

**Rationale for the joint initiative between
IRTI, Thomson Reuters and CIBAFI
on the Islamic Finance Country Reports:**

**Developing the Islamic Financial Services Industry to help
alleviating the developing constraints in OIC Countries**

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Complementary expertises

IRTI-TR-CIBAFI

TR

Thomson Reuters a leader in providing intelligent information for business and professionals. The focus on Islamic Finance aims to enhance transparency, clarity and accessibility of Islamic finance to a global audience of business and professionals through data services, research and consulting.

CIBAFI

The General Council for Islamic Banks and Financial Institutions (CIBAFI) represents the Islamic Finance Industry globally, to introduce its nature and progress, to participate in defending and protecting its role, and to offer support for its expansion and cooperation between its institutions to achieve the objectives of Sharia, stakeholders, and employees, in full compliance with Sharia and top quality Islamic finance standards.

IRTI

Islamic Development Bank Mission: *"To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance and prospering the people."*

The Islamic Research and Training Institute (IRTI) contributes to the development of the Islamic Financial Services Industry through the creation and dissemination of knowledge in Islamic Economics and Finance through research, advisory, capacity building and provision of information services.

Islamic Finance Country Reports

What are the aims ?

Provide policymakers, institutions and investors with quality analyses of the opportunities and challenges of the Islamic Financial Services Industry (IFSD) in the OIC countries.

Guide the development of the IFSD inline with the economic development priorities of the OIC countries

Islamic Financial Services Industry

Continuous growth

- The Islamic financial services industry (IFSI) has grown in size and geographic coverage.



Islamic Financial Services Industry

Continuous growth

- **Islamic banks and Islamic banking windows:** central pillar - CAGR of 40.3% for 2004 - 2011 - total assets estimated to USD 1.1 tln.
- **Sukuk:** sukuk issuances growing at CAGR of 42.3% over the period 2004-2011 --- USD 7.2 bln to USD 85.1 bln.
- **Takaful:** small segment - total gross contributions have grown by a CAGR of 23.1% over 2004-2011 - estimate of USD 15.2 bln in 2012.
- **Islamic funds :** assets under the management - USD 29.2 bln in 2004 and USD 64 bln in Oct. 2012 .
- **Islamic Microfinance:** emerging market niche - 300,000 clients through 126 institutions operating in 14 countries.

Sources: KFH, 2012 ; Thomson Reuters, Zawya, 2012, CGAP, 2008)

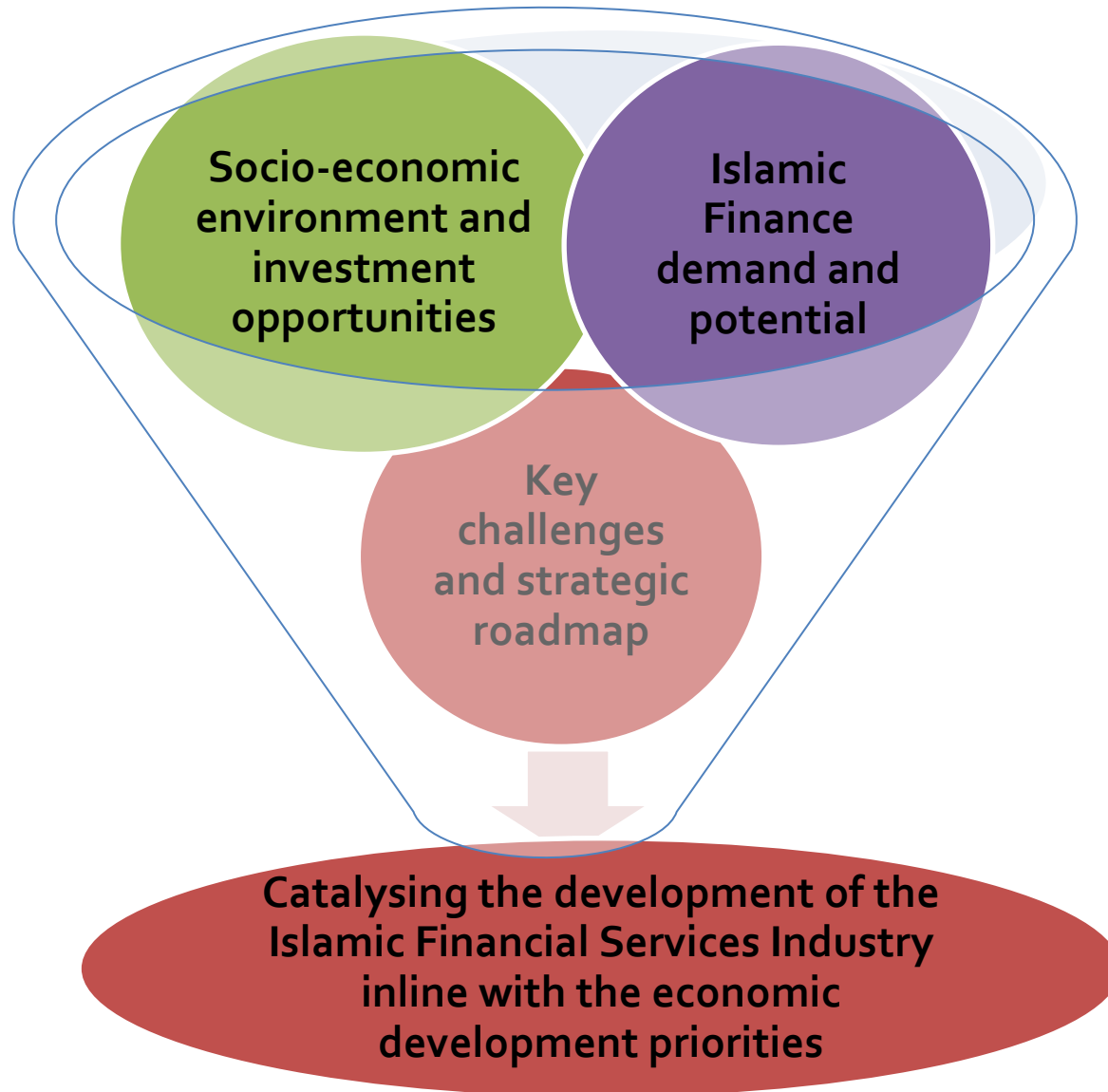
Developing the Islamic finance...

...while generating inclusive growth

- Freeman (2010, p.165) : "...Restoring finance to its role as a *productive force in the economy* will require *new institutions and modes of compensation*, as part of a general overhaul of the relation between *finance and the real economy*".
- Chapra (2008) : The financial system may be able to **promote justice** if, in addition to being strong and stable, it satisfies at least two conditions:
 - an equitable shares of **bank lending should become available to the poor to help eliminate poverty**, expand employment and self-employment opportunities and, thus, help reduce inequalities of income and wealth.
 - financier must also **share in the risk** so as not to shift the entire burden of losses on the entrepreneur,

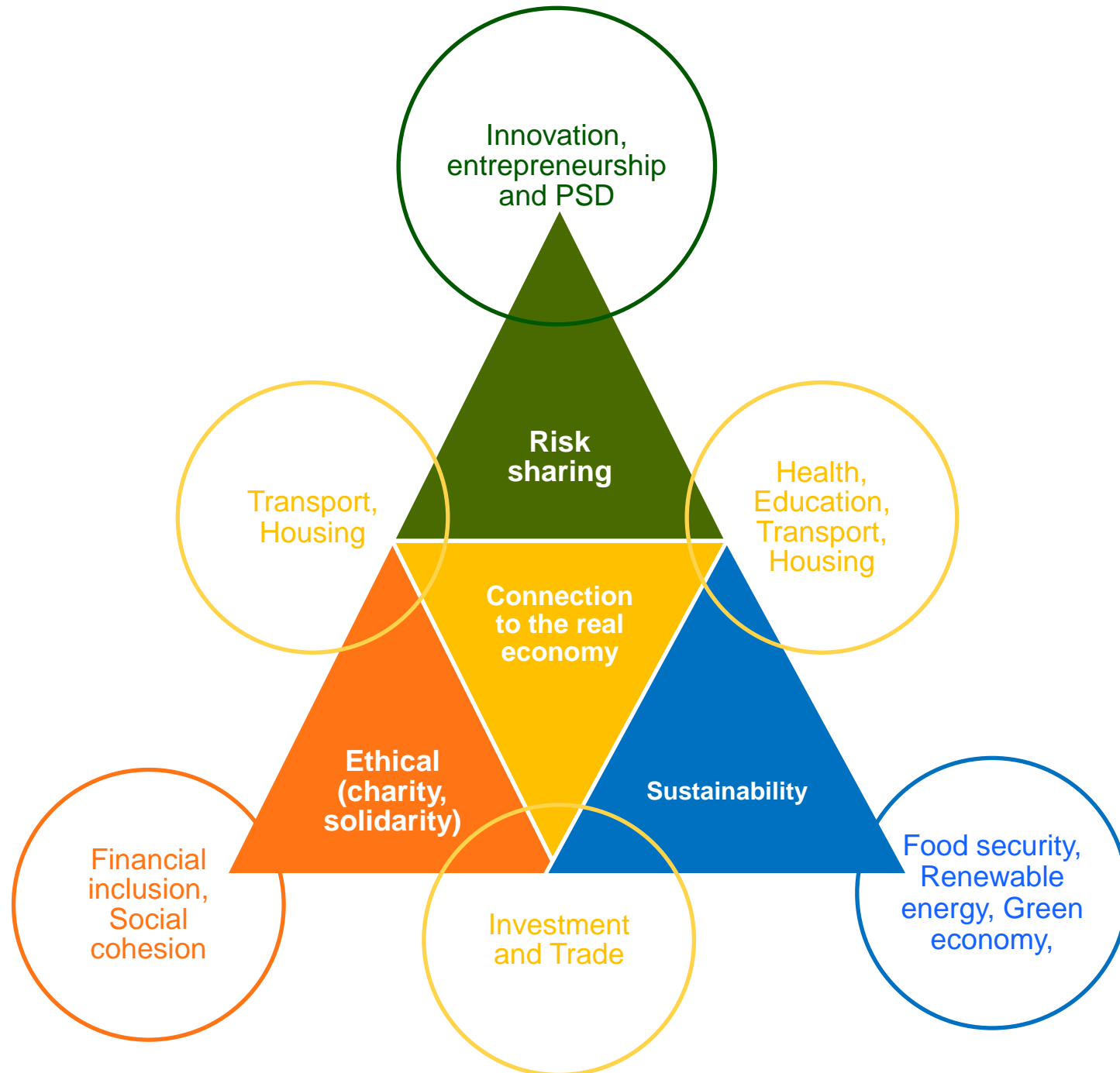
Islamic Finance Country Reports

Developing the IFSD inline with the economic development priorities



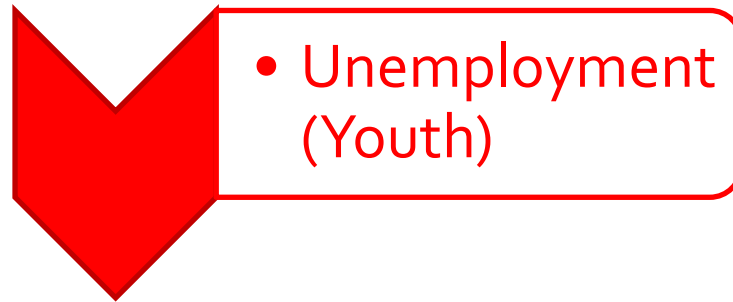
Developing the Islamic finance...

...with its distinguish features



Islamic Finance Country Reports

Developing the IFSD inline with the economic development priorities



Labor forces: 104 million workers (2000) - 185 million (2020)

→ MENA need to create around 100 million new jobs for absorbing unemployed workers in addition to the new entrants.

WB (2004) "Unlocking the Employment Potential in the Middle East and North Africa"

Islamic Finance Country Reports

Developing the IFSD inline with the economic development priorities



Number of poor under \$2 / day poverty line

	2002	2005	2008	2010
East Asia and Pacific	983.89	757.51	659.15	597.7
Europe and Central Asia	37.23	21.66	10.42	11.21
Latin America and the Caribbean	117.55	91.74	70.51	60.55
Middle East and North Africa	56.78	52.73	44.48	39.88
South Asia	1,119.67	1,113.06	1,124.80	1,089.47
Sub-Saharan Africa	533.32	559.07	575.58	596.39
Total	2,848.59	2,595.68	2,484.94	2,395.21

Source: WEF (2012) "Perspectives on Youth Employment in the Arab World in 2012"

Islamic Finance Country Reports

Developing the IFSD inline with the economic development priorities



Housing needs in IDB-56 for 2010-2010: 8.2 million units per year:

- > MENA: 3.2 million
- > ASIA: 2.7 million,
- > Sub-Sahara Africa : 1.9 million
- > Countries in transition: 0.4 million

Shirazi et al. (2012)

Islamic Finance Country Reports

Developing the IFSD inline with the economic development priorities



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Developing the IFSD inline with the economic development priorities



- Unemployment (Youth)

- Poverty

- Housing

- Health, Education, R&D, Transport

- Access to Water and food security




- Enhancing access to finance to SMEs and poor population

- Supporting entrepreneurship

- Supporting Private Public Partnership (Education, Health, Infrastructure, Transport, etc.)

- Supporting R&D and innovation in line with the development problems

- Enhancing intra-trade and regional integration



vibrant business environment
+ Adequate ecosystem for the IFSD

Islamic Finance Country Reports

Developing the IFSD inline with the economic development priorities

IFCR – Tunisia 2013 (June)

IFCR – Turkey 2013 (September)

IFCR – Morocco 2013 (November)

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Thank you

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