ISLAMIC ECONOMIC STUDIES

Islamic Research & Training Institute (IRTI)

Establishment

The Islamic Research and Training Institute (IRTI) was established by the Board of Executive Directors (BED) of the Islamic Development Bank (IDB) in conformity with paragraph (a) of the Resolution No. BG/14-99 of the Board of Governors adopted at its Third Annual Meeting held on 10th Rabi-ul-Thani, 1399H corresponding to 14th March, 1979. The Institute became operational in 1403H corresponding to 1983. The Statute of the IRTI was modified in accordance with the resolutions of the IDB BED No.247 held on 27/08/1428H.

Purpose

The Institute undertakes research for enabling the economic, financial and banking activities in Muslim countries to conform to Sharīʿah, and to extend training facilities for personnel engaged in development activities in the Bank's member countries.

Functions

The functions of the institute are to:

A. Develop dynamic and innovative Islamic Financial Services Industry (IFSI).
B. Develop and coordinate basic and applied research for the application of Sharīʿah in economics, banking and finance.
C. Conduct policy dialogue with member countries.
D. Provide advisory services in Islamic economics, banking and finance.
E. Disseminate IFSI related knowledge through conference, seminars, workshops, apprenticeships, and policy & research papers.
F. Provide learning and training opportunities for personnel engaged in socio-economic development activities in member countries.
G. Collect and systematize information and disseminate knowledge.
H. Collaborate to provide policy advice and advisory services on the development and stability of Islamic Finance and on the role of Islamic institutions in economic development to member government, private sector and the NGO sector.
I. Develop partnership with research and academic institutions at OIC and international levels.

Organization

The President of the IDB is the President and the Legal Representative of the Institute. The Board of Executive Directors of the IDB acts as the supreme body of the institute responsible for determining its policy. The Institute's management is entrusted to a Director General selected by the IDB President in consultation with the Board of Executive Directors. The Institute has a Board of Trustees that function as an Advisory body to the Board of Executive Directors. The Institute consists of two Departments, each with two Divisions:

Research & Advisory Services Department	Training & Information Services Department
Islamic Economics & Finance Research Division	Training Division
Advisory Services in Islamic Economics & Finance Division	Information & Knowledge Services Division

Headquarters

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بسم الله الرحمن الرحيم

In the name of Allah, the Most Merciful, Most Beneficent

ISLAMIC ECONOMIC STUDIES

CONTENTS

ARTICLES

ROLE OF FINANCE IN ACHIEVING
MAQĀṢID AL-SHARĪʿAH

ABDUL RAHMAN YOUSRI AHMAD*

1. Intoduction

Searching the role of finance in achieving *Maqāṣid* Al-Sharīʿah would primarily need first to highlight its definition. This is a necessary and important task in order to explore the economic aspects that are related to *Maqāṣid*. Consequently, finance would be indispensible to these economic aspects.

The projection of *Maqāṣid* Al-Sharīʿah in this article is not committed to the ideas of the two great scholars Abu Hamid Al-Ghazali and Abu Is'haq Al-Chatby although it is surely benefiting from them.

1.1. The Order of Maqāṣid Al-Sharīʿah

One has to distinguish, when talking about *Maqāṣid* Al-Sharīʿah, between the objectives of *Al-Shari* (the Law giver) SW and the objectives of Sharīʿah, which are meant to implement the first.

Allah SW has one objective declared explicitly in the Qurʾānic verse: (Sura 51)

وَمَا خَلَقْتُ الْجِنَّ وَالْإِنْسَ إِلَّا لِيَعْبُدُونِ* مَا أُرِيدُ مِنْهُمْ مِنْ رِزْقٍ وَمَا أُرِيدُ أَنْ يُطْعِمُونِ *إِنَّ اللَّهَ هُوَ الرَّزَّاقُ ذُو الْقُوَّةِ الْمَتِينُ (58-56)

(*I have created Jinn and humankind only that they might worship Me. I seek no Sustenance from them, nor do I ask that they should feed Me. For Allah is He Who gives Sustenance, the Lord of Might, the Strong*).

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This *Maqṣad* (singular of *Maqāṣid*, i.e. objective) of *Al-Shari* SW should enlighten our souls and guide us in understanding *Maqāṣid* Al-Sharīʿah. All objectives of Sharīʿah should be originated from this exalted one, and they have to be arranged in the order that is necessary to satisfy and implement it.

1.2. Explanation and Comparison with the Classical Conception of Maqāṣid

Searching the role of finance in achieving *Maqāṣid* Al-Sharīʿah would primarily need from us to explore the economic aspects that are related to this *Maqāṣid*. No doubt the classical conception of Sharīʿah *Maqāṣid* would guide our work but not necessarily dominate or control our thought.

Maqāṣid as explored by Imam Abu Hamed al-Ghazali and Imam Abu Is'haq Al-Shatby consist of three categories. These are:

a) *Daruriyyat;* these are defined in terms of five objects which are indispensible in themselves to the extent that people cannot live without them and that loosing them pose a threat to the very survival of normal order. These are Maintenance of Religion (*Din*), Maintenance of Human Life (*Nafs*), Maintenance of Children (*Nasl*), Maintenance of Wealth (*Māl*), Maintenance of Intellect (ʿ*Aql*)

b) *Hajiyyat;* these are defined as complementary to *Daruriyyat* and are meant to support, and promote them. *Hajiyyat* may also be viewed as semi-essential benefits, which are aimed at preventing hardship. They are not essential in themselves in the sense that loosing them do not pose a threat to the very survival of normal order and that people can live without them if they have to.

c) The third category of Sharīʿah objects are classified as *tahsīniyyāt. They are* benefits (*masālih*) *that come beyond Hajiyyat. They are* desirable in the sense that they *offer* convenience, attain betterment or refinement of human life, and allow for perfection in the order and conduct of people at all levels.

The Classical conception classifies *Maqāṣid* Al-Sharīʿah therefore in the order of three categories, namely daruriyyat, hajiyyat, and tahsiniyyat which come in three consequent levels in ascending order. These *Maqāṣid* whether at the level of daruriyyat, taken separately, or the level of the three categories, taken together, are

inter-related. Analytically we cannot, however, without getting involved in value judgement after intensive discussion determine priorities of *Maqāṣid* or talk about them in relative sense or in dynamic manner. In the following *Maqāṣid* Al-Sharīʿah are projected in different manner that would help us in our analysis.

2. Explanation Comparison with the Classical Conception of *Maqāṣid*

In our (above) projection of *Maqāṣid* by saying that worshipping of Allah SW is the highest, most exalted and final objective of the creator and law giver SW, we are able to distinguish between original *Maqāṣid* of Sharīʿah and complementary ones.
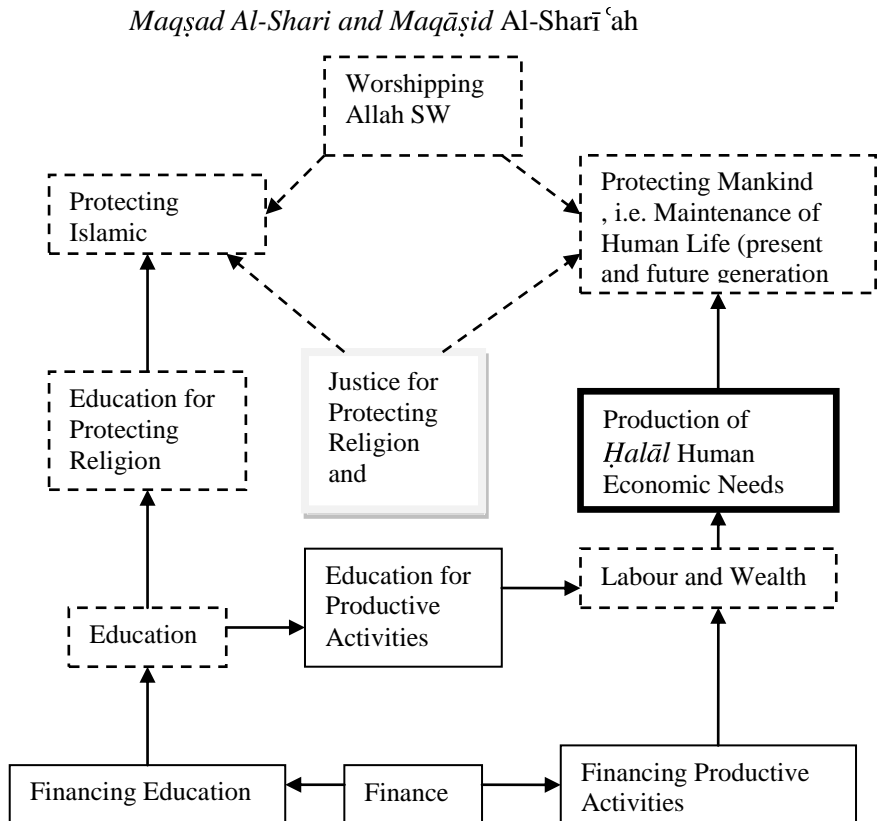
Maqṣad Al-Shari and Maqāṣid Al-Sharīʿah

There are two original *Maqāṣid* of Sharīʿah*;* these which are directly related to worshipping of Allah , namely protection of human life (mankind) in our planet

through time (years and centuries) till the day of *Qyama* (last day of the planet earth), and protection of Islamic religion.

Allah created mankind only for worshipping Him and therefore human life has to be maintained for this purpose. In terms of the classical *Maqāṣid*, this *Maqṣad* includes two of the five objectives of daruriyyat, namely protection of human life and progeny.

Allah SW wants to be worshipped in accordance to his exalted revelations to his beloved Messengers and Prophets may Peace be upon them. The noble Qur'ān is Allah's last revelation to mankind to the most beloved one of all; Mohammad may prayers and peace of Allah be upon him (PPbuh). Allah SW has also gifted Mohammad (PPbuh) with wisdom expressed in his *Sunnah* (tradition) which forms with the noble Qur'ān our Islamic religion.

Protection of religion by all means is an original *maqṣad* of sharīʿah that cannot be forgotten neglected or diluted by philosophies through years and centuries till the end of human life on this planet earth. Two supportive institutions are necessary for protection of religion, which can be viewed as complementary *maqāṣid*. These two are education and justice and their maintenance can not be attained except by preservation of Intellect.

a) An Islamic eucational system has to be established to teach children and younger generations, in particular, about their religious duties and their responsibilities towards their society and towards their greater Muslim ummah.

b) An Islamic Judicial System has to be established to ensure and protect Sharīʿah rules in all aspects of life (religious, cultural, social, political, or economic) .This means that justice will be established and that people will be enabled to fulfil their religious duties and perform their life responsibilities in an Islamic manner and that deviated, rotten and corrupt behaviour will be prevented or restricted. Protection of sharīʿah rules through an Islamic judicial system would necessarily therefore be reflected in an atmosphere of justice and security in all aspects of life. It should be emphasized that protection of religion and protection of human life are logically and directly inter-related.

Protection of human life is an original maqṣad of sharīʿah. *It neither comes second nor first to protection of religion. The two stands equal in relation to worshipping of Allah SW.*

Protection of human life has to be supported by provision of "economic needs" which are essential for living. Production of these needs and all activities which are necessary to support the production sector can be viewed as complementary maqāṣid.

Complementary *maqāṣid* can be arranged in descending order in accordance to their supportive nature to the original one.

Allah SW is truly the sole provider of all sustenance to mankind and all living beings on earth. Yet, human beings are ordered by Allah SW (in the Qur'ān) and by His messenger PPbuh (in *Sunnah*) to work in order to find their sustenance.

Economic needs and production of these needs have to be defined both in absolute and relative terms taking the time factor always into consideration. In fact within the classical conception of daruriyyat we can not argue for more than bare necessities or the essential economic needs. Here in the present projection economic needs have to be defined firstly in abstraction or in absolute terms which constitute "Subsistence Level". In Ḥadīth of Mohammad PPbuh, any one of the children of Adam Pbuh has no right in more than bread, water, a dress to cover his (her) private parts, and a shelter, or a hole in a cave, to take up for lodging. The Prophet PPbuh has also talked in Ḥadīth about "Sufficiency level" which includes ability to marry and get suitable housing, a servant to help in house, and a private mean for transportation. Surely in relative sense and taking into consideration the level of human civilization we can talk different levels of sufficiency and also about standards of living beyond sufficiency. We have to notice here that Allah SW does not prohibit betterment of life in terms of high quality goods or services. In the Qur'ān; sura 7,verse 32:

قُلْ مَنْ حَرَّمَ زِينَةَ اللَّهِ الَّتِي أَخْرَجَ لِعِبَادِهِ وَالطَّيِّبَاتِ مِنَ الرِّزْقِ قُلْ هِيَ لِلَّذِينَ آمَنُوا فِي الْحَيَاةِ الدُّنْيَا خَالِصَةً يَوْمَ الْقِيَامَةِ كَذَلِكَ نُفَصِّلُ الْآيَاتِ لِقَوْمٍ يَعْلَمُونَ .

(*Say: Who hath forbidden the adornment of Allah which He hath brought forth for His servants and the good things of His providing? Say: They are only for those who believed during the life of this world, (and) purely for them on the day of judgment. Thus do we detail our revelations for people who have knowledge.*)

Allah SW only dislikes extravagant people. In same sura 7, verse 31 He says

يَا بَنِي آدَمَ خُذُوا زِينَتَكُمْ عِنْدَ كُلِّ مَسْجِدٍ وَكُلُوا وَاشْرَبُوا وَلَا تُسْرِفُوا إِنَّهُ لَا يُحِبُّ الْمُسْرِفِينَ

(*O Children of Adam! wear your beautiful apparel at every time and place of prayer: eat and drink: but waste not by excess, for Allah loveth not the wasters*.)

Thus we know our limits so far economic needs are defined in relative and dynamic manner. Thus economic needs that are complementary to the original *Maqāṣid* would consist of all goods and services, (including those needed for security as well as for defence against wild animals, criminals and enemies) that are wanted by people at different levels of progress or civilization. The major condition which we have to observe whether economic needs are defined in absolute or relative levels is entire avoidance of *ḥarām* products. This condition is quite important also to protection of religion which is intermixed with protection of mankind within the ultimate goal of worshipping the creator SW. The Prophet PPbuh has warned Muslims in more than one Ḥadīth that acts of worshipping (prayers, charity or pilgrimage shall not be accepted by Allah SW if *ḥarām* is involved in production or earnings.

3. Production of Economic Needs at any Level of Civilization Requires Labour and Wealth

Employment of human labour of all qualities (unskilled or skilled workers, engineers, or entrepreneurs etc) besides utilization of natural wealth (naturally gifted by Allah SW) and man-made wealth (capital assets of all types) form together an important complementary *Maqṣad*. In the classical conception of *Maqāṣid* Wealth is recognized separately as one of the Five daruriyyat. Here, in comparison, wealth is taken in conjunction with human labour to be complementary to the original *Maqṣad*. In fact human labour is more important in ranking than wealth whether natural or man-made.

At the end comes the role of finance, which is necessary for utilizing natural wealth, building capital assets, and for carrying all productive activities which are needed for maintaining human life. Financial activities should be carried within Sharīʿah rules in order to achieve Sharīʿah *Maqāṣid* as described.

Islamic Finance can be looked at as an infra-structure that is essential for the proper implementation of Complementary *Maqāṣid*. Islamic finance is not only needed in our view to productive activities which are needed for material satisfaction, but also for educational activities which are necessarily required to guarantee commitment to *ḥalāl* and efficiency in productive activities. Islamic

finance is moreover needed for educational and judicial activities that are necessarily required for Protection of Religion

According to this projection we will be able to analyse the role of finance in achieving *Maqāṣid* Al-Sharīʿah within dynamic perspective at different levels of civilization.

4. Between Pure thought and the Bitter Reality of our World

As explored above Finance has to play a role in supporting two complementary *Maqāṣid*, namely *ḥalāl* productive activities and educational and training activities that are needed to support these activities. On another front Finance has to play a role in supporting the activities of the judicial and educational institutions needed to protect another original *Maqṣad* which is religion protection. Yet, all this can not be treated more than pure thought!

The contemporary Muslim World, alas, has drifted away considerably from Sharīʿah Rules or its *Maqāṣid*. There are many factors responsible for this serious phenomenon, some of them are historical and the remaining ones, unfortunately, are playing their role at present. Most important of these factors are excessive economic dependence on the developed non-Muslim world, political pressure from western economic powers, globalization of financial markets (which are ruled by the interest (*Ribā*) system, secularism, and spread of western culture and education. Under these conditions our question in practice ought to be; what role an Islamic financial system would be able to play in reviving *Maqāṣid* Al-Sharīʿah in the Muslim World. Is such role feasible, and to what extent?

5. Principles of Islamic Fianance and *Maqāṣid* Al-Sharīʿah

Islamic finance is subject to rules and ethical values which are directly supportive of Sharīʿah complementary *Maqāṣid*. Most important of these rules and ethics which are derived from Sharīʿah and ʿAqīdah (Islamic ideology):

   a.   Prohibition of *Ribā* (Interest)
   b.   Prohibition of trade in Debt
   c.   Prohibition of *Ghabn* and *Gharar*
   d.   Justice
   e.   Leniency
   f.   Recognition and Respect of Private Property Rights

Elimination of prohibited practices (the first three items) supports *ḥalāl* earnings, which is strictly required for productive activities needed for Muslims (a complementary Sharīʿah *Maqṣad*) Maintenance of *ḥalāl* earnings are also indispensible for acceptable worshipping practices and hence fore Protection of Religion.

Besides, elimination of these prohibited practices support justice in financial transactions which is part and parcel of Justice that is required to complement the original objective of Protection of Religion. Practice of finance while maintaining the ethical values of justice and leniency would surely improve the quality of faith to the rank of benevolence الاحسان which according to Ḥadīth of our beloved Mohammad PPbuh is highest in the order of worshipping Allah SW. Again this is related directly to Protection of Religion. Last, but not least, recognition and respect of private property rights directly supports Protection of Wealth which is one of the important complementary *Maqāṣid*.

Further explanation would highlight some important points. Dependence on equity finance because of prohibition of interest is bound to allocate available resources to activities which would yield highest returns to the society. This means that *ḥalāl* earnings would be associated with best allocation of resources and highest possible level of production or income. This effect means that more *Zakāt*, which is partially a function of real income, would be available to the poor and needy categories. Again this is complementary to the original *Maqāṣid*.

The religious value of *ḥalāl* is not only ensured by prohibition of *Ribā,* Trade in Debt, *Ghabn*, and *Gharar* but also by making sure that Funds are Mobilized from *ḥalāl* sources and made available only to individuals and firms which plan to employ them in *ḥalāl* activities, i.e. excluding any Sharīʿah impermissible activities such as alcoholic drinks, pork meat products, and gambling, etc.

The value of *ḥalāl*, which is highly important to Protection of Religion, has to be emphasized by reference to Ḥadīth of the Prophet PPbuh:

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لا يدخل الجنة جسد غذى بحرام.

</div>

Which asserts that any human flesh raised by *ḥarām* will not be permitted to live in the Paradise in the hereafter.

In addition Islamic finance by recognizing and emphasizing private property rights through contracts and their fulfillment firmly ensures protection of wealth

which is complementary in the order of Maqsid. In Ḥadīth, a companion asked the Prophet PPbuh if some person comes to him in order to take his possession (i.e. aggressively by force). The Prophet PPbuh said: "do not surrender your possession to him". The companion enquired; if he fights with me? The Prophet PPbuh remarked: "then fight with him" The companion then asked suppose he killed me? And the Prophet PPbuh answered; "you will be a martyr" And the companion asked suppose I killed that person? The Prophet PPbuh answered "then this one will be in the hell fire".

Principles of Islamic Finance and *Maqāṣid* Al-Sharīʿah
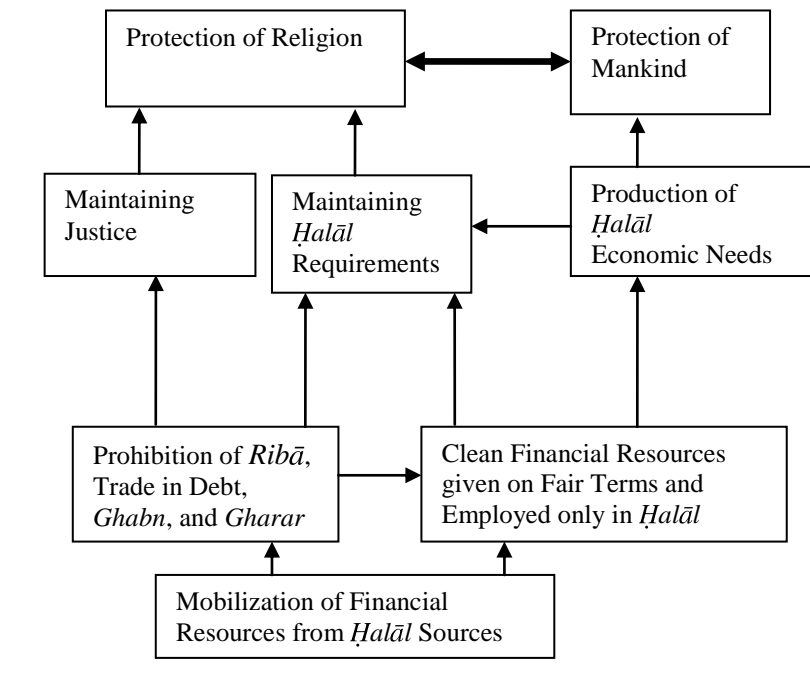
6. Targets of Islamic Finance and *Maqāṣid* Al-Sharīʿah

Whereas the principles of Islamic finance set necessary Sharīʿah and contractual conditions for using financial resources, targets of Islamic finance set principles which concern the utilization per se of these resources, i.e. which activities and priorities, for sake of realizing *Maqāṣid* Al-Sharīʿah.

A portion of financial resources in any Muslim society should target Religious Education at all levels, with special consideration for children and youth. This is very important not only for worshipping Allah SW and realizing *falah* (success) in the here after but also for maintaining all moral values that are necessary for a secure and happy social life, as well as for elimination of corruption in political and economic activities.

Protection of Religion and Maintenance of Human Life in the long run calls for extending financial facilities to support the family institution. Provision of lodging at suitable cost for new families, supporting new mothers, free vaccinations and medicine for infants etc are all very important items in the list.

The major portion of financial resources would, however, flow to production which is needed to maintain Human Life for present and future generations. This implies that finance is needed for producing current and future economic needs. We have already talked about production of current needs and we have to explore what is needed for future, i.e. development needs. Within this frame, i.e. Protection of Human Life for present and future generations, Islamic development by definition is a "sustainable human development".

The conception of *Maqāṣid* Al-Sharīʿah as projected in this article would flexibly allow us to set targets of finance at different levels of development.

Targets of finance in a Muslim society can be set for low levels as well as for high levels of human development. Besides, targets of finance ought to go, under some conditions, beyond the borders of national interest and take into consideration the holistic interest of the Muslim Ummah (Nation).

First: Setting targets at the low levels of development

Poverty in general means inability to obtain the necessities of life while ultra poverty means standards of living that may not even cover bare necessities of human life. Under such conditions you would find; High Infant and children mortality rates, Low life expectancy age at birth, Malnutrition, which is serious among children under the age of five, Poor health conditions and in some cases prevalence of chronic diseases, Inadequate schooling, poor educational facilities and high illiteracy rates, Poor housing conditions, Shortage, which is severe in some cases of clean water, poor infra structure which is reflected in scanty electrical network and sanitation. Besides poverty and ultra poverty are commonly

linked with Social instability and high crime levels as well as with Environmental degradation (contaminated water, indoor air pollution resulting from burning wood, charcoal and dung, dust and soot in city air, soil erosion, and deforestation etc.) All these conditions are against sustainable preservation of Human Life which is an original *Maqṣad* of Sharīʿah.

Human development at this level should primarily focus on alleviation of poverty and potentially on the entire removal of poverty at the end. Financial resources should be fully mobilized and directed towards activities and projects that entirely remove all the symptoms of ultra poverty or poverty. This is quite important to *Maqāṣid* Al-Sharīʿah. Here it is useful to benefit from some conceptions raised by UNDP experts in the field of Sustainable Human Development (see for example Sustainable livelihood).

Second: Setting targets at a medium stage of development

Financial resources should be targeted for production that would attain sufficiency for all families and individuals. The conception of sufficiency would allow for gradual upgrading in the standard of living as long as "relativity" is taken into consideration.

Thus financing at this stage would for example target better health care conditions, higher levels of schooling and educational facilities, comfortable housing conditions, and suitably sufficient infra structure.

Third: Setting targets at a high stage of development

Financing projects which aim towards betterment of Human Life is permissible and not prohibited in Islam. But production of luxuries should not go beyond rational limits. Balance is essential to be established between material and spiritual satisfaction. In the Qur'ān, Sura 25, Verse 67

وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَلِكَ قَوَامًا

(*Those who, when they spend, are not extravagant and not niggardly, but hold a just (balance) between those (extremes)*)

Satisfaction of some luxuries may help in worshipping of Allah, e.g. cold water in hot weather, air condition, travelling to perform hajj by air and lodging there in comfortable hotels. Yet, Satisfaction of some luxuries may also sooner or later

negatively affect Islamic moral values and religious duties, e.g. if air conditioned rooms with T.V sets and other home or hotel facilities become the main reason for not praying in the near by mosque which is not air conditioned! Thus utmost care should be taken at border lines.

Muslim societies that have production and financial possibilities to produce luxuries should however note that some Muslims living in other countries may be suffering from poverty or even ultra poverty. Financing consumption necessities needed for daily living, or financing projects that produce these necessities under such conditions should be given priority above producing some luxuries in a relatively rich Muslim society. This shall truly fulfill *Maqāṣid* Al-Sharīʿah under the Islamic conceptions of "Altruism" and "Global Unity of the Muslim Ummah".

7. Islamic Finance in Practice: A Wide Gap Between the Ideal and Reality

In the previous section we have outlined the ideal of Islamic finance in terms of its principles and its targets. In reality the matter is quite different.

For many centuries after the mission of Prophet Mohammad PPbuh Islamic Finance was practiced by Muslims inside their countries and at world level. No one would deny that under some conditions Sharīʿah contractual conditions of finance or targets of finance were ignored, neglected, or misused by some Muslims. Yet, for many centuries until the Muslim world fell in the hands of the western Imperial powers, no one could dare to declare publicly that he or she is taking or giving *Ribā* in financial transactions. No one also could have used openly financial resources against Sharīʿah rules in *ḥarām* activities.

Western Imperialism, the decay and fall of the Ottoman State (last Islamic Caliph), the infiltration of secular and western laws and culture in the Muslim world had all negatively affected the role of Sharīʿah. During the two centuries 19th and 20th, in particular, matters in the Muslim world turned considerably against Islamic finance. Principles of Islamic finance degenerated in practice with spread of the interest-based banking system. Targets of Islamic finance were publicly ignored by producing *ḥarām* goods and services (permissible by secular legislations) and by giving secondary or minor considerations to the production of the poor people's commodities.

It should be emphasized that spread of unfair income distribution patterns in the Muslim world led to concentration of huge financial resources in the hands of minor group of rich people, who are accepting interest (*Ribā*) in their transaction

and have no much care for the poor. These conditions show how the atmosphere of Islamic finance was polluted and no more committed to Sharīʿah, let aside its *Maqāṣid*.

By the 1970s, however, Islamic Banking was established in a number of Muslim countries to revive Islamic Finance and continued to grow since then. The question now is about Islamic Banking, how far it succeeded in doing its job? And how far finance through this new institution is serving *Maqāṣid* Al-Sharīʿah?

8. The Role of Islamic Baniking in Acheiving *Maqāṣid* Al-Sharīʿah

It was only in the 1960s and 1970s when first Islamic banks were established in the Islamic world; in Egypt, Pakistan, Iran, Sudan, and in the Arab Gulf- countries. Islamic banks developed in numbers and in activities afterwards. At present some non-Muslim countries, but with active Muslim minorities, such as South Africa and the United Kingdom have Islamic Banking.

However, Muslim countries are having, generally speaking, economic systems which are capitalist in essence. This in effect means protecting and maintaining secular economic institutions and financial policies which are not friendly to Islamic finance. Some of these countries have even taken a strong stand against Islamic banking which should in principle promote Islamic finance. This raises many serious questions which need urgent answers; Why ignoring Islamic finance? Why still fighting Islamic banking? Why not giving a chance to this new institution to prove it self and help in financing development, particularly human development which is ignored by commercial banking? Why unwilling to admit that most of our present economic problems are mainly due to their dependency on the capitalist system that has failed even in countries where supposed to be best applied (look at the present world financial and economic crisis? In fact most of the Muslim countries have to think seriously of launching new policies to restore their Islamic identity.

Islamic Modes of finance known and practiced since mid centuries were subject to modifications in order to qualify efficiently for modern Islamic banking. The Modes adopted by Islamic banks can be broadly divided into two main categories according to the nature of finance which they provide, i.e. direct or indirect.

• Modes that provide direct finance are mainly *Muḍārabah* (partnership based on capital from one party and enterprise skill from the other),

Mushārakah (partnership of capital owners), and *Muzāraʿah* (partnership in agricultural activities).

- Others which provide indirect finance, i.e. trade credit, are almost all in form of "sale contracts" such as *Murābaḥah* (mark-up sale), *Bayʿ ājil* (deferred payment sale), *Bayʿ Salam* (deferred delivery sale), *Istiṣnāʿ* (manufacturing contract), and *Ijārah* (leasing)

It is not the intention in this article to evaluate Islamic banking, but we have to examine whether it is doing its job towards achieving *Maqāṣid* Al-Sharīʿah or not. On one hand no one, judging by available statistical information, no one would deny that Islamic banking has been successful in terms of funds mobilized from the public on non-interest bases. No one would deny that Islamic banks have employed their resources in *ḥalāl* activities by dependence on modes of finance which are constrained by Sharīʿah rules. No one would also deny that Islamic banking experience outside the Muslim world unless successful would not have been launched or continued.

These facts indicate that right steps have been taken by Islamic banks towards realizing complementary *Maqāṣid* of Sharīʿah. But, on the other hand till now we can not claim that Islamic banks have fulfilled more than the "necessary conditions" of a true Islamic finance that would achieve *Maqāṣid* Al-Sharīʿah. There are some critical deficiencies in the application of modes of finance that have to be removed, and we still lack initiatives and banking policies that would give priorities to projects that take us directly towards achieving *Maqāṣid* Al-Sharīʿah.

In fact, Islamic banking after 35 years is still passing through an infancy stage. This statement should not, however, be mis-interpreted by secular-mentality Muslims who are fond of attacking Islamic banking. Those should be told that inability of Islamic banking to pass yet its infancy stage is not due to deficiencies in principles or targets of Islamic finance but is largely due to them. Secular-mentality Muslim since the rise of Islamic banking has persistently given their support to the interest-based monetary system whether through their offices in government or in the central bank or through dealing with commercial banks as businessmen or bank customers. The cultural and religious atmosphere of Islamic banking has been polluted by misunderstanding and wrong *fatwā*.

However, all this should not constrain us from pinpointing deficiencies and shortages that impede Islamic banks from doing their job efficiently and carrying their financial activities properly towards achieving *Maqāṣid* Al-Sharīʿah:

a) Islamic banks have over-depended on *Murābaḥah* in their investment activities. It has accounted for employment of no less than 80% of the Islamic banks' financial resources. *Murābaḥah* is commonly used by most Islamic banks for financing expensive durable consumption goods (such as cars and houses, etc).

This pattern of consumption finance should not be given priority at present stage of development in the Muslim world (let aside the rich Gulf Arab countries). It obviously indicates a much higher level of consumption above prevailing average standard of living, whereas Muslim countries need to mobilize their resources for investment that would remove poverty. *Murābaḥah* in some cases has played a significant role towards achieving *Maqāṣid* Al-Sharīʿah, such as when effectively used for financing small and micro enterprises. A good example for this, which ought to be repeated, is that of Faisal Islamic Bank Branch of Um Durman in Sudan.

Yet, the excessive employment of *Murābaḥah* has another explanation. Most of the managers of Islamic banks, recruited in the early period from commercial banks, found out the *mechanism* of *Murābaḥah* finance not really far from the interest–based finance which they previously practiced. In fact some managers, out of their weak knowledge of Sharīʿah, besides misunderstandings, committed gross mistakes in practicing it. Thus most of these banks have to reduce their over-dependence on *Murābaḥah* contract which is in fact based on debt. Ibn Hanabal regarded with distaste some one whose trade is based only on deferred- sale payment.

b) In the Arab Gulf countries, Sudan, and Malaysia Islamic banks have been more active than in other Muslim countries. They have entered the fields of Musharakah (particularly diminishing Musharakah), Ijarah (specifically Ijarah wa Iqtina', i.e. leasing ending with ownership), Istisna[, and Salam. Islamic banking finance reduced dependence on *Murābaḥah* finance and covered more and diversified activities through these contracts. Yet, still much more efforts have to be done in order to link Islamic finance with types of activities in the production sector in the manner which is favourable to (Islamic) human development.

c) The role of Islamic banking towards financing investment projects for human development in the poor (or ultra poor) Muslim countries and communities in the World is almost entirely missing. The efforts of the Islamic Development Bank (IDB) are exceptions in this respect. These

efforts have to be strengthened by greater flow of financial resources from rich Muslim countries either directly to the poor countries or indirectly through the IDB development projects.

d) All Islamic banks have to find some bench mark other than the interest rate to negotiate their profit margin in various financing modes. Competition with conventional banks and Islamic banks' relatively small share in the financial market should not be taken as pretexts to defend their adoption of the LIBOR(+ or −) formula in fixing or negotiating their profit rates in contracts.

e) Islamic *Ṣukūk* can be used for development projects domestically as well as internationally. However, common practices attached with issuing of Islamic *Ṣukūk* such as guarantees of performance, collateralization, and their rating by conventional standards (Fitch or Standard & Poor have been involved) have to be changed. These practice which imply mechanisms that secure a regular known flow of income to *Ṣukūk* and redemption of their full face value shed doubts on their genuine submission to the Islamic profit / loss sharing principle. Moreover, actual securitization of debt assets such as *Murābaḥah* and Istisna[in proportions that reached in some cases 49% of total tangible assets is totally against Sharīʿah. This trend is quite serious and it means one thing, if continued, that we cannot claim that Islamic finance is adhering to Shariʿah rules, let aside Sharīʿah *Maqāṣid*.

f) Some Islamic banks have invented products of bad name such as Tawaruk which is not really different from interest-based loans. Such products have to be entirely abandoned for sake of *ḥalāl*.

In conclusion we have to correct our mistakes in order to claim that our Islamic financial system in practice is rightly constrained by the ethics of *ḥalāl* and geared to activities and projects that would help in achieving *Maqāṣid* Al-Sharīʿah. This should really be a source of our pride.

9. Conclusion

The role of finance in achieving *Maqāṣid* Al- Sharīʿah (Sharīʿah objectives) can not be analysed without highlighting the conception of *Maqāṣid* and the economic aspects that are related to them. In this article projection of *Maqāṣid* Al-Sharīʿah is surely benefiting from the ideas of the two great scholars Abu Hamid Al-Ghazali and Abu Is'haq Al-Chatby but not committed to them.

Allah created Mankind only for worshipping Him. Hence, there are two Original *Maqāṣid* of Sharīʿah; these which are directly related to worshipping of Allah, namely Protection of Human Life (present and future generations) and Protection of Islamic Religion. All other *Maqāṣid* that support the Original ones are considered complementary to them.

Protection of Religion is supported by two complementary *Maqāṣid*, namely Education and Justice whose maintenance in practice can not be attained without financing. Protection of Human Life has to be supported by production of "economic needs" which are essential for living. Production also needs to be supported by Education and Justice but would depend on Wealth, Labour, and Finance.

Therefore, the role of Islamic Finance is complementary in second order to Protect Religion and Secure sustainable Human Life. Islamic finance is subject to rules and ethical values, most important of them are derived from Sharīʿah and ʿAqīdah. Whereas the principles of Islamic finance set necessary Sharīʿah and contractual conditions for using financial resources, targets of Islamic finance set principles which concern utilization of these resources, for sake of realizing *Maqāṣid* Al-Sharīʿah.

The conception of *Maqāṣid* Al-Sharīʿah as projected in this article would flexibly allow us to set targets of finance at different levels of development, and to take into consideration the holistic interest of the Muslim Ummah (Nation). However, there is a wide gap between the Ideal and Reality of Islamic Finance in Practice. The actual circumstances of the Muslim World show that the atmosphere of Islamic finance was polluted and no more committed to Sharīʿah, let aside its *Maqāṣid*.

Islamic Banking in a number of Muslim countries represents a recent attempt to revive Islamic Finance. The question now is how far it succeeded in doing its job? And how far finance through this new institution is serving *Maqāṣid* Al-Sharīʿah?

Islamic banking has been successful in terms of mobilizing funds on non-interest bases, employing them in *ḥalāl* activities by dependence on modes of finance which are committed to Sharīʿah.

These facts indicate that right steps have been taken by Islamic banks towards realizing complementary *Maqāṣid* of Sharīʿah. But, on the other hand till now we can not claim that Islamic banks have fulfilled more than the "necessary

conditions" of a true Islamic finance that would achieve *Maqāṣid* Al-Sharīʿah. There are some critical deficiencies in the application of modes of finance that have to be removed and we still lack initiatives and banking policies that would give priorities to projects that take us directly towards achieving *Maqāṣid* Al-Sharīʿah, at the country as well as at the Ummah level.

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Comprehensive Human Development:
Realities and Aspirations

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Abstract

The main objectives of this paper are twofold. First, to describe the existing paradigm of comprehensive human development, trace its origin, conceptual underpinning and its policy implications in comparison with its seemingly competing development models. Second, to devise guidelines for national policymakers and their development partners deployed in the implementation of development strategies which gives utmost priority to human development in IDB member countries.

The distinctive feature of this paper's approach is not only to address human development as a means and end of development, but also to draw some lessons from countries' experiences and to depict some success stories from their respective human development strategies. This will help us in understanding the prioritisation of access facilitation to quality education along with its soft aspects, relevance and efficiency improvement. A similar analysis is also applied to the health sector. Further, the role of IDB Group in helping its member countries meet their critical needs in health sector through Awqāf and Zakāh is highlighted.

The organisation of the paper is as follows; Section 1 commences with an overview of history, evolution, definition, measurement and policy implications of human development paradigm. Section 2 addresses the status of human capital in IDB member countries in light of the IDB 1440H Vision and the internationally agreed Millennium Development Goals in education (EMDGs). In addition, it also analyses the challenges of stalled progress in achieving EMDGs into opportunities from an Islamic perspective.

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Section 3 discusses a manifestation of the opportunities highlighted in section two into sets of feasible unique policies to aspire achievement of comprehensive development at country level. Section 4 sheds light upon the role of development partners in attaining human development goals. Finally, section 5 is conclusion.

Keywords: human development, policy formulation.

1. Introduction

1.1. *Evolution of the Comprehensive Human Development Paradigm*

The concept of human development dates back at least to Aristotle (384-322 BC), who argued that "… social arrangements must be judged by the extent to which they promote human good" and that "wealth is evidently not the good we are seeking; for it is merely useful for the sake of something else". That "something else" is interpreted as the opportunities of people to realize their potential as human beings (Sen 1998 and UNDP 2006). Real opportunity is about having real choices and choices are made possible primarily by sufficient income, education, good health and living in a country that is not governed by tyranny (UNDP 2007).

Since then, many notable scholars, including Adam Smith, have emphasized the importance of how income is used to improve human development, even though growth came to dominate the development literature (UNDP 2007 and Fukuda-Parr et al. 2004). The prevailing belief in the "trickle down" power of market forces to spread economic benefits and end poverty reiterated the emphasis on growth. Accordingly, the focus of development was on industrialization and investments as the major strategy of achieving growth, while the role of the people in change was undervalued.

This development strategy led many countries to achieve economic growth, although empirical evidence suggested that the well-being of a majority of people in several countries did not improve (Chenery et. al. 1974, Dasgupta & Weale 1992, Hicks & Streeten 1979, Hilhorst & Klatter 1985, Pomfret 1992, Pyatt 1991, Rao 1991, Sen 1987, Singer 1989, Streeten 1984 and UNDP 1990 & 2007).

In fact, development thinkers started questioning the legitimacy of economic growth as the only measure of nation's level of development, based on the

overwhelming country evidence of the 1980s and 1990s.[2] These facts are corroborated by the escalation of unemployment levels and the deterioration of access to social services in some industrialized countries in the 1980s, the increasing human costs of structural adjustment programs in developing countries, the spread of the social ills (crimes, HIV/AIDS, etc.) even in cases of strong and consistent growth and the wave of democratization in the early 1990s.

The development discourse has since shifted from the basic needs approach (which focused mainly on incomes, public services and participation) to the recognition of the human capabilities.[3] The capability approach, developed by the Nobel Laureate in economics Professor Amartya Sen, emphasized human achievements and freedoms as a conceptual foundation for an alternative and broader human development approach.[4] This strategic approach evaluates the various "functioning" in human life as well as their capabilities to achieve these functions.[5] I.e., human development is about the realization of what people can do and become: freedom they have to exercise real choices in their lives.

Indeed, the concept and approach of human development emerged, in part, as a result of growing criticism and an alternative to traditional development approaches of the last two decades, which presumed a close link between national economic growth and the expansion of individual human choices. This new development concept has evolved around the work of Professor Sen and many other researchers drawing on the development experience in different parts of the world, notably the late Dr. Mahbub ul Haq. Mahbub ul Haq is a visionary Pakistani economist who played a key role in formulating the human development paradigm. The concept, therefore, considers people to be the real wealth of a nation. In this approach, human development is considered a process of enlarging people's choices and the level of their achieved well-being. Both the concept and its related

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2   The economic growth paradigm neglected important aspects of development, such as income inequalities, unemployment, and disparities in access to public goods and services (e.g., education and health).

3 The basic needs approach is shaped around commodity evaluation and fails short of other important elements of life such as the position of the poor and marginalized people and their ability to voice their views, gender power relations, the freedom to choose, etc.

4 The capability approach challenges the common views that poverty is purely a deprivation of income, and underscores that human beings are both agents and beneficiaries of development, without downplaying their role as primary means of economic productivity.

5 These include, but not limited to, the ability to be well nourished, escape avoidable death, be knowledgeable, and be equipped to participate in the life of one's community.

approaches (analytical methodologies and procedures) represent a comprehensive and composite model of development.

The model combines a forward-looking strategic objective of achieving comprehensive human development, echoed in the IDB 1440H Vision, with practical plans and programs that address problems and needs in the context of an integrated poverty reduction strategy. The latter is similar to the key strategic thrusts of the IDB Group Vision, from a long-term perspective.[6] Hence, comprehensive human development is concerned with both means and ends of development. Thus, human development is comprehensive to the extent that it stems from people's choices.

1.2. Definition

Comprehensive human development is defined as a process of advancing the richness of human life capabilities and enlarging people's choices (Anand and Sen 1994, UNDP 1990).[7] Although people's choices can be indefinite and change over time, the enormous body of literature provides three essential ones. That is, at all levels of development, people aspire to lead long and healthy life, to acquire knowledge, and to have access to resources needed for a decent standard of living (Sen 1998 and UNDP 1990 & 2007).[8] However, in the absence of these essential choices, many other opportunities remain inaccessible.

This approach views people as both means and ends of development. These two objectives of development distinguish, among others, the conventional from the new alternative model of development. The conventional model of development is predicated on a philosophy of progressive growth in production, in which human capital or people are considered a factor (resource use) of production and a "means" to achieve the desired level of growth.[9] While this approach has the

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6 The key strategic thrusts include alleviating poverty, universalizing education, promoting health, prospering the people, empowering women, expanding Islamic financial industry, facilitating integration of IDB member country economies among themselves and with the world, and improving the image of the Muslim World (IDB 2006).

7 Capabilities refer to several values and goals including the capability to live a long and healthy life; the ability to acquire education, culture, technology and share benefits of social progress; and the ability to live a life free of poverty with adequate living standards.

8 Additional choices, highly valued by many people, range from political, economic and social freedom to opportunities for being creative and productive, and enjoying personal self-respect and guaranteed human rights (UNDP 1990).

9 The conventional development model has led countries and societies to embark on a race to achieve

advantage of being straightforward and easy to use, convincing empirical evidence indicate failure of economic growth to improve the well-being of a significant portion of the population. This brings up the need for a more encompassing concept and its associated measure that capture human development. The two aspects of human development include the formation of human capabilities (such as improved health, knowledge and skills) and the use people make of their acquired capabilities (for leisure, productive purposes or being active in culture, social and political affairs).

In this alternative approach, the concept of human development combines the following four components:

- Productivity: People must be enabled to increase their productivity and to participate fully in the process of income generation and remunerative employment. I.e., economic growth is a subject of human development model;

- Equality: People must have equal access to equal opportunities. All barriers to economic and political opportunities must be eliminated so that people can participate in, and benefit from, these opportunities;

- Sustainability: Access to opportunities must be ensured not only for the present generations but for future generations as well; and

- Empowerment: Development must be by the people, not only for them. I.e., people must participate fully in the decisions and processes that shape their lives.

1.3 Policy Implications

The main implications in adopting the alternative human development approach include:

First, the policy significance of income expansion and, as a corollary, growth in per capita incomes, but these factors cannot be the dominant criteria for judging how societies are faring i.e., an expansion of income is important but only as a

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higher and ever increasing level of material and economic growth; often coupled with neglect of other important attributes. The latter includes income distribution effects, equitable sharing of benefits (social bill), sustainable utilization and renewal of natural resources (environmental bill).

means to valuable ends. The human development approach, therefore, generates a new set of evaluative questions to assess the impact of development policies.

Second, focusing on human lives as the goal of development results in the articulation of every different policy concerns that are rooted in the advancement of people's well-being.[10] That is, the exercise of overall policy formulation becomes one ensuring not merely growth as such, but growth that promotes human development.

Third, it enables the linkages between various types of investment in people to be fully exploited, to the extent that components of public expenditure programs should not be viewed in isolation, recognizing complementarities between investing in human and physical assets, and investment decision should be guided by highest return on portfolio of national asset(s). Fourth, human development is motivated by a concern for freedom, well-being and dignity of individuals in society, issues that are not conventionally regarded as central to policy formulation.[11]

The preceding paragraph emphasized the numerous advantage of the comprehensive human capital approach and implicitly advocates a leading role of the state in guiding the development process. In this setting, it is essential to devise a strategy and/or human development policies for the state to intervene where necessary to ensure that the full benefits of human development are reaped.[12]

On the other side of the fence, critics raised theoretical and practical concerns about the human development concept. First, it is not clear whether the conceptual issues raised by the alternative human development model and their policy implications are confined to the global level or the national level, and whether its design fits all. Second, in practice, the proponents of the comprehensive human

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10 In the human development framework, discussion on globalization, as an example, go beyond examining the impact on trade, capital flows and economic growth, to consider the changing opportunities and new insecurities in people's lives. A people-centered approach would, then, stresses human security and not military or territorial security (UNDP 2009).

11 Human development is concerned with the full range of capabilities, including social freedoms that cannot be exercised without political and civil guarantees. Indeed, the human development approach emphasizes political and social freedoms through enhanced participations and inclusive democracy as fundamental to the realizations and sustainability of social and economic goals.

12 That does not imply that the state must be large, nor does this imply the state should be relatively small in human capital formation. That is, the size of the state is of secondary importance, and what matters for human development is the functions the state performs and how well it performs.

development concept quite often shun from translating their ideas into growth options and alternative macro-economic policies.[13] Third, the cultural dimension of comprehensive human development is still not adequately developed, particularly at the measurement level.

1.4. Measurement

Construction of the human development indicator (HDI), in 1990, heralded the first attempt to measure achievements in development through a numerical composite index that permits inter-country comparison, concomitant with the major dimensions of human development. This composite measure combines the three components of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity, PPP, income).[14] In bringing together income with education and health, the HDI compares, among others, human development across countries and over time (Table 1).[15] It is also useful to compare a country's Gross Domestic Product (GDP) per capita with its HDI ranking (Table 2).

Like any composite index, the HDI has its limitations. For example, the index focuses only on three dimensions of capabilities, thus, limiting its scope as the epitome of a composite measure of comprehensive human development.[16] Second, the HDI is not designed to assess progress in human development over a short-term period, because two of its component indicators (adult literacy and life expectancy at birth) are not responsive to short-term policy changes. Third, the indicators are restricted to global, regional and national average. Like any average

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13 This contradicts the essence of the concept, which recognizes the importance of the two levels and their inter-connection. Failure to translate the notions and approaches embodied in the concept into practical steps would justify the claim, among others, that the concept of comprehensive human development confines itself to the human and social aspects of development.

14 PPP is a rate of exchange that accounts for price differences across countries, allowing international comparisons of real output and incomes. That is, at the PPP US$ rate (used in the HDR), PPP US$1 has the same purchasing power in the domestic economy as US$1 has in the United States UNDP 2008).

15 The formation of HDI as a measure of human development was based on many objectives. One of the important objectives is the creation of a measure that covers both economic and social choices.

16 Other aspects of human development that could be captured with available data include the degree of people's self-respect and political freedom, and environmental concerns, among others (UNDP 2007).

measure, it does not account for variations in human development within the country.[17] The remedy lies in preparation of more detailed regional and national reports, incorporating various indicators to reflect the state of human development between different regions and groups within a country, as documented in several sub-national, national and regional Human Development Reports (HDRs). The annual Human Development Report, though not the first to take up the subject of human development, made significant contribution by enriching the concept, raising awareness and disseminating it worldwide.[18]

In spite of these limitations, HDI has been thoroughly researched to ensure a flexible measure subject to refinement over time. When it was first introduced in 1990, the HDI was constructed from a deprivation perspective (UNDP 1990). For example, the educational attainment component had adult literacy as the only variable, while income was logged at all levels.[19] With improved understanding and improved data quality, the index has undergone major refinements such as an extended HDI that included infant mortality rates; unemployment and education quality for Argentina in 2002; and the 2003 HDI for Arab region in measuring knowledge. As is the case in the global HDRs, regional and national HDRs analyze varying aspects of human development by focusing on development themes that are locally relevant and supported by reliable statistics and solid evidence. These global, regional and national HDRs often contain data that have not been previously published. They can help meet the demand for collection, analysis and dissemination of statistics needed to monitor the Millennium Development Goals (MDGs) and other human development objectives.[20] Progress towards achieving

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17 Measuring development, and expressing it numerically, is a difficult and complex task. That is, figures alone will not be adequate to diagnose the situation and propose remedies. Therefore, comprehensive and well-integrated analysis (deep and consistent) is needed to give a better picture of the state of development.

18 These reports, published annually by the UNDP since 1990, include a constant feature of detailed statistical tabulations covering various aspects of human development. There are more than 200 different types of data extending from the state of education and health to economics, environment, the social fabrics, etc., classified in illustrative tables and covering more than 170 countries, including all IDB member countries except Afghanistan, Iraq and Somalia. Other specialized organizations and international institutions also publish and disseminate statistical data, detailed information and analysis of social indicators and social development, such as UNESCO, UNICEF, The Millennium Development Goals Reports by the UN, World Bank Development Reports and UN Regional Economic and Social Commissions.

19 An observed maximum and minimum for each variable were then used as goalposts, but changes in the goalposts made comparisons across time impossible (UNDP 2007).

20 While the MDGs do not reflect all dimensions of human development, they represent the most comprehensive set of human development goals and targets ever adopted by UN member states.

the MDGs is considered progress towards human development (UNDP 2005). These targets and indicators provide a framework for analyzing and assessing progress.

Representatives of 191 nations attended the Millennium Summit in 2000 and adopted the Millennium Declaration, which called on the world community to achieve certain fundamental goals related to global peace, security and sustainable human development. The eight MDGs include eradicating extreme levels of poverty and hunger, ensuring gender equality and women's empowerment, combating HIV/AIDS, ensuring environmental sustainability and improving global partnerships for development.

Table 1:   Human Development Index Trends in IDB Member Countries (1980-2006)

HDI rank		1980	1985	1990	1995	2000	2003	2004	2005	2006
HIGH HUMAN DEVELOPMENT										
1	Brunei Darussalam	0.827	0.843	0.876	0.889	0.905	0.910	0.912	0.917	0.919
2	Kuwait	0.812	0.828	..	0.852	0.876	0.914	0.912	0.915	0.912
3	UAE	0.743	0.806	0.834	0.845	0.852	0.897	0.898	0.901	0.903
4	Bahrain	0.769	0.793	0.838	0.858	0.873	0.886	0.889	0.896	0.902
5	Qatar	..	..	..	..	..	0.889	0.890	0.895	0.899
6	Libya	0.622	0.653	..	..	0.806	0.828	0.831	0.836	0.840
7	Oman	..	..	..	..	..	0.822	0.830	0.834	0.839
8	Saudi Arabia	..	..	0.742	0.764	..	..	0.828	0.832	0.835
9	Malaysia	0.665	0.688	0.736	0.766	0.797	0.807	0.812	0.819	0.823
10	Albania	..	..	..	..	0.777	0.793	0.800	0.804	0.807
11	Kazakhstan	..	..	0.776	0.728	0.746	0.779	0.789	0.799	0.807
MEDIUM HUMAN DEVELOPMENT										
12	Turkey	0.623	0.669	0.700	0.725	0.754	0.781	0.785	0.791	0.798
13	Lebanon	..	..	..	..	..	..	..	0.795	0.796
14	Iran (Islamic Republic of)	0.559	0.618	0.671	0.711	0.735	0.746	0.754	0.770	0.777
15	Suriname	..	..	..	..	..	0.755	0.759	0.764	0.770
16	Jordan	0.630	..	..	..	..	0.753	0.760	0.763	0.769
17	Tunisia	..	0.603	0.625	0.653	0.677	0.743	0.749	0.756	0.762
18	Azerbaijan	..	..	..	..	0.705	0.725	0.730	0.742	0.758
19	Maldives	..	..	..	0.681	0.719	0.733	0.738	0.737	0.749
20	Algeria	..	0.626	0.645	0.652	0.712	0.727	0.732	0.745	0.748
21	Syria	0.601	0.623	0.625	0.648	0.714	0.724	0.724	0.731	0.736
22	Palestine	..	..	..	..	..	..	..	0.728	0.731
23	Gabon	..	..	..	0.741	0.709	0.727	0.725	0.727	0.729
24	Turkmenistan	..	..	..	..	..	..	..	0.727	0.728
25	Indonesia	0.520	0.560	0.623	0.657	0.671	0.709	0.714	0.719	0.726
26	Egypt	0.483	0.539	0.572	0.628	0.665	0.704	0.709	0.712	0.716
27	Uzbekistan	..	..	..	..	0.682	0.691	0.695	0.698	0.701
28	Kyrgyzstan	..	..	..	..	0.679	0.689	0.692	0.692	0.694
29	Tajikistan	..	..	0.709	0.642	0.648	0.669	0.676	0.680	0.684
30	Morocco	0.471	0.497	0.516	0.560	0.582	0.626	0.631	0.638	0.646
31	Comoros	0.445	0.460	0.463	0.509	0.525	0.561	0.563	0.568	0.572
32	Yemen	..	..	..	0.478	0.497	0.549	0.553	0.561	0.567
33	Pakistan	0.386	0.411	0.443	0.463	..	0.518	0.526	0.548	0.562
34	Mauritania	..	..	..	..	0.520	0.529	0.536	0.547	0.557
35	Sudan	..	..	..	..	0.489	0.504	0.510	0.514	0.526
36	Bangladesh	0.331	0.352	0.390	0.414	0.489	0.500	0.504	0.517	0.524
37	Cameroon	..	..	..	..	0.508	0.513	0.514	0.514	0.514
38	Djibouti	..	..	..	..	..	..	..	0.508	0.513
39	Senegal	..	..	0.417	0.431	0.473	0.483	0.489	0.499	0.502
LOW HUMAN DEVELOPMENT										
40	Nigeria	..	..	0.452	0.456	0.450	0.486	0.490	0.494	0.499
41	Uganda	..	..	0.404	0.391	0.453	0.474	0.476	0.486	0.493
42	Togo	..	..	..	..	0.477	0.476	0.476	0.476	0.479
43	Gambia	..	..	..	..	..	..	..	0.469	0.471
44	Benin	0.347	0.361	0.378	0.399	0.424	0.436	0.440	0.452	0.459
45	Côte d'Ivoire	..	..	0.442	0.416	0.433	0.430	0.431	0.432	0.431
46	Guinea	..	..	..	..	..	0.405	0.410	0.417	0.423
47	Mali	..	..	..	..	0.343	0.376	0.377	0.384	0.391
48	Chad	..	..	..	0.329	0.358	0.373	0.389	0.390	0.389
49	Guinea-Bissau	0.244	0.264	0.276	0.341	0.343	0.373	0.373	0.378	0.383
50	Burkina Faso	0.259	0.278	0.298	0.305	0.317	0.347	0.352	0.362	0.372
51	Niger	..	..	..	..	0.293	0.310	0.314	0.363	0.370
52	Mozambique	0.281	0.259	0.274	0.307	0.333	0.344	0.356	0.361	0.366
53	Sierra Leone	..	..	..	..	..	0.314	0.317	0.323	0.329

Note: Data for Afghanistan, Iraq and Somalia were not reported in HDRs.
Source: UNDP (2008) Human Development Report, United Nations Development Program, New York. PP 25-28.

Table 2:   Main Components of the Human Development Index for IDB Member Countries.

HDI rank		Human development index value	Life expectancy at birth (years)	Adult literacy rate (% aged 15 and	Combined gross enrolment ratio in education (%)	GDP per capita (PPP US$)	Life expectancy index	Education index	GDP index	GDP per capita rank minus HDI rank
		2006	2006	1999—2006	2006	2006	2006	2006	2006	2006
HIGH HUMAN DEVELOPMENT										
1	Brunei Darussalam	0.919	76.9	94.6	78.5	49,898	0.865	0.892	1.000	-23
2	Kuwait	0.912	77.4	93.3	72.6	46,638	0.873	0.864	1.000	-22
3	UAE	0.903	78.5	89.8	65.8	49,116	0.891	0.818	1.000	-26
4	Bahrain	0.902	75.4	88.3	90.4	34,516	0.840	0.890	0.975	-15
5	Qatar	0.899	75.3	89.8	77.6	72,969	0.838	0.857	1.000	-32
6	Libya	0.840	73.6	86.2	95.8	13,362	0.810	0.894	0.817	2
7	Oman	0.839	75.3	83.7	68.7	20,999	0.838	0.787	0.892	-14
8	Saudi Arabia	0.835	72.4	84.3	76.0	22,053	0.791	0.815	0.901	-20
9	Malaysia	0.823	73.9	91.5	71.5	12,536	0.815	0.848	0.806	-5
10	Albania	0.807	76.3	99.0	67.8	5,884	0.856	0.886	0.680	27
11	Kazakhstan	0.807	66.4	99.6	91.8	9,832	0.689	0.966	0.766	-1
MEDIUM HUMAN DEVELOPMENT										
12	Turkey	0.798	71.6	88.1	71.1	11,535	0.776	0.824	0.792	-15
13	Lebanon	0.796	71.7	..	76.8	9,757	0.778	0.845	0.765	-7
14	Iran (Islamic Republic of)	0.777	70.5	84.0	73.2	10,031	0.759	0.804	0.769	-16
15	Suriname	0.770	69.8	90.1	74.3	7,268	0.747	0.848	0.715	-7
16	Jordan	0.769	72.2	92.7	78.7	4,654	0.786	0.880	0.641	15
17	Tunisia	0.762	73.7	76.9	76.2	6,958	0.811	0.766	0.708	-8
18	Azerbaijan	0.758	67.3	99.3	66.2	6,172	0.704	0.881	0.688	-3
19	Maldives	0.749	67.6	97.0	71.3	5,008	0.710	0.884	0.653	-1
20	Algeria	0.748	72.0	74.6	73.6	7,426	0.783	0.743	0.719	-19
21	Syria	0.736	73.9	82.5	65.7	4,225	0.814	0.769	0.625	4
22	Palestine	0.731	73.1	92.4	80.6	..	0.802	0.884	0.506	27
23	Gabon	0.729	56.3	85.4	80.7	14,208	0.522	0.838	0.827	-55
24	Turkmenistan	0.728	62.8	99.5	74.1	4,826	0.630	0.907	0.647	-7
25	Indonesia	0.726	70.1	91.0	68.2	3,455	0.752	0.834	0.591	12
26	Egypt	0.716	71.0	71.4	76.4	4,953	0.766	0.731	0.651	-17
27	Uzbekistan	0.701	66.9	96.9	73.2	2,189	0.698	0.890	0.515	13
28	Kyrgyzstan	0.694	65.7	99.3	77.7	1,813	0.678	0.919	0.484	19
29	Tajikistan	0.684	66.5	99.6	70.9	1,609	0.691	0.896	0.464	20
30	Morocco	0.646	70.7	54.7	59.6	3,915	0.762	0.563	0.612	-13
31	Comoros	0.572	64.5	74.2	46.4	1,152	0.659	0.649	0.408	18
32	Yemen	0.567	62.0	57.3	54.4	2,262	0.616	0.563	0.521	-7
33	Pakistan	0.562	64.9	54.2	39.3	2,361	0.665	0.492	0.528	-9
34	Mauritania	0.557	63.6	55.2	50.6	1,890	0.643	0.537	0.491	-2
35	Sudan	0.526	57.8	60.9	39.9	1,887	0.547	0.539	0.490	-7
36	Bangladesh	0.524	63.5	52.5	52.1	1,155	0.641	0.524	0.408	7
37	Cameroon	0.514	50.0	67.9	50.8	2,043	0.416	0.622	0.504	-16
38	Djibouti	0.513	54.2	..	25.5	1,965	0.487	0.554	0.497	-15
39	Senegal	0.502	62.6	42.0	41.2	1,592	0.627	0.417	0.462	-8
LOW HUMAN DEVELOPMENT										
40	Nigeria	0.499	46.6	71.0	52.5	1,852	0.360	0.648	0.487	-14
41	Uganda	0.493	50.5	72.6	62.3	888	0.424	0.692	0.365	7
42	Togo	0.479	58.0	53.2	56.6	792	0.550	0.543	0.345	8
43	Gambia	0.471	59.0	..	46.8	1,152	0.567	0.439	0.408	-4
44	Benin	0.459	55.8	39.7	52.4	1,259	0.514	0.440	0.423	-9
45	Côte d'Ivoire	0.431	47.7	48.7	37.5	1,632	0.378	0.450	0.466	-24
46	Guinea	0.423	55.3	29.5	49.3	1,118	0.505	0.361	0.403	-9
47	Mali	0.391	53.7	22.9	44.3	1,058	0.478	0.300	0.394	-7
48	Chad	0.389	50.4	25.7	36.5	1,470	0.424	0.293	0.449	-22
49	Guinea-Bissau	0.383	46.0	62.8	36.6	467	0.351	0.541	0.257	5
50	Burkina Faso	0.372	51.7	26.0	30.2	1,084	0.445	0.274	0.398	-13
51	Niger	0.370	56.2	29.8	26.2	612	0.521	0.286	0.302	0
52	Mozambique	0.366	42.4	43.8	54.8	739	0.291	0.474	0.334	-7
53	Sierra Leone	0.329	42.1	37.1	44.6	630	0.285	0.396	0.307	-6
OTHER UN MEMBER STATES										
	Afghanistan	..	43.2	28.0	50.1	..	0.304	0.354	..	..
	Iraq	..	58.3	74.1	60.5	..	0.556	0.695	..	..
	Somalia	..	47.5	..	..	..	0.375	..	..	..
	Developing countries	0.688	66.3	78.8	63.5	4,572	0.689	0.737	0.638	..
	High human development	0.901	76.2	..	87.6	25,100	0.854	0.926	0.922	..
	Medium human development	0.690	67.8	80.3	64.1	3,829	0.713	0.749	0.608	..
	Low human development	0.444	48.4	55.9	46.5	1,199	0.391	0.527	0.415	..
	World	0.747	68.3	81.0	67.0	9,316	0.722	0.763	0.757	..

SOURCE: UNDP (2008) Human Development Report, United Nations Development Program, New York, PP 29-32.

2. Realities and Challenges of Human Development in IDB Member Countries

2.1. Realities

The challenges facing the 1.5 billion Muslims in IDB member countries and Muslim minorities residing in other countries often differ widely in terms of nature and gravity. However, taken collectively, the Muslim world is faced with some major challenges. Achieving comprehensive human development in the 21st century will be at the core of restoring its dignity. To respond to the 21st century challenges of achieving comprehensive human development, at least five of the key eight strategic thrusts identified in the "IDB 1440H Vision: Vision for Human Dignity" addressed the overarching goal of comprehensive development (IDB 2006).[21] The reason is obvious. Despite the tremendous collective wealth of the Muslim world, poverty is widespread and HDIs are worse in the Muslim World than elsewhere. In fact more than 40% of the world's poor are Muslims, and they account for about 20% of the world's population. One out of three people in Muslim countries are illiterate. Although adult illiteracy rate of IDB member countries has declined from 44% in 1990 to 32% in 2000-2006, it is still relatively high, compared with the averages for both the world at 18% and the developing countries at 21%. This picture is also shared in the area of health, which poses yet another challenge to improving the state of human development.[22]

Seventeen out of the 56 IDB member countries, or more than one-third, are ranked in the low human development category (ranging between 154 and 179) of the UNDP index in 2006 (Tables 1 & 2). Indeed, two-thirds of the least developed and more than half of the world's low human development category are Muslim. However, 28 member countries, or half membership, are ranked in the medium human development category (with ranks ranging from 76 to 153) and 11 are

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21 See footnote 5.

22 Available statistics suggests that more than two-thirds of member countries from Africa lack qualified staff to perform vital services and interventions such as routine immunization, antenatal care, deliveries, obstetrical care and other family planning services. Moreover, less than half the population has access to a health facility within 5 km radius and more serious is that out-of-pocket spending accounts for nearly 50% of total health spending in Africa. Furthermore, more than 90% of the deaths from communicable disease are attributable to Malaria, Tuberculosis, Pneumonia and measles. According to the 2006 World Report on Malaria, malaria kills a child every 30 seconds, thus placing the disease as the leading cause of morbidity and mortality in IDB member countries from Africa. Most of the deaths reported in Africa are water and sanitation related diseases, about 2.2 million persons, mainly children, die every year.

ranked in the high development category (ranging between 27 and 71). IDB member countries with lowest HDI ranking in 2006 are from Africa (Table 1).[23]

2.2. *Challenges of Education*

Despite the fact that the Muslim world is blessed with the quest for knowledge as a pillar of Islamic faith, the IDB member countries are faced with constraints and challenges on education. Many of these countries still lag behind, both in terms of achieving the education goals set by these countries in the core Education Millennium Development Goals (EMDGs), and in comparison to their other comparators.[24] The status of IDB member countries in achieving the goals of completing primary enrolment by 2015 is summarized in Table 3. Nineteen out of the 51 countries or about a third, for which data are available, are early achievers of the MGD target on primary enrolment.[25] Eight countries are on-track in achieving the MDG target of primary enrolment completion by 2015.[26] The remaining 24 countries, or nearly half of the IDB member countries, are off-track, including 5 that are regressing. The latter are Bangladesh, Djibouti, Guinea-Bissau, Suriname and Uganda (IDB 2009b).

The educational attainments in many IDB member countries are also characterized by regional, income, gender and urban-rural disparities. There are still major urban-rural and male-female disparities in most member countries. For example, rural children are less likely to attend school because of the high rates of poverty, the demand for children labor, the low level of parental education and lack of supply of education. More alarming is the fact that, many of the poor children who have a chance to enroll in school dropout before completing grade five. It is estimated that 40% of the out-of-school population lived in Sub-Saharan Africa (SSA), another 40% resided in South Asia, and more than 15% lived in the Middle East and North Africa (IDB 2009b).

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23 The 2008 HDI ranking represents values for the year 2006 (UNDP 2008).
24 The EMDGs ensure that, by 2015, children everywhere, boys and girls, will be able to complete a full course of primary schooling; eliminate gender disparity in primary and secondary education, preferably by 2005 and to all levels of education no later than 2015.
25 These are Albania, Algeria, Bahrain, Brunei, Egypt, Indonesia, Iran, Jordan, Kazakhstan, Kuwait, Kyrgyz, Maldives, Palestine, Qatar, Syria, Tajikistan, Tunisia, UAE and Uzbekistan (IDB 2009b).
26 These are Azerbaijan, Lebanon, Malaysia, Morocco, Nigeria, Oman, Saudi Arabia and Turkey (IDB 2009b).

Moreover, most of the world's out-of-school children live in IDB member countries. Gender adult illiteracy rate was more pronounced among female than male population (41% versus 24%) during 2000-2005. Girls represent 60% of the out-of-school children. In SSA, the Arab States and South and West Asia, gender disparities are widespread and girls continue to face sharp inequity in access to schooling. Accordingly, girls are disadvantaged in some countries, compared to boys in the same age group.

More serious challenge is that the education system of member countries lacks quality and relevance. The traditional methods of teaching and learning are not adapting to the needs and characteristics of children from poorest socioeconomic background. Finally, successful non-traditional approaches to education remain scarce and have marginal impacts on the education process (IDB 2009b). Other in-school factors, frequently cited, in many IDB member countries include major shortages of classrooms and teachers, which resulted in overcrowded classes of pupils (UNESCO 2003 and Bashir 2004). In these countries, curriculum is out-of-date, taught by underpaid and poorly trained teachers, and teachers often rely on outdated textbooks.[27] Empirical evidence suggests, among others, that out-of-school factors have also limited any progress towards access to education, especially in achieving the EMDGs.[28]

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27 In some of the countries, education is considered the employer of last resort, and at times education system is sought to provide employment of the unemployed (Bashir 2004).
28 Out-of-school factors refer mostly to direct and indirect (opportunity) cost of education.

Table 3
Scorecard of IDB Member Countries on Education MDG Indicators

No.	MDG Indicator	Earliest Available Year	Latest Available Year	Status
1	Primary Enrolment Rate	73.1	82.2	▼
2	Percentage of pupils starting grade reaching grade 5, both sexes	83.9	81.1	◀
3	Primary Completion Rate - Total (%)	70.3	79.8	▼
4	Literacy rates of 15 - 24 years old, both sexes, percentage	74.3	85.8	▼
5	Gender partiy index for gross enrolment ratio: Primary	0.9	0.9	▼
6	Gender partiy index for gross enrolment ratio: Secondary	0.7	0.9	▶
7	Gender partiy index for gross enrolment ratio: Tertiary	0.7	0.8	▼
8	Women to men partiy index, as ratio of literacy rates, 15 - 24 years old	0.8	..	⊗

Notes:

▲ Represents Early Achiever

▶ Represents On-track (i.e., expected to meet the target by 2015)

▼ Refers to Off-track-slow, (i.e., expected to meet the target, but after 2015)

◀ Represents Off-track-regressing

⊗ Means Missing data

Source: IDB (2008), Based an simulation by the Economic Poolicy and Statistics Department of the IDB.

2.3. *Role of Government*

For many IDB member countries, the government is the predominant provider of education: basic, secondary or tertiary. Governments who committed themselves to achieving the EMDGs and education for all (EFA) goals are under pressure to provide educational opportunities to their citizens, particularly youth and young adults who did not have a chance to go to school. For these reasons and because of the huge externalities associated with education, many would argue for continued public finance in education, particularly at the basic education level. Available data show that, average public spending on education, as percentage of GDP and total government expenditure, are 3% and 15%, respectively. These averages hide wide discrepancies between countries and, in the most part, figures were based on estimates or were arbitrary quoted at differing dates.[29] These figures

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29 Public expenditure on education as a percentage of total expenditure ranged from 8.3 to 31.5 during last half of the current decade. As a percentage of total government expenditure, public spending on education fluctuated between 1.7 and 5.1, for countries with available data, compared

suggest that business as usual will not lead to universal access, achieving EMDGs by 2015 and/or quality improvement. More alarming is the fact that the 56 member countries have less than 1% of scientists who generate barely 0.1% of the world's original research discoveries each year. It is, therefore, not surprising that the Muslim world lags behind in scientific research, which is a key indicator of future progress.

2.4. Islamic Perspective

This negative picture on failure to attain educational goals in member countries and contributing to knowledge is inconsistent with the primacy of learning and knowledge in Islam. In fact, the first revealed verse of the Quran starts with "*Read in the name of thy Lord… who taught man (the use) of the pen*" (46:18). The Prophet (PBUH) exhorts Muslims to learn and seek knowledge: "*Seek knowledge from cradle to the grave*" also points to the primacy of learning and knowledge.[30] In Islamic perspective, knowledge is not only religious for the hereafter, but also knowledge of the sciences of the world. This knowledge is to be pursued and applied in accordance with the highest commitments and ethical principles for the development of the human person. However, failure to correctly observe these teachings and to abide by ethical standards has been a major reason for underdevelopment in parts of the Muslim world (ADB 2006).[31] If these countries would succeed in transforming their education systems to achieve the EMDGs, more like the group of countries already achieved the goal, the picture of human development in the Muslim world would be significantly better, for empowering the Muslim citizenry for the 21st Century. Indeed, quality-enhancing reforms, within a comprehensive human development strategy, drawn from experiences of high-performing countries, are among "good practices" that could be emulated (Box 1).

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with OECD's averages ranging between 4.5 and 6.5 (Bruns et al 2003 and Bashir 2003).

30 I.e., engage in life-long learning. Moreover, "*Seek knowledge even in (as far away as) China*" and "*Wisdom is the lost property of the believer*: he gets it wherever he can". I.e., borrow from others.

31 Poor development in parts of the Muslim world is also due to other factors, such as colonization and exploitation of the Muslim world by Western powers, disadvantaged geographical location, ethnicity and political fragmentation, poor initial economic conditions, and cultural traditions.

Box 1: Improving Quality of Education & Achieving EMDGs

Two experiences from IDB members, among others, in implementing reforms to improve quality of basic education and make it accessible to all children in Malaysia and Tunisia are intended to provide good practices that could be emulated and adapted by other member countries towards achieving the EMDGs.

Malaysian Experience

The Constitution guarantees the right to education to all Malaysian children as one of the fundamental liberties. Primary and secondary education are provided free of charge, mostly by government or government-aided schools. Moreover, primary education (6-year cycle) is made compulsory to all school-age children. The formal school system has a 6-3-2-2 pattern. All primary pupils follow a national curriculum with no specialization into streams. Like most systems in Asia, curriculum specializations are offered in the middle secondary education at grade 10, where students are allowed to choose between, humanities, science and technical/vocational studies. The importance given to education is clearly reflected in the country's budget allocation over the years. The allocation for education increased in 1985 to almost 400 times the 1955 level and continued its increasing trend throughout the 2000s. I.e., total education expenditure varied between the lowest 4.6 to the highest 7.4% of GNP. Similarly, as a percentage of total public expenditure, spending in education has ranged between 13.0 to 23.9%. Growth of recurrent expenditure over tome by level of education reflects priorities accorded by the government to educational expansion, especially in technical secondary education and higher education. The trend in allocations to education revealed the commitment to educational investment and strategies in the various Five-Year Malaysia Development Plans. While the emphasis during the periods encompassing the fourth and fifth Malaysia Plans and the preceding years was on planning of large physical programs and curriculum development, the emphasis in the sixth, seventh and eighth Malaysia Plans has been on maintaining and increasing the quality, equity and efficiency dimensions of education. The focus has been impacted by the requirements of the futuristic Vision 2020 of transforming Malaysia into a newly industrialized country and achieving a developed nation status.

Tunisian Experience

The Tunisian system of education has accomplished significant results, both quantitatively and qualitatively, during the four previous decades. Education for All (EFA) has become a reality in all Tunisian 24-governates. In addition to attaining full schooling of children, a voluntary policy to promote adult education and in-service training has served to increase literacy and to pave the way for "lifelong education". Among the numerous assets of the Tunisian education system, three characteristics emerged. First, gradual transformation of the Tunisian society into a "knowledge society". The universal coverage goal is being achieved for the whole period of basic education, in line with the compulsory education rule for 6-16 year-old. Parallel to this,

other complementary measures have been taken to push the schooling of students to the maximum age possible. As a result, the schooling rate at both secondary and university level has developed remarkably, including KICT. Second, is the implementation of absolute gender equality among all Tunisian to whom schooling has become a crucial means to achieve social status. Third, the training of highly qualified personnel in all fields, to the extent of achieving self-sufficiency in national human resources replacing foreign "*cooperants*". At present, many Tunisians are working abroad as "*cooperants'* in many countries. Early and on-going reforms have aimed at modernizing the education system, increasing its efficiency and improving its performance and creativity. The concept of the on-going reform of the "tomorrow's school project" is based on the principle of free, equitable and compulsory basic education and offers the educational institution a new profile advanced by the nationals "a school for all with opportunities to each". To fulfill its needs in qualified human resources, Tunisia has accorded priority and demonstrated due commitments by allocating, among others, 7% of its GDP and about a third of the State budget to education and training. This emphasis places Tunisia among countries, which heavily invested in education in the world.

  Sources: Bashir 2004, Mingat (1995) and Tunisia's Ministry of Education and Training (2002).

3. Towards A Comprehensive Human Development Strategy: Aspirations

In significantly transforming the landscape of the overarching objective of development, namely "comprehensive human development", in the Muslim world, IDB member countries may focus on three thrusts.

First, to develop integrated development strategies based on stages of development, initial conditions, strategic challenges confronting the country, its endowments and priorities.

Second, in the short to medium term, each country will help create economic opportunities to generate productive and decent employment to its citizens, driven by the adopted development model.

Third, each country will facilitate equal access to opportunities through support to education and basic health, modeled on a long-term comprehensive human development strategy. In this setting expenditures on education and health should be considered as capital (investment) spending in their budgets.

The overriding lesson from success stories in sustaining inclusive growth strategy and good practices in comprehensive human development strategies is the imperative for enhancing human capabilities, particularly through people-centered

approach. That is, in designing education sector strategy, priority should be given to the access, as well as the quality, efficiency and relevance of education. These are the essential ingredients to increase the future participation of the population in the work force and the society. In this context, greater consideration should be accorded to education resource management as well as monitoring and evaluation dimensions. More importantly, the curriculum development at all levels of education should be competency-based, with the aim of balancing quality scientific knowledge, ethical (moral) and spiritual (religious) growth of knowledge. Indeed, knowledge and ethical conduct are the key factors in human development strategy and the fulfillment of God's Mission for human beings on Earth (IDB 2006).[32]

The educational needs of countries are different and accordingly, the education sector strategy should be guided, among others, by these needs and aspire higher standards for the children to become responsible citizens in the future. For example, needs assessment for regional groupings of the IDB member countries suggest that: The main objective for countries that are currently off-track on achieving the EMDGs and the ambitious targets set in the "IDB 1440H Vision" could be to reach universal access by to first grade by 2014; universal primary education completion by 2020; and to increase the transition rate between primary and lower secondary education to 70% by 2020;

The overarching objective of the conflict-affected and fragile states that are off-track on achieving the EMDGs, could be to reach universal access to first grade by 2016, universal primary education completion by 2020, and a primary to lower secondary transition rate of at least 60% by 2020;[33]

The main objective of countries with potential to achieving the EMDGs but at risk could be to reach universal access to first grade by 2011, universal primary education completion by 2017, and enrolment ratio at lower secondary of at least 85% in 2016[34]; and

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32 This mission has been conferred on them by being made the *Khalifahs* or vicegerents of God on Earth "*I will create A vicegerent on earth…*" al-Qur'ān, 2:30).
33 Education development of these countries has been limited by past conflicts, which have led to destruction of schools, displacement of population, and fragile capacity.
34 These countries have a net primary education enrolment over 60% and a gross enrolment ratio over 80%. This means, theoretically, that with enhanced efficiency gains and quality improvements, they can increase the net enrolment ratio to about 80% (IDB 2009b).

The ultimate objective of countries at low risk in achieving the EMDGs and the goals of the 1440H Vision, could be to sustain efficiency gains and quality improvements in net enrolments at all levels of education.[35]

Lessons from good practice also suggest, among others, that in all these groups of countries, there is a need to strengthen education sector management and institutional capacity at school level, furthering decentralization where appropriate and promoting community and family involvement. Such measures may be taken as part of the education reform and its frequent reviews, with the view to facilitating access, reducing inequalities and improving the outcome of the education system. Although the major responsibility for ensuring that the population in member countries is educated rests mainly with those countries, IDB can make critical contribution in this strategic sectors, as discussed in the section to follow.

Another area of action for achieving the EMDGs and goals of the 1440H Vision is the promotion of access to, and use of, information communication technology (ICT) in education system at all levels to help schools and communities to share successful experiences and methods. Such a program can also support the development of center of excellence in modern sciences, mathematics and technology in order to create a critical mass of skills for the knowledge economy and advancing its culture.

Finally, member countries need to restore and then tap on the resources of the historical role of *Awqāf* and *Zakāh* institutions in the development of Islamic communities and nations, particularly in increasing access to education and health services[36]. Proceeds from *Awqāf* were also used to finance living expenses of students and teachers in schools. Another important source for facilitating the expansion of education in member countries is *Zakāh*. There is consensus among many scholars that proceeds from *Zakāh* could be spent on advancing knowledge

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35 In these countries, gross primary education is over 100%. I.e., they have the theoretical capacity to enroll all the primary school age children. There is also room for efficiency gains because the net enrolment rations vary among these countries.

36 Historically, *Awqāf* have contributed generously to the socio-economic development of Islamic communities. Apart from providing financial help for the needy and the poor, the *Awqāf* institutions were accredited with the spread mosques, books and Islamic education. For example, many of Islamic higher education institutions like Al-Azhar university in Egypt, Qarwiyin university in Morocco, Zaytoona in Tunisia, and many other centers of higher learning were financed by *Awqāf*. *Awqāf* were also the principal financiers of mosques and Islamic centers in many countries today, and were principal financier of Madrassas, libraries and Qur'ānic schools (Bashir 2004).

and education, as an important instrument of reducing poverty[37]. I.e., proceeds from *Awqāf* and *Zakāh* could be used, among others, to offset the direct and indirect costs of schooling, particularly for the poor, if governments raise their efficiencies through capacity building and training. In this regard, the IDB Group is undertaking an initiative to become the world's leading advisory and capacity building organization to facilitate the development of *Awqāf* and *Zakāt* sectors, building on previous and on-going initiatives in the sectors.

4. The Role of IDB Group

For over 30 years, IDB has emphasized the importance of investment in human development, in particular investments in education and health with the view to enhancing national capacity development efforts and to promoting greater access to better quality of education and basic health services. Indeed, the share of financing allocation to the social sectors relative to the overall financing activities have been increasing steadily over the past three decades: from an annual average of 11% during the late 1970s and early 1980s, to nearly 13% in the late 1980s, to 21% in the first half of the 1990s, to 24% in the late 1990s and exceeding 30% in the early 2000s (Salih 1999 and IDB Database 2009).

4.1. Strategic Response and Resurgence of Interest in Islamic Vision of Development

To further accelerate progress in this field, IDB Group recently launched its long term "1440 Vision" that guides its strategic development for the next decade and beyond. At least five of the key eight strategic thrusts identified in the Vision addressed the overarching goal of achieving comprehensive human development. As an Islamic Development Bank, IDB Vision is driven by a vision of development that is inspired by Islam. That is, the publication of the 1440H Vision and its translation into rolling strategic plans triggered, among others, renewed debate and resurgence of interest on the Islamic vision of development.

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37 Others also justified the use of *Zakāh* for advancing education based on the category "*fi sabuil illah*" or in the cause of Allah. For example, In Egypt, the *Zakāh* committees have built many religious institutes under the directions of the *Zakāh* payers and put these institute under the management and directorship of Al-Azhar. In Sudan, the *Zakāh* Fund regularly pays for the living expenses, scholarships and institution fees of poor students at various levels of education. Interested readers may refer to (Salih 1999 and Ahmed 2004) in further details on the role of *Awqāf* and *Zakāh* on prompting education.

The Islamic vision of development has its roots in religion (*din*) and is governed by divine law (Sharī'ah), ethics and morality (*akhlaq*). It is predicated upon the premise that human beings are created by God to fulfill a specific mission. The mission to realize the role of human person as servant to God (*Abdul Lilah*) and His vicegerent (*Khalifa*) on Earth. Development in Islam is centered on the development the human person to fulfill these two divinely ordained functions. In turn, the development goals of Islam are anchored in the concepts of human well-being (*falāḥ* and *sa'adah*) and the good life (*hayatun tayyibah*) in this world and hereafter[38]. Human well-being and the good life are to be attained through balanced satisfaction of both the material and spiritual needs of all human beings (Chapra 2007 and IDB 2006).

To make this balanced satisfaction possible for all humanity, Islam emphasizes a strong sense of human dignity, unity and socio-economic justice for all. The well-being of the people, which is the aim of religion and the objective of the Sharī'ah, will prevail when their faith, their life, their intellect, their posterity and their property are safeguarded, and when there is complete justice, mercy and wisdom pervading all areas of their public life. In fact, the objective of the Sharī'ah is to promote the well-being of the people, which lies in safeguarding *Maqasid al-Sharī'ah*, defined by Imam al-Ghazali (Chapra 2007). The five primary *maqasid* are the human self (*al-nafs*), the faith (*din*), intellect ('*aql*), posterity (*nasl*), and wealth (*māl*), upon which the Islamic vision of development evolves.

Moreover, development from the Islamic perspective is not for Muslims only, or for one race, or for one gender only. It is for all humanity. Similarly, justice in Islam is universal justice, and human dignity is for all. Concern for the poor, and assistance by the rich for the poor, is an important tenet of Islam. Hence, the importance of *Zakāh*, a system of divinely mandated alms that enjoins upon those who can afford to give a fixed portion of their wealth to the poor at least once a year.[39] That is, compassion and solidarity are valued religious virtues. Put together as outlined above, these principles are conceptually similar to the components and objectives of the human development model.

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38 *Falāḥ* and *sa'adah* also mean success, happiness, prosperity, or felicity, depending on the context upon which it appears (IDB 2006). The ultimate end and central element of human development in Islam is the attainment of happiness (*falāḥ*). At the highest level of happiness is a spiritual intellectual and ethical state of the soul (*sa'adah*). Happiness in this world and in the Hereafter can be attained when right knowledge is accompanied by ethical action.

39 Hence, also the various charities (*ṣadaqah*) and pious endowments (*Awqāf*) enjoined by Islam.

A healthy foundation for development of the people on the Islamic concept of development will prevail when people enjoy a decent standard of living, and when opportunities to advance and prosper are sufficiently available. In Islam, the fulfillment of human potentials is an important aspect of the good life (*hayatun tayyibah*). The foundation will be more robust when the population is healthy and well educated, women enjoy equal opportunities in institutions of learning and the workplace, and people participate effectively in government. It is to be noted that optimal and balanced human development requires right knowledge (*ilm*) and ethical action (*amal salih*).[40] Therefore, pursuit of knowledge such as in the sciences for economic and human development is obligatory in Islam, and is considered a form of worship of God.

The IDB Group intends to focus and establish leadership position in its member countries in supporting inclusive growth and comprehensive human development, which is considered both a means and end of development. Filtered through the prism of its 1440H Vision, the IDB Group strategy for comprehensive human development will focus on two pillars. The first short to medium term pillar of inclusive growth will target programs and activities that enable creation of employment and income-earning opportunities, improving access to markets, in areas where the majority of the youthful population live or work, and further support inclusive growth strategy through people-centered approach. This is to be augmented by facilitating removal of barriers in respective countries that impede access to these opportunities and facilities. The second medium to long-term pillar of human development includes education, health, capacity building, social protection and social/gender equity as the central elements in sustained growth, poverty reduction and an end-objective of sustainable development.

4.2. IDB Focus on Education

In education, the long-term objective is to achieve the targets of the 1440H Vision (including universalizing primary and secondary education by 2020) and the EMDGs (universal access to basic education by 2015), in line with the country objectives discussed in the preceding paragraph 26. Priority should be given to the access, as well as the quality, efficiency and relevance of education, with an increasing movement towards knowledge-based economies. A knowledge-based

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40 Right knowledge consists of both knowledge of the religion and knowledge for worldly advancement. It is a religious obligation for Muslims to fully immerse themselves in both forms of knowledge.

economy constitutes one of the main transformational objectives of the 1440H Vision. In addition, four leading initiatives and/or on-going programs are identified in the 1431H-1433H IDB Group strategy. These include bilingual education, vocational literacy, modernization of Qur'ānic schools and *Madrassas,* and ICT programs for education.

Bilingual education program will continue to be implemented in Sub-Saharan Africa and will cover the modernization of Qur'ānic schools and *Madrassas*, the primary and lower secondary as well as improvement of Arabic teaching at upper secondary and the universities in non-Arabic speaking countries in Africa. While the vocational literacy program is designed to help the poor by equipping them with the relevant functional literacy competencies and notional skills and by giving them access to microfinance schemes. Such a program will benefit out-of-school children, teenagers and young adults, and women working groups.[41] IDB intervention in science, mathematics and ICT program will be at upper secondary and tertiary education levels. This program will focus on teaching, learning and mastering of sciences, mathematics and ICT in order to create and sustain critical mass of skills for knowledge economy. The program will also support the development of centers of excellence in this field in member countries. I.e., IDB Group will focus more on the soft aspect of education in supporting education sector and its reform in member countries.

4.3   Potential Niches in Health

Based on the situation analysis and taking into account the presence of many development partners in health, including "vertical funds" with large amounts of grant money, the IDB Group interventions in the sector is selective and much focused than before. In this regard, IDB will concentrate on special niches where it has a comparative advantage and this is seen as being in preventive health care. In terms of disease prevention, especially primary prevention, the IDB can use its access to *Madrassas*, mosques and other unique Islamic institutions to work with religion and community leaders, Qur'ānic teachers, youth and women associations

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41 Focus and emphasis on IDB support of education may change, among others, the subsector distribution, in line with the targets set in the 1440H Vision. For example, primary/basic education is targeted to rise to 35% of total IDB group financing of education, compared with the current average of 24%; but 20% for upper secondary and territory education, compared with current average of 49%; high 25% for technical education and vocational training, compared with the current average of only 5%; 10% for science and technology and ICT; and the remaining 10% for others, including technical assistance, cooperation, Muslim communities, advisory services, etc. (IDB 2009b).

to promote health messages in local languages. These messages could use Islamic principles relating to public health such as "cleanliness as part of *Iman*" and the importance of breastfeeding, immunization, dental care, washing hands, as well as the dangers of smoking, and religious injunctions against habits that could damage both the body and soul.

In terms of alternative health financing, the IDB may play the Islamic solidarity chord to promote the development of such alternate schemes in order to facilitate access of underserved population to quality health services in member countries. For this purpose, non-conventional products could be promoted, in partnership with other stakeholders in this field. These include new health financing products, risk pooling for the poor, and improvements in health system, to be financed in part through *Awqāf*, *Zakāh* and *ṣadaqah*. Since the IDB Group cannot by itself meet all these needs, it can partner with those actively involved in the health sector, particularly Islamic philanthropists, private corporations, Islamic Relief Agencies, NGOs, other multilateral development banks and other specialized UN agencies (such as WHO, UNICEF, and Global Funds). That is, IDB initiatives with other partners in this sphere could include financing programs that help raise awareness as well as providing health education in needy high-risk communities, in line with the proposed tools.

5. Conclusion

Human development has become a popular phrase during the last three decades and continues to be used extensively by governments, non-governmental organizations, academicians, politicians and the media. However, the concept of human development is not new. It dates back to at least Aristotle and revolves around improving human development, i.e., the real wealth of nations. Behind the popularity of the concept and its measurement lies a wealth of intellectual contribution by development thinkers and eminent scholars, including at least one Nobel Prize winner in economics. The principal architect and advocate of the concept is the late Pakistani economist Mahbub ul Haq, particularly after the publication of the Human Development Report annually since 1990. These reports has created and developed four main composite human development indices to assess measurable dimensions of human development. These are the human development index (HDI), the human poverty index (HPI), the gender-related development index (GDI) and the gender empowerment measure (GEM).

The recent HDI suggests that more than a third of the IDB member countries are ranked in the low human development category and two-thirds of the least developed countries are IDB member countries. In fact, more than 40% of the

world's poor and one out three people are Muslims, while they account for only 20% of the world's population. To make the matter worse, the 56 member countries have less than 1% of scientists who generate barely 0.1% of the world's original research discoveries each year. It is, therefore, not surprising that the Muslim world lags behind in human development. Nevertheless, the Muslim world is endowed with tremendous collective wealth. These include human and non-human wealth, notably highest youthful population, abundant unutilized social, religious and cultural capital, lion's share of the natural resources (soil and subsoil), particularly the underground assets, plenty of untapped renewal energy sources, significant success stories in historical discoveries and some nascent development practices, and huge potential in human development arena.

   The potential of transforming the tremendous collective wealth of the Muslim world into comprehensive human development has been decided by the Heads of States at the Third Extraordinary Session of the Islamic Summit Conference in Makkah Al-Mukarramah, on December 2005 and delineated in the OIC Ten-Year Action Program. The stakeholders were further encouraged by the adopted comprehensive human development approach by the IDB Group in its long term Vision. Accordingly, some member countries are embracing the idea in their development strategies and plans. This trend is further encouraged by the worldwide acceptance and use of the composite human development indicators to monitor progress in achieving the Millennium Development Goals (MDGs). The composite index is originally adopted to measure human development and rank countries accordingly. On a positive note, 20% of the IDB member countries were ranked among the high human development category in 2006. The experience of these countries coupled with the success stories in some member countries encouraged other member countries in developing their comprehensive human development programs.

   Again, the growing worldwide influence of the alternative human development model on the current development debate has, among others, renewed interest on the concept of the Islamic vision of development, which is also centered on comprehensive human development as both means and end of development. Such interest, in turn, fosters confidence among the proponents of the Islamic vision of development, with the aim to enriching further the development debate. Despite the conceptual underpinning of the Islamic vision of development, this leaves a lot to be desired in operationalizing it. Nonetheless, there were attempts to develop education and health sector programs, from an Islamic perspective. These include modernizing Qur'ānic schools and *Madrassas*, curriculum development, using Islamic principles on public health such as "cleanliness as part of *Iman*", religious

injunctions against bad habits, and utilization of *Awqāf*, *Zakāh* and *ṣadaqah* to facilitate access by all to quality education and health services. However, these attempts remain fragmented and not necessarily drawn from a comprehensive human development strategy, thus reinforcing urgent needs to develop and operationalize all the components of human development strategy, from an Islamic vision of development perspective.

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Decision Making Tools for Resource Allocation Based on *Maqāṣid* Al- Sharīʿah

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Abstract

The major focus of past literature on Al-Maqāṣid was on developing the theory, and most of the discussion centered on its legal dimensions. The pioneering works emanated from scholars such as, Al-Juwayni (n.d), Al-Ghazali (1901), Al-Shatibi (n.d), Ibn 'Ashur (1998) and Ibn Taymiyyah (al-Raysuni, 1992). Recently, the application of Al-Maqāṣid in various disciplines including economics and finance has been gaining prominence. Among the leading economists who have written on the subject, to mention a few are Chapra (1985; 2004), Siddiqi (2000), Ahmad (2000), Atya (2003), Hasan (2004) and Al-Najjar (2008). Their works however, relate Al-Maqāṣid to the discipline of economics in a broad theoretical framework. Dusuki (2005) went a step further relating Al-Maqāṣid to Corporate Social Responsibility. Hameed et al. (2005) tried to develop what they termed as 'Islamicity Disclosure Index' to measure and compare the performances of two Islamic banks. A refined work by Mustafa et al. (2008) developed a quantitative performance measure for Islamic banking from the theory of Al-Maqāṣid. The present study is taking Al-Maqāṣid a step further. It develops a decision making tool based on Al-Maqāṣid al-Sharīʿah and their levels of Maṣlaḥah for the managers of firms to use in allocating their investible resources to vital sectors of the economy. The developed model can be extended to other decision making problems. Thus, this contribution opens a

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new direction of research: the analytic operationalization of Al-Maqāṣid al-Sharīʿah.

Key words: *Maqāṣid* al-Sharīʿah, decision making, weights, allocation of investible resources

1. Introduction

Decision making is essential for every individual, every firm and policy makers in a government. It is extremely important in the area of businesses and investments because right decisions made reflect positively on the efficiency of the business while wrong decisions can be great liabilities and can cost the survival of the business. In conventional economics, firms have to make the best choice among competing investible resources in order to maximize profit. Hence, due to scarcity and unlimited wants, firms are always faced with the decision making economic problems of what to produce, how to produce and for whom to produce. From the Islamic perspective, firms are also faced with the same decision making economic problems of what to produce, how to produce and for whom to produce, among others. However, there is a growing realization that it is no longer sufficient for firms from the perspective of Islamic economics and finance to address these economic problems only from the narrow unidimensional profit maximization objective. The Islamic firm's decision for allocating investible resources must ideally be guided by the objectives of the Shari'ah or *Al-Maqāṣid* al-Sharīʿah.

Past literature on *Al-Maqāṣid* focused on developing the theory, and most of the discussion centered on its legal dimensions. Some of these pioneering literature include works from scholars such as Al-Juwayni (n.d), Al-Ghazali (1901), Al-Shatibi (n.d), Ibn 'Ashur (1998) and Ibn Taymiyyah (al-Raysuni, 1992). Recently, the application of *Al-Maqāṣid* in various disciplines including economics and finance has been gaining prominence[1]. There are Muslim economists who see the need for revisiting the Islamic worldview to take a comprehensive approach to Islamic economics and finance based on *Maqāṣid* al-Sharīʿah. This approach incorporates the stakeholders interests plus the socio-economic dimensions into the objectives of Islamic economics and finance (Chapra, 1992).

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[1] See volumes 1-3 of the proceedings of International Conference on Islamic Jurisprudence and the Challenges of the 21st Century: *Maqāṣid* al-Sharīʿah and Its realization in Contemporary Societies, organized by Department of Fiqh and Uṣūl al Fiqh in collaboration with the International Institute of Muslim Unity, IIUM, 8-10 August 2006.

Therefore, several modern Muslim scholars have begun focusing their attention on the *Maqāṣid* approach to Islamic economics and finance. For example, Al-Najjar (2008) has analysed the legal perspective of *Al-Maqāṣid* al-Sharīʿah in the context of its contemporary economic application. Furthermore, there are some prominent economists including Chapra (1985; 2004), Siddiqi (2000), Hasan (2004) and Ahmad (2000) who have written on the subject. Their works however, relate *Al-Maqāṣid* to the discipline of economics in a broad theoretical framework. Dusuki (2005) went a step further relating *Al-Maqāṣid* to Corporate Social Responsibility. Hameed et al. (2005) tried to develop what they termed as 'Islamicity Disclosure Index' to measure and compare the performances of two Islamic banks. A refined work by Mustafa et al. (2008) developed a quantitative performance measure for Islamic banking from the theory of *Al-Maqāṣid*. The present study is taking *Al-Maqāṣid* a step further. Its main contribution lies in translating *Al-Maqāṣid* from the theoretical level down to the operational level. It develops a decision making tool based on *Al-Maqāṣid* al-Sharīʿah for the managers of firms to use in allocating their investible resources to vital sectors of the economy. Hence, the following are the saliant objectives of this paper:

1. Discuss the application of *Al-Maqāṣid* al-Sharīʿah in the areas of economics and finance
2. Discuss how the elements of *Al-Maqāṣid* al-Sharīʿah can be used as a decision making tool to prioritize the allocation of investible resources
3. Develop a model from the elements of *Maqāṣid* al-Sharīʿah as a decision making tool for prioritizing the allocation of investible resources
4. Illustrate the model developed in 3 by an example
5. Provide recommendations for further research

The paper is divided into five sections including the introductory section. The second section reviews the literature on the theory of *Al-Maqāṣid* al-Sharīʿah and its application in economics and finance. The third section discusses *Al-Maqāṣid* Al-Sharīʿah and decision making in investment. The fourth section presents a model as a decision making tool for prioritizing resource allocation based on *Al-Maqāṣid*. The developed model is illustrated by an example with hypothetical data. The final section concludes the study and makes suggestions for future research.

2. *Al-Maqāṣid* Al-Sharīʿah and their Applications

Muslim scholars have developed a theory known as *Maqāṣid* al-Sharīʿah (the Objectives of the Shari'ah). According to al-Raysuni (1992), the theory can be traced as far as the third century after Hijrah (9th Century A.D.). Nearly all the

scholars of *Al-Maqāṣid* are unanimous about the general objectives of al-Sharīʿah, which are to promote virtues (Jalb al-Masalih) and remove harm (Darʾ al-Mafasid) (Ibn ʿAshur, 1998). However, some of these scholars differ in their classification of the specific objectives although there are some similarities in them (al-Raysuni, 1992). Nevertheless, there is a general consensus that the primary objectives of the Shariʾah (*Al-Maqāṣid*) is to preserve the five essential elements, namely al-Din (religion), al-*Nafs* (life), al-ʿ*Aql* (intellect), al-*Nasl* (family institution) and *Al-Māl* (wealth). Al-Shatibi described these five elements (Al-Daruriyat al-Khams) as a universal concept (al-Raysuni, 1992). Meaning they extend at all times, in all aspects and are applicable to all people regardless of their religious, cultural and ideological affiliations.

The application of *Al-Maqāṣid* al-Sharīʿah has varied accross several disciplines. Many of the contemporary applications have been in the legal circle where *al-Maṣlaḥah* has been used by Sharīʿah Advisory Councils of many Islamic banks as the basis for issuing fatwas. Although the parameters for the application of *Maṣlaḥah* have been defined by several Sharīʿah bodies and academies (Bouheraoua, 2008), these applications have hardly been extended beyond the fatwa sessions. Whereas in economics and finance, several literuture on *Al-Maqāṣid* al-Sharīʿah is essentially theoretical in nature, for example (Chapra (1985; 2004), Siddiqi (2000), Hasan (2004) and Ahmad, (2000). Nevertheless, there are few studies that have tried to operationalize *Al-Maqāṣid* in the areas of economics and finance. For example, ʿAbdul Munʾim (1991) used the five elements of *Maqāṣid* and their three levels of *Maṣlaḥah*, discussed in Section 3, as a basis to develop a consumption model for Islamic economic system. ʿAbdul Munʾim included in the model the classification of goods and services, economic activities and the policy measures that could be adopted at the various levels to realize the *Maqāṣid* al-Sharīʿah. Although it is a commendable effort, the application of the model is generic in nature and is directed more towards the state intstitutions. Our model in the present study is an extension of the previous studies in the sense that it effectively operationalizes *Al-Maqāṣid* into a decision making tool that can be used by firms to allocate their investible resources. This work opens a new direction of research: the analytic operationalization of *Al-Maqāṣid* al-Sharīʿah.

3. *Al-Maqāṣid* Al-Sharīʿah and Decision Making in Investment

In conventional economics, nearly all the decision making theories such as the marginal productivity and the utility theories are directed towards the goal of profit maximization. In the Islamic theory, decision making is multidimensional. The firm's decision incorporates economic, social, political and behavioral

dimensions. The role of the firm is to preserve and promote the welfare of the society, the economy and the family institution. The five elements of *Al-Maqāṣid* constitute an adequate framework to achieve these objectives. Hence, for example, an investment in agriculture sector will directly contribute to the preservation of three elements, namely al-Din, al-*Nafs* and *Al-Māl*. In terms of al-Din, the sector will promote investment in Sharīʿah compliant industry thus promoting the cause of the religion as well, whereas the *Nafs* benefits from such investment in terms of fulfilling its basic needs and maintaining its health. Similarly, the objective of investment in the agriculture sector, like any investment, is to preserve and promote wealth in terms of profitability, economic growth, *Sadaqat*, etc..

Besides the five essential elements of *Al-Maqāṣid*, past Muslim scholars, notably al-Ghazali (1901), al-Shatibi (n.d) and Ibn ʿAshur (1998), also discussed the levels of *Al-Maqāṣid*, which they termed as *Maṣlaḥah* (public interest). These levels are three: Daruriyah (Necessity), Hajiyyah (Complement) and Tahsiniyyah (Embellishment). Necessity is an important level that is used to preserve the five essential elements. For example, to preserve life, the basic needs are required (food, housing, education, medication, etc). Complement is at a lower level than necessity. It includes all activities that facilitate the preservation of the five essential elements. For instance, while housing is a basic need, one needs facilities inside the house to make life comfortable. The last level of *Maṣlaḥah* is Embellishment. This level relates to activities that decorate life.

4. The Model

As stated in the introductory section, the third objective of this paper is to develop a model from the elements of *Al-Maqāṣid* al-Sharīʿah. The model can be used as a decision making tool for prioritizing the allocation of investible resources. The five elements of *Al-Maqāṣid* and the three levels of *Maṣlaḥah* form the theoretical components of the model. We shall thereafter denote our model by MSB Model (*Maqāṣid* al-Sharīʿah Based Model). This section presents the general steps and the operational steps of the MSB Model as follows:

4.1. General Steps

The following are the five general steps developed in the MSB Model:

1. Identifying the economic sectors and collecting real economic data related to them.

2. Evaluating the identified sectors based on the five *Maqāṣid* al-Sharīʿah Elements (criteria) by assigning weights to the three levels of *Maṣlaḥah* (sub-criteria).

3. Obtaining aggregate weights or global evaluation for each sector and each level of *Maṣlaḥah*.

4. Ranking the sectors according to the aggregate weights of the Dharurah level. In case of ties, use lower levels.

5. Allocating investible resources to the identified sectors using the agreggate weights.

4.2. *Operational Steps*

Assume that an Islamic institution has identified n sectors $A_1, A_2, \ldots, A_n$ in the economy in which to invest. The problem the institution faces is how to allocate the available resources to the n sectors. The institution can use the proposed step-by-step *Al-Maqāṣid* Al-Sharīʿah Based Model (MSB Model) for solving this problem. This sub-section presents the operational steps of the proposed MSB Model as follows:

Step 1. *Identifying the Sectors and Data Collection*

Assume that an Islamic firm has identified n sectors $A_1, A_2, \ldots, A_n$ and has collected real data about them. For simplicity of presentation, we will explain the Steps 2 and 3 for sector A_1 only.

Step 2. *Evaluating the Sectors*

The sectors identified in Step 1 above and their respective real economic data are presented to experts who are versed in economics, Islamic economics and Sharīʿah. The experts determine the status of the sectors. To simplify our analysis, say they determine the status of sector A_1 with respect to each of the five *Maqāṣid* Al-Sharīʿah: *Deen* (DN), *Nafs* (NF), ʿ*Aql* (AQ), *Nasl* (NS) and *Māl* (MA). In turn, they evaluate each of the Maqasad based on the three well known levels of *Maṣlaḥah*: Dharurah (D), Hajiyyah (H) and Tahsiniyyah (T). Thus, for each Maqsad, the experts assign three weights to the possible levels D, H and T based on the real data they were given earlier. The weights represent the degree of

strength of the three levels of the considered Maqsad with respect to the sector A_1.

The general steps used in the MSB Model from steps 1-5 are summarized in Figure 1 below:

Figure 1
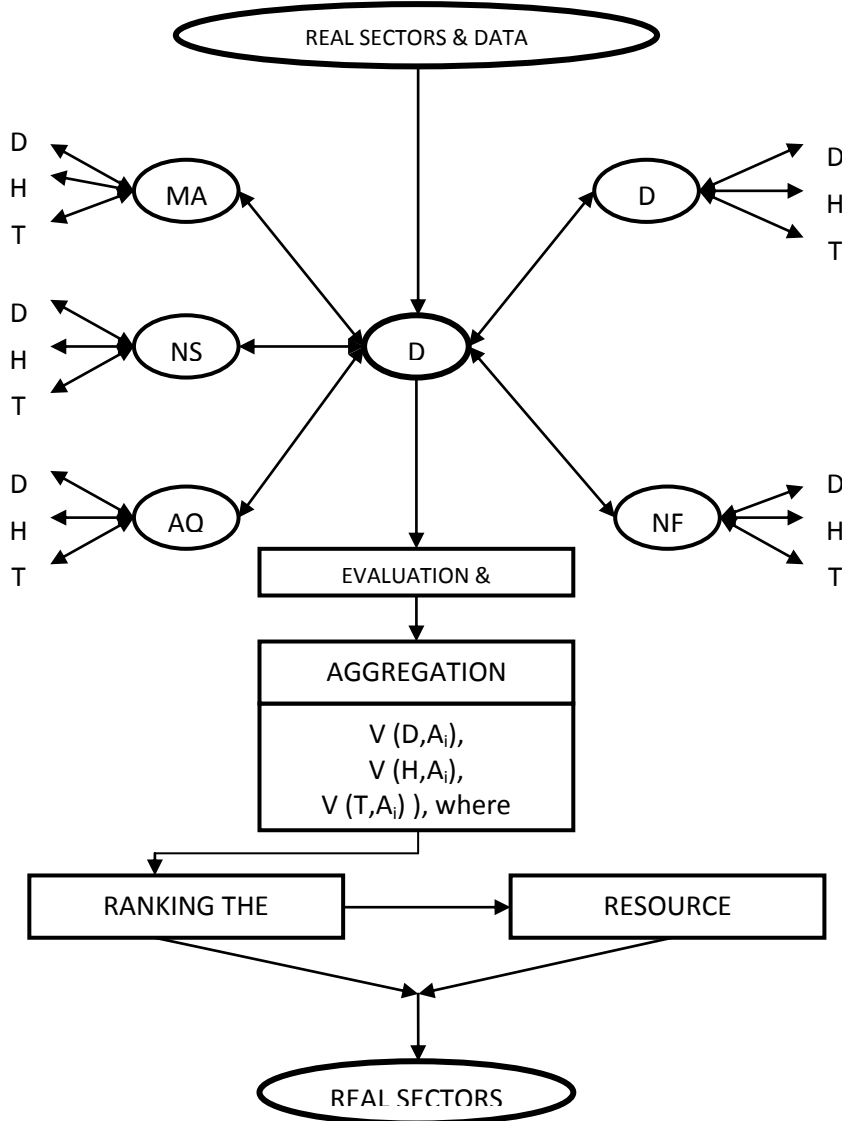
i) Consider the Maqsad DN, the experts assign the weights $\lambda_D^{DN}(A_1)$, $\lambda_H^{DN}(A_1)$ and $\lambda_T^{DN}(A_1)$ to the three levels D, H and T respectively. By definition, the three weights verify the following constraints:

$$\lambda_D^{DN}(A_1)+\lambda_H^{DN}(A_1)+\lambda_T^{DN}(A_1)=1,$$
$$\lambda_D^{DN}(A_1)\geq 0, \lambda_H^{DN}(A_1)\geq 0 \text{ and } \lambda_T^{DN}(A_1)\geq 0.$$

ii) Similarly for *Maqsad* NF, we get the weights $\lambda_D^{NF}(A_1)$, $\lambda_H^{NF}(A_1)$ and $\lambda_T^{NF}(A_1)$
$$\lambda_D^{NF}(A_1)+\lambda_H^{NF}(A_1)+\lambda_T^{NF}(A_1)=1,$$
$$\lambda_D^{NF}(A_1)\geq 0, \lambda_H^{NF}(A_1)\geq 0 \text{ and } \lambda_T^{NF}(A_1)\geq 0.$$

iii) For *Maqsad* AQ, we get the weights $\lambda_D^{AQ}(A_1)$, $\lambda_H^{AQ}(A_1)$ and $\lambda_T^{AQ}(A_1)$
$$\lambda_D^{AQ}(A_1)+\lambda_H^{AQ}(A_1)+\lambda_T^{AQ}(A_1)=1,$$
$$\lambda_D^{AQ}(A_1)\geq 0, \lambda_H^{AQ}(A_1)\geq 0 \text{ and } \lambda_T^{AQ}(A_1)\geq 0.$$

iv) For *Maqsad* NS, we get the weights $\lambda_D^{NS}(A_1)$, $\lambda_H^{NS}(A_1)$ and $\lambda_T^{NS}(A_1)$
$$\lambda_D^{NS}(A_1)+\lambda_H^{NS}(A_1)+\lambda_T^{NS}(A_1)=1,$$
$$\lambda_D^{NS}(A_1)\geq 0, \lambda_H^{NS}(A_1)\geq 0 \text{ and } \lambda_T^{NS}(A_1)\geq 0.$$

v) For *Maqsad* MA, we get the weights $\lambda_D^{MA}(A_1)$, $\lambda_H^{MA}(A_1)$ and $\lambda_T^{MA}(A_1)$
$$\lambda_D^{MA}(A_1)+\lambda_H^{MA}(A_1)+\lambda_T^{MA}(A_1)=1,$$
$$\lambda_D^{MA}(A_1)\geq 0, \lambda_H^{MA}(A_1)\geq 0 \text{ and } \lambda_T^{MA}(A_1)\geq 0$$

Step 3. *Aggregating the Weights*

In the third operational step, we compute a global or aggregate evaluation of the sector A_1 with respect to each of the three levels D, H and T, based on their weights with respect to all the *Maqāṣid*. We define the evaluation as follows:

Agreggate evaluation with respect to the level D,
$$\text{V(D, } A_1)=\lambda_D^{DN}(A_1)+\lambda_D^{NF}(A_1)+\lambda_D^{AQ}(A_1)+\lambda_D^{NS}(A_1)+\lambda_D^{MA}(A_1).$$

That is, we sum up all weights related to the level D through the five *Maqāṣid*

Agreggate evaluation with respect to the level H,

$$V(H, A_1) = \lambda_H^{DN}(A_1) + \lambda_H^{NF}(A_1) + \lambda_H^{AQ}(A_1) + \lambda_H^{NS}(A_1) + \lambda_H^{MA}(A_1).$$

That is, we sum up all weights related to the level H through the five *Maqāṣid*

Agreggate evaluation with respect to the level T,

$$V(T, A_1) = \lambda_T^{DN}(A_1) + \lambda_T^{NF}(A_1) + \lambda_T^{AQ}(A_1) + \lambda_T^{NS}(A_1) + \lambda_T^{MA}(A_1).$$

That is, we sum up all weights related to the level T through the five *Maqāṣid*.

We perform the Steps 2-3 for each of the remaining sectors $A_2, ..., A_n$. Thus, we obtain three global evaluations for each sector.

The operational Steps 2-3 for sector (A1) are summarized in Table 1 below:

Table 1
Weight Aggregation for Sector (A₁)

Level of Maṣlaḥah	Maqāṣid					Aggregate Weight
	Al-Din (DN)	Al-Nafs (NS)	al-ʿAql (AQ)	al-Nasl (NS)	Al-Māl (MA)	
Darurah (D)	λ_D^{DN}	λ_D^{NF}	λ_D^{AQ}	λ_D^{NS}	λ_D^{MA}	V (D, A₁)
Hajiyyah (H)	λ_H^{DN}	λ_H^{NF}	λ_H^{AQ}	λ_H^{NS}	λ_H^{MA}	V (H, A₁)
Tahsiniyah (T)	λ_T^{DN}	λ_T^{NF}	λ_T^{AQ}	λ_T^{NS}	λ_T^{MA}	V (T, A₁)
TOTAL	1	1	1	1	1	

Where,

λ_D^{DN} = the weight for the *Maqṣad* of *al-Din* at the level of Darurah in Sector (A₁),

λ_H^{DN} = the weight for the *Maqṣad* of *al-Din* at the level of Hajiyyah in Sector (A₁),

λ_T^{DN} = the weight for the *Maqṣad* of *al-Din* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{NF} = the weight for the *Maqṣad* of *al-Nafs* at the level of Darurah in Sector (A₁),

λ_H^{NF} = the weight for the *Maqṣad* of al-*Nafs* at the level of Hajiyyah in Sector (A₁),

λ_T^{NF} = the weight for the *Maqṣad* of al-*Nafs* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{AQ} = the weight for the *Maqṣad* of al-ʿ*Aql* at the level of Darurah in Sector (A₁),

λ_H^{AQ} = the weight for the *Maqṣad* of al-ʿ*Aql* at the level of Hajiyyah in Sector (A₁),

λ_T^{AQ} = the weight for the *Maqṣad* of al-ʿ*Aql* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{NS} = the weight for the *Maqṣad* of al-*Nasl* at the level of Darurah in Sector (A₁),

λ_H^{NS} = the weight for the *Maqṣad* of al-*Nasl* at the level of Hajiyyah in Sector (A₁),

λ_T^{NS} = the weight for the *Maqṣad* of al-*Nasl* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{MA} = the weight for the *Maqṣad* of *Al-Māl* at the level of Darurah in Sector (A₁),

λ_H^{MA} = the weight for the *Maqṣad* of *Al-Māl* at the level of Hajiyyah in Sector (A₁),

λ_T^{MA} = the weight for the *Maqṣad* of *Al-Māl* at the level of Tahsiniyyah in Sector (A₁),

V (D, A₁)= the aggregate weight of the level of Darurah for the five *Maqāṣid* in Sector (A₁),

V (H, A₁)= the aggregate weight of the level of Hajiyyah for the five *Maqāṣid* in Sector (A₁),

V (T, A₁)= the aggregate weight of the level of Tahsiniyyah for the five *Maqāṣid* in Sector (A₁).

Similar evaluations can be computed for the remaining sectors A₂,...., Aₙ.

Step 4. *Ranking the Sectors*

In order to rank the sectors according to their level of necessity, we use the following rule:

Rank the sectors according to the level D via the values
$V(D, A_1), V(D, A_2), ..., V(D, A_n)$.

The first being the one with highest value and the last being the one with the lowest value.

In case of a tie between two values (two V(D, .)s), one can use the second level, H, of evaluations of sectors
$V(H, A_1), V(H, A_2), ..., V(H, A_n)$
in order to discriminate between the tied sectors by comparing the corresponding values.

In case some ties remain, the decision makers can use the lowest level T of evaluations

$V(T, A_1), V(T, A_2), ..., V(T, A_n)$
to discriminate between the tied sectors by comparing the corresponding values.

In case some ties remain, we conclude that the decision maker is indifferent with respect to the tied sectors. He may introduce some new criteria for further discrimination or rank the tied sector by an arbitrarily chosen order.

Step 5. *Allocation of Investible Resources*

In case the decision maker wants to make a budget allocation that is consistent with the ranking provided by steps 1-4, he/she can proceed as follows:

Let us denote by $P(A_i)$ the percentage of the budget allocated to sector A_i, then we define $P(A_i)$ by

$$P(A_i) = \frac{V(D, A_i)}{\sum_{j=1}^{n} V(D, A_j)} \times 100.$$

Thus the allocation of the Budget among the n sectors will be $P(A_i)$, $P(A_2)$, …, $P(A_n)$.

Remark 4.1.

Other agreggation methods can be used in the agreggation Step 3, for example, instead of the sum of the weights, the decision makers can take the minimum of the weights

$$V(D, A_1) = Min\{ \lambda_D^{DN}(A_1), \lambda_D^{NF}(A_1), \lambda_D^{AQ}(A_1), \lambda_D^{NS}(A_1), \lambda_D^{MA}(A_1) \},$$

the other agreggate weights can be computed similarly.

4.3. Application of the MSB Model

   In this section, we provide an illustrative example for the application of the MSB Model using real data from one of the OIC countries, namely Sudan.

   Assuming there is an institution, say X in Sudan. Institution X has decided to rank and allocate investible resources to the vital sectors of the Sudanese economy. Institution X to allocate its investible resources among the competing alternatives (sectors) based on *Al-Maqāṣid* al-Sharīʿah. Suppose institution X decides to use the MSB Model as a decision making tool to solve the resource allocation problem in hand. Then institution X would follow the Model's 5 operational steps.   In

operational step 1, we have identified on behalf of Institution X three vital sectors, namely agriculture, education and health care in the economy of Sudan and we managed to collect real economic data related to the three sectors. The data indicate that: 1) In agriculture, although the calories intake of the Sudanese population witnessed an increase from 1960 in 1999 to 2270 in 2005, 22% of its population remain undernourished (FAO, 2010), 2) In the education sector, according to the World Education Indicators (WEI, 2010) only 69.3 percent of the Sudanese population are literate and 3) The WHO international standard requires one doctor per 1500 population. In Sudan, the data in the healthcare sector shows the ratio of doctor to population as 22.6 for 100,000 population, meaning 1:4500.

In fulfilling steps 2-3, We presented the real data for these three sectors mentioned above to five expert who are versed in Sharīʿah, economics and finance to evaluate the three sectors in relation to the three levels of *Maṣlaḥah* and the five *Maqāṣid* (essential elements) and to assign weights accordingly. All the five experts hold doctoral degrees, 80% of have at least 10 publications in the related field to their credit and 70% of them are Sharīʿah advisors to Islamic banks. This brief profile shows that the choice of the five experts are valid. The weights they have assigned and the global or aggregate weights of the *Maṣlaḥah* levels of the three sectors, individually, are presented in the following Table 2 below:

Table 2
Weight Aggregation for the Agriculture Sector (A₁)

Level of Maṣlaḥah	Maqāṣid (Average Weights)					Aggregate Weight
	Al-Din (DN)	Al-Nafs (NS)	al-ʿAql (AQ)	al-Nasl (NS)	Al-Māl (MA)	
Darurah (D)	0.57	0.64	0.5	0.53	0.46	**0.54**
Hajiyyah (H)	0.32	0.24	0.33	0.3	0.36	**0.31**
Tahsiniyah (T)	0.11	0.12	0.17	0.17	0.18	**0.15**
TOTAL	1	1	1	1	1	1

Where, for Agriculture (Sector A₁):

$\lambda_D^{DN} = 0.57$ the weight for the *Maqṣad* of *al-Din* at the level of Darurah in Sector (A₁),

$\lambda_H^{DN} = 0.32$, the weight for the *Maqṣad* of *al-Din* at the level of Hajiyyah in Sector (A₁),

λ_T^{DN} =0.11, the weight for the *Maqṣad* of *al-Din* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{NF} =0.64, the weight for the *Maqṣad* of al-*Nafs* at the level of Darurah in Sector (A₁),

λ_H^{NF} =0.24, the weight for the *Maqṣad* of al-*Nafs* at the level of Hajiyyah in Sector (A₁),

λ_T^{NF} =0.12, the weight for the *Maqṣad* of al-*Nafs* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{AQ} =0.5, the weight for the *Maqṣad* of al-ʿ*Aql* at the level of Darurah in Sector (A₁),

λ_H^{AQ} =0.33, the weight for the *Maqṣad* of al-ʿ*Aql* at the level of Hajiyyah in Sector (A₁),

λ_T^{AQ} =0.17, the weight for the *Maqṣad* of al-ʿ*Aql* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{NS} =0.53, the weight for the *Maqṣad* of al-*Nasl* at the level of Darurah in Sector (A₁),

λ_H^{NS} =0.3, the weight for the *Maqṣad* of al-*Nasl* at the level of Hajiyyah in Sector (A₁),

λ_T^{NS} =0.17, the weight for the *Maqṣad* of al-*Nasl* at the level of Tahsiniyyah in Sector (A₁),

λ_D^{MA} = 0.46, the weight for the *Maqṣad* of *Al-Māl* at the level of Darurah in Sector (A₁),

λ_H^{MA} = 0.36, the weight for the *Maqṣad* of *Al-Māl* at the level of Hajiyyah in Sector (A₁),

λ_T^{MA} =0.18, the weight for the *Maqṣad* of *Al-Māl* at the level of Tahsiniyyah in Sector (A₁).

Darurah (D) aggregate weight for Agriculture Sector (A₁)

V (D, A₁)= $\lambda_D^{DN} + \lambda_D^{NF} + \lambda_D^{AQ} + \lambda_D^{NS} + \lambda_D^{MA}$ = 0.57+0.64+0.5+0.53+0.46 = **0.54**, is the aggregate weight of the level of Darurah for the Agriculture Sector (A₁) with respect to the five *Maqāṣid*. It is the sum of the entries of the row corresponding to the *Maṣlaḥah* level Al-Darurah (D) in the Table 2.

Hajiyyah (H) aggregate weight for Agriculture Sector (A₁)

V (H, A₁)= $\lambda_H^{DN}(A_1)+ \lambda_H^{NF}(A_1)+ \lambda_H^{AQ}(A_1)+ \lambda_H^{NS}(A_1)+ \lambda_H^{MA}(A_1)$

= 0.32+0.24+0.33+0.3+0.36 = **0.31**, is the aggregate weight of Hajiyyah level for the Agriculture Sector (A_1) with respect to the five *Maqāṣid*. It is the sum of the entries of the row corresponding to the Hjiyyah (H) level in Table 2.

Tahsiniyyah (T) aggregate weight for Agriculture Sector (A_1)

$$V (T, A_1)= \lambda_T^{DN} (A_1)+ \lambda_T^{NF} (A_1)+ \lambda_T^{AQ} (A_1)+ \lambda_T^{NS} (A_1)+ \lambda_T^{MA}(A_1)$$

= 0.11+0.12+0.17+0.17+0.18 = **0.15**, is the aggregate weight of Tahsiniyyah level for the Agriculture Sector (A_1) with respect to the five *Maqāṣid*. It is the sum of the entries of the row corresponding to the Tahsiniyyah (T) level in Table 2.

Similar explanations and computations apply to the Education Sector (A2) and the Construction Sector (A3) in the two tables below.

- For the Eduction sector (A2), the computations are shown in Tables 3. The agreggate weights for this sector, V (D, A_2) , V (H, A_2) and V (T, A_2) , are shown in the last column of the Table 3 as 0.56, 0.27 and 0.17 respectively.
- For the health care Sector (A3), the computations are shown in Table 4. The agreggate weights for this sector, V (D, A_3), V (H, A_3) and V (T, A_3) , are shown in the last column of Table 4 as 3.7, 1 and 0.3 respectively.

Table 3
Weight Aggregation for the Education Sector (A_2)

Level of Maṣlaḥah	*Maqāṣid*					Aggregate Weight
	Al-Din (DN)	Al-*Nafs* (NS)	al-ʿAql (AQ)	al-Nasl (NS)	Al-Māl (MA)	
Darurah (D)	0.65	0.48	0.59	0.52	0.54	**0.56**
Hajiyyah (H)	0.27	0.24	0.26	0.32	0.27	**0.27**
Tahsiniyah (T)	0.08	0.28	0.15	0.16	0.19	**0.17**
TOTAL	1	1	1	1	1	**1**

Table 4
Weight Aggregation for the Health Care Sector (A₃)

Level of Maṣlaḥah	Maqāṣid					Aggregate Weight
	Al-Din (DN)	Al-*Nafs* (NS)	al-ʿAql (AQ)	al-Nasl (NS)	Al-Māl (MA)	
Al-Darurah (D)	0.6	0.8	0.4	0.7	0.45	**0.59**
Al-Hajiyyah (H)	0.26	0.22	0.28	0.26	0.31	**0.27**
Al-Tahsiniyah (T)	0.15	0.09	0.24	0.1	0.24	**0.14**
TOTAL	1	1	1	1	1	**1**

According to Step 4, we rank the sectors based on the *Maṣlaḥah* level of Darurah. We have

$V(D,A_1) = 0.54$ for agriculture sector, $V(D,A_2) = 0.56$ for education Sector and $V(D,A_3) = 0.59$ for health care sector. We have
$V(D,A_1) = 0.54 < V(D,A_2) = 0.56 < V(D,A_3) = 0.59$

Thus, the ranking is : Health Care Sector comes first, then Education Sector and the last is Agriculture Sector. The decision makers can stop at this step, then allocate the resources as they want. In case, the decision makers want to allocate the resources based on the agreggate weights found in Step 4, then Step 5 can be implemented as follows.

Assume an amount Z is available, then Z has to be allocated as follows:

For Agriculture Sector (A1)
$$P\ (A_1) = \frac{V(D,A_1)}{\sum_{j=1}^{n} V(D,A_j)} \times 100 = \frac{0.54}{0.54+0.56+0.59} \times 100 = \frac{0.54}{1.69} \times 100 = 32\%$$ of the available amount of Z.

For the Education Sector (A2)
$$P(A_2) = \frac{V(D,A_2)}{\sum_{j=1}^{n} V(D,A_j)} \times 100 = \frac{0.56}{0.54+0.56+0.59} \times 100 = \frac{0.56}{1.69} \times 100 = 33\ \%$$ of the available amount Z.

For the Health Care Sector (A3)

$P(A_3)=\dfrac{V(D,A_3)}{\sum_{j=1}^{n}V(D,A_j)} \times 100 = \dfrac{0.59}{0.54+0.56+0.59} \times 100 = \dfrac{0.59}{1.69} \times 100 = 35\%$ of the

available amount Z.

Remark 4.2.

The allocation of resources by the MSB model reflects *Al-Maqāṣid* al-Sharīʿah based priorities among the sectors. From the example, it is clear that the MSB model is easy to understand and to implement. Moreover, it can be extended to similar decision making problem.

5. Conclusion

In this paper, we have presented a decision making tool based on the essential elements of *Al-Maqāṣid* al-Sharīʿah and their levels of *Maṣlaḥah* for Islamic firms to use in allocating investible resources, the MSB model. The main features of MSB are simplicity and comprehensiveness. It is simple in the sense that it can be understood and easily implemented by decision makers, whereas its comprehensiveness lies in the fact that the decision process encompasses socio-economic dimensions. Moreover, in using the MSB model, the decision making process would be more Shari'ah compliant than using conventional models. The presented model can be extended and applied to other decision making problems. We hope that this paper will trigger the interest of scholars and researchers for exploring this new direction of research: the analytic operationalization of *Maqāṣid* al-Sharīʿah.

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Introducing an Islamic Human Development Index (I-HDI) to Measure Development in OIC Countries

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Abstract

Human development and welfare of human being has a pivotal place in Islamic development concept. Majority of Islamic scholars come to the conclusion that the objective of the Sharīʿah (Maqāṣid al-Sharīʿah) is to promote well-being of all mankind, which lies in safeguarding faith, their human self, their intellect, their posterity and their wealth. Consequently, the human development in Islamic perspective must be based on Maqāṣid al-Sharīʿah.

The existing Human Development Index (HDI) published by UNDP might be the most comprehensive indicator, but is not fully compatible and sufficient for measuring human development in Islamic perspective. The underlying theory and concept to develop HDI is not based on Maqāṣid al-Sharīʿah. Measuring human development level of Muslim *countries would be more appropriate by using a specific Islamic Human Development Index (IHDI). This paper is aimed to (i) construct a new measurement of human development under Islamic perspective, and then (ii) simulate this index to measure human development level in OIC countries*

The findings show that the rank composition between I-HDI and HDI is slightly different. On one hand, a number of countries enjoy a better rank in I-HDI compared with HDI. On the other hand, several countries suffer a marked deterioration of rank. The high score group in I-HDI is still

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dominated mostly by Middle East Countries and the bottom line is still dominated by African Countries. In general, the contribution of material welfare index (MWI) in the whole I-HDI is superior which indicate the importance of material resources.

Keywords: economic development, welfare, *maqāṣid* Sharīʿah, human development

1. Introduction

Islamic perspective on economic development is unique and original which is totally different from the conventional views, specifically in its fundamental base. The objective of economic development in Islamic perspective is to achieve a comprehensive and holistic welfare both in the world and the hereafter (*akheerah*). It is called *falāḥ.* Based on this objective and other characteristics of Islamic economic development, the conventional indicator of economic development is insufficient to measure the level of economic development in Muslim countries. This paper is aim to propose a new model for measuring economic development in Islamic perspective which is called Islamic Human Development Index (I-HDI), and then simulate it to the case of OICs members. This I-HDI is considered within the framework of the *Maqāṣid* al-Sharīʿah, which is basically concerned with the promotion of human wellbeing through the preservation of self, wealth, posterity intellect and faith

I-HDI is composite index of several indicators derived from five basic needs within the framework of *maqāṣid* Sharīʿah. Given the multidimensional and complex feature of development in Islam, it is difficult to feature non-quantifiable variables like freedom, religiosity and family values in a more adequate measure of human development. Nevertheless, the I-HDI combines both quantitative variables and variables expressing perceptions. It mixes different types of indicators: input and output, stock and flow, single and composite. Admittedly difficult, but this is indeed the nature of the phenomenon for which the study is aiming to provide a measurable proxy. After all, development is a complex thing.

The first part of this paper discuss the concept of economic development and its measurement in the conventional economic, in then followed by the same theme in the Islamic Economic. The methodology to construct I-HDI is demonstrated in the third part of this paper, and then the implementation I-HDI to measure the level of

development in OICs will be the following part. Finally, this paper will be closed with conclusion and suggestion.

2. The Evolution of Development Measures: Transition
from Single to Composite Index

Toward a more comprehensive definitions of economic development

The world has been witnessing the evolution of the development measures since three decades ago following the profound change in the perception and definition of development itself. Indeed, the concept of development has been become a complicated and unconcluded discussion in secular economics. It is easier to say what development is not than to spell out what really is (Meier, pp. 5-6). In general, however, a simple and strict definition of development has been modified by a more comprehensive, multidimensional and flexible definitions.

Prior to the 1970's, economic development was by and large evaluated in terms of the gross national product [GNP] and per capita income, which stood alone as the ultimate standard of national progress and prosperity. According to this approach, development means 'the capacity of a national economy, to generate and sustain an annual increase in its gross national product [GNP] at rates of perhaps 5% to 7% or more' [Todaro1997]. Implicit in this analysis is the notion of utility and its positive relationship with income. However, given the difficulty of quantifying utility, expediency and practicality dictated a shift from the foundational concern with utility to a practical involvement with income statistics and evaluations based on it. Hence, the dominance of GNP and per capita-income as indicators of economic development, particularly during 1970s after which some alternative approaches also emerged.

Following above approach, economic growth and the growth rate of per capita GNP became the main focus and goal of development. The problems of poverty and inequality were ignored, with a tacit assumption that when per capita GNP raises everyone becomes better off. Evidence to the contrary was dismissed with assurances that the benefits of economic development would, invariably 'trickle down' to all. Kuznets (1955) stated his hypothesis whereby income distribution tends to deteriorate in the initial stages of development but improves in the final stages.

It is generally easier to reach consensus about the need to maintain a high growth rate, than about maintaining a good distribution. The 'trickle down' process

was in a big question. Many developing countries though realized their economic growth targets but the living conditions of the masses of people remained for the most part unchanged. As such, during the 1970s substantial work appeared on development as 'growth with equity' or 'redistribution from growth'. This differed from the earlier views in significant ways, especially in bringing to the fore the issues of deterioration in the relative income position of the poor, growth of unemployment, and increase in the number of impoverished, etc. Alesina and Rodrick (1994) or Persson and Tabellini (1994) argued that an unequal income distribution sets in motion social and political forces that push for capital taxation with the aim of effecting redistribution or social spending but with negative consequences for investment and growth; in other words, an unequal distribution tends to retard growth.

For other authors [see Solimano (2000), Deininger and Olinto (2000)] a bad income distribution tends to generate social conflicts that may destabilize institutions reducing consumption, investment, and growth; the implication is that a bad income distribution is not sustainable. Barro (1999) found that the empirical relationship depends on the level of income. Higher income inequality retards growth in poor countries but not in rich countries.

Consequently, a new view of development emerged. International organizations now recognize that human development goes beyond economic growth and is a multidimensional phenomenon covering all aspects of well-being. This partly dates from Sen's work on social justice and inequalities (Sen, 1985, 1992), which inspired a new concept of development. Later, Sen's capability approach contributed to the design of the UNDP Human Development Index (HDI) in 1990, which was intended as a more comprehensive indicator than per capita income for comparing the well-being of countries. Todaro aptly puts in the following words:

'Development must therefore be conceived of as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Development in its essence, must represent the whole gamut of change by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory toward a situation or condition of life regarded as materially and spiritually better' [Todaro 1997, p.16].

Measuring development: from single to composite indexes

Following the changes in perception and definition of development, the measurement of development was also change. The traditional single indicator such as economic growth or GNP percapita has been perceived as insufficient to measure economic development performance. Attempts has been made in the 1970s to construct socio-economic indicators as an alternative to GDP per capita, which was criticized as capturing neither distributional aspects nor social and human welfare dimensions (Desai, 1991). There have since been numerous efforts to create other composite indicators that could serve as complements or alternatives to the traditional measure. A number of economists expounded the incorporation of social indicators as alternative measures of development.

Adelman and Morris 1967 conducted an early major study that sought to measure development in terms of a pattern of interaction among social, economic, and political factors. Another study, carried out in 1970 by the United Nations Research Institute on Social Development Geneva [UNRISD] as concerned with the selection of the most appropriate indicators of development and an analysis of the relationship between these indicators at different levels of development. The result was a construction of a composite social development index with nine economic and nine social characteristics (McGranahan 1972; Hicks and Streeten 1979).

A major effort in this direction was the development of a composite 'Physical Quality of Life Index' [PQLI]. This index was based on a country's life expectancy, infant mortality rate, and literacy rate [Morris 1979]. Later attempts to construct a measure of social welfare include Camp and Speidel's (1987) International Human Suffering Index, which combined ten measures including income, infant mortality, nutrition, adult literacy, and personal freedom (Srinivasan 1994). Also Slottje's (1991) study of 130 countries, which appears to have been written before the release of the HDR 1990, drew on the capabilities approach by constructing a composite of 20 indicators, arguing that Morris' three components were insufficient to capture the quality of life.

In 1990 the United Nations Development Programme (UNDP) began regular publication of several indices in its annual Human Development Report. The first of these indices, and probably the most popular, is the Human Development Index, HDI. It combines three components or dimensions equally weighted: GDP per capita, life expectancy and a measure of the level of literacy. The HDRs have since featured the construction and refinement over time of the HDI. The new human

development approach seeks to 'put people back at the centre of development' [HDR 1995, p.11]. The HDI is basically devised as a way of indicating the degree of achievement of the goals of this approach. It is a summary, not a comprehensive measure of human development and the search for further methodological and data refinements to the HDI continues [HDR 2001].

The HDI has, however, not escaped criticism. Some criticisms of the HDI can be found in McGillivray (1991) who early on questioned both the composition and the usefulness of the HDI as a development indicator or as a measure for intercountry comparisons. A suggestion to complement the HDI with distributional aspects was put forth by Hicks (1997), involving the Gini coefficients in the calculation of the HDI, not only for income per capita, but also for the other two dimensions, educational attainment and longevity. Streeten (2000) questions not only the arbitrariness of weights of the three components, but also what is included and what is excluded. Others contend that the HDI reflects its aims imperfectly and does not capture the rich content of the human development concept, leaving out other important aspects such as freedom and human rights, autonomy and self reliance, independence and sense of community, environmental concerns, etc. [See, for example, Fergany 2002, Dasgupta 1995, Noorbakhsh, 1998]

In response to criticism in the sense that the three dimensions chosen for the HDI were incomplete and could leave out many important variables, or did not cover them inadequately, UNDP began publishing alongside the HDI a variety of indices, some with possible overlaps; for example, the Human Poverty Index (HPI-1 and HPI-2), Gender Development Index, Gender Empowerment, etc. Unfortunately, though these indices complement the HDI's explanatory power, they have not been widely used [Kovacevic, 2011].

The improvement of development measures has never been stop until nowadays, either improving the existing measures or developing new measures. Some recent attempts tried to adjust the existing HDI to some more specific aspects, including, inequality (Alkire and Fosterr, 2010), environment and sustainability (Neumeyer, 2001), moral (Dar and Otiti, 2002) health (Engineer, et.al, 2009), and family (Bagolin, 2008). Berenger and Verdier Chouchane (2007) has proposed a different multidimensional index, though they still used Sen's capability approach as well as HDI. Among these attempts, Islamic perspective on development seems still attract little attention to be used as a foundation to develop a specific index to measure development in Muslim countries

3. Islamic Perspective on Economic Development

Islamic perspective on economic development must be based on the holistic view of Islamic teaching itself. Human development and welfare of human being has a pivotal place in the whole Islamic teaching. The Holy Qurʾān and the *Sunnah* reveal an overriding interest in the overall welfare of mankind (e.g. Qurʾān, 2:201), and so unanimous Islamic scholars come to the conclusion that the objective of the Sharīʿah (*Maqāṣid* al-Sharīʿah) is to promote well-being of all mankind and relief from hardships. In defining *Maqāṣid* al-Sharīʿah, Chapra 2000 quotes the medieval Islamic philosopher, Ghazali (d.505/111) as follows:

> ʿThe objective of the Sharīʿah is to promote the well-being of all mankind, which lies in safeguarding their faith, their human self, their intellect, their posterity and their wealth. Whatever ensures the safeguard of these five serves public interest and is desirableʾ [p.118].

Development or economic development then should be consistent with this central objective of the Sharīʿah. The enrichment of faith *(ad din)*, human self (*an nafs*), intellect *(al ʿaql)*, posterity (*an nasl*) and wealth (*al māl*) should become the main focus of all human endeavors and development. The fulfilling of these five basic needs will be the condition for achieving welfare and happy living in the world and hereafter which is called *falāḥ*. The welfare in the worldly life is temporary meanwhile the welfare in the hereafter is eternal and permanent (Qurʾān, 87:16-17, 9:38), so *falāḥ* is a comprehensive and holistic concept of human welfare ((Qurʾān, 2: 201, 28:77).

Thus, in keeping with the *Maqāṣid* al Sharīʿah, Hasan (1995, 2006) stated that the Islamic concept of development centers around two broad aspects of life, the material and moral. Islam recognizes two types of wants for man: (i) the mundane, that is, for consumption of material things and therefore also for facilities of producing them in abundance, and (ii) spiritual, that is, the moral, ethical and social aspect of life. This permits full and free expression to the humanistic urge to choose ideals-moral, ethical, and social-and to work for achieving them, to create not only what nature does not provide but beauty in the widest sense of the world, and cultivate love expressed in willingness to make sacrifices of highest order. Those two types of wants may look conflicting, but they are basically interrelated and interact in unity for human existence.

In line with above definition, but using different expression, Sadeq (2006)

defines Islamic economic development as a balanced and sustained improvement in the material and non-material well-being of man. He depicts development as multidimensional process that involves improvement of welfare through advancement, reorganization and reorientation of the entire economic and social systems, and through spiritual uplift, in accordance with Islamic teachings. Three key words are found in this definition: balance, sustain, and multidimensional. The composite life of human beings is a complete whole, Islam desires welfare of this composite life.

Ahmad (2006) underlines the philosophical underpinnings of Islamic approach to development are: (i) *Tawḥīd*, (ii) *Rububiyyah*, (iii) *Khilāfah*, (iv) *Tazkiyah*. Based on this approach, the economic development will have a comprehensive character and includes moral, spiritual and material aspects. The center of economic development is human resource development as per the Islamic value system through expansion of useful production, improvement of the quality of life, balance development, development of technology suited to conditions of Muslim countries, and reduction of outside dependence and greater integration of Muslim world.

Whatever the definition, it is convenient that the definition should have certain characteristics that will make it more acceptable and workable (Montenegro). First, it is operational, meaning that it should be possible to use the definition in practice, which it not is extremely theoretical or abstract or devoid of empirical applicability; second, it is relative, meaning economic development should be measured or calibrated with respect to levels achieved by other countries; economic development is not an absolute concept but a relative one. Finally, the definition should be general and easily acceptable, which implies that its construction combine the minimum number of elements, dimensions or variables; there is a direct relationship between the number of variables included and the loss of consensus.

Following the above rules, it can be said that the objective   economic development in Islamic perspective is to achieve both material welfare and non-material welfare in order to get holistic and comprehensive welfare in world (temporary welfare) as well as in the hereafter (permanent welfare). This can be expressed in functional form as follows:

$$Wh = f(Wt, Wp) \tag{1}$$
$$Wh = f(Wm, Wn) \tag{2}$$

Here Wh is holistic and comprehensive welfare, Wt and Wp are welfare in the

temporary and permanent stage of life, Wm and Wn are material welfare and non-material welfare, respectively.

Introducing Islamic Human Development Index (I-HDI)

The concept of Human Development Index (HDI) by UNDP has been gaining popularity as a comprehensive measurement for development since it was introduced in the first global Human Development Report in 1990. Human development is the center of economic development objective in Islamic perspective (Ahmad, 2006) and so HDI is very useful, however, HDI is not fully compatible and sufficient for measuring economic development in Islamic perspective. We must construct our own economic development index based on our own perspective.

The fulfillment of five basic needs in *maqāṣid* al Sharīʿah will be the theoretical foundation for developing this Islamic Human Development Index (I-HDI). Hence, we propose five dimensions for I-HDI. These dimensions measure both performance of material welfare (MW) as well non-material welfare (NW). *First* is the materialistic one which relates to the performance in fulfillment of property (*māl*) needs. Islam highlights the importance of property ownership as well as its distribution among society as a mean for achieving *maṣlaḥah* and then *falāḥ*. The Islamic system would probably prefer a relatively lower level of property ownership with a better distribution of income/wealth as compare with high level of property ownership but with a bad distribution of income/wealth (Qurʾān *Sūrah al-Hashr Sūrah* 59, *Āyah* 7). The higher the property ownership and its distribution, however, the better the level of material welfare.

The second relates to all non-directly related to material things but fundamental for achieving *maṣlaḥah* or here it is called Islamic environment and values (IEV). These are all related to *an nafs, al ʿaql, an nasl, ad din* in *maqāṣid al Sharīʿah*. The longer the life, the better, as a longer life could be assumed to be a wider opportunity for doing many good things that benefit for achieving *maṣlaḥah*. Knowledge and science has pivotal position for development, so that all of society members should deserve education. Development process will be more efficient and effective if family and social relationship among society members is harmony. Family also takes an important role in building next generation which is important for sustaining development. And finally, the role of religiosity of society is undebatable in Islamic perspective.

Following above theoretical foundation, the development in Islam can be expressed as follows:

Wh	$= f$ (MW, NW)	(3)
MW	$= f$ (PO, DE)	(4)
NW	$= f$ (IEV)	(5)
IEV	$= f$ (LE, E, FSR, R)	(6)

Where:

Wh	:	holistic welfare
MW	:	material welfare
NW	:	non material welfare
PO	:	property ownership
DE	:	distributional equity
IEV	:	Islamic environment and values
LE	:	life expectancy
E	:	education
F	:	family and social relationship
R	:	religiosity

The next stage is taking indicators which is measurable for those all dimensions. The proposed indicators are showed in table 1.

Table 1

Objective of Dev.	Dimensions of Dev.	Dimension Indices
Maṣlaḥah	Faith	Faith Index
	Life	Life Index
	Science	Science Index
	Family-social	Family-social Index
	Property	Property Index
	Freedom	Freedom Index
	Justice	Justice Index

Figure 1
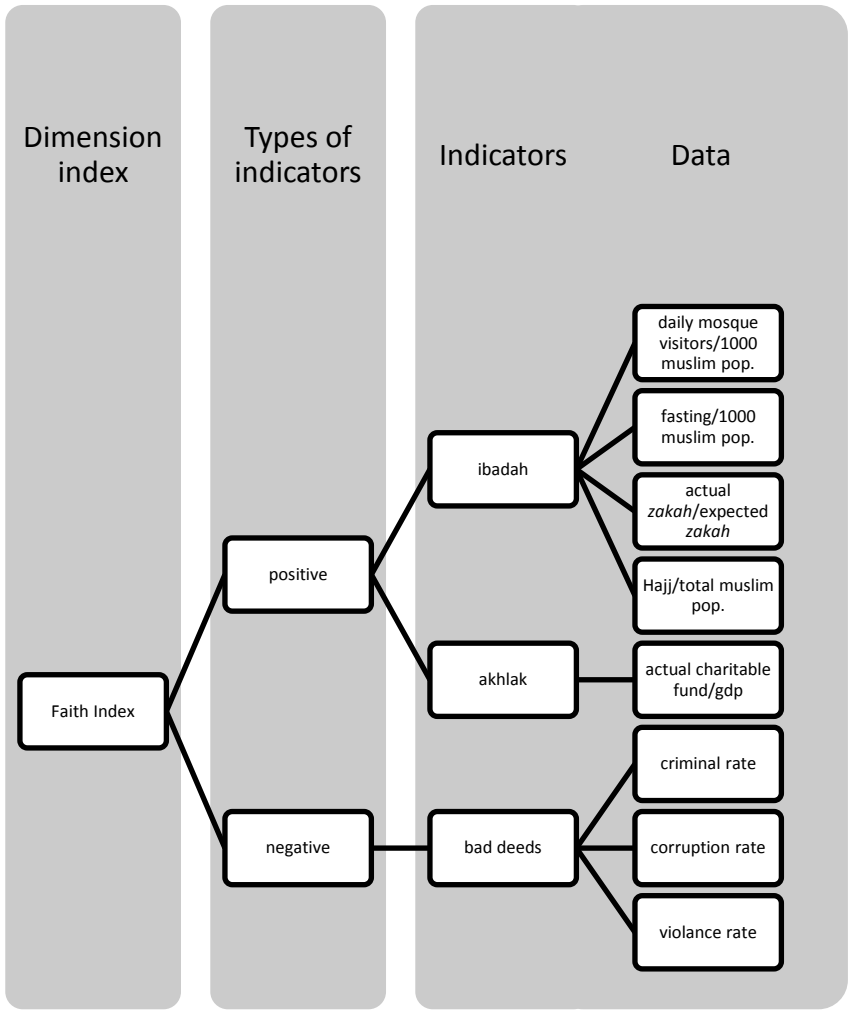
Figure 2
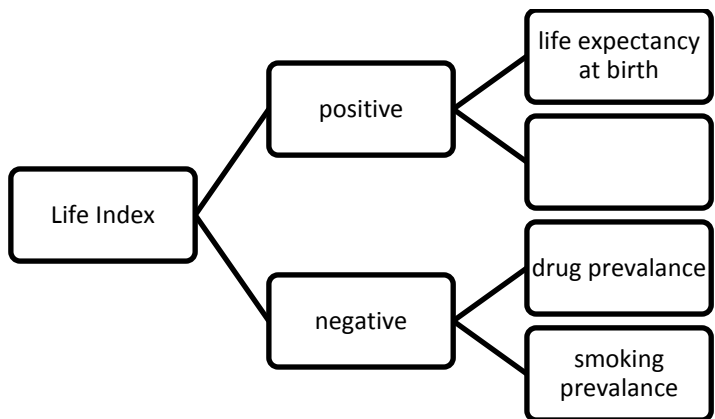
Figure 3
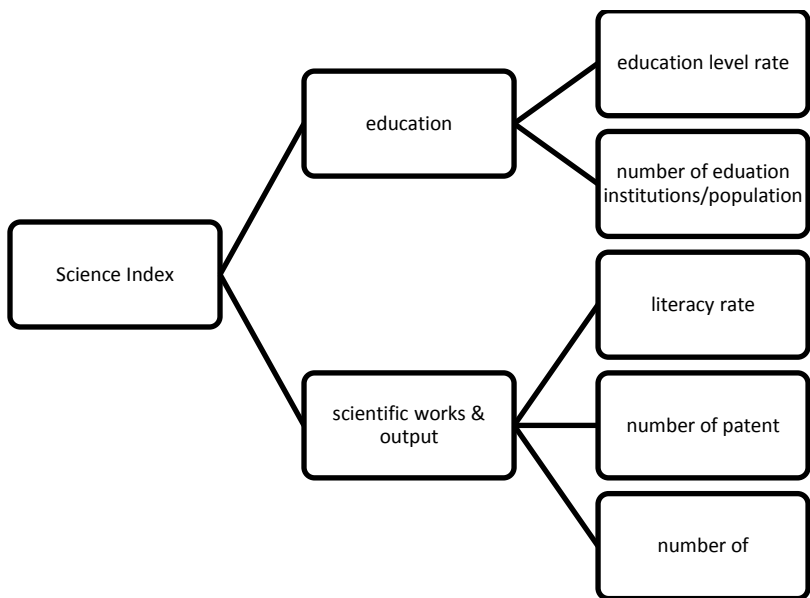
Figure 4
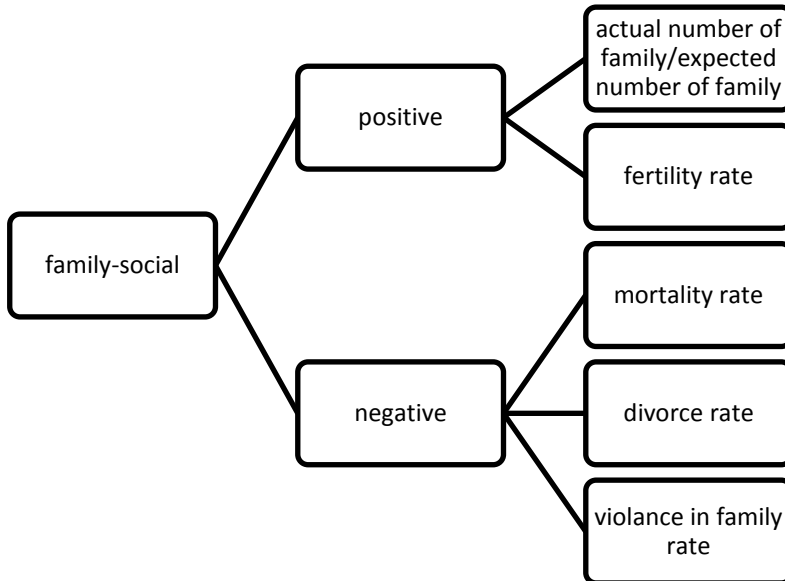
Figure 5
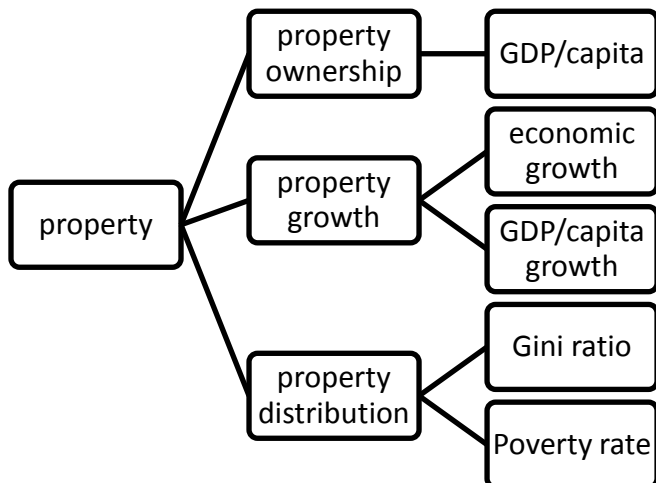
Figure 6
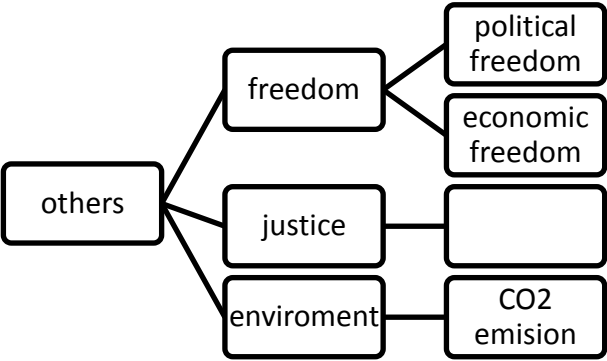
Figure 7
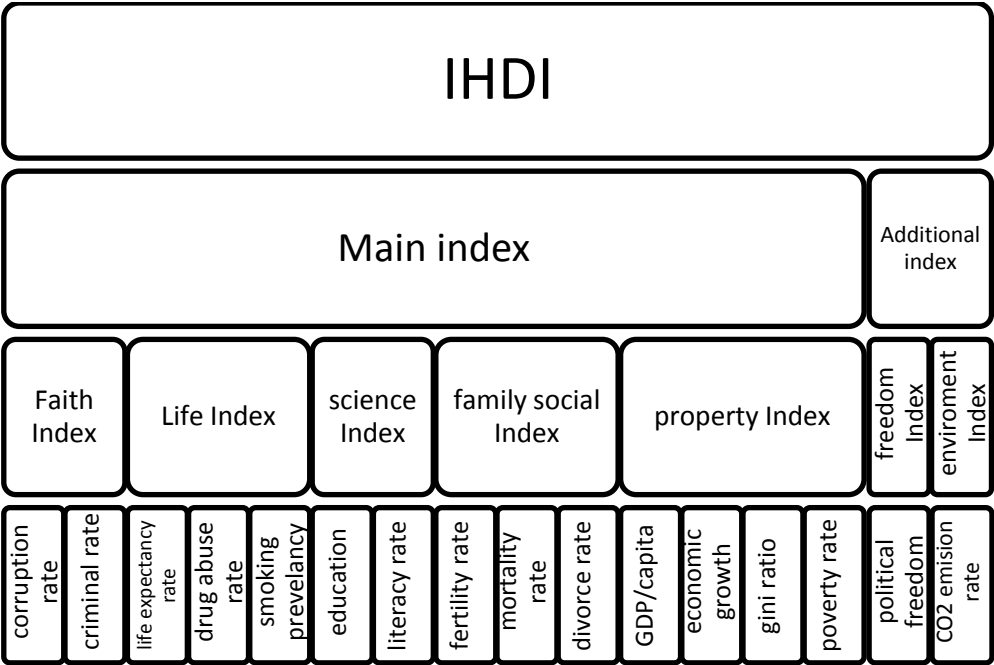
Table 2
Holistic welfare with its proposed indicators

Welfare	Type of Needs	Aspects	Proposed Indicators
Material Welfare Index (MWI)	*Māl*	Property Ownership	GDP Index
		Distributional equity	Gini Index
			Poverty Index
Non-material Welfare Index (NWI)	*Nafs*	Islamic environment & values	Life expectancy index
	ʿAql		Education index
	Nasl		Family-Social Index
	Din		Religiosity Index

As what in other indices, one of the goals of constructing I-HDI is to be able to classify or rank countries by levels of economic development. In applying the definition we will absolutely parallel with the methodology employed in the computation of the United Nations Human Development Index (HDI). Therefore, we will first normalize the data's for each dimension and then, second, take their arithmetic average from the sum of all dimensions. This HDI's methodology is simple, easy to understand, and has been studied extensively. This will also make comparisons with that index simpler (Human Development Report, 2007).

To calculate those dimension indices, minimum and maximum values are chosen for each underlying indicator. Performance in each dimension is expressed as a value between 0 and 1 by applying the following formula:

$$\text{Index Dimension} = \frac{actual\ value - \min value}{\max value - \min value} \qquad (7)$$

Where actual value shows actual value of the dimension of a country meanwhile max value and min value are the maximum and minimum value of the same dimension in the sample of countries (OICs). Adopting HDI calculation method, all negative indicators, for instance Gini coefficient and poverty rate, first will be normalized with this formula (100-Gc)/100 where Gc is the Gini measured in percentage terms. If the Gini is not in percentage terms, that is, between zero and 100, but in decimals, then the normalized Gini will simply become 1- Gc.

Hence, the methodology for calculating I-HDI is as simple as follows, *firstly* calculating each dimension indices, and then *secondly* calculating I-HDI. In sum, I-HDI is the weighted average of material welfare index (MWI) and non-material welfare index (NWI). Here we assume that material welfare has same weight as

non-material welfare, so the expression will be as follows:

$$\text{I-HDI} = 5/6\ \text{MI} + 1/6\ \text{AI} \qquad (8)$$
$$\text{MI} = 2/6\ \text{FI} + 1/6\ (\text{LI+SI+FSI+PI})$$
$$\text{AI} = ½\ (\text{FI} + \text{EI})$$

Calculating the Main Index (MI)

MWI measures level of material welfare within population as indicated by property ownership or income as well as its distribution. Adopting indicators from the conventional economics, here MWI is composite index of GDP Index (GI) and Distributional Equity Index (DEI). This is simply an arithmetic average of those two indices.

$$\text{MWI} = ½\ (\text{GI} + \text{DEI}) \qquad (9)$$

In calculating GDP Index (GI) we prefer using adjusted GDP percapita (PPP U$) rather than GDP growth or GDP per se. GDP percapita show the potential of the distribution of GDP among population, so it could reflect the property ownership/income among population. We adjust GI with DEI by summing both two indices with same weight to reflex the importance of both GDP percapita and distributional equity   as an integral indicator for material welfare. A high GDP percapita wouldn't give a high contribution to material welfare without a good distributional equity, *vice versa*. The GDP Index

$$\text{G I} = \frac{\text{Actual GDP prcapita} - \text{Min GDP percapita}}{\text{Max GDP percapita} - \text{Min GDP percapita}} \qquad (10)$$

Distributional equity index (DEI) can be calculated from summation of two sub index, Gini Index and Poverty Index. The Gini coefficient is chosen because of its popularity and because it is regularly found in the World Bank and United Nations publications. Gini coefficient, however, just measures inequality of income distribution but does show the level of poverty, so that we have to add Poverty Index (PI) to have this Distributional Equity Index (DEI). The calculation of Gini Index take two stages, *firstly* normalize Gini coefficient (Gc) and *secondly* use this normalized Gini coefficient (nGc) to calculate Gini Index (GI). Poverty index which is based on poverty rate is calculated by using the same method as Gini Index and finally the Distributional Equity Index (DEI) is the arithmetic average of Gini Index and Poverty Index

$$\text{nGc} = 1\text{-Gc} \qquad (11)$$

$$GI = \frac{actual\ nGc - \min nGc}{Max\ nGc - \min nGc} \tag{12}$$

$$nPr = 1\text{-}Pr \tag{13}$$

$$PI = \frac{Actual\ nPr - Min\ nPr}{Max\ nPr - Min\ nPr} \tag{14}$$

Calculating Non Material Welfare Index (NWI)

NWI measures level of non-material welfare come from all non-directly related to material things but fundamental for achieving *maṣlaḥah*. NWI is composite index of Life Expectancy Index (LEI), Education Index (EI), Family Social Index (FSI), and Religiosity Index (RI), so this is simply an arithmetic average of those four indices.

$$NWI = ¼ (LEI + EI + FSI + RI) \tag{15}$$

The method for calculating Life Expectancy Index (LEI) and Education Index (EI) as what it is implemented in the HDI calculation can be adopted. The life expectancy index measures the relative achievement of a country in life expectancy while the education index measures a country's relative achievement in both adult literacy and combined primary, secondary and tertiary gross enrolment. For the education index, first an index for adult literacy (ALI) and one for combined gross enrolment (GEI) is calculated. Then these two indices are combined to create the education index (EI), with two-thirds weight given to ALI and one-third weight to GEI.

$$LEI = \frac{Actual\ life\ expectancy - Minimum\ value}{Maximum\ value - Minimum\ value} \tag{16}$$

$$ALI = \frac{Actual\ adult\ literacy - Minimum\ value}{Maximum\ value - Minimum\ value} \tag{17}$$

$$GEI = \frac{Actual\ Gross\ enrollment - Minimum\ value}{Maximum\ value - Minimum\ value} \tag{18}$$

$$EI = 2/3\ (ALI) + 1/3\ (GEI) \tag{19}$$

It is really hard to have an ideal Family-Social Index as well as Religiosity Index. The reasons, at least, are (i) not all of family-social and religiosity aspects are tangible then not perfectly countable. and (ii) if tangible, mostly the availability of data is questionable. Ideally, Family-Social Index could show the condition and performance of society concerning with the family and social values in Islamic perspective. Family and social harmony as, for instance, indicated by a low rate of divorce will be very useful indicator. In the condition of unavailability of this data's, however, fertility rate and mortality rate should serve as proxy for family-social values. A high fertility rate might reflex a strong desire/commitment onto

sustainability of the next generation. It must bear in mind; however, this should be followed by a good quality of birth as indicated by mortality rate. Hence. Family-Social Index (FSI) is calculated from fertility Index (FI) adjusted by mortality Index (MI)

$$\text{FI} = \frac{actual\ Fr - \min Fr}{\max Fr - \min Fr} \tag{20}$$

$$\text{MI} = \frac{actual\ nMr - \min nMr}{\max nMr - \min nMr} \tag{21}$$

Where nMr is normalized mortality rate calculated by using formula nMr = 1-Mr

$$\text{FSI} = \tfrac{1}{2}\ (\text{FI} + \text{MI}) \tag{22}$$

For Religiosity Index, ideally we should have indicators which measure the vision, commitment, and implementation of Islamic teaching in a holistic perspective within society. This indicator should cover the fundamental practice of Islamic teaching, for instance, number or percentage of people performing hajj, performing *ṣalāt* (in the mosque), paying *zakāh*, *infāq*, *ṣadaqah*, and *waqf*, doing *saum*, etc which are called ibadah mahdah. In addition to these, religiosity index ideally should show the real behavior of society concerning Islamic values and norm. The latest basically is *ibādah ghoiru mahdah*. In the absence of these data, however, we can take a certain indicator as proxy. While not being exactly the most appropriate measure, Corruption Perception Index (CPI) could serve as proxy as Islamic society must away from corruption, deception, and any kinds of abuse of powers. The Religiosity Index then simply as normalized CPI.

$$\text{RI} = \frac{\text{Actual CPI} - \text{Min CPI}}{\text{Max CPI} - \text{Min CPI}} \tag{23}$$

Data Analysis and Findings

Table 2 reports I-HDI score and rank for the OICs and its comparation with HDI[1]. In general, we witness no significant difference composition between I-HDI and HDI rank for the high score group, specifically the five top score. Brunei Darussalam and Kuwait enjoy an improved rank in the I EDI compared with the

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[1] Data on Gini Coefficient and Poverty for a number of countries, including Azerbaijan, Bahrain, Brunei, Kazakhstan, Kuwait, Kyrgyz, Oman, Tajikistan, Turkmenistan, and Uzbekistan are not available. MWI for these countries are based on GDP percapita (PPP US$ only). Meanwhile, Iraq, Palestine, and Afghanistan are totally excluded form the calculation due to no sufficient data available.

HDI wherein Qatar takes over the top position of Brunei Darussalam in the HDI. On the contrary, the position of Qatar and U.A.E decrease from the top to the 3rd and from 3rd to 4^{th,} respectively, in their I-HDI compared with HDI. The position of Bahrain remains stable. Mozambique, Sierra Leone, and Chad shift the position of Iraq, Palestine, and Somalia in the lowest rank group of I-HDI. As what it is found in HDI, most of Middle East countries still dominate high score group in the I-HDI, meanwhile lower group is remain dominated by African countries. The short explanation and argument for this finding is the superior role of material welfare in the development of the I-HDI. Most of Middle East countries are relatively high income countries; meanwhile most of African countries are relatively poor countries.

A number of countries that enjoy better rank in the I EDI are Malaysia, Kingdom of Saudi Arabia (K.S.A), Jordan, Turkey, Tunisia, Suriname, Egypt, Algeria, Indonesia, Syria, Uzbekistan, Kyrgyz, etc. Meanwhile, Oman, Albania, Kazakhstan, Iran, Maldives, Morocco, Comoros, Chad, Sierra Leone, Niger, Mali, Djibouti, Senegal. Togo, etc should accept their lower position in I-HDI. A relatively substantial improvement from HDI rank to the I-HDI could be found in the case of Jordan, Somalia, Algeria, Yemen, Nigeria, Gambia, Palestine, and Tunisia. The inclusion of poverty index into MWI might explain this phenomenon. For instance, Jordan has Distributional Equity Index (DEI) 1 which means the most equitable country within the Oils (see appendix). Moreover, the better position of Jordan might come from their good score of Religiosity Index as their score for Corruption Perception Index (CPI) is relatively high. A bit difference argument could explain the case Tunisia which jump its rank from 16th in the HDI to 11th in the I-HDI. Tunisia has a relatively good score on Distributional Equity Index (DEI) though its GDP percapita is quite low. The corruption rate in Tunisia is relatively low which contribute to a good score for Religiosity Index (RI).

On the contrary, a number of African countries such as Chad, Cote d'Ivoire, Mozambique, Djibouti, and Sudan suffer a relatively significant deterioration in their I-HDI rank compared with the HDI rank. The inclusion of Poverty Index (PI) into Material Welfare Index (MWI) has deteriorated the rank of Chad as their Distributional of Equity Index (DEI) is very low. In addition, Chad has high level of corruption. The explanation for Cote d'Ivoire, Mozambique, Djibouti, and Sudan might be similar. Meanwhile, Uganda becomes the only country with stable rank in addition to Bahrain. Though the GDP percapita of Uganda is not higher than Chad but its income distribution and poverty rate is better. The Religiosity Index (RI) of Uganda is higher as well which support its rank in I-HDI remain stable compared with the HDI.

In addition to I-HDI, it is interesting to look at the Material Welfare Index (MWI) and Non Material Welfare Index (NWI) separately to be more focus on the contribution of each to the whole I-HDI. The rank order of MWI and NWI is slightly difference from I-HDI. Malaysia joint with Brunei, Qatar, Kuwait, and U.A.E take position as the five top ranks in MWI, meanwhile Oman become new comer in the same group for NWI. It is not surprising if several African Countries take the most position in the bottom line as it is widely known that most of them have both low GDP percapita and bad distribution of income. In general, the change of rank composition of I-HDI to NWI is slightly bigger than to MWI.

The pattern of rank composition of I-HDI to be compared with HDI, MWI, and NWI could be also confirmed by its matrix correlation as reported in table 3. It is depicted that every index has strong positive correlation with other indices. The correlation between I-HDI and HDI is strongly positive mostly because of it's the concept and methodology for calculating is in line. It also means that the rank composition of HDI might serve as predictor for the rank of I-HDI.

Compare with NWI, the correlation coefficient between MWI and I-HDI is higher which indicate the superior contribution of material welfare into this holistic welfare. The higher the material welfare, the higher the level of holistic welfare. There might be two reasons for explaining this pattern: *first,* property/income is still being fundamental requirement for developing a good life, education, family and social relationship, and religiosity as well. Moreover, GDP percapita is still powerful as its correlation with MWI, I-HDI, and NWI is strongly positive; *second*, the measurement of NWI might be less appropriate due to lack of proper indicators and data. If the proper indicator and data is available, it would be expected that NWI could contribute more into I-HDI calculation in order to have more equitable weight between material and non-material welfare.

Conclusions and Recommendations

This study has explored a little attempt to construct a specific model for measuring economic development in Islamic perspective. An I-HDI was considered within the framework of the *Maqāṣid* al-Sharīʿah, which is basically concerned, with the promotion of human wellbeing through the preservation of self, wealth, posterity intellect and faith. It is hope that by having I-HDI the performance and level of economic development of Muslim countries can be measured more comprehensively and accurately.

The findings show that the whole rank composition between I-HDI and HDI is slightly difference. In one hand, a number of countries enjoy a better rank in I-HDI compared with HDI. In another hand, several countries suffer a marked deterioration of rank. The high score group in I-HDI is still dominated mostly by Middle East Countries and the bottom line is still dominated by African Countries. In general, the contribution of material welfare index (MWI) in the whole I-HDI is superior which indicate the importance of material in developing the whole welfare. The richer the countries, the higher their whole welfare. Another explanation, however, come from the poor indicator and data available for calculating Non Material Welfare Index (NWI).

A task for further research would be to improve the indicators and quality of the existing data to make them internationally comparable, and to stimulate gathering of the relevant statistics, specifically data for Non Material Welfare Index (NWI). We propose, for instance, used Corruption Perception Index (CPI) in this study as a proxy of Religiosity Index. This proxy is absolutely not sufficient to measure religiosity level in the society, but it is hope that the higher the preciosity level, the lower the corruption level. We should explore of the precise meaning of some of these indicators and then, in the long run, try to produce and provide these data ourselves. For simulation, however, the existing data's now published on World Development Report (WDR), Human Development Report (HDR), IMF Annual Report, Transparency International Annual Report (TIAR), Legatum Prosperity Index (LPI, for family and social index) can utilized to measure I-HDI for OIC countries.

Table 3
I EDI Rank, MWI, NWI and HDI Rank

R	I-HDI		HDI		MWI		NWI	
	country	Score	country	score	Country	score	Country	Score
1.	Qatar	0.901355	Brunei	0.894	Brunei	1	U.A.E	0.82723
2.	Brunei	0.89781	Kuwait	0.891	Qatar	0.981833	Qatar	0.820878
3.	U.A.E	0.88187	Qatar	0.875	U.A.E	0.93651	Bahrain	0.809866
4.	Kuwait	0.855005	U.A.E	0.868	Kuwait	0.925858	Brunei	0.795621
5.	Bahrain	0.782965	Bahrain	0.866	Malaysia	0.764257	Oman	0.788721
6.	Malaysia	0.767044	Libya	0.818	K.S.A	0.758503	Jordan	0.786376
7.	K.S.A	0.724958	Oman	0.814	Bahrain	0.756063	Kuwait	0.784151
8.	Jordan	0.694823	K.S.A	0.812	Turkey	0.64301	Malaysia	0.76983
9.	Oman	0.665014	Malaysia	0.811	Jordan	0.60327	Tunisia	0.697579
10.	Turkey	0.657314	Albania	0.801	Suriname	0.59342	K.S.A	0.691414
11.	Tunisia	0.625631	Kazakhstan	0.794	Kazakhstan	0.583764	Lebanon	0.691285
12.	Suriname	0.619049	Turkey	0.775	Somalia	0.569697	Libya	0.684122
13.	Albania	0.603095	Suriname	0.774	Algeria	0.564009	Albania	0.683981
14.	Kazakhstan	0.599304	Jordan	0.773	Maldives	0.562285	Syria	0.680114
15.	Egypt	0.595928	Lebanon	0.772	Indonesia	0.557143	Turkey	0.671618
16.	Algeria	0.589137	Tunisia	0.766	Tunisia	0.553683	Suriname	0.644679
17.	Syria	0.583857	Iran	0.759	Iran	0.552143	Egypt	0.640821
18.	Indonesia	0.582953	Azerbaijan	0.746	Egypt	0.551036	Palestine	0.635967
19.	Iran	0.582867	Maldives	0.741	Oman	0.541308	Morocco	0.618389
20.	Maldives	0.575977	Algeria	0.733	Uzbekistan	0.523411	Kazakhstan	0.614843
21.	Kyrgyz	0.540019	Indonesia	0.728	Albania	0.52221	Tajikistan	0.614618
22.	Uzbekistan	0.536701	Syria	0.724	Kyrgyz	0.490625	Algeria	0.614265
23.	Lebanon	0.536159	Turkmenistan	0.713	Pakistan	0.488705	Iran	0.61359
24.	Tajikistan	0.52468	Egypt	0.708	Syria	0.487601	Indonesia	0.608764
25.	Morocco	0.52072	Uzbekistan	0.702	Gabon	0.476365	Maldives	0.58967
26.	Libya	0.516532	Kyrgyz Rep.	0.696	Azerbaijan	0.440974	Kyrgyz	0.589414
27.	Azerbaijan	0.504648	Gabon	0.677	Tajikistan	0.434743	Turkmenistan	0.579118
28.	Gabon	0.502685	Tajikistan	0.673	Morocco	0.42305	Azerbaijan	0.568322
29.	Pakistan	0.46984	Morocco	0.646	Bangladesh	0.415486	Uzbekistan	0.549991
30.	Turkmenistan	0.461411	Comoros	0.561	Yemen	0.398447	Gabon	0.529005
31.	Yemen	0.457055	Pakistan	0.551	Lebanon	0.381032	Yemen	0.515663
32.	Bangladesh	0.427781	Mauritania	0.55	Mauritania	0.355736	Mauritania	0.493849
33.	Mauritania	0.424793	Bangladesh	0.547	Libya	0.348941	Comoros	0.47786
34.	Gambia	0.381978	Cameroon	0.532	Turkmenistan	0.343704	Iraq	0.476109
35.	Comoros	0.376764	Sudan	0.526	Cameroon	0.335652	Uganda	0.47545
36.	Cameroon	0.375637	Djibouti	0.516	Nigeria	0.324763	Senegal	0.466922
37.	Somalia	0.36756	Togo	0.512	Gambia	0.312195	Gambia	0.451761
38.	Nigeria	0.354139	Yemen	0.508	Djibouti	0.30733	Pakistan	0.450975
39.	Uganda	0.353466	Uganda	0.505	Benin	0.306066	Togo	0.449699
40.	Benin	0.352107	Gambia	0.502	Guinea Bissau	0.280695	Bangladesh	0.440077
41.	Sudan	0.340885	Senegal	0.499	Comoros	0.275668	Sudan	0.435772
42.	Togo	0.323894	Nigeria	0.47	Guinea	0.258418	Cameroon	0.415621
43.	Palestine	0.317984	Guinea	0.456	Sudan	0.245999	Benin	0.398149
44.	Senegal	0.310874	Benin	0.437	Burkina Faso	0.231522	Nigeria	0.383515
45.	Guinea	0.303731	Cote D'ivoire	0.432	Uganda	0.231482	Guinea	0.349044
46.	Djibouti	0.301988	Chad	0.388	Mali	0.215189	Burkina Faso	0.343148
47.	Guinea Bissau	0.294143	Mozambique	0.384	Togo	0.198088	Mali	0.341798
48.	Burkina Faso	0.287335	Mali	0.38	Cote d'Ivoire	0.178459	Mozambique	0.323634
49.	Mali	0.278494	Guinea Bissau	0.374	Senegal	0.154826	Niger	0.318882
50.	Iraq	0.238055	Niger	0.374	Niger	0.102357	Guinea Bissau	0.307591
51.	Cote d'Ivoire	0.23154	Burkina Faso	0.37	Chad	0.067352	Djibouti	0.296646
52.	Niger	0.21062	Sierra Leone	0.336	Sierra Leone	0.047931	Chad	0.294788
53.	Mozambique	0.184152	Iraq		Mozambique	0.04467	Cote D'ivoire	0.28462
54.	Chad	0.18107	Palestine		Iraq		Sierra Leone	0.238356
55.	Sierra Leone	0.143143	Somalia		Palestine		Somalia	0.165422

Source: HDR 2007, WDR 2007, IDB 2007, *calculated*

Table 4
Matrix correlation HDI-IHDI

	HDI	IHDI	MWI	NWI
HDI				
IHDI	0.941226			
MWI	0.878767	0.963689		
NWI	0.956824	0.908179	0.804348	
GDP pcap	0.74506	0.837438	0.849461	0.756478

Sources: DHR 2007, IDB 2007, WDR 2007: *calculated*

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Appendix

Country	MWI		NWI			
	GI	DEI	LEI	EI	FSI	RI
Afghanistan	NA	NA	NA	NA	NA	NA
Albania	0.165632	NA	0.942466	0.866081	0.527376	0.4
Algeria	0.229401	0.705051	0.819178	0.639318	0.51523	0.483333
Azerbaijan	0.154675		0.693151	0.859989	0.35348	0.366667
Bahrain	0.756063		0.915068	0.841218	0.566512	0.916667
Bangladesh	0.046457	0.321212	0.583562	0.362383	0.514363	0.3
Benin	0.013148	0.177778	0.372603	0.22648	0.610179	0.383333
Brunei	1		0.956164	0.856144	0.570175	0.8
Burkina Faso	0.015778	0.012121	0.263014	0.030633	0.578947	0.5
Cameroon	0.055442	0.49697	0.219178	0.569015	0.524291	0.35
Chad	0.023594	0.111111	0.235616	0.086953	0.556584	0.3
Comoros	0.044266	0.507071	0.610959	0.333333	0.667149	0.3
Cote d'Ivoire	0.031665	0.325253	0.153425	0.210804	0.457586	0.316667
Djibouti	0.051023	0.563636	0.331507	0.036568	0.518508	0.3
Egypt	0.129876	0.735354	0.791781	0.667213	0.587623	0.516667
Gabon	0.225457	0.727273	0.394521	0.755892	0.49894	0.466667
Gambia	0.041636	0.531313	0.465753	0.385373	0.572585	0.383333
Guinea	0.056063	0.082828	0.356164	0.155271	0.601407	0.283333
Guinea Bissau	0.00168	0.234343	0.109589	0.196906	0.623867	0.3
Indonesia	0.111833	0.771717	0.764384	0.792051	0.511953	0.366667
Iran	0.262491	0.878788	0.808219	0.743836	0.485637	0.416667
Iraq			0.435616	0.610396	0.575092	0.283333
Jordan	0.173448	1	0.824658	0.844087	0.626759	0.85
Kazakhstan	0.258437		0.660274	0.99	0.4091	0.4
Kuwait	0.925858		0.972603	0.848365	0.548969	0.766667
Kyrgyz Rep.	0.041855	0.967677	0.652055	0.908318	0.463948	0.333333
Lebanon	0.17542	0.967677	0.813699	0.870605	0.51417	0.566667
Libya	0.348941	1.139394	0.865753	0.858349	0.59572	0.416667
Malaysia	0.368919	0.826263	0.873973	0.805581	0.599769	0.8
Maldives	0.163623	0.79596	0.690411	0.832216	0.536052	0.3
Mali	0.009204	0	0.309589	0.068457	0.555813	0.433333
Mauritania	0.053068	0.347475	0.586301	0.346287	0.559476	0.483333
Morocco	0.137838	0.464646	0.783562	0.676595	0.513399	0.5
Mozambique	0.016837	0.117172	0.005479	0.271473	0.584249	0.433333
Niger	0	0.034343	0.383562	0.044348	0.547619	0.3
Nigeria	0.012673	0.385859	0.128767	0.551137	0.520821	0.333333
Oman	0.541308		0.909589	0.708685	0.669944	0.866667
Pakistan	0.058035	0.408081	0.624658	0.308991	0.536919	0.333333
Palestine			0.852055	0.875349	0.816464	
Qatar	0.981848	0.981818	0.909589	0.82397	0.583285	0.966667
Saudi Arabia	0.545289	0.971717	0.832877	0.763036	0.653075	0.516667
Senegal	0.036925	0.272727	0.561644	0.214961	0.574417	0.516667
Sierra Leone	0.000913	0.094949	0	0.199037	0.421053	0.333333
Somalia		1.139394	0.145205	0	0.516484	
Sudan	0.047553	0.444444	0.427397	0.392112	0.623578	0.3
Suriname	0.253506	0.933333	0.761644	0.826402	0.524002	0.466667
Syria	0.110555	0.864646	0.871233	0.752318	0.646906	0.45
Tajikistan	0.021001		0.671233	0.883249	0.570657	0.333333
Togo	0.026479	0.369697	0.438356	0.407307	0.586466	0.366667
Tunisia	0.27721	0.777778	0.868493	0.689646	0.498843	0.733333
Turkey	0.278524	0.953535	0.810959	0.768285	0.50723	0.6
Turkmenistan	0.111651		0.569863	0.990777	0.422499	0.333333
Uganda	0.02458	0.438384	0.216438	0.562699	0.705996	0.416667
U.A.E	0.903324	0.969697	1	0.738745	0.570175	1
Uzbekistan	0.046822		0.684932	0.718706	0.479661	0.316667
Yemen	0.005442	0.371717	0.539726	0.416061	0.706863	0.4
Average	0.199486	0.553632	0.590336	0.566946	0.556507	0.469811
stad dev	0.268998	0.339497	0.279372	0.298392	0.079092	0.195463
Max	1	1.139394	1	0.990777	0.816464	1
Med	0.084295	0.50202	0.652055	0.676595	0.556584	0.4
Min	0	0	0	0	0.35348	0.283333

Sources: HDR 2007, IDB 2007, WDR 2007, *calculated*

EVENTS AND REPORTS

IDB PRIZE LECTURE

Challenges of Regulation and Supervision of Islamic Banks

RIFAAT AHMED ABDEL KARIM[•]

**IDB Headquarters on 30 July 2011
under the IDB Islamic Banking & Finance Prize Lecture.**

Abstract

The Lecture argues that Islamic bank should be supervised using a cross-sectoral approach. However, whilst such an approach appears to suit the investment and banking services offered by Islamic banks, the Lecture highlights the challenges faced by the IFSB in implementing this approach over the eight years of my work as its Secretary-General. The Lecture further highlights the implications of these challenges for the future development of the regulation and supervision of Islamic banks. In particular, it draws attention to the special situation of Unrestricted Profit Sharing Investment Accounts, as a type of investment product used as a Sharīʿah-compliant substitute for conventional deposit accounts, a banking product, and the resultant regulatory issues.

Policy Dialogue on Monetary Policy in Islamic Perspective

One of the very important roles that the government in any country needs to play is to monitor the movement of macroeconomic variables, such as inflation, growth, employment and to try to improve them by using efficient policy tools. These policy tools include fiscal and monetary policies, direct control of prices, incomes and taxation, etc.

In conventional economics, interest-based instruments are widely used to realize the objectives of these macroeconomic policies. However, according to the basic fundamentals of Islamic economics that are based on the Islamic Sharīʿah rules,

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[•] Former Secretary-General, Islamic Financial Services Board

Muslims are not allowed to use interest-based instruments for monetary policy. Hence many Muslim scholars have suggested profit-based instruments or credit ceilings should replace interest-based instruments in Islamic economic framework. While some Muslim countries try to apply Islamic Monetary policy that is based on either profit-based instruments or credit ceiling instruments, the gap between theory and practices is still very wide. IRTI, by conducting policy dialogues in member countries, tries to find way and means to bridge this gap between theory and practice in Islamic monetary policy. IRTI invites a group of experts and policy makers from different Muslim countries to contribute to dialogue, discuss thoroughly the constraints, the opportunities and the challenges of applying Islamic monetary policy be referring to specific Islamic countries as cases studies, in line with its objective of facilitating dialogue among major stakeholders on important policy issues, IRTI organized a policy dialogues on Monetary Policy in Islamic Perspective in Iran involving central bankers from Iran, Pakistan and Sudan during 1432H.

The Monetary and Banking Research Academy (MBRA) of the Central Bank of Iran (CBI) played an instrumental role as a collaborating institution in arranging the programme. More than 300 participants, including government officials, financial institutions managers and university professors attended the workshop.

The two-days workshop comprising four sessions each day, resulted in thorough discussion of the issues. In addition to the theoretical papers which covered theory of Islamic and conventional monetary policy, three-country cases in Islamic monetary policy of Iran, Pakistan and Sudan were presented. The second day witnessed a presentation on the role of the IDB in promoting Islamic Monetary Policy in Muslim countries.

(Extracted from IRTI Annual Report 1432H)

International Conference on Inclusive Islamic Financial Sector Development, Khartoum, Sudan, 9-11 October 2011

Three days international Conference on Inclusive Islamic Financial Sector Development: Enhancing Financial Services for Regional Microfinance was held in the Sudan Academy for Banking and Financial Science (SABFS). The conference was jointly organized by IRTI- a member of the IDB Group, and SABFS. In three days, 25 papers were presented, covering different areas on microfinance including case studies and experiences of microfinance in different countries, performance of MFIs, policies and regulatory framework of

microfinance. More than 150 participants including foreign experts, leaders of the banking and financial industry in Sudan, the academicians, practitioners, stakeholders and students regularly attended three-day conference. A panel session was held on the third day, the last day, of the conference. It was addressed by the experts in microfinance who highlighted the various issues related to three days' discussions on microfinance.

The focus of the discussion has been on importance of MFIs in poverty alleviation, social development, performance of MFIs, capacity building of the stakeholders and the facilitative role of the governments for the development and strengthening of MFIs. The conference discussed the diversification in microfinance products that suit the beneficiaries in each region of different countries. It has been stressed that central banks may allocate at least 12 percent of their funds for the MFIs. The conference recommended that there is a need to learn from the best practices and experiences of microfinance in other countries, particularly the implementation of Profit-Loss Sharing schemes, poverty alleviation and youth employment. The creation of an efficient and effective Islamic microfinance business model was highly recommended. Microfinance institutions should ensure successful outreach policies. It is highly necessary to establish special credit rating agencies for microfinance activities and to set up Sharīāh rating agencies. Governments should enhance microfinance activities to create more jobs and employment opportunities, especially among the poor segments of the society.

Orientation Seminar on Islamic Finance and Workshop on Morality and Finance in UK, 4-6 October, 2011

Two events (1) an Orientation Seminar on Islamic Finance and (ii) a Research Workshop on Morality and Economics were held at the Markfield Institute of Higher Education (MIHE), The Islamic Foundation, UK during 4-6 October, 2011.

The Orientation Seminar was designed to disseminate knowledge on important issues of Islamic finance. For example, the rationale behind investing in Sharīʿah compliant funds, issuance of *ṣukūk* and operations of sovereign funds etc. The Research Workshop on Morality and Finance was held with the purpose to sensitize graduate students and researchers to the new area integrating morality and values with economics and finance.

These two events were jointly organized by MIHE and IRTI, and attended by over 70 participants. The role of moral and ethical behavior has acquired greater

focus among the financial institutions after the global financial crises. This workshop addressed the foundations of Islamic finance and showed how the macro and micro principles of Islamic finance provide a moral framework and helps him creating cooperation and healthy competition. Scholars from Durham University, Aston Business School, University of Stockholm, Business School, University of Hull, Markfield Institute of Higher Education and IRTI presented their views.

Training and Orientation Program on Islamic Finance in Astana, Kazakhstan, July, 2011

A ten day program was organized by IRTI and the local counterpart organization to train teachers of Islamic economics and finance as well as the bankers on the theory and practice of Islamic finance.

The Training Division and the Research Division of IRTI both contributed by providing program design and speakers. The program was attended by more than 50 participants from universities, government and financial sector.

ANNOTATED LIST OF IRTI'S RECENT PUBLICATIONS

"أسلوب البناء والتشغيل ونقل الملكية (BOT) من الناحية الشرعية"

BUILD OPERATE AND TRANSFER (BOT) METHOD OF FINANCING FROM SHARĪʿAH PERSPECTIVE

Build Operate and Transfer (BOT) methods are now widely used for financing the infrastructure projects. In the western communities this practice is at least two centuries old. However, we do not find such contracts explicitly mentioned in the classical *fiqh*. Even at present, the writings on BOT techniques from Sharīʿah perspectives are few and far between. To our knowledge no internationally recognized fatwa issuing body or *fiqh* academy has issued any ruling or evaluated the BOT contracts from Sharīʿah point of view. Such studies would have been beneficial and could have helped in proper adoption of these techniques in the Muslim communities.

The present book is an attempt to fill this gap given the economic importance of BOT in general and for infrastructure financing in particular. The present study finds that there is close similarity between Build Operate and Transfer methods and *Waqf* institution in Islam. The book surveys and reviews the previous studies as well as experiences of BOT financing by individuals and institutions and concludes with a Sharīʿah opinion. It finds BOT to be a combination of *istiṣnāʿ* and other contracts. The BOT would be a valid method after appropriate modifications.

CUMULATIVE INDEX OF PAPERS

CUMULATIVE INDEX OF PAPERS PUBLISHED IN PREVIOUS ISSUES OF *ISLAMIC ECONOMIC STUDIES*

PUBLICATIONS OF IRTI

LIST OF PUBLICATIONS OF THE
ISLAMIC RESEARCH AND TRAINING INSTITUTE

Seminar Proceedings

☐ **LECTURES ON ISLAMIC ECONOMICS (1992),** pp.473
Ausaf Ahmad and *Kazem Awan* (eds)
An overview of the current state of Islamic Economics is presented in this book.
* **Price $ 10.0**

☐ **THE ORGANIZATION AND MANAGEMENT OF THE PILGRIMS MANAGEMENT AND FUND BOARD OF MALAYSIA (1987),** pp.111
The book presents the functions, activities and operations of Tabung Haji, a unique institution in the world, catering to the needs of Malaysian Muslims performing Ḥajj.
Price $ 5.0

☐ **INTERNATIONAL ECONOMIC RELATIONS FROM ISLAMIC PERSPECTIVE (1992),** pp.286
M. A. Mannan, Monzer Kahf and *Ausaf Ahmad* (eds)
An analytical framework is given in the book to work out basic principles, policies and prospects of international economic relations from an Islamic perspective.
Price $ 5.0

☐ **MANAGEMENT OF *ZAKĀH* IN MODERN MUSLIM SOCIETY (1989),** pp.236
I. A. Imtiazi, M. A. Mannan, M. A. Niaz and *A. H. Deria* (eds)
The book analyses how *Zakāh* could be managed in a modern Muslim society.
Price $ 10.0

☐ **DEVELOPING A SYSTEM OF FINANCIAL INSTRUMENTS (1990),** pp.284
Muhammad Ariff and *M.A. Mannan* (eds)
It gives an insight into the ways and means of floating viable Islamic financial instruments in order to pave the way for mobilization of financial resources.
Price $ 10.0

☐ **MANAGEMENT AND DEVELOPMENT OF AWQAF PROPERTIES (1987),** pp.161
Hasmet Basar (ed.)
An overview of the state of administration of awqaf properties in OIC member countries.
Price $ 5.0

☐ **EXTERNAL DEBT MANAGEMENT (1994),** pp.742
Makhdoum H. Chaudhri (ed.)
It examines the role of external borrowing in development. It also suggests how to improve the quality of information on external debt and how to evaluate the organizational procedures for debt management.
Price $ 10.0

☐ **REPORT OF THE MEETING OF EXPERTS ON ISLAMIC MANAGEMENT CENTER (1995),** pp.188
Syed Abdul Hamid Al Junid and *Syed Aziz Anwar* (eds)
The book discusses the programs of the Islamic Management Centre of the International Islamic University, Malaysia.
Price $ 5.0

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* All prices in US dollars.

☐ **INSTITUTIONAL FRAMEWORK OF *ZAKĀH*: DIMENSION AND IMPLICATIONS (1995),** pp.510   **Price $ 10.0**
Ahmed El-Ashker and *Sirajul Haque* (eds)
It studies the institutional systems of *Zakah* and their socioeconomic and organizational dimensions.

☐ **COUNTER TRADE: POLICIES AND PRACTICES IN OIC MEMBER COUNTRIES (1995),** pp.252   **Price $ 10.0**
M. Fahim Khan (ed.)
It studies theories and practices regarding countertrade and examines the role of its different forms in international trade in the first part of 1980's with special reference to OIC member countries.

☐ **ISLAMIC FINANCIAL INSTITUTIONS (1995),** pp.176   **Price $ 10.0**
M. Fahim Khan (ed.)
The study explains the concept of Islamic banking, the way to establish an Islamic bank, and operational experiences of Islamic banks and Islamic financial instruments.

☐ **THE IMPACT OF THE SINGLE EUROPEAN MARKET ON OIC MEMBER COUNTRIES (1995)**, pp.410   **Price $ 10.0**
M. A. Mannan and *Badre Eldine Allali* (eds)
The study seeks to analyse the possible effects of the Single European Market and to identify possible economic and social impact upon the OIC member countries

☐ **FINANCING DEVELOPMENT IN ISLAM (1996),** pp.624   **Price $ 15.0**
M.A. Mannan (ed.)
It discusses various Islamic strategies for financing development and mobilization of resources through Islamic financial instruments**.**

☐ **ISLAMIC BANKING MODES FOR HOUSE BUILDING FINANCING (1995),** pp.286   **Price $ 10.0**
Mahmoud Ahmad Mahdi (ed.)
It discusses issues, - both *Fiqhi* and economic, concerning house building financing and the *sharīˈah s*anctioned instruments that may be used for the purpose.

☐ **ISLAMIC FINANCIAL INSTRUMENTS FOR PUBLIC SECTOR RESOURCE MOBILIZATION (1997),** pp.414   **Price $ 5.0**
Ausaf Ahmad and *Tariqullah Khan* (eds)
This book focuses on designing such financial instruments that have potential of use by the governments of Islamic countries for mobilizing financial resources for the public sector to meet the development outlays for accomplishing the economic growth and social progress.

☐ **LESSONS IN ISLAMIC ECONOMICS (1998),** pp.757 (two volumes)   **Price $ 20.0**
Monzer Kahf (ed.)
It presents a broad overview of the issues of Islamic economics.

☐ **ISLAMIC FINANCIAL ARCHITECTURE: RISK MANAGEMENT AND FINANCIAL STABILITY (2006),** pp.561   **Price $ 20.0**
Tariqullah Khan and *Dadang Muljawan*
Financial architecture refers to a broad set of financial infrastructures that are essential for establishing and sustaining sound financial institutions and markets. The volume covers themes that constitute financial architecture needed for financial stability.

☐ **ISLAMIC BANKING AND FINANCE: FUNDAMENTALS AND CONTEMPORARY ISSUES (2006),** pp. 306   **Price $ 5.0**
Salman Syed Ali and Ausaf Ahmad
The seminar proceedings consist of papers dealing with theoretical and practical issues in Islamic banking.

☐ **ADVANCES IN ISLAMIC ECONOMICS AND FINANCE, (2007),** Vol. 1, pp. 532.   **Price $ 20.0**
Munawar Iqbal, Salman Syed Ali and *Dadang Muljawan* (ed).,
Islamic economics and finance are probably the two fields that have provided important new ideas and applications in the recent past than any of the other social sciences. The present book provides current thinking and recent developments in these two fields. The academics and practitioners in economics and finance will find the book useful and stimulating.

☐ **ISLAMIC CAPITAL MARKETS: PRODUCTS, REGULATION & DEVELOPMENT, (2008),** pp.451.   **Price $ 20.0**
Salman Syed Ali (ed).,
This book brings together studies that analyze the issues in product innovation, regulation and current practices in the context of Islamic capital markets. It is done with a view to further develop these markets and shape them for enhancing their contribution in economic and social development. The book covers *ṣukūk*, derivative products and stocks in Part-I, market development issues in Part-II, and comparative development of these markets across various countries in Part-III.

☐ **ISLAMIC FINANCE FOR MICRO AND MEDIUM ENTERPRISES, (1432, 2011),** pp 264   **Price $ 30.0**
Mohammed Obaidullah & Hajah Salma Haji Abdul Latiff
This book is the outcome of First International Conference on "Inclusive Islamic Financial Sector Development: Enhancing Islamic Financial Services for Micro and Medium Sized Enterprises" organized by Islamic Research and Training Institute of the Islamic Development Bank and the Centre for Islamic Banking, Finance and Management of Universiti Brunei Darussalam. The papers included in this volume seek to deal with major issues of theoretical and practical significance and provide useful insights from experiences of real-life experiments in Sharīʿah -compliant MME finance.

Research Papers

☐ **ECONOMIC COOPERATION AND INTEGRATION AMONG ISLAMIC COUNTRIES: INTERNATIONAL FRAMEWORK AND ECONOMIC PROBLEMS (1987),** pp.163   **Price $ 5.0**
Volker Nienhaus
A model of self-reliant system of trade relations based on a set of rules and incentives to produce a balanced structure of the intra-group trade to prevent the polarization and concentration of costs and benefits of integration.

☐ **PROSPECTS FOR COOPERATION THROUGH TRADE AMONG OIC MEMBER COUNTRIES (A COMMODITY ANALYSIS) (1985),** pp.100   **Price $ 5.0**
Kazim R. Awan

The paper is an attempt to specify particular commodities in which intra OIC member country trade could be increased.

☐ **EFFECTS OF ISLAMIC LAWS AND INSTITUTIONS ON LAND TENURE WITH SPECIAL REFERENCE TO SOME MUSLIM COUNTRIES (1990),** pp.59   **Price $ 5.0**

Mahmoud A. Gulaid

The book traces distributive and proprietary functions of the Islamic law of inheritance and assesses the effects of this law on the structure of land ownership and on the tenure modalities in some Muslim countries.

☐ **THE ECONOMIC IMPACT OF TEMPORARY MANPOWER MIGRATION IN SELECTED OIC MEMBER COUNTRIES (BANGLADESH, PAKISTAN AND TURKEY) (1987),** pp.90   **Price $ 5.0**

Emin Carikci

The book explains the economic impact of the International labor migration and reviews recent trends in temporary labor migration.

☐ **THE THEORY OF ECONOMIC INTEGRATION AND ITS RELEVANCE TO OIC MEMBER COUNTRIES (1987),** pp.82   **Price $ 5.0**

Kadir D. Satiroglu

It presents concepts, principles and theories of regional economic integration and points out their relevance for OIC member countries.

☐ **ECONOMIC COOPERATION AMONG THE MEMBERS OF THE LEAGUE OF ARAB STATES (1985),** pp.110   **Price $5.0**

Mahmoud A. Gulaid

It attempts to assess the magnitude of inter Arab trade and capital flows and to find out achievements and problems in these areas.

☐ **CEREAL DEFICIT MANAGEMENT IN SOMALIA WITH POLICY IMPLICATIONS FOR REGIONAL COOPERATION (1991),** pp.62   **Price $ 5.0**

Mahmoud A. Gulaid

The study assesses cereal food supply and demand conditions characteristic of Somalia.

☐ **COMPARATIVE ECONOMICS OF SOME ISLAMIC FINANCING TECHNIQUES (1992),** pp.48   **Price $ 5.0**

M. Fahim Khan

It is an attempt to present some economic dimensions of the major Islamic financing techniques in a comparative perspective.

☐ **CONTEMPORARY PRACTICES OF ISLAMIC FINANCING TECHNIQUES (1993),** pp.75   **Price $ 5.0**

Ausaf Ahmad

It describes Islamic financing techniques used by various Islamic banks and explores differences, if any, in the use of these techniques by the banks.

☐ **UNDERSTANDING ISLAMIC FINANCE: A STUDY OF THE SECURITIES MARKET IN AN ISLAMIC FRAMEWORK (1992),** pp.115   **Price $ 5.0**

M. A. Mannan

It presents a case for the Islamic Securities Market to serve as a basis for an effective policy prescription.

☐ **PRINCIPLES OF ISLAMIC FINANCING (A SURVEY) (1992),** pp.46   **Price $ 5.0**

Monzer Kahf and *Tariqullah Khan*

It surveys the historical evolution of Islamic principles of financing.

☐ **HUMAN RESOURCE MOBILIZATION THROUGH THE PROFIT-LOSS SHARING BASED FINANCIAL SYSTEM (1992),** pp.64   **Price $ 5.0**
M. Fahim Khan

It emphasizes that Islamic financial system has a more powerful built-in model of human resource mobilization than the existing conventional models.

☐ **PROFIT VERSUS BANK INTEREST IN ECONOMIC ANALYSIS AND ISLAMIC LAW (1994),** pp.61   **Price $ 5.0**
Abdel Hamid El-Ghazali

In the book a comparison is made between interest and profit as a mechanism for the management of contemporary economic activity from economic and *sharīʿah* perspectives.

☐ **MAN IS THE BASIS OF THE ISLAMIC STRATEGY FOR ECONOMIC DEVELOPMENT (1994),** pp.64   **Price $ 5.0**
Abdel Hamid El-Ghazali

It focuses on the place of Man as the basis of development strategy within the Islamic economic system.

☐ **LAND OWNERSHIP IN ISLAM (1992),** pp.46   **Price $ 5.0**
Mahmoud A. Gulaid

It surveys major issues in land ownership in Islam. It also seeks to define and establish rules for governing land and land-use in Islam.

☐ **PROFIT-LOSS SHARING MODEL FOR EXTERNAL FINANCING (1994),** pp.59   **Price $ 5.0**
Boualem Bendjilali

It is an attempt to construct a model for a small open economy with external financing. It spells out the conditions to attract foreign partners to investment in projects instead of investing in the international capital market.

☐ **ON THE DEMAND FOR CONSUMER CREDIT: AN ISLAMIC SETTING (1995),** pp.52   **Price $ 5.0**
Boualem Bendjilali

The study derives the demand function for consumer credit, using the *Murābaḥah* mode. A simple econometric model is built to estimate the demand for credit in an Islamic setting.

☐ **REDEEMABLE ISLAMIC FINANCIAL INSTRUMENTS AND CAPITAL PARTICIPATION IN ENTERPRISES (1995),** pp.72   **Price $ 5.0**
Tariqullah Khan

The paper argues that a redeemable financial instrument is capable of presenting a comprehensive financing mechanism and that it ensures growth through self-financing.

☐ **ISLAMIC FUTURES AND THEIR MARKETS WITH SPECIAL REFERENCE TO THEIR ROLE IN DEVELOPING RURAL FINANCE MARKET (1995),** pp.80   **Price $ 5.0**
M. Fahim Khan

The study addresses (a) what is un-Islamic about contemporary futures trading (b) can these markets be restructured according to Islamic principles and (c) would it be beneficial if it is restructured.

☐ **ECONOMICS OF SMALL BUSINESS IN ISLAM (1995),** pp.68   **Price $ 5.0**

Mohammad Mohsin
The paper concentrates upon the possible uses of Islamic financial techniques in the small business sector.

☐ **PAKISTAN FEDERAL *SHARĪ͑AH* COURT JUDGEMENT ON INTEREST (*RIBĀ*) (1995)**, pp.464   **Price $ 7.0**
Khurshid Ahmad (ed.)
The book presents a translation of the Pakistan Federal Sharī͑ah Court's judgement on interest.

☐ **READINGS IN PUBLIC FINANCE IN ISLAM (1995),** pp.572   **Price $ 15.0**
Mohammad A. Gulaid and *Mohamed Aden Abdullah* (eds)
This is an attempt to present contribution of Islam to fiscal and monetary economics in a self contained document

☐ **A SURVEY OF THE INSTITUTION OF ZAKAH: ISSUES, THEORIES AND ADMINISTRATION (1994),** pp.71   **Price $ 5.0**
Abul Hasan Sadeq
It examines the major *Fiqhī* issues of *Zakāh*. A review of the administrative issues related to *Zakāh* implementation in the contemporary period is also made.

☐ ***SHARĪ͑AH* ECONOMIC AND ACCOUNTING FRAMEWORK OF *BAY͑ AL-SALAM* IN THE LIGHT OF CONTEMPORARY APPLICATION (1995),** pp.130   **Price $ 5.0**
Mohammad Abdul Halim Umar
The author compares the *salam* contract and other similar contracts like *bay͑ al ajal*, *al istiṣnā͑*, *bay͑al istijrār* with other financing techniques.

☐ **ECONOMICS OF DIMINSHING *MUSHĀRAKAH* (1995),** pp.104   **Price $ 5.0**
Boualem Bendjilali and *Tariqullah Khan*
The paper discusses the nature of *mushārakah* and *muḍārabah* contracts. It introduces the diminishing *mushārakah* contract and describes its needs and application.

☐ **PRACTICES AND PERFORMANCE OF *MUḌĀRABAH* COMPANIES (A CASE STUDY OF PAKISTAN'S EXPERIENCE) (1996),** pp.143   **Price $ 5.0**
Tariqullah Khan
The paper studies institutional framework, evolution and profile of *muḍārabah* companies in Pakistan and compares performance of some of these companies with that of other companies.

☐ **FINANCING AGRICULTURE THROUGH ISLAMIC MODES AND INSTRUMENTS: PRACTICAL SCENARIOS AND APPLICA-BILITY (1995),** pp.93   **Price $ 5.0**
Mahmoud A. Gulaid
The paper examines the functional and operational activities done during production and marketing of agricultural commodities, contemporary modes that banks use to finance them and assesses the possibility of financing them through Islamic instruments.

☐ **DROUGHT IN AFRICA: POLICY ISSUES AND IMPLICATIONS FOR DEVELOPMENT (1995),** pp.86   **Price $ 5.0**
Mahmoud A. Gulaid
It covers the policy issues having direct bearing upon the development needs of contemporary rural Sub-Sahara Africa within the framework of

socio-economic conditions of the rural household.

☐ **PROJECT APPRAISAL: A COMPARATIVE SURVEY OF SELECTED CONVEN-TIONAL AND ISLAMIC ECONOMICS LITERATURE (1995),** pp.62   **Price $ 5.0**

Kazim Raza Awan

It attempts to answer two basic questions: (1) What are the areas of conflict, if any between conventional project appraisal methodology and generally accepted injunctions of Islamic finance and (2) Given that there are significant differences on how should Islamic financiers deal with them.

☐ **STRUCTURAL ADJUSTMENT AND ISLAMIC VOLUNTARY SECTOR WITH SPECIAL REFERENCE TO AWQAF IN BANGLADESH (1995),** pp.113   **Price $ 5.0**

M.A. Mannan

The paper argues that both informal and Islamic voluntary sector can be monetized and can contribute towards mobilizing the savings and investment in an Islamic economy.

☐ **ISLAMIC FINANCIAL INSTRUMENTS (TO MANAGE SHORT-TERM EXCESS LIQUIDITY (1997),** pp**.**100   **Price $ 5.0**

Osman Babikir Ahmed

The present paper formally discussed the practices of Islamic Financial Institutions and the evaluation of Islamic Financial Instruments and markets.

☐ **INSTRUMENTS OF MEETING BUDGET DEFICIT IN ISLAMIC ECONOMY (1997),** pp.86   **Price $ 5.0**

Monzer Kahf

The present research sheds new lights on instruments for public resources mobilization that are based on Islamic principles of financing, rather than on principles of taxation

☐ **ASSESSMENTS OF THE PRACTICE OF ISLAMIC FINANCIAL INSTRUMENTS (1996),** pp.78   **Price $ 5.0**

Boualam Bendjilali

The present research analyzing the Islamic Financial Instruments used by two important units of IDB and IRTI. The study analyzes the performance of the IDB Unit Investment Fund by investigating the existing patterns in the selection of the projects for funding.

☐ **INTEREST-FREE ALTERNATIVES FOR EXTERNAL RESOURCE MOBILIZATION (1997),** pp.95   **Price $ 5.0**

Tariqullah Khan

This study, discusses some alternatives for the existing interest based external resource mobilization of Pakistan.

☐ **TOWARDS AN ISLAMIC FINANCIAL MARKET (1997),** pp.81   **Price $ 5.0**

Ausaf Ahmad

This paper efforts to intrude the concepts Islamic Banking and Finance in Malaysia within overall framework of an Islamic Financial Market.

☐ **ISLAMIC SOCIOECONOMIC INSTITUTIONS AND MOBILIZA-TION OF RESOURCES WITH SPECIAL REFERENCE TO HAJJ MANAGE-MENT OF MALAYSIA (1996),** pp.103   **Price $ 5.0**

Mohammad Abdul Mannan

The thrust of this study is on mobilizing and utilizing financial resources in the light of Malaysian Tabung Haji experience. It is an excellent example of how a specialized financial institution can work successfully in accordance with the Islamic principle.

☐ **STRATEGIES TO DEVELOP** *WAQF* **ADMINISTRATION IN INDIA (1998)**, pp.189
Hasanuddin Ahmed and *Ahmadullah Khan*
This book discusses some proposed strategies for development of *waqf* administration in India and the attempts to speel out prospects and constraints for development of *awqāf* properties in this country.
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Sami Ibrahim al-Suwailem

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Mohammed Obaidullah and Tariqullah Khan

This paper highlights the importance of microfinance as a tool to fight poverty. It presents the "best practices" models of microfinance and the consensus principles of microfinance industry.

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☐ **VERS UN SYSTÈME MONÉTAIRE JUSTE, (1997),** 352 pages   **Prix $ 10.0**
Mohammad Umer Chapra
Ce livre développe avec habilité la logique islamique de la prohibition du *Ribā*, et démontre avec rigueur la viabilité et la supériorité du système de financement basé sur la participation au capital.

Documents occasionnels

☐ **DEFIS AU SYSTEME BANCAIRE ISLAMIQUE, (1998),** 90 pages   **Prix $ 5.0**
Munawar Iqbal, Ausaf Ahmad et Tariquallah Khan
Le but de ce document occasionnel est que les théoriciens et praticiens dans le domaine bancaire islamique doivent explorer les voies et moyens permettant au système bancaire islamique de soutenir son rythme de progrès au moment où il entre dans le 21ème siècle.

TRANSLITERATION TABLE

Arabic Consonants

- Initial, unexpressed medial and final:

ء	ʾ	د	d	ض	ḍ	ك	k
ب	b	ذ	dh	ط	ṭ	ل	l
ت	t	ر	r	ظ	ẓ	م	m
ث	th	ز	z	ع	ʿ	ن	n
ج	j	س	s	غ	gh	هـ	h
ح	ḥ	ش	sh	ف	f	و	w
خ	kh	ص	ṣ	ق	q	ي	y

- Vowels, diphthongs, etc.

Short	◌َ	a	◌ِ	i	وِ	u
Long	أ	ā	ي	ī	و	ū
Diphthongs	ؤ	aw	ئ	ay		

Notes To Contributors

1. The papers submitted to *IES* should make some noticeable contribution to Islamic economics, either theoretical or applied, or discuss an economic issue from an Islamic perspective.

2. Submission of a paper will be held to imply that it contains original unpublished work and is not being submitted for publication elsewhere.

3. Since *IES* sends all papers for review, electronic copies should be submitted in MS word format in a form suitable for sending anonymously to the reviewers. Authors should give their official and e-mail addresses and telephone/fax numbers at which they can be contacted.

4. All papers must include an abstract of no more than 150 words. It is strongly advised that the length of the article should not exceed 6000 words.

5. All papers should have an introductory section in which the objectives and methodology of the article are explained and a final section, which summarizes the main points, discussed and the conclusions reached.

6. Manuscripts should be typed double-spaced, on one side of the paper only. References, tables and graphs should be on separate pages.

7. Detailed derivations of the main mathematical results reported in the text should be submitted separately. These will not be published.

8. References should be listed at the end of the text in the following style:

9. Articles: Al-Qari, Mohamed Ali (1993), "Towards an Islamic Stock Market", *Islamic Economic Studies*, Vol. 1, No. 1; Books: Khan, A. R. (1993), *Financial Intermediation*, New York: Springer Publishers. Page references to works referred to in the text should take the following form: Al-Qari (1993:17). Citations within the text should follow Harvard APA style.

10. The verses of the Qur'ān quoted should carry *surah* number and *ayah* number as (3:20).

11. Complete reference to the source of ahādith quoted should be given.

12. Contributions may be sent in English, Arabic or French and should be addressed to the Editor, *Islamic Economic Studies*, on the following

   E-mail: ejournal@isdb.org (for English language articles)

   ajournal@isdb.org (for Arabic language articles)

   fjournal@isdb.org. (for French language articles)

   Our postal address is: Islamic Research & Training Institute (IRTI), P.O. Box No.9201, Jeddah-21413, Kingdom of Saudi Arabia

Islamic Development Bank (IDB)

Establishment

The Islamic Development Bank is an international financial institution established in pursuance of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries held in Jeddah in Dhul Qa'dah 1393H (December, 1973). The inaugural Meeting of the Board of Governors took place in Rajab 1395H (July 1975) and the Bank was formally opened on 15 Shawwal 1395H (20 October, 1975).

Vision

By the year 1440H Hijrah, IDB shall have become a world-class development bank, inspired by Islamic principles that have helped significantly transform the landscape of comprehensive human development in the Muslim world and help restore its dignity.

Mission

The mission of IDB is 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.

Membership

The present membership of the Bank consists of 56 countries. The basic condition for membership is that the prospective member country should be a member of the Organization of Islamic Cooperation (OIC), pay its contribution to the capital of the Bank and be willing to accept such terms and conditions as may be decided upon by the IDB Board of Governors.

Capital

As of the month of Rajab 1431H, the Authorized Capital of the Bank was ID 30 Billion, and the Issued Capital was ID 18 Billion, of which ID 17.474 Billion was subscribed with ID 4.031 Billion Paid-Up.

Group

At present the IDB Group is made up of Islamic Research and Training Institute (IRTI), International Islamic Trade Finance Corporation (ITFC), The Islamic Corporation for Insurance of Investments and Export Credit (ICIEC) and The Islamic Corporation for the Development of the Private Sector (ICD).

Headquarters and Regional Offices

The Bank's headquarters is in Jeddah in the Kingdom of Saudi Arabia. Four regional offices were opened in Rabat, Morocco (1994), Kuala Lumpur, Malaysia (1994), Almaty, Kazakhstan (1997) and Dakar, Senegal (2008).

Financial Year

The Bank's financial year is the lunar Hijra year.

Accounting Unit

The accounting unit of the IDB is the Islamic Dinar (ID), which is equivalent to one SDR – Special Drawing Right of the International Monetary Fund.

Languages

The official language of the Bank is Arabic, but English and French are also used as working languages.