing innovative risk-sharing products and services, rather than replicating conventional risk-transfer products; harmonizing Shari'ah governance through efforts to unify cross-country Shari'ah rulings about Islamic finance, which would help accelerate the growth of the industry; enhancing the scale and access to Islamic finance to include low-income earners; improving liquidity and ensuring stability; bolstering human capital and literacy in Islamic finance.

The development of capital markets with wider access to the public under a strong legal and governance framework is desirable to promote shared prosperity. *Shukūk* offer great potential for promoting shared prosperity. The use of *shukūk* by governments and governmental agencies' to mobilize financing is essential to develop a long-term yield curve and to develop a corporate *shukūk* market, as well as to promote transparency and efficiency of the asset pricing. Tax neutrality for *shukūk* issuers and investors could further boost the market.

The risk-sharing and asset-backed nature of Islamic finance products are more suitable for providing financial services through Nonbank financial institutions (NBFIs) such as *takāful*, asset management companies, housing finance, and leasing companies. This sector is currently under-developed and under-utilized in Islamic finance, and therefore should be given priority by policy makers.

The role of Islamic social finance has great significance in countries with high levels of exclusion and deprivation. This report estimates that for most countries in South and Southeast Asia and Sub-Saharan Africa, the resource needs to alleviate deprivation could be met adequately if the potential of institutions of *zakāt* and *waqf* were realized, even if only in part.

The report also provides an overview of recent policy initiative taken by several

OIC member countries to highlight recent developments in, and the enactment and implementation of, policies to promote shared prosperity. The main highlights include, Islamic financial sector development and financial inclusion are integrated within the national development or financial development plans. Strengthening Sharī'ah governance, improving the alignment of the national-level banking regulations with the principles issued by international Islamic financial infrastructure institutions, and establishing diversified financial institutions has become an explicit part of their agenda. Similarly, financial inclusion, its promotion by integrating *zakāt* and *awqāf*, and fostering the financing of a wider set of economic sectors, are gaining policy importance.

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### **Islamic Finance Country Reports (IFCRs)**

Islamic Finance Country Reports (IFCRs) is one of the outputs of the long-term strategic partnership of Islamic Research and Training Institute (IRTI) Thomson Reuters (TR) to enhance the Islamic Finance service industry. The IFCRs focus on countries where Islamic Finance has a great potential of development to attract both domestic and foreign investors. These Reports not only profile the Islamic Finance Development status of the member countries, but also provide market analysis and practical insights for local, regional, and international investors to offer or invest in Islamic financial services in the target countries. These insights aims to better inform investors of the Islamic finance potential for these emerging or developed markets vis-à-vis the retail and corporate markets. The reports also provide an assessment of the developing regulatory environment. As to date, IRTI-TR have lunched IFCRs for Tunisia, Morocco, Oman, Turkey, Malaysia, Kazakhstan, Indonesia, Sudan and Pakistan.

Of these reports, The Indonesia, Sudan and Pakistan reports are launched in 2016. The most recent Islamic Finance Country Report in 2016 is for Pakistan, this is the ninth in a series of unbiased, in-depth and market-oriented country reports that have become an industry reference and benchmark in their own right. Leading industry players and stakeholders have very well received these reports. We are expecting three more reports to be launched in 2017. All reports are available at: <http://irti.org/English/Pages/Publications.aspx>.

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