



*Empowered lives.  
Resilient nations.*

## GLOBAL ISLAMIC FINANCE AND IMPACT INVESTING PLATFORM

### JOINING FORCES FOR THE SUSTAINABLE DEVELOPMENT GOALS

In today's world, the sustainable development challenges of poverty, social inequality and environmental risks far outstrip the capacities of governments and the philanthropic sector. The 2030 Agenda for Sustainable Development envisages a revitalized global partnership for sustainable development to effectively respond to these challenges.



The Global Islamic Finance and Impact Investing Platform (GIFIIP), led by the Islamic Development Bank (IDB) and UNDP's Istanbul International Center for Private Sector in Development (IICPSD), represents an example of such partnerships. This platform builds on innovation, entrepreneurship and multi-stakeholder collaborations to maximize the scale and effectiveness of development investments. GIFIIP serves as a knowledge hub for promoting peer-learning and experience sharing, as a forum for policy dialogue and advocacy, and as a marketplace for deal sourcing and matchmaking. Connecting Islamic financiers with impact investors and impact enterprises, the platform drives innovative business solutions to help address sustainable development challenges in a fair, transparent, quantifiable and verifiable manner.

# A REVITALIZED GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

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On 25 September 2015, world leaders adopted the 2030 Agenda for Sustainable Development. The new agenda defines global sustainable development priorities and aspirations for 2030 and seeks to mobilize global efforts around 17 Sustainable Development Goals (SDGs) for people, planet, peace and prosperity. While the new agenda has been adopted by governments, its success relies heavily on the action, dedication and collaboration of all actors within the framework of a revitalized Global Partnership for Sustainable Development that is supported by concrete policies and actions as outlined in the Addis Ababa Action Agenda.

The scale and ambition of the SDGs require massive financial and technical resources - 5 to 7 trillion US dollars annually based on UNCTAD World Investment Report 2014. Financing the global goals however, is not an insurmountable task. Globally we have more than enough resources – but only if all available resources are effectively deployed to support the implementation of the 2030 Agenda. This includes an exploration of innovative sources of finance and the leveraging of private investments alongside traditional forms of development finance.

Islamic finance can be a strong and non-traditional source of financing for the SDGs. With global assets estimated to reach \$3.2 trillion USD in 2020, Islamic finance has a footprint in Asia and Middle East; is ripe for growth in South America and Europe; and has future markets in North America, Central Asia and Australia. Given its emphasis on risk-sharing, linkages to real economic activities, partnership-based and equity-focused approaches, widened geographic reach and the rapid expansion of its global assets in Muslim and non-Muslim countries, Islamic finance can serve as a potent and yet untapped source to finance the SDGs. Its major principles—financial stability, financial inclusion and shared prosperity— can be instrumental in the successful implementation of policies on ending poverty (SDG-1), achieving food security (SDG-2), ensuring healthy lives (SDG-3), achieving gender equality (SDG-5), and promoting peaceful and inclusive society (SDG-16).

Another important source of funding for the SDGs is impact investing. The term was originally coined by the Rockefeller Foundation in 2007 to define investments that generate a measurable and beneficial social or environmental impact alongside a financial return on investment. As of 2016, the impact investing sector has developed into a valuable source of development finance with billions of dollars' worth of assets under management.

1,380 signatories of the six United Nations Principles for Responsible Investment manages a combined assets worth of US\$ 59 trillion. Considering the size of the responsible investments and the growth rates of the various forms of impact investments, the G8 Social Impact investment task-force projects that the market could reach up to US\$ 1 trillion of new investments with the right policies. Impact investing is widely recognized by G8, OECD, and the EU as an effective means of development finance. It is also acknowledged in the Addis Ababa Action Agenda which guides countries in the financing and implementation of the 2030 Agenda for Sustainable Development.

With their rigorous moral and social criteria and emphasis on business-society relations, the principles of Islamic finance and impact investing are compatible with one another. The two industries resemble each other in a number of ways:

- First, Islamic financing and Impact Investing are value-based investment structures. In both of these investment structures, investors associate themselves with a moral purpose: The motto “doing good and avoiding harm to others” which constitutes the main underlying ethical principle of both Islamic finance and impact investing.
- Additionally, both Islamic finance and impact investing share a broader understanding of the relationship between business and society, one which is centered on advancing human wellbeing. Although both sectors accept that investors must earn acceptable returns from investments, financial returns only constitute one dimension of investment. Islamic and impact investors also seek to create positive social and/or environmental value alongside financial returns. This eliminates the clash of interest between the investor and society.
- Finally both sectors help build inclusive financial systems which actively integrate the global population that is either directly or indirectly kept out of the formal financial sectors.

These similarities suggest that bridging the two sectors might create a promising avenue to effectively respond to the growing challenges related to development financing, foster inclusive economic growth and support the implementation of the Agenda 2030.



# THE GLOBAL ISLAMIC FINANCE AND IMPACT INVESTING PLATFORM

The Global Islamic Finance and Impact Investing Platform is led by the Islamic Development Bank and UNDP's Istanbul International Center for Private Sector in Development. Engaging the private sector, governments, and key stakeholders operating in the Islamic finance and impact investing markets, the platform aims to promote **market-based solutions to sustainable development challenges by creating a collaborative working space among these actors.**

## VISION

Position Islamic finance and impact investing as a leading enabler of global SDG implementation through private sector engagement.

## MISSION

The platform will strategize and nurture an Islamic finance and impact investing business ecosystem through

- Developing a spectrum of Sharia compliant impact investing tools and instruments, and
- Improving the access of impact enterprises to Islamic funding

## ADDED VALUE

### VALUE-ADDED FOR IMPACT INVESTING

#### **Expanding new sources of finance:**

With an estimated US\$2.0 trillion market and projected growth of 17% per annum, the participation of Islamic financiers in the impact investing space may provide new sources of finance for impact investments.

#### **Developing new markets:**

The last wave of the annual impact investing survey of JP Morgan and GIIN in 2015 suggest that Middle East and North Africa region was nearly absent. Bridging Islamic finance and impact investing may leverage representation and investor interest through the development of innovative Islamic finance instruments for impact enterprises and impact funds in MENA [e.g. Islamic crowdfunding, Sustainable and Responsible Investment (SRI) Sukuk]

#### **Enlarging the impact investing tools:**

Engaging Islamic finance in impact investing requires developing tools and instruments to converge these two industries without compromising Sharia compliance. This drives the development of new investment tools and products for impact investors to allow for engagement in Muslim majority markets.

### VALUE-ADDED FOR ISLAMIC FINANCE

#### **From negative screening to positive impact:**

Employing the principles of impact investing offers Islamic financiers a clear methodology for assessing the social and environmental impacts of financial activity.

#### **Expanding the reach of Islamic finance:**

GIIN's ImpactBase, the directory of the global network and inventory of the products, has 2068 subscribers and 375 funds and products. Bridging Islamic finance with impact investing further expands the market of Islamic finance by unleashing access towards a broader set of institutional investors beyond OIC member countries.

#### **Advancing global recognition:**

Impact investing is widely recognized by the G8, OECD, the EU and acknowledged by the Addis Ababa Action Agenda as an alternative global development financing instrument. Bridging Islamic finance with impact investing positions Islamic finance among top global development financing instruments, thereby advancing its global recognition.

## STRATEGY

IICPSD and IDB have defined a three pillar strategy for the advancement of the Global Islamic Finance and Impact Investing platform:

**a. Conceptualization & Capacity Building:** Maintain a network of Islamic finance impact investors to foster an Islamic finance and impact investing ecosystem. Knowledge products, tools and data will aim to equip its members from the impact investment industry and the Islamic finance industry with the necessary know-how for the establishment and growth of this new niche industry.

**b. Advocacy & Inter-industry Collaboration:** Engage in advocacy to raise awareness on the compatibility of Islamic finance and impact investing and their capacity to implement the SDGs, and build bridges between Islamic finance and impact investing. The Platform will accomplish this by targeted advocacy work in large scale global Islamic finance and Impact investing conferences such as SOCAP, 2016 Global Philanthropy Forum, World Bank Annual Conference on Islamic Banking and Finance, World Islamic Economic Forum etc.

**c. Deal Sourcing & Matchmaking:** Play a matchmaking role between investors and other players in the ecosystem such as business incubators, development organizations and most importantly, inclusive business ventures seeking capital. Such functions significantly reduce the time, effort and costs involved in due diligence and helps overcome information barriers to investors. The platform will also convene and increase finance opportunities amongst relevant industries, in platforms such as World Halal forum.

## OUTCOMES

- Developed principles, policies, tools and practices to foster a stable and inclusive Islamic Finance and Impact Investing climate,
- Increased knowledge sharing awareness of good practices and efficient organizational structures,
- Enhanced access to capital for impact enterprises that have avoided conventional finance for religious reasons,
- Improved access to sustainable livelihoods opportunities through an innovative and competitive market-based approach, and
- Addressed the information and funding gaps between investors and impact enterprises.

Global Islamic Finance and Impact Investing Platform builds on innovation, entrepreneurship and multi-stakeholder collaborations to maximize the scale and effectiveness of development investments



Photo Credit: Saikat Mukherjee, India

## GLOBAL ISLAMIC FINANCE AND IMPACT INVESTING PLATFORM

### GOVERNANCE AND OPERATIONAL STRUCTURE

The Global Islamic Finance and Impact Investment Platform will be established as a joint program between the Islamic Development Bank and UNDP, operated by a secretariat operationally managed by UNDP's IICPSD.

The governance and program implementation structure of the Global Islamic Finance and Impact Investment Platform is planned to be comprised of the following bodies and formations:

The Executive Committee will act as the primary governing body providing strategic oversight for the Platform and its Secretariat. The Executive Committee will be composed of lead representatives from the Islamic Development Bank and UNDP, as well as the funding partners of the platform.

The Advisory Board will be the main consultative body of the GIFIP. Advisory Board members will provide advisory inputs to the Secretariat, and assist in joint activities with the platform Secretariat.

The Secretariat will be responsible for the management and coordination of day-to-day activities of the platform, including the establishment and enlargement of the platform network. The Secretariat is subject to the direction and guidance of the Executive Committee.

Businesses that commit to engaging in Islamic finance impact investing in line with a mutually agreed work plan will be invited to join the GIFIP Members Network. The GIFIP Members Network will act in an advisory capacity to the Executive Committee and a representative to join the Executive Committee will be elected on a yearly basis. GIFIP Members Network will be composed of impact investors, Islamic financiers, fund managers and impact enterprises. There will be no membership fee associated with participation in the GIFIP Members Network.

**For further information and membership requests:**

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