



**ISTANA ISKANDARIAH  
KUALA KANGSAR**

**ADDRESS  
BY  
HIS ROYAL HIGHNESS  
SULTAN NAZRIN MUIZZUDDIN SHAH  
THE RULER OF PERAK, MALAYSIA  
AT THE  
DINNER TO CELEBRATE THE 20TH ANNIVERSARY  
OF BANK NEGARA MALAYSIA'S SHARIAH ADVISORY COUNCIL**

**DATE: TUESDAY, 12 DECEMBER 2017; TIME: 8.45PM  
VENUE: SHANGRI-LA HOTEL, KUALA LUMPUR, MALAYSIA**

**“REALIZING THE SUSTAINABLE DEVELOPMENT GOALS  
THROUGH ISLAMIC FINANCE”**

*Bismillahi r-Rahmani r-Rahim.*

*Assalamu 'alaykum warahmatullahi Wabarakatuh.*

Good evening, ladies and gentlemen:

1. It gives me great pleasure to be here this evening to celebrate the 20th anniversary of Bank Negara Malaysia's Shariah Advisory Council (SAC). This celebration is especially meaningful given that our dinner is held in conjunction with the Third Annual Symposium on Islamic Finance, which is being hosted in this country for the first time, marking Malaysia's strategic importance as a global hub of this growing industry. I would like to take this opportunity to applaud the World Bank and the Islamic Development Bank as the original organizers of this Annual Symposium since 2015. Moreover, the theme chosen this year by the



**ISTANA ISKANDARIAH**  
KUALA KANGSAR

organizers – namely, the role that Islamic Finance can play in realizing the United Nations' Sustainable Development Goals (or SDGs) – is a topic that is both fascinating and close to my heart.

2. As the Shariah authority on Islamic finance in Malaysia, the SAC has the vital role of ensuring that we stay true to the spiritual and moral ideals of an Islamic approach to trade and finance. The financial world has evolved immensely from the time of Prophet Muhammad *sallallahu 'alayhi wassalam*; and yet, in many ways, the principles of Mu'amalat (or Islamic business transactions) remain as relevant today as they were over 1,400 years ago. Through *zakat*, our compulsory alms-giving, *sadaqah* or charitable giving, and *waqf*, the donation of endowments, the Islamic system of finance enshrines sustainability, responsibility and generosity at its core. In fact, one might argue that, at a global level, we now need these principles more than ever.

3. Our world today faces a number of severe crises, from the environmental devastation of climate change, to the upheaval and suffering caused by political and military unrest. At present, for example, there are 125 million – yes *125 million* – refugees in the world, and the current levels of voluntary donations are simply not sufficient to provide even the most basic of necessities for all of these people. I believe that the instruments of Islamic finance, like *zakat*, *sadaqah* and *waqf*, may have an important, and even essential role to play in addressing these



crises. Indeed, at least one large-scale humanitarian aid organization has already recognized this. Faced with the challenge of extreme funding shortages, the International Federation of Red Cross and Red Crescent Societies (or IFRC) is now looking to the tools of Islamic social finance as a possible method of tackling the deficit, and establishing a new and unique approach to humanitarian funding.

4. Islamic finance has a variety of social finance tools which can be used to increase funds and mobilize donations from a diverse range of sources, including the corporate sector, impact investors, and social entrepreneurs. I have already mentioned *zakat*, *waqf* and *sadaqah* as central instruments of the Islamic finance model; but to these should be added *takaful*, a system of co-operative insurance to protect and stabilize institutions in the case of financial collapse, and also *sukuk* bonds, which could be used more frequently to address some of the financing challenges faced by developing countries. The funding sources offered by Islamic finance can be used to support the work of organizations like the IFRC, not only delivering essential aid in the midst of crises, but also providing the more long-term financial support necessary to promote resilience in at-risk areas before disasters strike.

5. As Shariah scholars, you will, of course, know that the traditional structures of Islamic social finance have a long and established history of providing such support, and contributing to development within Islamic



**ISTANA ISKANDARIAH**  
KUALA KANGSAR

nations. *Zakat*, *waqf* and *sadaqah* have long been used to help the poor, at-risk and destitute in a variety of ways – for instance, by providing access to affordable housing, by improving quality of living standards, and by implementing better avenues to good healthcare and education. Until now, however, I think it is fair to remark that at the global level donations have been collected and disbursed via a mostly un-coordinated and informal structure, and that the benefits have been randomly distributed. The system of Islamic finance will need to modernize if it is to help on a more global scale.

6. Excitingly, this modernization is, perhaps, on the horizon. ‘Fintech’ is the current buzzword in the financial world, though it is viewed by many in the industry with a certain degree of mistrust, even as a disruptive or subversive force. I would like to appeal to those gathered here this evening, however, to embrace the possibilities of this new technology, and to envisage how ‘Fintech’ might be harnessed to revolutionise *zakat* and *waqf* collection as well as distribution. Imagine, for a moment – and it is not all that difficult to do so – that *zakat* payments could be calculated and made using smartphone apps, which would present payers with donation options tailored to their personal preferences. Through the implementation of such Fintech systems, in partnership with the various state religious and zakat authorities, Islamic finance could be mobilized much more efficiently, in a more transparent



manner, and on a much larger scale, making a profound and positive difference in the face of the severe global crises.

7. We must acknowledge that Islamic finance is not currently being utilised to its full potential. As an economic system, Islamic finance advocates risk-sharing, equitable wealth distribution, and fairness and justice in all transactions. It should, therefore, encourage entrepreneurship, promote real economic development, and support the principles of long-term sustainability.

8. At present, however, the growth of Islamic finance has been witnessed primarily in more economically developed nations, improving the lives of the wealthy without equally impacting on those who are less fortunate, and living in poorer areas. We might even suggest that the ideals of Islamic finance are not yet being fully realised in practice. In fact, Islamic finance is often criticised for having diverted from its core principles of socio-economic empowerment and support. As in conventional interest-based finance, Islamic financing still relies on customers' credit ratings and their ability to repay, which inevitably benefits those with already good credit standings, while leaving the less fortunate in a much more difficult financial situation. We can even see this in the way that *sukuk* bonds have been engineered by Shariah scholars today where *murabaha* or debt-based contracts, rather than a true risk-sharing structure, without obligors or guarantors, is still the most



**ISTANA ISKANDARIAH**  
KUALA KANGSAR

prevalent funding mechanism in the present market place. Critics argue that, in this way, Islamic finance is not so very different from conventional economic systems.

9. As Shariah scholars, regulators, bankers, and individuals, we must work hard to disprove this narrative. We must demonstrate to the world that Islamic spiritual principles and practices do have much to offer when it comes to improving the global socio-economic outlook, and tackling many of the crises facing our world today. This, as I understand, is an issue that some of you have discussed together at the Symposium earlier today.

Ladies and gentlemen:

10. We are, I believe, on the brink of a new era in Islamic finance, driven by a global appetite for socially responsible and ethical investment, and a collective awareness that we must act now if we are to safeguard the future of our planet. Just over two years ago, in September 2015, the United Nations set out its 17 Sustainable Development Goals to this effect, with the ultimate aim to (and I quote)



“end poverty, protect the planet, and ensure prosperity for all”. The SDGs, I contend, exist as both a challenge and a unique opportunity for Islamic finance; for I believe it is in pursuit of these global goals that Islamic finance has the greatest role to play.

11. For Shariah scholars, what is so remarkable and important about the SDGs is that it is possible to trace the fingerprint of the Qur’an in each and every one of them. The Qur’an expounds the importance of food, water, safety and security, which are all also central to the SDGs. Water, for example, is mentioned over 60 times in the Qur’an, and its centrality to life is emphasised. Indeed, one verse in the Qur’an pronounces, “We made every living thing from water”.<sup>1</sup> In the Sustainable Development Goals, meanwhile, the importance of access to clean water for all is enshrined in SDG number 6. To take another instance of striking similarity, SDG number 2 aims to achieve “zero hunger” across the globe by 2030, while SDG number 16 promotes “Peace, justice, and strong institutions”. One short and famous chapter of the Qur’an, *لَا إِلَهَ إِلَّا اللَّهُ* reads: “(Allah did this) to make the Quraysh feel secure, secure in their winter and summer journeys. So let them worship the Lord of this House: who provides them with food to ward off hunger, safety to ward off fear”.<sup>2</sup> Here, *الَّذِي أَطْعَمَهُمْ مِّنْ جُوعٍ* “Food to

---

<sup>1</sup> *Surah al-Anbiya’*, 21:30.

<sup>2</sup> *Surah al-Quraysh*, 106:1-4.



ward off hunger,” and *وَأَمْنَهُمْ مِّنْ خَوْفٍ* “safety to ward off fear”: these Qur’anic phrases, surely, echo the principles at the very heart of the SDGs.

12. Given this philosophical and, we might say, spiritual congruence, it seems only right that we should harness the tools of Islamic finance in order to pursue the fulfilment of the UN’s Sustainable Development Goals. It is evident that the central instruments of Islamic finance – from *zakat* and *waqf* donations to *takaful* insurance and *sukuk* bonds – could very easily be directed towards these goals. Indeed, there are a few examples of this already being put into practice. A number of Socially Responsible Investment (or SRI) *sukuk* bonds have been established which support the aims of the SDGs. For instance, the GAVI, the Vaccine Alliance *sukuk*, funding immunisation programmes globally in the world’s poorest countries, is in support of SDG number 3, which aims for “good health and wellbeing” for all, while the Khazanah SRI *sukuk*, funding schools in Malaysia, promotes SDG number 4, which regards “quality education” as “the foundation to improving people’s lives”.

13. The Sustainable Development Goals are also, of course, concerned with protecting the planet and conserving the environment, and I am delighted to say that Malaysia has paved the way for *sukuk* in this area. The world’s first green *sukuk* was issued in Malaysia, as a collaboration between Malaysia’s Central Bank and Securities





Commission, together with the World Bank. I hope this will become the catalyst for many more, not only in Malaysia but across the Muslim world, with the aim of contributing to SDGs, such as number 13, on “climate action”, and numbers 14 and 15, concerned with protecting animal and plant life in the seas and on land, goals which the Royal Belum Declaration in Malaysia, witnessed recently by HRH The Prince of Wales and myself, sought to address.

14. It is not difficult to see, therefore, how the funds raised through *zakat*, *waqf* and *sadaqah* contributions could be used to support the goal of reducing and, ultimately, eradicating poverty on the planet. This is the first and, to my mind, perhaps most fundamental of all the SDGs.

Ladies and gentlemen:

15. As we consider the ways in which Islamic finance might contribute to a better global future, I have no doubt that the Shariah Advisory Council will lead the way in demonstrating that Shariah- *and* SDG-compliance, are, in many ways, one and the same. I think it is quite remarkable that the SDGs demonstrate, absolutely, the ongoing relevance and importance of Islamic finance today. Indeed, I believe that by embracing the Sustainable Development Goals, we can reinvigorate the central principles enshrined in traditional Islamic finance: responsibility, sustainability, and generosity. At the same time, I have no



**ISTANA ISKANDARIAH**  
KUALA KANGSAR

doubt that those Islamic finance principles, and the instruments through which they act, can help to ensure the achievement of the SDGs the world over, by improving the lives of others regardless of race, nationality or faith, and building a better, lasting future for all.

Thank you.