



*Empowered lives.
Resilient nations.*

Leveraging Islamic Finance for SDGs in Malaysia and the Role of UNDP

Nihat Gumus

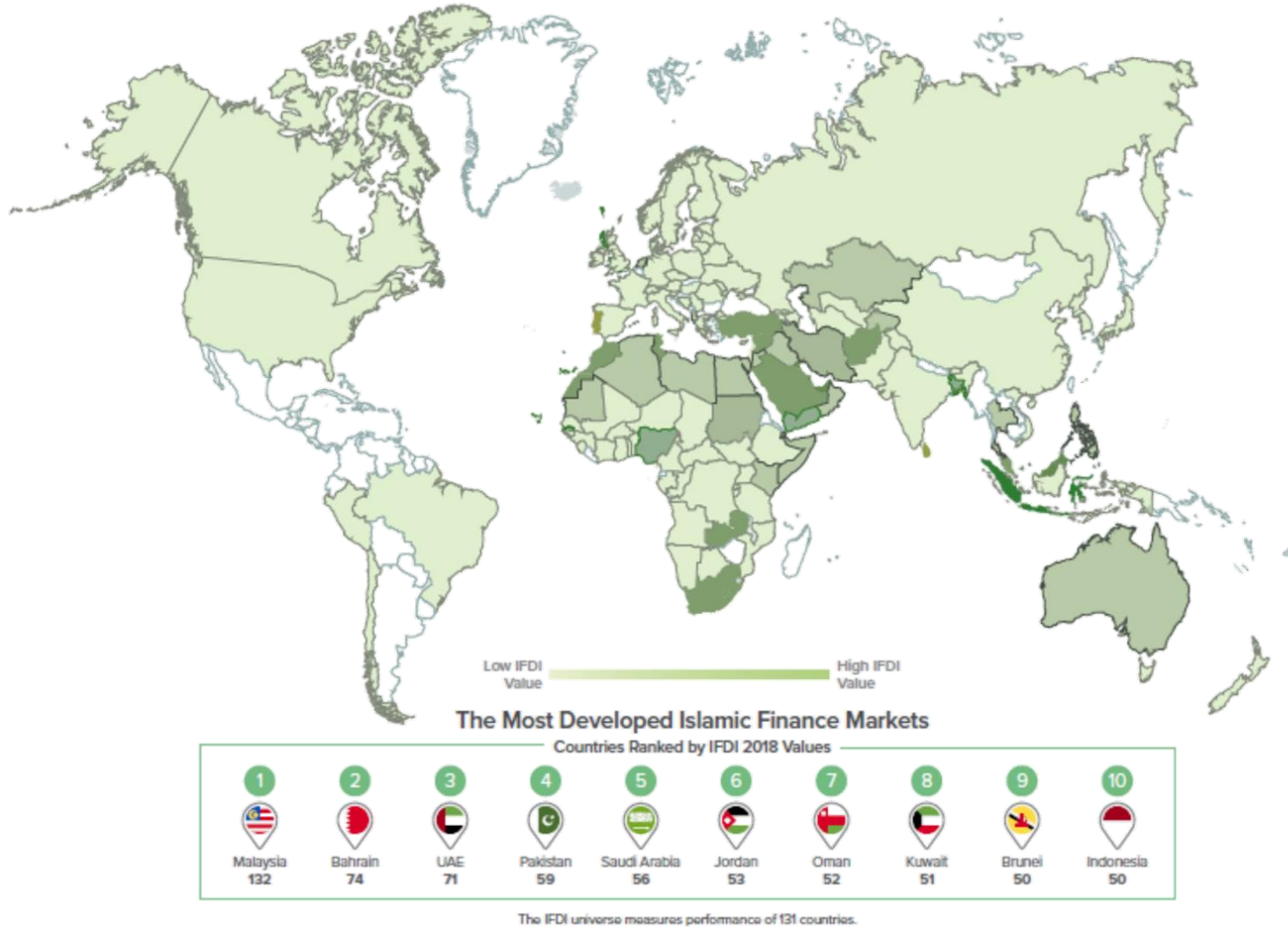
Consultant, Islamic Finance Policy Specialist / United Nations Development Programme (UNDP)
nihat.gumus@undp.org

Twelfth Malaysia Plan Kick-Off Conference
1 to 4 July 2019
Putrajaya, Malaysia

Global Status of Malaysian Islamic Finance Sector



Global Islamic Finance Development Indicator - IFDI 2018



From Tabung Haji in 1963 to a global flagship sector in 2019...

The unique position of Malaysia Islamic finance sector has important implications regarding its possible contributions to SDGs

The comparative advantage that Malaysia has in Islamic finance can be an area of innovative budgeting not just for government but also for the private sector

The pivotal role of Islamic Finance in Economic Development of Malaysia



Empowered lives.
Resilient nations.

Diverse Set of Industry Players & Service Providers Offering Islamic Financial Services



With an asset size of more than US\$450 billion, the overall share of Islamic finance exceeds 25% of the financial sector and is expected to exceed 40% of the banking sector by 2020.

With all of its sub-segments, including regulatory, legal, advisory services, and education, the Islamic finance sector of Malaysia has already been contributing to the overall economic development, financial inclusion, and national savings

Islamic finance should be one of the building blocks for the 12th Malaysia Plan

Malaysia and SDGs: Sustainable Development Index 2019



OVERALL PERFORMANCE

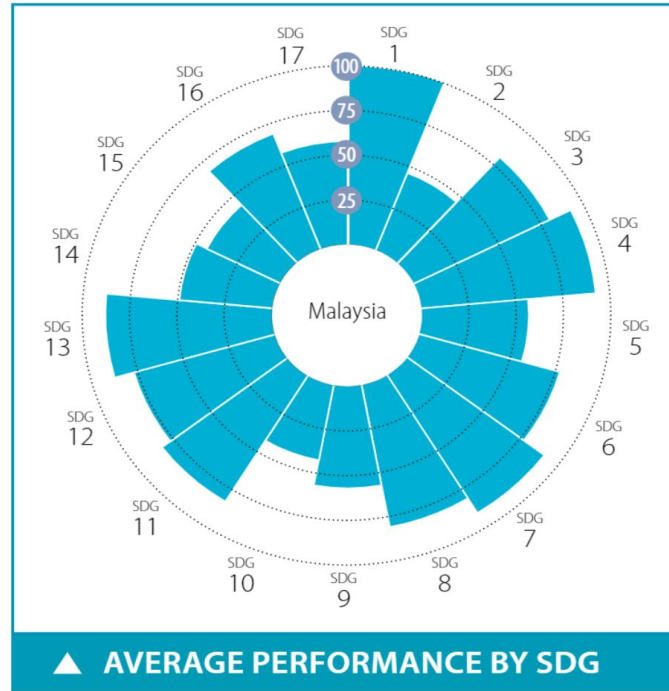
Index score



Regional average score



SDG Global rank **68** (OF 162)



BNM and SC has shown remarkable efforts to integrate ESG in their masterplan for the financial sector

They played a key role at the ASEAN ESG framework for the region

As of 2019, Malaysia's SDG Index score ranked 68th out of 162 countries

SDG TRENDS

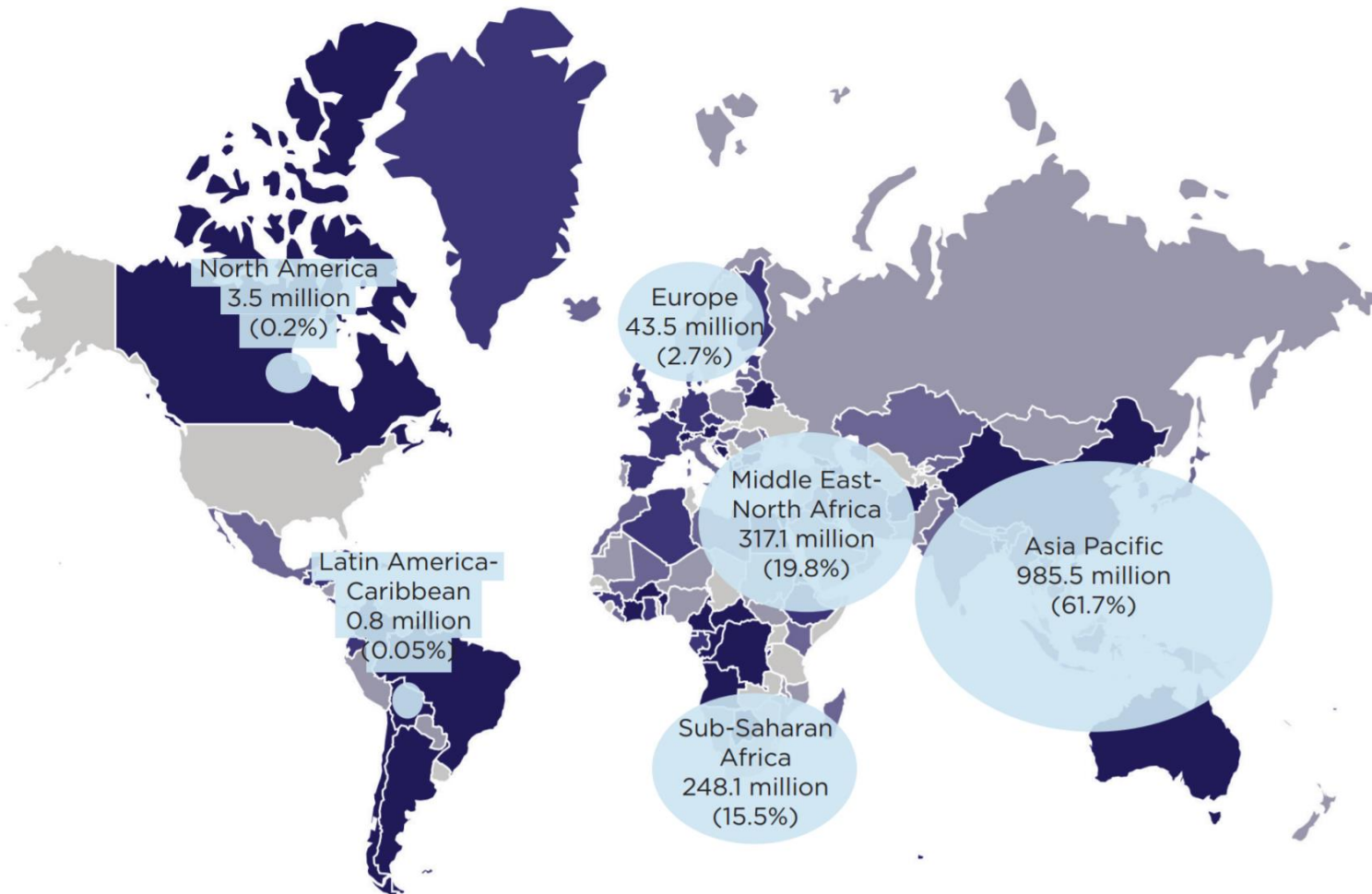


↓ Decreasing → Stagnating ↗ Moderately improving ↑ On track or maintaining SDG achievement ●● Information unavailable

Leadership in Islamic finance is an opportunity to go beyond....



Distribution of Muslim Population by Region



Leadership in Islamic finance and the alignment of the principles of Islamic finance with SDGs, provides Malaysia to play a key role in the achievement of SDGs in the region, becoming a part of a global community and south - south cooperation

Integrating the commercial financial tools and institutions together with Islamic social finance instruments will enable Malaysia to contribute to SDG alignment not only at country level but also at regional and global levels

UNDP's Global Islamic Finance Initiative

- ✓ The potential of Islamic finance as a means to mitigate the global risks and to achieve SDGs has been discussed in major platforms such the High Level Humanitarian Summit (Istanbul, 2016)
- ✓ Given the potential, UNDP began a global initiative to study the key opportunities to align Islamic finance towards the SDGs
- ✓ Landscaping and mapping analysis has been conducted across UNDP COs as well as UN System institutions to investigate the opportunities with regard to their feasibility and impact
- ✓ UNDP is brokering partnerships at the country, regional and global levels to collaborate on Islamic finance across public and private entities
- ✓ Two workshops were organized in Jakarta and Istanbul with the participation of over 30 COs and over 25 pilot proposals were identified.
- ✓ UNDP's Islamic finance team is currently rolling out pilots in Kyrgyzstan, Bangladesh, Uzbekistan, Cameroon, and Malaysia in addition Indonesia and Turkey; supporting the Global Islamic Finance Impact Investment Platform; and co-chairing the UN's inter-agency Islamic finance task force.



Empowered lives.
Resilient nations.

A Benchmark Case of UNDP's Engagement in Islamic Finance



Empowered lives.
Resilient nations.

UNDP Indonesia

Innovative finance Lab and Islamic Finance

- Green Financing
- Zakat for SDGs
- Waqf Blockchain
- Digital Zakat
- Entrepreneurs and Startup
- Crowdfunding
- Training

Zakat for SDGs

- Micro Hydro Power Plant Project
- Local Economic Development

Green Sukuk

- Climate Budget Tagging & Green Bond Framework
- Selection of Projects & Issuance of Green Sukuk
- Post-Issuance Reporting

UNDP Indonesia: Zakat for SGDs

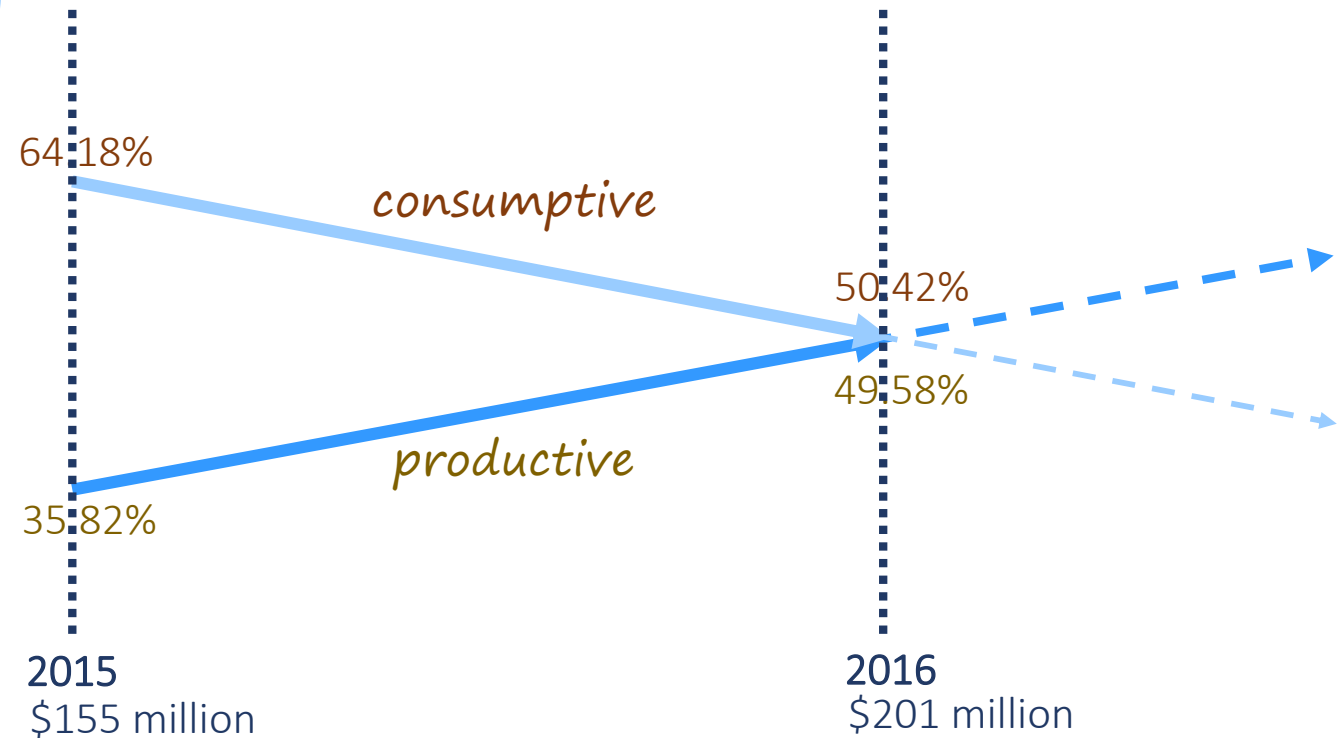
consumptive

- Example: provision of workshop equipment, living allowance as income substitution, purchase of medicine.
- Method: regular basis or one shot.

- Example: initial capital for SMEs, student and staff coaching.
- Method: program basis.

productive

Zakat disbursement from consumptive model to productive model 2015-2016 (Baznas, 2016)

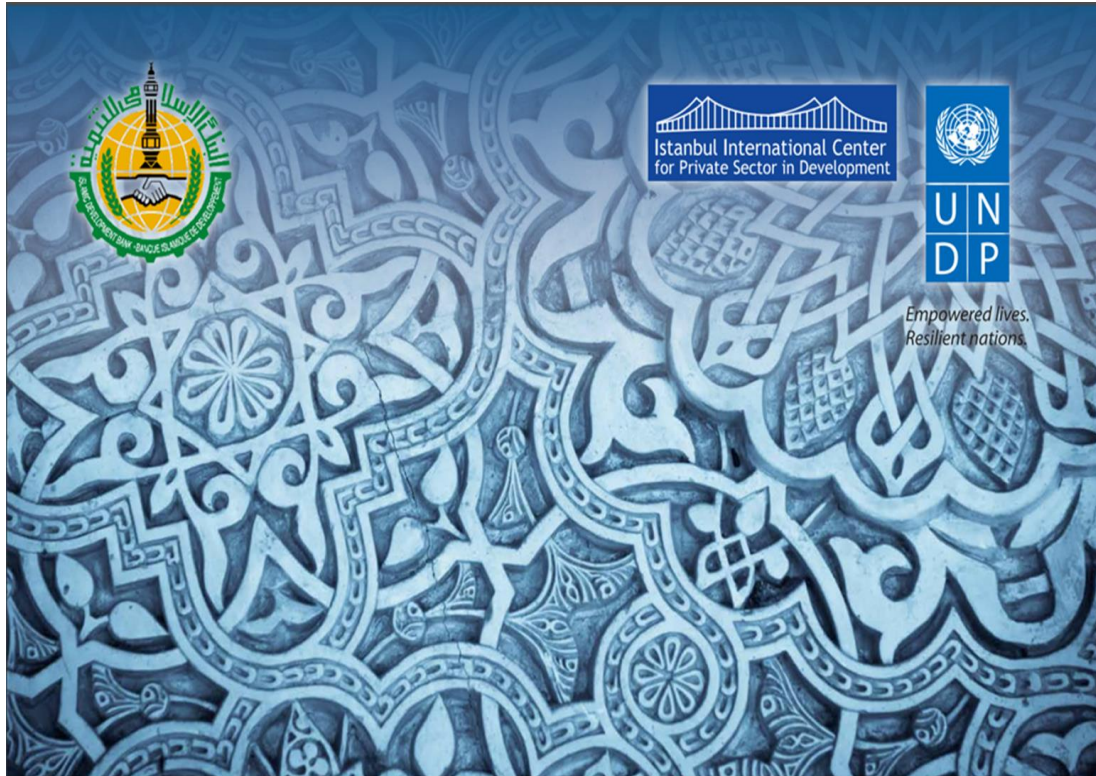


Islamic Finance vs. Impact Investing

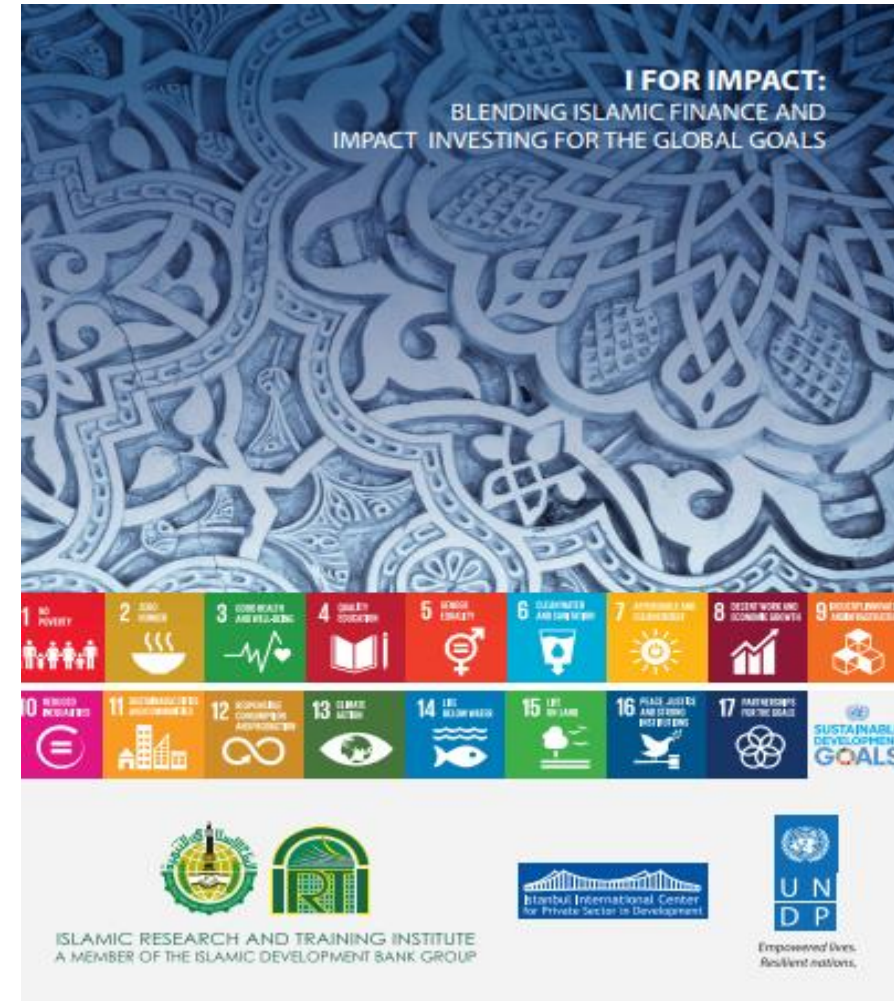
UNDP and IsDB Initiative to bring Islamic finance and impact investing together



Empowered lives.
Resilient nations.



GLOBAL ISLAMIC FINANCE AND IMPACT INVESTING PLATFORM



UNDP's Value Proposition on Islamic Finance for SDGs



Pipeline Development and Execution

Pipeline development for Sukuk issuances
Productive usage of Islamic social finance tools
Budget tagging system
TA support during the execution of projects



Mobilizing Private Capital

Integrating private sector into financing for SDGs
Digital solutions for blended finance for SDGs
Global partnership network



Impact Measurement and Reporting

Development of an Impact measurement and reporting system for Islamic finance products for SDGs. Sukuk, Funds, CSR, Zakat, Waqf, Islamic microfinance and crowdfunding



Capacity Development / Awareness Building

Research, survey, training program, and conferences to convene stakeholders to enhance awareness on Islamic finance and SDGs



Global Visibility

A benchmark case of Islamic finance among the global network covering public and private partners from 177 countries

UNDP & Malaysia: Ready to unlock Islamic Finance for the SDGs



Inclusive growth & economic development

Poverty eradication

Gender empowerment

Good governance & anti-corruption

Public sector reform

Empowering persons with disabilities

62

Years of
development
partnership

Environmental management & resilience to climate change

Renewable energy & energy efficiency

Biodiversity & ecosystems for livelihood

Science & technology for development

National response to HIV/AIDS

South-South Cooperation

- Strengthening technical and policy capacities of national institutions
 - Providing critical medium and long-term policy inputs
- Piloting innovative development projects, and contributing to significant progress in promoting human development in Malaysia.

Every challenge we face is a potential underlying asset for IF because they are so real...

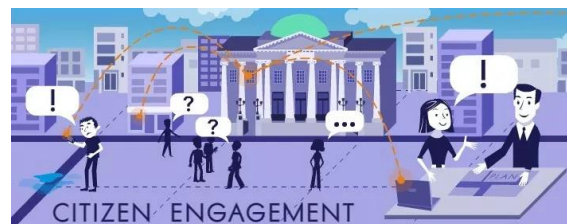
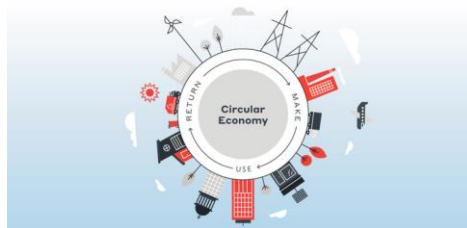


Empowered lives.
Resilient nations.

The world's population is increasingly urban



Source: 1) UN DESA, 2015, 2) UN World Urbanization Prospects, The 2014 Revision



Alignment of IF principles with SDGs makes it a key enabler...



*Empowered lives.
Resilient nations.*

TERIMA KASIH

Nihat Gumus

Consultant, Islamic Finance Policy Specialist / United Nations Development Programme (UNDP)

nihat.gumus@undp.org

Twelfth Malaysia Plan Kick-Off Conference
1 to 4 July 2019
Putrajaya, Malaysia

Empowerment is like a light, it infinitely enlightens us...

<https://www.youtube.com/watch?v=A1QsOwKfCu0>



Empowered lives.
Resilient nations.

