

**KEYNOTE ADDRESS BY
HIS ROYAL HIGHNESS
SULTAN NAZRIN MUIZZUDDIN SHAH
SULTAN OF PERAK DARUL RIDZUAN, MALAYSIA
AT THE
GALA DINNER OF THE WORLD ISLAMIC ECONOMIC FORUM
ON TUESDAY, 3 NOVEMBER 2015, 8.30 PM
VENUE: KUALA LUMPUR CONVENTION CENTRE**

Islamic Social Finance for Humanitarian Financing

Bismillahirrahmanirrahim.

In the name of God, the Most Gracious and Merciful.

Excellencies, distinguished guests, ladies and gentlemen.
Assalamualaikum wa-rahmatullahi wabarakatuh.

1. It is a great pleasure for me to be dining here this evening, and thank you to Tun Musa Hitam, Chairman of the WIEF Foundation in Malaysia, for his kind invitation. Since its inception in 2005, I am pleased to observe how the World Islamic Economic Forum has flourished as a platform to foster stronger partnerships among Muslim countries, as well as the broader international community.

2. The continued success of this Forum is not only a testament to the vision of its conveners, but also a resounding vote of confidence in the significant potential of the Islamic world. It is an economic bloc which collectively accounts for USD15 trillion in PPP-adjusted gross domestic product, a level of output which rivals those of the world's largest economies, such as the United States and the European Union, whose GDP amount to USD17 trillion and USD18 trillion, respectively.

3. Having painted that rosy picture of the Islamic world however, I stand before you to plea for us as a community to take a step back: to reflect; to rediscover; and to reconcile. In my work as Co-Chair of the United Nations High-Level Panel on Humanitarian Financing, I have learnt that we need the humility to rediscover our sense of purpose.

4. We are all living in an evolving world. Technology is evolving; family life is evolving; and even vulnerability is evolving. We are now facing not only a humanitarian crisis, but a crisis of conscience as well.

5. The world was stunned by the images of Aylan, the three-year old baby boy who desperately fled Syria to find safety in Europe, yet was washed ashore in Turkey. His images have invoked in us the need to pause, to reflect and to consider. The reality is there are thousands of baby Aylans every day. In fact, Aylan is not only the human face of the conflict in Syria where an estimated 220,000 people have died in the four-year conflict at a rate of more than one death every ten minutes—the majority of whom are children. He is also the face of the current humanitarian crisis in Yemen and South Sudan, the earthquake in Nepal, and so on. He is proof that localized disasters and crises are becoming the norm where no country is spared. He is also a reminder that when such tragedy strikes, it is the voiceless that are the worst affected in terms of severity of the catastrophe as well as response.

6. The number of displaced people in the world today is higher than in World War II. More than 60 million people are now displaced by conflicts. Of the ongoing humanitarian crises in the world today, 90% are in OIC countries. Of the 33 active conflicts today, 31 are in Muslim-majority countries. Yet the majority of humanitarian funding comes from OECD countries. Moreover, the average duration of displacement from conflict is 17 years. So, imagine a young boy born in a camp tonight, who knows not his country, has limited access to education and opportunities, being continually frustrated—what options does he have? What risks is he exposed to in this day and age where active recruitment of young people is ongoing for I.S. and other militant groups? What about the young girls who are exposed to real risks of sexual exploitation, trafficking, and never able to achieve their potential? What does the future hold for these displaced Muslim populations? What will be our future narrative for the *Ummah*?

7. In Europe, Germany has led the way in opening doors to a million refugees when many other doors remained shut tight, even among nations in our region. Yet Germany will be the first to admit that it is the action of OIC neighbouring countries—Turkey, Jordan and Lebanon—that have shouldered the major burden of responsibility for hosting more than 4 million Syrian refugees. For Turkey, the financial burden has cost more than USD6 billion while for countries like Lebanon, refugees now account for more than one third of its population.

8. If we aim to build resilience for equitable growth and achieve the aspirations of Agenda 2030 in the Sustainable Development Goals, then better approaches are needed to support those who are truly left behind, caught in protracted crises and recurrent disasters. Failure to find new solutions to build the resilience not only of countries and people in crises, but also for those sharing the burden of hosting the displaced, would lead to regression of development. Currently, more than one quarter of the Muslim world live on less than one dollar and a quarter a day. As I speak to you this evening, we know that more than 50% of under-developed countries face humanitarian crises. We no longer can afford to distinguish between development funding and humanitarian aid, as lines have become blurred. Now is the time to explore innovative ways to finance crisis management and development programmes, particularly when crises now last longer and delay development.

9. We are all too aware that the gap in humanitarian funding is alarming. Despite humanitarian assistance rising to USD24.5 billion last year, needs continue to outstrip contributions, even when the largest donor countries have all increased their contributions. The United Nations still fell short of USD7.5 billion in funding needs, 30 percent of what it required.

10. So what is the answer? As we dine here at the World Islamic Economic Forum, as financiers, and financiers committed to change, what should our answer be?

11. You may wonder why I am stressing these points here. The answer is simple. Never before has the world had more knowledge, more technology, more wealth and the ability to address these needs. But at the same time the world is now witnessing increasing disparities in wealth and income. According to one estimate, 1% of the world's population own 50% of global wealth today. The amount of global spending on ice cream, for example, is three times the amount required to address humanitarian crises in 2015. The Muslim world can be more generous and has the financial tools to meet the humanitarian funding shortfall. All of you here today have the power to change the future of the *Ummah*—whether as individuals, institutions, corporations or governments—and the change can be even greater and faster when we work collaboratively and in harmony.

12. We all need to recalibrate our moral compass. We need to return to what I believe to be Islam's five core principles: of solidarity through *Tawhid* and unity, of universality through *Fitrāh* and human dignity, of social empowerment and doing good through stewardship or *Khilafah*, of social justice through *Adil*, and lastly, of transforming relationships and compassion through *Rahman* and *Rahim*.

13. How can we take these principles forward from here as one community at this 11th WIEF? I have painted a picture to depict the vulnerability of the Muslim world today. These growing needs will not disappear and we will continue to be faced with a situation in which current resources and funding flows are insufficient to meet the rising demand for aid. We need to bridge and reconcile the gap between supply and demand. To be effective and sustainable it will require understanding, commitment and cooperation on many fronts. It will also require some new and creative thinking for solutions to be arrived at.

14. We need to re-imagine how these 5 principles that I have highlighted affect the spirit in which we do Islamic finance and in particular, Islamic social finance. We have to go beyond "the why" to consider "the how to" in our discussions. Our discussions have to include moral leadership in finance. It has to be about the morals and ethics that allow us to address the very serious needs that have arisen at our doorsteps. We can no longer be innocent bystanders or a passive audience in the global financial theatre. We need financial autonomy that will allow Muslims to live and develop with dignity in their respective societies. And we do have the tools.

15. Islamic finance is already well accepted in the development sector. For example, the Islamic Solidarity Fund for Development established by the Islamic Development Bank in 2007, the financial sources of which are provided by a combination of *zakat*, *waqf* and *sadaqah*, stands on course to meet its capital commitment of USD10 billion. Only last month in Lima, Peru, the World Bank and the IDB announced a historic strategic partnership agreement to significantly scale-up joint work and investment across the 56 member countries of both organizations across Asia, Africa, Europe and South America. This also involves co-financing work to reach USD9 billion over the next 3 years. Joint work, including through socially responsible investment *sukuk*, will support infrastructure services, regional integration and cross-border trade facilitation, water and food security, as well as education and employment. It will support private sector development and entrepreneurship in common member countries, as well as give support to the growing number of fragile and conflict-affected countries. This was also concurrent to the recent launch of the Sustainable Development Goals (the SDGs), which was convened at a high-level plenary meeting at the last UN General Assembly, where "the Role of Islamic Finance in the Implementation of the SDGs" was explored.

16. I am privileged to be Co-Chair of the UN High-Level Panel on Humanitarian Financing which will forward recommendations to the Secretary-General of the UN in the next few weeks. These recommendations will feed into the first-ever World Humanitarian Summit that will take place in Istanbul next year in May 2016. Islamic social finance—be it *zakat*, *sukuk*, *waqf* or *sadaqah*—has the potential to reduce the huge financial gap that exists in meeting the needs of people in crises.

17. Islamic social finance is surprisingly an underexplored territory. I say it is surprising because IDB's research on *zakat* in 2015 shows that a conservative estimate of USD600 billion is available to meet humanitarian needs. Yet, there is no Shariah-compliant coordination mechanism or an independent and autonomous body to help channel these effectively at the global level. Islamic financial jurisdictions have to work in concert to address the issue of how *zakat* can be channeled effectively and efficiently to meet global humanitarian needs. This will not be easy given the scale of coordination and harmonization that is required. However, if done well, Islamic finance can rise to become a significant solution provider to the global humanitarian financing problem. Imagine, ladies and gentlemen, if only 1% of this fund is made available, it can easily meet the global funding deficit for 2015!

18. Similarly, IDB's research institute, IRTI, has estimated that the market value of *waqf* property in India alone could be as much as USD24 billion. There has been considerable research in addressing the role of *zakat* and *waqf* for poverty alleviation but very little, if any, has been done to address the gaps in humanitarian financing. The potential is enormous. A bright example is the award winning GAVI Matching Fund, supported by the UK Government, the Bill Gates Foundation and the World Bank, which is a unique vaccine social *sukuk* programme launched last year at the World Economic Forum in Davos. This is a new way of mobilizing development resources that can be applied to increasing sustainable humanitarian financing, using capital market instruments.

19. Alhamdulillah, discussions are already on-going for the establishment of an independent fund that will help to coordinate and implement funding for humanitarian aid. I look to the Islamic Development Bank as the lead actor for the Muslim world to charge forward in supporting this humanitarian fund for the *Ummah*. I also urge that pilot projects among the humanitarian agencies be accelerated, and note that Maybank Islamic has already started to move forward in this noble venture. Together with leaders in the OIC member states, we all need to collectively turn moral and thought leadership into action.

20. So ladies and gentlemen, we have the opportunity through the World Islamic Economic Forum as well as the forthcoming World Humanitarian Summit to reposition Islamic social finance as a force for global good. Indeed, as the Panel's Co-Chair, I have advocated for the recognition and use of Islamic financial solutions and extensive deliberations are underway to make this possible. The good news is that discussions are gaining momentum and I hope that Islamic social finance will feature prominently in the recommendations of the World Humanitarian Summit, but only if you will actively engage and support the ideas we have been

developing. Ideas without funding will not move us any closer to results and success.

21. Bold leadership and political will are key. Doing nothing is not an option anymore. Not doing anything is hugely costly, both politically, as well as economically. The scars from humanitarian crises run deep and existing wounds cannot be allowed to fester. No life should be lost because of lack of money. The healing must begin in earnest, and it must begin soon. We need new solutions to address this funding shortfall and we need innovative ways, the *bid'ah hasanah*, of doing this. We have a common interest in helping each other develop and prosper, for in a globalized and integrated world we prosper best when we prosper together.

22. The story of Mian Tansen (d. ca. 1589), the master musician at the court of the Mogul Emperor, Akbar (d. 1605), sets an example of how working in partnership can bring about an enlightened result. He had some fifteen musical instruments in the Emperor's chamber, which he had tuned to one frequency. Upon playing just one instrument's musical note, the other fourteen started to resonate naturally, to the astonishment and delight of the audience.

23. Ideally, ladies and gentlemen, this story serves as a metaphor for how we can work together in harmony to achieve an enlightened result.

24. I have presented you some challenges, but more importantly some real opportunities to fulfil our responsibilities to the *Ummah*. We know "the whys" and now "the hows", but we need to act—if not now, then when?

Thank you.