

Institution: Durham University		
Unit of Assessment: 17 Business and Management Studies		
Title of case study: Developing Policies on Islamic Financial Architecture and the Role of Islamic Finance in Sustainable Development		
Period when the underpinning research was undertaken: Between 2013 and present		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Habib Ahmed	Sharjah Chair in Islamic Law & Finance	2008 - present
Period when the claimed impact occurred: Between 2016 and 2020		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>Recognising the importance of the financial sector's contribution to economic development, Ahmed's research and expert engagement with several high profile international multilateral institutions has led to the production of policy documents (see below) on Islamic finance that have been used by these organisations to draft policy resolutions and prescriptions for their member countries in two broad areas:</p> <ol style="list-style-type: none"> 1. Informing policy prescriptions on enhancing the role of Islamic finance in promoting the Sustainable Development Goals (SDGs) for organisations such as the United Nations (UN) and Islamic Development Bank. Ahmed's research identifies ways in which Islamic finance can contribute to the achievement of the SDGs. 2. Providing a policy framework for developing the national and international financial architecture for the development of Islamic finance for the Standing Committee for Economic & Commercial Cooperation of the Organisation of Islamic Cooperation (COMCEC). Recommendations from Ahmed's research helped develop the Shariah governance framework and liquidity infrastructure for the Islamic banking industry in Turkey. 		
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>The role of the financial sector in contributing to economic development is well recognised. Providing Islamic financial services in many Muslim countries relates to financial inclusion and development since a significant percentage of the population do not engage with interest-based finance for religious reasons. Given Ahmed's academic research on Islamic finance and development (R1-R2) and financial architectural issues in Islamic finance (R3-R6), he was invited to prepare policy-related research by different international multilateral organisations.</p> <p>The first area of his academic research relevant to this impact case study relates to Islamic finance, development and financial inclusion. R1 provides a framework of assessing broader socio-economic development by creating a multidimensional poverty index and applying it to evaluate the impact of poverty-reducing interventions on beneficiaries in Indonesia. The main lessons from this research, subsequently leading to impact related to the SDGs (Section 4), were that tackling poverty would require going beyond just raising income levels and should include other dimensions such as providing education and health services. R2 focuses on financial inclusion and examines how different organisational formats of Islamic financial institutions perform in terms of outreach and impact on poorer households. The practical implications, resulting in impact, were to examine the social dimensions of finance in providing various types of financial services to the financially-excluded segments of the population.</p> <p>Before the launching of the Sustainable Development Goals (SDGs) by the United Nations in 2015, Ahmed worked with Dr. Mahmoud Mohieldin (Senior Vice President for the 2030 Development Agenda, UN Relations, and Partnerships, World Bank) to write a policy document on the role of Islamic finance in contributing to the SDGs. The paper, developed from Ahmed's</p>		

academic research (R1 and R2), was published as a World Bank Policy Research Working Paper and covered dimensions in which Islamic finance could contribute to the SDGs (that included inclusive finance and reducing vulnerability of the poor). Subsequently, Ahmed was approached by the United Nations (Financing for Development Office, Department of Economic and Social Affairs) to write a background study on “Contribution of Islamic Finance to the 2030 Agenda for Sustainable Development” for presentation at the *High-Level Conference on Financing for Development and the Means of Implementation of the 2030 Agenda For Sustainable Development* organised by the United Nations and the State of Qatar in Doha, Qatar, on 18-19 November 2017. After presenting the status of Islamic finance and infrastructure financing in some selected countries, the study provided nine specific recommendations for member countries to strengthen the role of Islamic finance in financing SDGs. The discussions on social (education and health) infrastructure and the need for supporting legal and regulatory frameworks for Islamic finance in the UN paper were based on Ahmed’s research (R1).

A second area of Ahmed’s research is on a multidisciplinary theme covering financial architectural matters related to Islamic finance (R3-R6). R3 examines the issues that Islamic banks face in meeting the liquidity requirements under BASEL III regulatory standards that were introduced after the global financial crisis of 2008. R4 explores issues related to Shariah governance regimes in Islamic financial institutions with particular reference to the role of Shariah Supervisory Boards in ensuring Shariah compliance. R5 studies the status of consumer protection in Malaysia by examining the legal and regulatory framework in place to protect financial consumers. Finally, R6 assesses the accounting disclosure regime for Islamic finance in Malaysia in light of international standards, and highlights the need for having appropriate disclosures requirements for Islamic financial transactions.

Recognising Ahmed’s research on financial architectural issues related to Islamic finance, the Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic Cooperation (COMCEC), an affiliated institution of 57 member countries, invited him to write a report on *National and Global Islamic Financial Architecture: Problems and Possible Solutions for OIC Member Countries*. The research underpinned policy recommendations for consideration and adoption at the ministerial level Thirty-Second Session of the COMCEC in Istanbul, 21-24 November 2016. The infrastructure institutions identified in the recommendations such as enhancing strengthening Shariah governance framework, liquidity infrastructure for Islamic banks and consumer protection are drawn from Ahmed’s research (R3-R6).

3. References to the research (indicative maximum of six references)

R1: Kasri R and **Ahmed, H** (2015), “Assessing Socio-Economic Development based on *Maqasid al Shari’ah* Principles: Normative Frameworks, Methods and Implementation in Indonesia”, *Islamic Economic Studies*, 23 (1), 73-100. DOI: 10.12816/0012264

R2: **Ahmed, H** (2013), “Financial Inclusion and Islamic Finance: Organisational Formats, Products, Outreach and Sustainability” in Zamir Iqbal and Abbas Mirakhor (Editors.), *Economic Development and Islamic Finance*, World Bank Publications, Washington DC, (2013), 203-229. DOI: 10.1596/978-0-8213-9953-8

R3: **Ahmed, H** (2015), “Basel III liquidity requirement ratios and Islamic banking”, *Journal of Banking Regulation*, 16 (4): 251-264. DOI: 10.1057/jbr.2014.20

R4: Al Mannai, M and **Ahmed, H** (2018) “Exploring the Workings of *Shari’ah* Supervisory Board in Islamic Finance: A Perspective of *Shari’ah* Scholars from GCC”, *Quarterly Review of Economics and Finance*, DOI: 10.1016/j.qref.2018.05.017

R5: **Ahmed, H** and Ibrahim, IR (2018), “Financial Consumer Protection Regime in Malaysia: Assessment of the Legal and Regulatory Framework”, *Journal of Consumer Policy*, 41 (2), 159-175 DOI: 10.1007/s10603-018-9369-0

R6: **Ahmed, H**, Ariffin, F, Karbhari, Y & Shafii, Z. (2018), “Diverse Accounting Standards on Disclosures of Islamic Financial Transactions: Prospects and Challenges of Narrowing Gaps”, *Accounting, Auditing & Accountability Journal*, 32 (3): 866-896. DOI: 10.1108/AAAJ-10-2015-2266

All of these underpinning items have been internally reviewed, and this body of work is at or above the 2* threshold.

4. Details of the impact (indicative maximum 750 words)**Informing Policies for Sustainable Development:**

Developing on R1 and R2, a World Bank Policy Research Working Paper (E1a) co-authored by Ahmed played an important role in framing the strategy for Islamic finance and SDGs at the World Bank and Islamic Development Bank (IDB) Group. IDB is a multilateral development bank for Organisation of Islamic Cooperation (OIC) consisting of 57 member countries. Dr. Mahmoud Mohieldin (Senior Vice President for the 2030 Development Agenda, UN Relations, and Partnerships), World Bank, acknowledges that the paper *“helped shift the discourse and the link between Islamic Finance and the SDGs”* and *“helped identify and articulate more clearly the role of Islamic Finance in contributing to the implementation of the 2030 Agenda and the SDGs”* (E1b). He further adds that *“It was very encouraging to find out that the paper also led to an internal discussion at the Islamic Development Bank on how to best align its work with the implementation of the 2030 agenda and the attainment of the SDGs”* (E1b).

Furthermore, Ahmed’s research paper for the UN (E2a), *“Contribution of Islamic Finance to the 2030 Agenda for Sustainable Development”*, served as the background paper for a session (and interactive discussions) on ‘The Role of Development Finance Institutions in Achieving the SDGs’ at the ministerial level *High-Level Conference on Financing for Development and the Means of Implementation of the 2030 Agenda For Sustainable Development* held in Doha on 18-19 November 2017 (E2b). A referral letter from the Director of Financing for Development, United Nations, appreciated the presentation in highlighting the progress and challenges related to the financing of the SDGs (E2c).

The outcome of the conference resulted in ten *“Doha Messages”* (E3a) that were fed into the 2018 UN Economic and Social Council (ECOSOC) Forum on Financing for Development follow-up (23-26 April 2018) and the High-level Political Forum on Sustainable Development (9-18 July 2018). A significant part of the ninth Doha message was based on the deliberations of Ahmed’s research presented in the session on Islamic finance which highlights that *“Islamic finance plays important role in promoting the social inclusion [sic], channelling resources for social investments through solidarity-based Islamic finance products; and contributes to fill the large financing gap for investment in sustainable infrastructure. It has the potential to contribute to the achievement of the SDGs”* (E3a).

The event and the Doha messages drew the attention of other development-related institutions, such as the International Institute for Sustainable Development, which also acknowledged the role that Islamic finance can play in achieving the SDGs (E3b). Aamir Rehman, Senior Advisor, United Nations Development Programme (UNDP), confirmed the contribution of Ahmed’s research to UN activities by stating that *“In addition to acting as a key reference for our November 2017 event, the paper remains highly relevant as the UN deepens its involvement with Islamic finance stakeholders. It has been cited internally both by a core team working on Islamic finance and senior leadership within the UN as we develop our approach to Islamic finance”* (E3c).

Informing Policies for Strengthening Islamic Financial Architecture:

Ahmed’s research (E4a) was presented and discussed by government representatives of different member countries and international multilateral organisations at the Seventh Meeting of the COMCEC Cooperation Working Group meeting in Ankara on 20 October 2016 (E4b). After the deliberations at the meeting, five policy recommendations from E4a were selected for presentation at the ministerial level Thirty-Second Session of the COMCEC in Istanbul, 21-24 November 2016 for members to consider for adoption (E4c). The ministerial level session finally adopted all five policy recommendations *“as reference guidelines for the Member Countries to develop Islamic Financial Architecture”* (E4d, Agenda item 11). These recommendations relate to developing legal and regulatory frameworks, sound governance and Shariah governance regimes, consumer protection and financial education and liquidity infrastructure for Islamic financial sector. While some of these recommendations appear in Ahmed’s underpinning academic research (R3-R6), they are directly based on the research study (E4a) that outlined policy recommendations on seven infrastructure elements.

A referral letter from the Director General of COMCEC indicates that the member countries can *“extensively benefit from [Ahmed’s] study in strengthening the financial architecture institutions*

necessary for the sound development of the Islamic financial sector” (E5). Furthermore, the Secretary General of Accounting and Auditing Organisation for Islamic Financial Organisations (AAOIFI), which is the International Financial Reporting Standards (IFRS) equivalent for the Islamic financial industry, who attended the COMCEC events, also acknowledged that the report E4a identified various problems and proposed practical solutions, some of which AAOIFI has addressed in its standards related to the National Shariah Board (E6). Being international guidelines, AAOIFI Shariah standards have been adopted in 21 jurisdictions, which includes national regulatory bodies (such as Afghanistan, Bahrain, Iraq, Jordan, Lebanon, Libya, etc.), international financial centres (such as Astana Financial Services Authority, Dubai International Financial Centre, Qatar International Financial Centre) and a multilateral development bank (Islamic Development Bank).

The policy recommendations resulting from E4a and adopted at the 7th meeting of the Financial Cooperation Working Group (E4b) and 32nd Ministerial Session of COMCEC served as reference guidelines for the interested governments of 57 OIC Member Countries to develop their Islamic financial architecture (E4d). In addition to translating the research into Turkish, COMCEC has followed up on the recommendations from the research as stated by its Secretary General: *“under the COMCEC Project Funding, some member countries, such as Gambia, have implemented projects aiming to develop Islamic Finance industry in their respective countries. Turkey will also implement a Project on Enhancing Consumer Protection in Islamic Finance” (E7).*

The Participation Banks Association of Turkey (TKBB), an umbrella organisation of Islamic (participation) banks in the country, acknowledges the role the report played in the establishment of a central Shariah body and in strengthening the liquidity infrastructure in the country, as stated by Mr. Osman Akyuz, Secretary General of TKBB:

“While the report has useful recommendations covering various aspects of the financial architectural institutions, we have particularly benefitted from the Shariah governance regime section of the report. The report rightly identifies the importance of a central Shariah advisory board standardize contracts [sic] to mitigate various legal and Shariah risks and build consumer confidence. As an umbrella organisation of the Islamic banks in the country, we have accordingly taken initiative to create a central Shariah body that would oversee the Shariah issues related to the participatory (Islamic) banking sector in Turkey.”

He further adds: *“We hope to examine other recommendations identified in the report (such as strengthening the liquidity infrastructure) to further enhance the development of Islamic finance industry in Turkey” (E8a)*

The report also contributed to developing the liquidity related instruments in AlBaraka Bank in Turkey, as affirmed by Mr. Melissah Utku, Board Member & General Manager of the bank:

“Our bank has used the recommendations of the report and taken initiatives to develop short-term Shariah compliant liquidity instruments and establish Islamic money markets in coordination with other banks.” Furthermore, he adds: *“We have used recommendations of the report in our planning and discussions with other stakeholders to identify the key issues that are necessary for a [sic] have a robust liquidity infrastructure for participatory (Islamic) banks in Turkey” (E8b).*

5. Sources to corroborate the impact (indicative maximum of 10 references)

E1. a) Ahmed, Habib, Mahmoud Mohieldin, Jos Verbeek and Farida Aboulmagd (2015), “On Sustainable Development Goals and the Role of Islamic Finance”, Policy Research Working Paper 7266, World Bank Group, May 2015.

b) email from Dr. Mahmoud Mohieldin (Senior Vice President for the 2030 Development Agenda, UN Relations, and Partnerships), World Bank acknowledging the role of Policy Research Working Paper 7266 on the discourse of role of Islamic finance in contributing to the SDGs (dated 12 March 2018).

E2. a) UN Publication (dated November 2017) including Ahmed’s paper and b) conference programme from *High-Level Conference on Financing for Development and the Means of Implementation of the 2030 Agenda For Sustainable Development* (dated December 2017).

c) Referral Letter from Office of the Director, Financing For Development Office, Department of Economic and Social Affairs (DESA), United Nations (dated May 2019).

E3. a). Doha Messages, from the *High-Level Conference on Financing for Development and the Means of Implementation of the 2030 Agenda For Sustainable Development*.

b) Article from the International Institute for Sustainable Development's SDG Knowledge Hub (published 7 December 2017) on the Nov 2017 conference.

c) Referral email from Aamir A. Rahman, Senior Advisor, United Nations Development Programme, New York (dated 8 May 2019) acknowledging the contribution of the paper on driving the policies related the role of Islamic finance in achieving the SDGs.

E4 a). *National and Global Islamic Financial Architecture: Problems and Possible Solutions for OIC Member Countries*, COMCEC, Ankara (October 2016).

b). 7th Meeting of the COMCEC Financial Cooperation Working Group (October 20th, 2016, Crowne Plaza Hotel, Ankara) Programme.

c). Policy Recommendations of the 7th meeting of Financial Cooperation Working Group submitted and discussed in the 32nd COMCEC Session (p38) (dated October 2016).

d). Resolution of the Thirty-Second Session of the COMCEC (p23) (dated November 2016).

E5. Referral Letter from Director General, COMCEC, acknowledges the key role played by the study (E4a) in strengthening the Islamic financial architecture of member countries (dated 20 March 2017).

E6. Referral Letter from Secretary General, Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), acknowledges some of the recommendations of the study (E4a) have been addressed by AAOIFI in its standards on National Shariah Board that was published in October 2017 (dated 3 April 2017).

E7. Email from Director General, COMCEC, which acknowledges that there has been some follow up on the recommendations from the report presented in the 7th meeting of Financial Cooperation Working Group, and some recommendations from the report have been implemented in two countries (Gambia and Turkey) (dated 30 April 2018).

E8 a) Referral letter from Mr. Osman Akyuz, Secretary General of Participation Banks Association of Turkey (TKBB) (dated 5 August 2020).

b) Referral letter from Mr. Meliksah Utku, Board Member & General Manager, AlBaraka Bank, Turkey (dated 6 August 2020).