

ISLAMIC DEVELOPMENT BANK

ISLAMIC RESEARCH AND
TRAINING INSTITUTE

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INTRODUCTION

1. BACKGROUND

The Islamic Research and Training Institute (IRTI) was established in 1401H (1981G) to undertake research and provide training and information services in the member countries of the Islamic Development Bank and Muslim communities in non-member countries to help bring their economic, financial and banking activities into conformity with *Shari'ah* and to further economic development and cooperation amongst them. This report gives an overview of IRTI's past activities as well as its strategic plan in Chapter One. Detailed accounts of activities undertaken by IRTI during 1425H (2004-2005), which is the 22nd year of the Institute's operations are provided in chapters 2 to 7.

2. CURRENT STRUCTURE

IRTI is presently composed of four Divisions and three support units. These are: Islamic Economics, Cooperation and Development Division (IECD), Islamic Banking and Finance Division (IBFD), Training Division (TD) and Information Centre (IRTIC). The two Research Divisions conduct in-house research and manage external Research in their respective areas. The Training Division manages training programs for the personnel engaged in development activities in member countries as well as for those working in the Islamic banking and financial institutions. The Information Centre is responsible for developing information systems in the areas assigned to IRTI. The two supportive units are: Special Assignments Unit and the Administrative Services Unit. The Special Assignments Unit implements a number of professional programs run by the Institute, while Administrative Services Unit looks after the administrative requirements of various technical divisions. The Publications Unit is responsible for the publication and dissemination of its research output. IRTI's current organizational structure may be seen in Appendix VI.

3. NEW STATUS AND LOGO

On the recommendations of the Board of Executive Directors a consultant completed a comprehensive study during 1422-25H reviewing the Institute's activities, performance and challenges. Based on the recommendations of the study a number of initiatives have been introduced to strengthen the Institute. During 1425H the Board of Executive Directors accorded IRTI the status of a member of the Islamic Development Bank Group. As a result IRTI has adopted its own logo and this is the first report carrying the new logo. The new status of IRTI will have a bearing on the Institute's organizational structure.

4. STRATEGIC PLAN

During 1425H the IDB Group adopted its Strategic Framework and prepared Strategic Plans to achieve the Group Strategic Objectives. The Institute has also prepared its Strategic Plan. Summary of the Plan has been provided in Chapter One of this report.

5. ACTIVITIES

This report describes IRTI's activities undertaken during the year 1425H (2004-5), which are mainly in the areas of research, training and information. However, it also implements many special programs to promote Islamic economics, banking and finance.

Research

IRTI's research activities aim at organizing and conducting basic and applied research with a view to developing models and methods for the application of *Shari'ah* in the fields of economics, banking and finance. It also sets out to develop the capabilities of personnel in Islamic economics to meet the research and training needs of *Shari'ah* observing agencies. IRTI's research output takes various forms, such as in-house research papers, background and discussion papers, seminar proceedings, books of readings, lectures, translations and articles published in IRTI journal. Research Seminars/Conferences constitute vital part of activities of IRTI through which the Institute mobilizes external expertise. The Chapters Two and Three respectively give an account of IRTI's research activities in the areas of Islamic economics and Islamic banking during 1425H. Another IRTI activity with major research input is the publication of a scientific journal in the area of Islamic economics, banking and

finance. The journal *Islamic Economic Studies* is a refereed, bi-annual journal published in Arabic, English and French. More information about the journal and its various issues published in 1425H may be seen in Chapter Four.

Training

In accordance with its mandate, IRTI provides training opportunities to staff engaged in development activities in member countries with a view to contribute to the improvement of their human capital, which is vital to their capacity building and socio-economic development. Being aware of the changing nature of the challenges facing the Muslim Ummah as a result of the recent global trends, IRTI is continuously striving to diversify the contents of its courses in order to ensure their consistency with evolving training needs. Furthermore, special emphasis is being placed on training programs in the areas of Islamic banking and finance as a response to the increasing demand for training in this vital area. Special attention is also being focused on programs conducted under the “Task Force on Training (Preparing the Ummah for the 21st Century)”, which have been well received by their target audience. Chapter Five provides the details of training activities undertaken during 1425H.

Information

In order to provide the required information services the Institute has evolved a number of information systems that serve as the architect. These include: Islamic Banks’ Information System (IBIS), IDB Database On Experts (IDBDE), Trade Information & Promotion System (TIPSys), Model IT Strategy, *Awqaf* Databank, IRTI Publications Management System, and IRTI Newsletter. The details about these programs may be seen in Chapter Six.

Other Professional Activities

The Institute, in addition to the above activities, has also evolved a number of programs to popularize Islamic economics, banking and finance. These programs include the IDB Prize in Islamic Economics and Banking, Encouragement and Promotion Program, IDB Prize Lecture Series, IRTI *Shari’ah* Lectures, and Visiting Scholars Scheme. Details could be seen in Chapter Seven.

CHAPTER ONE

OVERVIEW OF ACTIVITIES AND STRATEGY

The main activity areas of IRTI have been briefly described in the introduction as research, training and information services. During the last 22 years IRTI has been active in these areas with the support of other institutions and outside scholars. In recent years the central concerns and key themes have emerged in the three activity areas of IRTI. In this chapter these concerns and themes are discussed and the future strategy of the Institute is presented.

1.1 RESEARCH

IRTI research has a number of themes, such as Islamic economics, economic cooperation and development and Islamic banking and finance.

Islamic Economics

It was exactly 30 years ago when first International Conference held in Makkah Mukarramah under the auspices of King Abdulaziz University laid down the foundation stone of a potentially new scientific paradigm to be called Islamic Economics.

Muslim economists attending the conference believed that “re-orientation of approach and reconstruction of the entire framework of economic analysis are needed to harness economics to the service of humanity”. It was argued that the scope of the new discipline to be called Islamic economics would be wider than that of Economics, at both levels, horizontal as well as vertical (or inter-temporal).

Since then a large number of conferences and workshops, have been held with the objective of making rigorous scientific contributions on different economic aspects of Islam and Islamic society, with the objective to delineate

the theory of Islamic economics and boundaries of Islamic economic system. Various academic institutions came into existence to contribute to the discipline. This included not only the establishment of Islamic Economics faculties at university level but also research institutions like Center for Research in Islamic Economics at King Abdulaziz University, Islamic Research and Training Institute in Islamic Development Bank and Islamic Economic Research Bureau in Bangladesh. Academic institutions in the West also took interest in understanding this emerging discipline.

Islamic Research and Training Institute when established in 1981 took up the task of developing this discipline by conducting in-house research and mobilizing external expertise. Over the period of more than 20 years, IRTI has become the largest contributor in this respect. It published research studies, conducted seminars, conferences and workshops and provided substantial technical and financial support to other institutions working in the area of Islamic economics. From the point of view of development of the discipline to be called Islamic economics, and getting it recognized at academic level as potentially a scientific discipline, following IRTI publications are worth mentioning:

- i. What is Islamic Economics (Monograph)
- ii. Lectures on Islamic Economics (Book of Readings)
- iii. Lessons in Islamic Economics (Book of Readings)
- iv. The Economics of Participation (Monograph)
- v. Theoretical Foundations of Islamic Economics (Book of Readings)
- vi. The Monetary Conditions of an Economy of Markets: From the Teachings of the Past to the Reforms of Tomorrow (Monograph)
- vii. Readings in Public Finance in Islam (Book of Readings)
- viii. Project Appraisal: A Comparative Survey of Selected Conventional and Islamic Economics Literature (Monograph)
- ix. Comparative Economics of Some Islamic Financing Techniques (Monograph)
- x. Islamic Futures and their Markets with Special Reference to their Role in Developing Rural Finance Market (Monograph)
- xi. Economics of Small Business in Islam (Monograph)
- xii. Exchange Rate Stability: Theory and Policies from an Islamic Perspective (Monograph)
- xiii. A Bibliography of Islamic Economics (Monograph)

These publications along with some publications issued by other institutions such as Islamic Foundation, UK and International Institute of

Islamic Thought, USA offer enough material to teach the discipline independently at university level.

In the recent past IRTI's main concern has been to develop a standard textbook on Islamic economics. The research generated during last 30 years is expected to allow enough material to compile such a book that will put together at one place Islamic thoughts relating to the subject of economics. It was in this background that IRTI planned to organize in 1425H a Round Table Discussion on the Current State of Art in this field. Scholars who have been actively contributing to the field of Islamic economics during last 30 years hoping that they will provide guidelines how to prepare a textbook on the subject.

The proceedings of this Round Table Discussion are in the process of editing which will then be published. Though Round Table Discussions could not come up with specific suggestions with respect to preparing a textbook on Islamic economics, yet it was strongly recommended that steps need to be taken in that direction urgently. The extensive and intensive discussions provided IRTI a basis how to pursue the project. IRTI will be taking steps in different directions in 1426H to ensure that a textbook on Islamic economics is published within a couple of years.

Research and promotion relating to Islamic economic institutions like *Zakah*, *Awqaf* and financial institutions has also been an active part of IRTI activities to promote Islamic economics. IRTI has made elaborate contributions in this area too by producing a large set of academic material relating to working of such institutions. Some of the prominent publications are:

- i. Management and Development of *Awqaf* Properties
- ii. Management of *Zakah* in Modern Muslim Society
- iii. International Framework of *Zakah*: Dimensions and Implications
- iv. Islamic Financial Institutions
- v. Effects of Islamic Laws and Institutions on Land Tenure with Special Reference to some Muslim Countries
- vi. *Zakah* Management in some Muslim Societies
- vii. Economics of *Zakah*

Particular attention has been given to institutions of *Zakah* and *Awqaf*. In these two areas, not only research has been conducted but a number of training programs have been conducted in different member countries in these two areas. A set of material has also been compiled and published for the purpose of

training in the application of *Zakah* in contemporary Muslim societies. Seminars have been organized to collect *waqf* experiences in different parts of the world.

International conferences are periodically organized on these two subjects. During 1425H, IRTI has been busy in making preparations for Sixth International Conference on *Zakah*.

Economic Development

Economic development in Muslim countries is another major item in the research activities of IRTI. The following publications are worth mentioning on Islam and Development:

- i. Financing Development in Islam
- ii. Human Resource Mobilization through the Profit-Loss Sharing Based Financial System
- iii. Land Ownership in Islam and Economic Development
- iv. Role of Islamic Banks in Development
- v. Man is the Basis of the Islamic Strategy for Economic Development

After working on several issues, IRTI realized that it will not be able to make substantial contribution on all development issues faced by IDB member countries and Muslim communities. For last couple of years IRTI have been focusing its activity on one single major issue and that is “poverty alleviation”. The issue is important not on its own because of the widespread and rather growing poverty in member countries but it is also important in view of the fact that poverty alleviation is supposed to be the most important objective of a Muslim economy from Islamic point of view. The Work Program for 1425H included preparation of an occasional paper on the role of *Zakah* and *Awqaf* institutions in poverty alleviation. This occasional paper was published and released at the occasion of the 29th IDB Group Annual Meeting held in 1425H. During 1425H, IRTI also decided to take up the issue of poverty alleviation more aggressively and made it a part of the 5-year strategic plan of IRTI. A Working Group on Poverty Alleviation has been planned to establish in 1426H to provide a forum to the member countries for a dialogue in order to discuss the policy options, identify best practices and explore cooperation opportunities to mutually achieve the targets for reducing poverty in member countries. The working group meetings have been planned to start from 1426H.

Economic Cooperation among Member Countries

This has also been a prominent item in the research activities of IRTI since its inception resulting into number of contributions. Some of the prominent research studies made in IRTI in this respect include:

- i. Economic Cooperation and Integration among Islamic Countries: International Framework and Economic Problems
- ii. Prospects for Cooperation through Trade among OIC Member Countries (A Commodity Analysis)
- iii. Economic Cooperation among the Members of the League of Arab States
- iv. Counter Trade: Policies and Practices in OIC Member Countries
- v. Cereal Deficit Management in Somalia with Policy Implications for Regional Cooperation
- vi. Trade Promotion Organizations in OIC Member Countries
- vii. Economic Cooperation for Regional Stability

During 1425H, an International Conference was held in Egypt on the Prospects of Arab Economic Cooperation to boost savings and investment. Proceedings of an International Conference on Financial Development in Arab countries was being processed during 1425H and will be published soon.

Shari'ah Issues

IRTI has done elaborate working conducting research and compiling *Fiqh* material relevant for contemporary application of *Shari'ah* in economic and financial matters. Most of this work has been done by mobilizing expertise either requesting them to write a paper for IRTI or deliver a lecture at IDB/IRTI Headquarters. There are about 25 publications of IRTI in this respect. These publications include research papers on all basic modes of financing and issues relating to their contemporary application in Islamic Finance Industry. Thus we have separate publications on *Murabaha*, *Mudaraba*, *Ijara*, *Salam*, *Istisna'* and *Juala*. The publications also include several studies relating to basic *Shari'ah* tools relevant for resolving the issues arising due to their contemporary application in financial matters. Thus we have separate *Fiqh* studies published on concept like *Dharoorah*, *Maslaha*, *Istehsan*, *Qayas* and *Gharar*.

During 1425H, a *Shari'ah* lecture was organized at IDB Headquarters on the subject of *Fiqh* Axioms in Transactions. This lecture too will be

published soon. Details of all activities in above areas during the year 1425H have been given below:

Public Sector Resource Mobilization

Governments require large amounts of resources for financing basic programs such as poverty reduction and human development programs. Governments in most IDB member countries lack the required resources and large budget deficits have become a chronic problem. There are no simple solutions available for alleviating the mismatch between government revenues and expenditures. During 1425H IRTI published an Occasional Paper on “Financing Public Expenditure: An Islamic Perspective” attempting to discuss and analyze some aspects of the challenge.

The paper discusses the extent of the challenge, reviews the position of Islamic scholars regarding the size and purpose of public expenditure, provides an empirical background about the allocation of public expenditure in IDB member countries and presents a historical overview of the traditional and modern sources of financing public expenditure in the Muslim societies. Furthermore, the potential of the emerging phenomenon of the government investment *Sukuk* and the build-operate-transfer (BOT) mechanism of project financing are discussed as an alternative source of financing public expenditure.

A number of policy implications emerge from the paper including:

- i. All genuine expenditure of the government must be met through taxes and non-tax revenues. Deficit financing is not a good public policy for any government and under normal circumstances it should be avoided.
- ii. There are a number of identifiable problems for the mismatch in government revenues and expenditures. The reasons include the large size of the public sector, the needs for large defense and security expenditures, narrow and rigid tax structure, tax evasion, availability of interest-based credit, and lack of transparency and good governance. These problems need to be properly addressed.
- iii. It must be realized that the "classical" Islamic sources of financing public expenditure may not be enough in contemporary societies. There is an urgent need to find innovative ways for mobilizing resources to meet the requirements of the public sector.

- iv. Hence, there is urgent need to find innovative ways for mobilizing resources to meet the requirements of the public sector. While doing this, the distinction between current expenditure and the development expenditure should be kept in view. The present practice of generating resources from all possible sources and then meeting current expenditure out of the available pool and transferring the residual to the development budget needs to be reviewed.
- v. The two kinds of expenditure need to be mobilized through distinctly separate approaches. For meeting the development needs, the possibilities of a more active participation by the private sector should be considered. Many public projects can be undertaken on the basis of techniques, such as BOT and investment *Sukuk*, that do not involve interest. The efficiency of BOT and its variants depends on the health of the economy, especially of the financial institutions and markets. The arrangements function smoothly as long as the economy performs well. When there is an economic problem, particularly, during periods of financial crisis, due to rigid pricing and other contract structures, these arrangements do not remain viable and sustainable. In fact, under situations of financial crisis, the economic cost of the new forms of investment can be far greater for the economy concerned as compared to the cost of the traditional debt finance. However, if the economy is not prone to financial crisis, the new investment relations can be sustainable and more efficient. Since *Sukuk* and Islamic financing in general are based on real assets, therefore, these arrangements are expected to enhance the stability of financial institutions and markets. Hence it can be suggested that the utilization of BOT and its variants along with the *Sukuk* structures and Islamic financing principles in general can be a better alternative to the combination of BOT and traditional interest-based debt and financing.
- vi. The role of *Awqaf* and other nongovernmental organizations in the provision of public goods such as education and health needs encouragement and promotion. These were the biggest sources of financing public utilities and services in the early Islamic history and there is no reason this cannot become sizable and dynamic if proper efforts for harnessing these are undertaken.

Soundness of Financial Institutions and Markets

Historical evidences show that economic development cannot be attained and sustained without stable and efficient financial institutions and markets. The positive implications of the inherent characteristics of Islamic banking for banking and financial stability are well documented theoretically. Practices of Islamic banking were initiated during the late Sixties. Entering into its fourth decade Islamic banking has become of systemic significance in several countries. Hence its unique risk characteristics need to be properly understood. The industry shall be properly regulated and supervised. The industry shall be provided a fair opportunity and leveled playing field for competition. Such policies are expected to enhance the industry's contribution to banking and financial stability and sustainable economic development.

Recently the Institute has assigned significant attention to this theme. Several research conferences and training and orientation seminars are being organized in collaboration with central banks and other relevant institutions. Papers and presentations made to these academic events have focused on a number of sub-themes.

- Financial Stability

Under this sub-theme one strand of the contributions to IRTI conferences have emphasized the inherent features of Islamic banking and finance that can enhance financial stability. These features include the risk-sharing nature of investment deposits, the control on “hot money” and speculation and the asset-based nature of funds. These features can prevent banking, currency, and debt crisis and corporate distress. Another strand of these contributions puts an emphasis on the role of banking supervision and regulation and the utilization of best practice standards of risk management and corporate governance.

- Financial Architecture

Financial architecture and infrastructures covers a wide range of legal, technical, policy and technological parameters that affect the efficiency and stability of the financial institutions and markets. Noticeably, in addition to *Shari'ah* supervision, seven institutions have emerged that work on the mandate to develop and strengthen the Islamic finance infrastructures. These include: Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board, International Islamic Financial Markets, International Islamic Rating Agency, Liquidity Management Centre,

General Council of Islamic Banks and Financial Institutions, and Arbitration and Reconciliation Centre for Islamic Financial Institutions. Except AAOIFI, all these institutions are new. The standards produced by AAOIFI have provided significant input in understanding the features of the balance sheet and income statement of an Islamic financial institution and in promoting a uniform financial reporting system. However, the debate pursued under this sub-theme is in an early stage and offers a rich ingredient for future research.

- Corporate Governance and Transparency

A significant strand of the research has addressed this important sub-theme. The Islamic financial industry has developed a unique system of *Shari'ah* governance through the *Shari'ah* supervisory committees and boards. This strengthens self-regulation and corporate governance in these institutions. The other strand of research have emphasized on the nature of investment deposits and its unique implications for corporate governance of Islamic banks. Another strand of this research that has yet to address the subject of Sukuk-indentures the rights of the Sukuk-holders.

- Risk Management

In the growing research, it is increasingly being recognized that the future of Islamic banking rests on how best the risks of these financial institutions are managed. The research addresses the uniqueness of these risks, the technique to address the risk management processes and the products that can be utilized. Some research have addressed the application of VaR to Islamic banks. Others have discussed how the nature of Islamic banking can be a concern for higher operational risks. The discussion of Basel II is also referred to in some discussions emphasizing on the internal ratings based approach and the importance of operational risks for the Islamic banks.

- Market Discipline and Efficiency

This strand of research is based on the nature of investment deposits on one hand and the incentives for banks to monitor projects on the other. In addition, *Shari'ah* compliance attracts the interest of depositors to monitor their banks. Furthermore, the research highlights the disclosure requirements in Islamic banks due to *Shari'ah* compliance. These research works in general argue that Islamic banking enhances market discipline.

- Product Development and Legal Framework

Substantial research works address the need for product development for resource mobilization, allocation and risk management. Increasingly large number of papers and presentations address the required legal framework for Islamic banking practices in different jurisdictions. The desirability of civil law, and common law regimes for Islamic banking and finance and the need for dialogue of these regimes with the *Shari'ah* are also attracting the attention of researchers and practitioners.

- Efficiency of Islamic Banks

Still a large number of research papers address the subject of efficiency of Islamic banks vis-à-vis traditional banks. Most of these research papers conclude that Islamic banks do better in general despite lack of adequate financial infrastructures. Some research have also addressed country-wide performance of Islamic banks instead of looking at individual banks. These research papers highlight the weaknesses of financial infrastructures in the developing countries that adversely affect the soundness of financial institutions.

Distance Learning

Islamic Economics and Finance is a new discipline. There are only a handful of universities in the world which are offering regular teaching programs in Islamic economics and finance. One of the biggest constraints that they are facing is the availability of qualified teachers/instructors. This is also one of the biggest constraints in expanding the teaching programs both in the universities which are now offering these programs as well as other places which are in principle interested but are not able to start such programs mainly due to nonavailability of qualified teachers.

In view of the availability of distance learning techniques, it has now become possible to pool the resources available throughout the world and use them for the benefit of multiple parties. Therefore, IRTI has initiated two types of programs:

- Distance lectures on Islamic Finance

Under this program special lectures are offered on topics of common interest to IRTI and outside institutions.

- Distance courses on Islamic Finance and Economics

Under this program IRTI is offering assistance in teaching some courses in different universities around the world. The plan envisages that some universities will schedule a given course concurrently. While the local instructors in the concerned universities will be running the courses, IRTI will arrange delivering a number of guest lectures through videoconference facilities to the students at all locations during these courses.

1.2 TRAINING

Thematic Areas

IRTI's training programs are organized in four thematic areas. These are:

- Private Sector Development

Under this theme emphasis is given to the development of management, business, accounting, finance and technology related skills that can be instrumental in developing and managing microenterprises, in appraising projects and in facilitating efficient privatization of public enterprises.

- Macroeconomic Management

In this area priority is given to macroeconomic policies, financial management of public sector institutions, debt management, globalization challenges, BOT and infrastructure financing, and poverty alleviation.

- Human Resource Development

In training of trainers human resource management skills are particularly addressed under this theme.

- Islamic Economics, Banking and Finance

Zakah and *Awqaf* management, Islamic banking techniques and modes, regulation and supervision of Islamic banks, risk management in Islamic

financial institutions, accounting and auditing standards for Islamic financial institutions are given priority under this theme.

About 24 percent of the total number of courses implemented so far were in the area of private sector development, 16 percent in macroeconomic management, 20 percent in human resources development, and 40 percent in Islamic economics, banking and finance.

Task Force on Training

In light of the 8th Islamic Summit Resolution to prepare the Ummah for the 21st Century, the Management of the IDB Group has established a **Task Force on Training (Preparing the Ummah for the 21st Century)** to be coordinated by IRTI and in collaboration with four of the affiliated institutions with a view to expand their training activities.

IRTI has successfully been implementing annual work programs with each of the four institutions which are respectively based in Bangladesh, Morocco, Pakistan and Turkey. The work programs contained many training courses and workshops in the field of trade finance and promotion, new technologies and management, information technologies and entrepreneurship development. Until 1425H, IRTI has implemented within this program 20 workshops.

Special Program on Promoting *Zakat* and *Awqaf* in Sub-Saharan African Countries

Since 1423H IRTI is implementing this special program with a view to address important issues in relation to the current situation and bottlenecks hindering development of these institutions and their significant role in poverty alleviation in these countries. Some technical papers have been prepared in this respect and a number of workshops will be conducted within this program.

Partnership with Private Sector

IRTI has been providing training programs to IDB Member Countries either free of charge or at highly subsidized rates as part of its obligation to these countries. However, with the view to increase coverage and effectiveness of IRTI training programs, it is postulated that IRTI may develop partnership with the private sector to conduct some training programs that can be organized

on the basis of reasonable fees. In pursuance of this, IRTI has recently implemented a number of fee-based training courses in a number of member countries with encouraging results. IRTI will strengthen this initiative in the most appropriate way in compliance with IRTI objectives, functions and roles.

1.3 INFORMATION ACTIVITIES

IRTIC Orientation for Information Systems Development

As IDB has just taken a new path to cope with the current business strategy in line with the latest developments in information and communication technology (ICT) and knowledge management, and as IRTI is taking the same path in harmony with IDB and its members, most of IRTI's work has been in conformity with these strategic orientations.

For knowledge management strategy, IRTIC is making two major approaches. The first involves the use of advanced information technology systems for the purpose of aggregation and sharing of explicit knowledge that can be easily codified, stored, and retrieved for later use. Here comes the need for some information systems such as *Awqaf* Databank, Model IT Strategy, IRTI Publication Management System and IRTI Newsletter.

The other approach involves the sharing of tacit knowledge whereby individuals share personal expertise and experiences either through face-to-face interactions or through the use of computer-mediated communication and collaborative media. In each of these cases, careful consideration must be given to the choice and design of whatever information system is used so that information can be easily found and retrieved, and that the social and highly contextual nature in which knowledge is shared is supported. This was the motivation for the Experts Module in the *Awqaf* Databank, the IDB Database on Experts and the Islamic Banks Information System.

Awqaf Databank is an international database that covers all Muslim countries and is therefore a long-term and multiphase project. The project was conceived for IRTI believes that there is a great need to popularize and propagate the concept, mechanisms and disciplines of *Waqf* worldwide. Many individuals and organizations that specialize in *Waqf* are deprived of sources that have a wealth of information essential to *Waqf* activities.

A strategic partnership among IRTI, Kuwait *Awqaf* Public Foundation (KAPF) and World *Waqf* Foundation (WWF) visualized *Awqaf* Databank as a trilingual web portal (Arabic, English and French) that will diffuse data and information about *Waqf* activities in the Muslim world. It complements Muslim world's efforts to promote and develop *Awqaf* and helps to fill the informatics gap in terms of facts and information about *Waqf* activities in the Muslim world.

Awqaf Databank aims to document and disseminate practical expertise and research works in the field of *Waqf*. It shall provide a platform equipped with cutting edge software/hardware to serve databank activities and build a databank that is run through highly technical and competent operation and management systems. Its cyber site will be supported by trilingual search engines. It initiates the first world forum on Islamic *Waqf* matters.

One of the main activities of IRTI is conducting research in the areas of Islamic Economics, Banking and Finance, where these researches are published regularly for sale, distribution and exchange. During the past period, IRTI has been publishing its publications in paper format and distributed through regular mail. However, with the advent of Information Communication Technology (ICT) and the Internet and to ease the method of distribution and selling, IRTIC was mandated to develop a comprehensive portal for IRTI publications. The portal shall include full information of each publication, its price and a bio-data of the author, and has the capability of selling the publications online through a secure site.

The main objective of the system is to develop an online virtual bookshop for selling and purchasing IRTI Publications and to convert published files from legacy format, and other different file formats to web compatible formats.

As an aid of awareness to the IDB Group members internal staff about the activities that IRTI is undertaking and as a documentary evidence, IRTIC was mandated to design and develop an online newsletter to be browsed by IDB staff as a local web page on the IDB Intranet. However, at a later stage the newsletter will be part of the new IRTI page within the IDB Group Portal so that users and organizations dealing with IRTI will be aware of its recent activities.

The newsletter is designed to keep track of back issues. In addition, the newsletter is supplied with a full text search engine to search various activities. IRTI is proposing to host the newsletter on IRTI page in the new IDB Group

Portal. In addition, the link of the newsletter will be provided to various organizations and individuals dealing with IRTI.

As the IDB Group members and specially IRTI need to communicate with various Muslim experts and scientists around the world for consultancy services, and reviewing IRTI publications, papers, monographs or articles, a great need was felt to develop a global and comprehensive database that includes full details of Muslim experts around the world. Hence, IRTIC was mandated to develop the IDB Database on Experts (IDBDE).

IDBDE aims at facilitating the identification of Muslim experts and scientists around the world in various fields. This would reduce the cost of locating competent consultancy services to all IDB Member Countries and to serve as a heritage for Muslim experts in the globe.

Islamic Banking Information System (IBIS)

Islamic banking and financial operations are increasing rapidly all over the world. This development has important implications for financial reporting, transparency and banking stability. IRTI/IDB, central banks, standard setters and other international institutions share the responsibilities of developing financial reporting systems, monitoring the Islamic financial flows and collecting, systematizing and disseminating Islamic financial data.

IBIS is primarily a financial database on Islamic banks having information on Islamic Financial Institutions. The IBIS website offers its users up to 12 years of detailed financial information, details of ownership information (shareholders and banking subsidiaries), a comprehensive repository of annual reports, and to conduct in-depth comparative and statistical analysis on sub-sets of banks.

1.4 STRATEGIC PLAN 1426-30H [2005-10]

During 1425H the IDB Board of Executive Directors has granted IRTI the status of a member of the IDB Group. In the framework of the strategic planning process of the IDB Group, IRTI has also prepared a Strategic Plan for the period 1426-30 [2005-10]. IRTI's strategic plan has been prepared within the parameters of Strategic Framework of the IDB Group. This section describes the process through which IRTI's strategic plan evolved.

In order to evolve a strategy for itself for the next five years, to be consistent with the strategic framework of the IDB Group, first of all, IRTI revised its vision and missions statements. The Institute envisions becoming a centre of excellence in Islamic economics, banking and finance and shall use research, training and information services as tools for developing Islamic economics, banking and finance, and contribute to building institutional infrastructure for promoting human development and enhancing economic cooperation among member countries in collaboration with the IDB Group members and other partner organizations.

In rendering its statutory functions, and its above stated mission, the Institute faces a number of challenges that are embedded in opportunities. The environment in which IRTI operates today and will operate in the future is quite different as compared to the environment that prevailed at the time of IRTI's inception. In 1981 there was a dominance of public sector in member countries. This situation has significantly reversed. When IRTI became operational, there were barely a few institutions devoted to Islamic economics, banking and finance.

The Islamic economics, banking and finance principles are now being applied widely in a number of countries and several institutions have started offering services on commercial basis. The user requirements and demand are growing fast and the competition is becoming stiff. At the time of IRTI's inception knowledge management was still a fledgling industry. At the present, knowledge management has emerged as a dynamic industry that adds tremendous value to society. The revolution in the information and communication technology (ICT) has played a fundamental role in this. Several international companies have taken a lead role in the core business areas of IRTI, namely, research, training and information systems and services in Islamic banking and finance. Hence the expectations of member countries from IRTI have also changed. In its future strategy and plans and their implementation IRTI will respond to the changing expectations of member countries.

1.4.1 STRATEGIC OBJECTIVES

In responding to the expectations of member countries IRTI will work within the framework of the IDB Group Strategic Framework. This framework states that *“The IDB Group will continue to provide necessary assistance and guidance for completing the infrastructure of the Islamic banking and financial industry. Within the Group, IRTI would play a leadership role in creating a network of institutions contributing to various aspects of the industry”*. Nevertheless, IRTI shall also make a concerted attempt in contributing to the

other two strategic objectives of the IDB Group, namely, poverty alleviation and economic cooperation among member countries.

In the light of the above, the Institute aims at the following key objectives:

1. Providing financial and socio-economic statistics about member countries;
2. Promoting strategic dialogue among member countries on key issues of common interest;
3. Facilitating practical application of Islamic economics and finance;
4. Developing Islamic economics and finance as scientific disciplines;
5. Business and endowment development for strengthening financial position of IRTI.

Promoting strategic dialogue: The Institute will establish a comprehensive network among relevant institutions and individuals from member countries and the rest of the world for promoting dialogue.

Facilitating the practical application of Islamic economics and finance: Through its networking and knowledge management initiatives, by undertaking research on policies as well as on the development of products, institutions and markets, conducting training programs and utilization of information systems and services, the Institute shall contribute to the practical applications of the principles of Islamic economics, banking and finance.

Developing Islamic economics and finance as scientific disciplines: The Institute will continue contributing to the development of Islamic economics, banking and finance as scientific disciplines through its various programs and activities.

1.4.2 STRATEGIC INITIATIVES

In order to achieve the above mentioned strategic objectives, IRTI plans to take the following initiatives:

1. Building Synergies within the IDB Group through

- responding to such business needs of the IDB Group, which might require input from IRTI's core areas of competence;

- utilizing accumulated experience of the IDB Group entities for developing packages to be used in effective transfer of knowledge and its management;
- organizing events, in partnership with relevant IDB group entities, which may contribute in attainment of Strategic Objectives of the IDB Group.

2. Networking through Working Groups

The following working groups composed of Centers of Excellence in the member countries would be established:

1. Working Group on Islamic Financial Products
2. Working Group on Poverty Alleviation
3. Working Group on Capacity Building
4. Working Group on ICT for Development

3. Strengthening the Institute's Financial Position

IRTI will take up following initiatives in this respect:

Income generation
Endowment Development
Partnership Development
Rationalization of Cost

1.4.3 FUNCTIONAL FOCUS

Research

Keeping in view its strategic objectives, the in-house and external research activities of IRTI shall continue to have an appropriate mix of theoretical and empirical work. Where, in general, IRTI will maintain a broader research interest, the following areas will however be focused.

Sustainable Development: Broadly speaking sustainable development encompasses human development, poverty alleviation and the balance between environment and economy as well as values and material progress. Poverty alleviation is one of the strategic objectives of the IDB Group and human development is one of the six priority areas. Poverty alleviation, human development and sustainable development are highly interdependent. The institutions of *Zakah, Awqaf*, nongovernmental organizations, as well as small and medium enterprises play a role in sustainable development. Through its

research, training, conferences and strategic dialogue process IRTI will focus on sustainable development.

Risk management, regulation and supervision: For enhancing the efficiency and stability of the Islamic financial industry, risk management, corporate governance as well as prudential regulation and effective supervision are vitally important. The research activities of IRTI will continue to give priority to this area.

Products and markets development: Product development is extremely important for the growth and sustainability of the Islamic financial industry including financial markets. There are two aspects of this focus area.

- The first aspect of focus will be to establish a certain minimum acceptable level of consensus among *Shari'ah* Scholars on the most important Islamic modes of finance. These modes of finance then shall be presented to legal experts of the Common and Civil law jurisdictions. An Islamic financial contract can be applied at a lower cost, if it is simultaneously acceptable under the *Shari'ah* law, Common law and Civil law regimes.
- The second aspect of the focus is the ongoing need for new products for resource mobilization and allocation as well as hedging and risk management. The Institute shall continue to strengthen these areas through its various programs and activities.

Textbooks and Surveys: The development of Islamic economics, banking and finance as scientific disciplines depend on the existence of good quality textbooks, analytical survey and teaching and training materials. Textbooks on Islamic economics, banking and finance and other teaching material are not available. The development of teaching materials in collaboration with universities will be an area of focus to promote the discipline.

Capacity Building through Training

The focus of IRTI training programs will be on building and enhancing technical capacities of member countries in macroeconomic management, Islamic banking and finance and managing Islamic economic institutions. These programs will be carried out through the traditional training instruments as well as by utilizing modern means of delivery such as the Global Development Learning Network (GDLN), web-casting and multimedia presentations etc. Furthermore, a conscious effort shall be made to improve the quality, efficiency,

impact and cost-effectiveness of these training programs under new focus of strategic planning in the Institute.

Training Packages and Cases: Case-based approach to structured training packages and programs offers a great opportunity for adding value to IRTI's activities to become a centre of excellence for effectively transferring knowledge in Islamic economics, banking and finance and other disciplines. Due to its own work during the last two decades as well as the experience of the IDB and other institutions with the application of Islamic financial instruments and modes, significant knowledge-based resources are now available. IRTI will utilize the available sources of knowledge and prepare training packages with a strong content of practical cases. These training packages will be delivered

Enhancing Efficiency and Impact of Training Programs: In order to increase efficiency of training programs, IRTI shall benefit from setting up the working group on capacity building. In collaboration with the working group, IRTI will make an attempt to identify the best training packages and training techniques suitable for each of the member countries where training program is implemented.

Building Partnership with the Private Sector: with a view to making training programs cost-effective, IRTI has already initiated dialogue with several centres of excellence in member countries so that a number of training programs would be gradually conducted on cost recovery basis.

Information Systems and Services

As a knowledge-based organization, IRTI's performance depends on the quality of its information systems and services provided. IRTI will provide these systems and services in accordance with the international standards. Focused attention is being given to four areas:

- The IRTI Islamic financial institutions information system,
- Building the IRTI Website benchmarked with the Website of the World Bank Institute,
- Utilization of the Internet for marketing the Institute's services, particularly, IRTI publications,
- Building a database on *Awqaf*, and
- Facilitating the digitization of IRTI documents.

Programs and Partnerships

IRTI will revitalize the following professional programs, which are already under implementation:

- Research Seminars and Conferences;
- Training Courses;
- Publications;
- IDB Prize in Islamic Economics, Banking and Finance;
- IRTI Scholarship for PhD in Islamic Banking;
- IRTI Distinguished Scholars' Lecture Series;
- IRTI *Shari'ah* Lectures;
- IRTI Lecture Tours;
- IRTI Visiting Scholars Program;
- IRTI Encouragements and Promotion Program; and
- IRTI Partnership Program for Capacity Building in Islamic Financial Industry.

CHAPTER TWO

ISLAMIC ECONOMICS, COOPERATION AND DEVELOPMENT

2.1 PURVIEW

Research on various issues of Islamic economics, economic cooperation and development of member countries is carried out at IRTI by the Islamic Economics, Cooperation and Development (IECD) Division.

Its major activities are carried out in the following directions:

- Carry out Internal Research
- Organization of Seminars and Conferences/ Workshops
- Contribution of Papers by Staff Members in Seminars and Conferences
- Mobilization of External Expertise for Research
- Editing of Seminar Proceedings
- Development of Training Manuals
- Consulting Services on *Shari'ah* Issues
- Other Activities.

2.2 INTERNAL RESEARCH

Out of the three planned research projects one entitled, “The Role of *Zakah* and *Awqaf* in Poverty Alleviation” has been completed as an occasional paper. It was circulated in the 26th Annual Meeting of the IDB Board of Governors held in the Islamic Republic of Iran. Its abstract is given in the next section. The following two research projects are in different stages of completion:

- “Risk and Return in the Islamic Funds”
- “Model of *Irsad*: Its Potential In Developing And Managing *Awqaf* Properties in the Contemporary Muslim Societies : A *Fiqh* Perspective (in Arabic)

2.2.1 THE ROLE OF ZAKAH AND AWQAF IN POVERTY ALLEVIATION

Even with the manifold increase in the overall global income levels during the last century, poverty still continues to plague large segments of humanity. Different policies have been tried in the last few decades to redress the menace, but it still persists extensively in IDB member countries in particular. The paper examines the role and scope of *Zakah* and *Awqaf* in tackling the problem of poverty. *Zakah* is a pillar of Islam that has direct economic implications for others. It requires Muslims to distribute a part of their wealth among the deserving in order to bring about economic emancipation among the poor. Similarly, *waqf* is a voluntary charitable act with wide economic implications. These institutions were successfully employed to eradicate poverty and extend social services in the classical times of Muslims. The research investigates how these institutions can be used in contemporary Muslim societies.

It is important to comprehend the dimensions and causes of poverty before one is cognizant of the role the institutions of *Zakah* and *Waqf* can play in dealing with poverty. Poverty is a complex phenomenon and can be studied from both micro and macro perspectives. While macroeconomic policies affect the overall growth and development of economies, distribution of income among the people determines the overall poverty levels. At the micro level, poverty is linked to the entitlements that individuals have to different sources of income. Having identified the causes of poverty, the paper presents the static and dynamic approaches to mitigate it. Then it discusses how *Zakah* and *Awqaf* can be structured in a dynamic perspective to address poverty. The paper approaches the issue in the following three ways.

First, potentials and scope of *Zakah* and *Awqaf* have been investigated at the macro level by estimating their potentials in different countries under certain formula. Scope of these two institutions with respect to eradication of poverty has been assessed by comparing the estimated potential figures to both the actual volume being raised and the one required for the poverty alleviation schemes.

Secondly, practical ways have been assessed as to how poverty could be alleviated through *Zakah* and *Awqaf*. This section explores the appropriate institutional framework of these institutions to help realize their potentials. Their operational aspects have been discussed by drawing on the results obtained from a survey of two IDB member countries of Malaysia and Pakistan

and a nonmember country of South Africa. The paper identifies the appropriate institutional structures of *Zakah* and *Awqaf* to enable these countries to efficiently implement their poverty eradication program, having studied the nature and scope of their operations in these two sectors. The paper analyzes and explores the mechanisms to use *Zakah* and *Awqaf* under appropriate organizational format for the purpose of alleviating poverty.

The paper finally recommends, among others, integrating *Zakah* and *Awqaf* in the overall development strategy, having appropriate legal and regulatory structure for *Zakah* and *Awqaf* to enable them to achieve social objectives, building sound organizational structure for their efficient operation and developing alternative institutions side by side with the traditional institutions of *Zakah* and *Awqaf*.

2.3 MOBILIZING EXTERNAL EXPERTISE FOR RESEARCH

Under this program, expertise of external scholars is utilized through presentations in seminars/conferences/forums/workshops etc. The total number of research papers generated through seminars and conferences under the program during 1425H is 86. The details of these papers are reported below:

2.3.1 Research Seminar on “Macroeconomics from an Islamic Perspective” held in Malaysia during September 22-24, 2004 in collaboration with International Islamic University Malaysia in which following papers were presented:

- i. Towards the Foundation of Islamic Macroeconomics,
- ii. Data Requirements for Macroeconomic Analysis from the Islamic Perspective,
- iii. Critical Issues in National Income Accounting from Islamic Perspective,
- iv. Financial Intermediation and Design of Financial System in Islam,
- v. On Money as a Commodity and on Trust in Money,
- vi. Internal Finance and Macroeconomic Fluctuations: Evidence from the *Shari’ah* Perspective,
- vii. *Zakah* Investment as a Fiscal Tool,
- viii. Macroeconomic Implications of *Zakah* Institution in Islamic Thought,
- ix. Theory of Public Revenue in Islam: An Analysis from *Kitab al Amwal* of Abu Ubayd

- x. Treatment of Consumption in Islamic Macroeconomics: An Appraisal,
- xi. Allocation of Output to Factors of Production and Implicit Concept of Market Justice in Islam,
- xii. Fiscal Policy in Islamic Economy and the Role of *Zakah*,
- xiii. Exchange Rate Issues for Muslim Countries,
- xiv. Globalization, Industrial Policy and Development,
- xv. How Serious is the External Debt of the Muslim Countries? An Islamic Investment Consortium May Help,
- xvi. Islamic Economics and the Environment,
- xvii. Environmentalism-An Islamic Perspective,
- xviii. Sustainable Development: Concept and Indicators in an Islamic Perspective.

2.3.2 Research Seminar on “Financial Management in an Islamic Perspective” held in Bangladesh during December 21-23, 2004 in collaboration with Islamic Economics Research Bureau, Dhaka and Islami Bank Bangladesh Ltd. wherein the following papers were presented:

- i. Towards a Concept of Islamic Firm and the Measurement of its Long-term Planning and Perspective,
- ii. Management of Working Capital: An Islamic Perspective,
- iii. Firm’s Capital Structure and the Islamic Financial Design,
- iv. Financial Instruments for Corporate Finance under Islamic Perspective,
- v. Islamic Securities, and Corporate Finance,
- vi. The Dynamics of Capital Structure in the presence of *Zakah* and Corporate Tax,
- vii. Islamic Structured Finance for the Government Project and Debt Financing,
- viii. Cost of Capital from an Islamic Perspective: An Analysis for the Entrepreneurs,
- ix. Time Value of Money: An Islamic Perspective,
- x. Design and Implications of Short-term Zero-interest Money Market Instruments,
- xi. Conditions of *Mudarabah* Firm in an Islamic Jurisprudence and their Contemporary Implementation: A Review of Bank Islami, Malaysia and *Takaful* Malaysia,
- xii. Risk Reporting of Islamic Banks,

- xiii. Some Aspects of Investment Decision Making System of Islamic Financial Institutions: a Theoretical Evaluation,
- xiv. Financial Reporting and Disclosure Requirements in Islamic Perspective.

2.3.3 Conference on “Developing Countries and the WTO: Realities and Future Challenges” held in Kuwait during November 23-24, 2004 in collaboration with Kuwait University, Kuwait wherein the following papers were presented:

- i. Globalization Challenges in the GCC Countries,
- ii. The GCC Countries’ Experiences in the World Trade Organization,
- iii. Regionalism Versus Multilateralism,
- iv. The Effects of Removing Agricultural Support on Net Importers: Applications to GCC Countries,
- v. Globalization and Tax System: Implications for Developing Countries with Particular Reference to GCC Countries,
- vi. Medicine Industry in the Intellectual Property Agreements,
- vii. Intellectual Property and Public Health: The Issue of Compulsory licenses,
- viii. The State of Negotiations of Intellectual Property Rights in Multilateral Fora,
- ix. TRIPS, Bilateralism, Multilateralism, and Pharmaceuticals in Developing Countries: The Case of Jordan,
- x. The Road from TRIPS-Minus to TRIPS-Plus: Implications of IPRs for the Arab World,
- xi. Implications of Terminating the WTO Agreement for Textiles and Clothing and Liberalization of Trade in this Sector on the Developing Countries,
- xii. Impact of GATT Agreement on the Banking and Financial Services Sector in Arab Countries (Jordanian Context),
- xiii. Agenda for Future Multilateral Trade Negotiations: Traditional and New Issues,
- xiv. Competitiveness of Kuwait Banks under WTO Regime: Kuwaiti Bank Customer Perspectives,
- xv. Petroleum and Energy Services, WTO Agreements and Rules Implication and Future Negotiations,
- xvi. The Advantages and Drawbacks of OPEC Members’ Enrollment into WTO,
- xvii. WTO, Oil, and Energy Policies or Doha Negotiations and the Arab World,
- xviii. WTO and the Kuwaiti Oil Perspective,

- xix. Free Trade Agreement and the Environmental Criteria,
- xx. The Admission of the Developing Countries to the World Trade Organization: (Algeria Context),
- xxi. WTO and its Impact on the Economies of the Developing Countries,
- xxii. The Position of Developing Countries Regarding the Inclusion Clause in the WTO,
- xxiii. The Impact of Regional Trade Agreements on the WTO: A Simultaneous Multimodal Multi-commodity Network Equilibrium Model for Predicting International Freight Flows.

2.3.4 Conference on “The Prospects of Arab Economic Cooperation to boost Savings and Investments” held in Egypt in collaboration with Arab Academy for Science and Technology (Egypt) and Alexandria University, Egypt, during June 22-24, 2004 wherein the following papers were presented:

- i. The Feldstein-Horioka Puzzle Revisited: Evidence from Some Arab Countries,
- ii. The Causality Issue in the Finance and Growth Nexus: Empirical Evidence from Middle East and North African Countries,
- iii. Investment-Saving Relationship and Capital Mobility in Arab Countries,
- iv. Economic Integration among the League of Arab States: An Empirical Evidence,
- v. Globalization and Investment Opportunities: A Co-integration Study of Arab, U.S. and Emerging Stock Markets,
- vi. Stock Market Development and Investment Promotion: Evidence from Some Arab Countries,
- vii. The Signaling Effect of Dividends on Future Earnings: Empirical Evidence from the Egyptian Stock Markets,
- viii. Controlling the Volatility in the Egyptian Stock Market: the Case of ARCH and GARCH Models,
- ix. Islamic Versus Traditional Banking in Arab Region: Premises and Promises,
- x. Islamic Financial System and Saving: An Empirical Assessment,
- xi. Islamic Financial Instruments and their Contemporary Applications,
- xii. The Role of Islamic Financial Institutions and Banks in Investment Activities- Sudan Experience,

- xiii. Family Takaful: its Role in Social Economic Development and as a Savings and Investment Instrument in Malaysia,
- xiv. On the Development of Financial Markets in Developing Economies,
- xv. Impact of Drought and Fiscal Policy on Private Consumption, Private Investment and Economic Growth in Morocco: An Empirical Analysis,
- xvi. Bankers, Investment and Growth in Morocco: Governance Does Matter,
- xvii. Islamic Finance and Development,
- xviii. Privatization, State ownership, and Bank Performance in Egypt,
- xix. Banking and Financial Sector Development: A Case Study of Kuwait.

2.3.5 Seminar on “Contemporary Methods for the Application of *Awqaf* Institution: Case Studies of *Awqaf* Funds” held during June14-17, 2004 in Russia in collaboration with Kuwait Public Foundation, Kuwait, wherein the following papers were presented:

- i. *Awqaf* and its Role in Sustained Development,
- ii. Islamic Banks and their Role in Investing *Awqaf* Properties,
- iii. The Role of Scientific Organizations in Orientation on *Awqaf*,
- iv. Fiqh of *Awqaf* and its Contemporary Issues,
- v. *Awqaf* Legislation in the Republic of Tatarstan and Comparison with those in Some Muslim Countries,
- vi. Modes of Investing *Awqaf* Properties,
- vii. A Historical Perspective on *Awqaf* in the Soviet Union and the Republic of Tatarstan,
- viii. Planning and Budgeting in *Awqaf* Fund Departments,
- ix. IDB Experience in Developing *Awqaf* in Member Countries,
- x. *Awqaf* Experiences in Egypt and Tatarstan,
- xi. Establishment of *Awqaf* Funds (Organizational Framework): Experience of Kuwait *Awqaf* Public Foundation, Kuwait,
- xii. Administration and Investment of *Awqaf* Funds: Experience of Kuwait *Awqaf* Public Foundation, Kuwait.

2.4 CONTRIBUTION OF PAPERS BY STAFF MEMBERS IN SEMINARS/CONFERENCES/ FORUMS

The following papers were presented by the staff members in different events:

- “*Shari’ah* Related Challenges Faced by the Growth of Islamic Financial Industry: Need for Setting Standards for *Shari’ah* Supervision and *Shari’ah* Supervisory Boards with Special Reference to Corporate Governance” presented at the Sixth Harvard University Forum held in Harvard University, USA during 8-9/05/2004,
- “Islamic Alternatives to poverty-focused Group-based Micro financing” presented at the 26th Annual meeting of IDB with NDFIs held in Tehran on 13/09/2004,
- “Issues to be Considered for Formulating *Awqaf* Laws” presented in the seminar held in IDB Headquarters on “Towards Governing Laws of *Awqaf*” during 11-12/12/2004,
- “Dimensions of Economic, Commercial and Financial Cooperation among Muslim Countries in the 21st Century with Emphasis on IDB’s Role” presented in the Third International Conference on “Islam and Muslims in the 21st Century” organized in Amman on 23-24/11/2004 by the Ministry of *Awqaf* and Islamic Affairs and Holy Places, Jordan, and Yarmouk University, Jordan,
- “Islamic Securities for Corporate Finance” presented in a seminar held in Bangladesh during 21-23/12/2004 on “Financial Management: An Islamic Perspective”,
- “Increasing Trade among IDB/OIC Member Countries: Scope and IDB’s Role” prepared for “International Islamic Economic and Cultural Conference” to be organized in Pakistan by the Islamic Chamber of Commerce and Industry, Karachi, Pakistan tentatively during 8-9 March 2005,
- “Stock Market Development and Investment Promotion: Evidence from Some Arab Countries” (a joint paper) presented in the Conference held during 22-24/06//2004 on “Prospects of Arab Economic Cooperation to Boost Savings and Investment” in collaboration with the University of Alexandria (Egypt) and the Arab Academy for Science and Technology, Egypt,
- “Fiqh of *Awqaf* and Its Contemporary Issues” presented in the seminar on “Contemporary Methods for the Application of *Awqaf* Institution: Case Studies of *Awqaf* Funds” held during June14-17, 2004 in Russia in collaboration with Kuwait Public Foundation, Kuwait,
- “IDB Experience in Developing *Awqaf* in Member Countries” presented in the seminar on “Contemporary Methods for the Application of *Awqaf* Institution: Case Studies of *Awqaf* Funds”

held during June14-17, 2004 in Russia in collaboration with Kuwait Public Foundation, Kuwait.

2.5 EXTERNAL RESEARCH

The following two research papers were received from external scholars in the middle of the 1425H Work Program, which are in the process of review:

- “Forwards and Futures”
- “Trust and *Waqf*”

2.6 EDITING SEMINAR PROCEEDINGS

The work on editing the proceedings of the seminar on “Non-Bank Financial Institutions: An Islamic Perspective” is in progress.

2.7 THE TRAINING MANUAL

The work on a Training Manual on “Managing Risks in Islamic Banks” is in progress.

2.8 SEMINAR/ FORUMS/CONFERENCES

While IRTI planned four events in this category, at the end of the program period, seven events were organized. Among them, two research seminars, three conferences, one seminar on *Awqaf* were included. The table 1.1 shows the details of these events.

TABLE 2.1

SEMINARS AND CONFERENCES ON ISLAMIC ECONOMICS HELD DURING 1425H

No.	Event Title	Collaborating Institution	Venue	Language
1.	Research Seminar on “Macroeconomics from Islamic Perspective”	International Islamic University Malaysia (IIUM)	Malaysia	English
2.	Research Seminar on “Financial Management: An Islamic Perspective”	Islami Bank Bangladesh Ltd. Bangladesh and Islamic Economics Research Bureau Dhaka	Bangladesh	English
3.	Conference on “Developing Countries and the WTO: Realities and Future Challenges”	University of Kuwait, Kuwait	Kuwait	Arabic
4.	Conference on “Prospects of Arab Economic Cooperation to Boost Savings and Investment”	University of Alexandria, Egypt and Arab Academy for Science & Technology, Egypt	Egypt	Arabic/English
5.	Seminar on “Contemporary Methods for the Application of <i>Awqaf</i> Institution: Case Studies of <i>Awqaf</i> Funds”	Kuwait <i>Awqaf</i> Public Foundation, Kuwait	Russia	Arabic
6.	Conference on “The Cultural and Development Crisis of the Ummah”	Cairo University, Cairo and the Centre for Epistemological Studies, Cairo.	Egypt	Arabic/English
7.	Workshop on “The Need and Scope of Encyclopedia in Economics related Fiqh”	OIC Fiqh Academy, Jeddah	Saudi Arabia	Arabic

In addition, IRTI also supported some other events by participation/ writing papers/partial funding as approved by the management on case to case basis. The details of these programs are given in Table 2.2.

TABLE 2.2

SUPPORT PROVIDED BY IRTI TO DIFFERENT PROGRAMS ON ISLAMIC ECONOMICS

No.	Event Title	Collaborating Institution	Venue	Language
1.	Sixth Harvard University Forum on Islamic Finance	Islamic Legal Studies Program at Harvard Law School	Harvard law School, USA	English
2.	“International Islamic Economic and Cultural Conference”	Islamic Chambers of Commerce and Industry, Karachi, Pakistan	Pakistan	English
3.	Third International Conference on “Islam and Muslims in the 21 st Century”	Ministry of <i>Awqaf</i> and Islamic Affairs and Holy Places, Jordan and Yarmouk University, Jordan	Jordan	Arabic
4.	Annual Conference on Islamic Banking and Finance	AAOIFI	Bahrain	Arabic
5.	Seminar on “Comparative Supervision of Islamic and Conventional Finance”	IFSB	Lebanon	English

2.9 ROUND TABLE ON ISLAMIC ECONOMICS

The planned Round Table was held on the subject “Islamic Economics: Current State of Knowledge and Development” in collaboration with the Arab Planning Institute in IDB Headquarters, Jeddah.

2.10 OTHER ACTIVITIES

2.10.1 PRESENTATION BY WORLD BANK EXPERT

A presentation was made by Dr. Zamir Iqbal, Principal Financial Officer of the World Bank on “Financial Sector Development: Lessons for IDB”.

2.10.2 PROFESSIONAL INPUTS TO ISLAMIC FINANCIAL SERVICES BOARD (IFSB)

Two professionals were nominated by the IDB as members on the Capital Adequacy and Corporate Governance Working Groups of the Islamic Financial Services Board (IFSB). They participated in two meetings each of their respective groups, sharing their inputs towards making documents on capital adequacy and corporate governance.

2.10.3 LECTURE IN DISTANCE LEARNING COURSE

A staff member delivered a lecture in the Distance Learning Course on “Evaluation of Performance and X-Efficiency of Islamic Banks”. The course was offered for the Master level students from Imam Sadeq University, Iran, International Islamic University (IIU), Islamabad, Pakistan and Markfield Institute of Higher Education (MIHE), Leicester, UK. In addition, officials of the State Bank of Pakistan also participated in the course as observers.

CHAPTER THREE

ISLAMIC BANKING AND FINANCE

3.1 PURVIEW

The 1425H work program on research in Islamic banking and finance was implemented in the framework of the 1423-25H three-year rolling plan. Like previous years, the planned activities during 1425H in this area included:

- Research
- Conferences/Seminars/Workshops
- Publication of *Islamic Economic Studies* (Arabic and English versions)
- Delivering Lectures in Conferences /Seminars/Workshops etc.
- Providing Academic and Consultancy Services on Request
- Cooperation with Outside Sister Institutions
- Islamic Banks' Information System
- Distance Learning Course on Islamic Economics, Banking and Finance
- Any other assignments given by the Management.

3.2 RESEARCH

3.2.1 RESEARCH PAPERS AND PROCEEDINGS

During 1425H, IRTI prepared following research papers and edited seminar proceedings in the area of Islamic banking and finance:

1. Financing Public Expenditure: An Islamic Perspective, Occasional Paper No. 7

2. The X-Efficiency of Islamic Banks [External Research Paper]
3. Survey on the State of Art in the field of Islamic Banking and Finance [External Research paper]
4. Islamic Banking Industry: Products and Competitiveness, [Seminar Proceedings]
5. Islamic Perspectives on Sustainable Development [Seminar Proceedings]
6. Financial Engineering and Islamic Contracts, [Seminar Proceedings]
7. Risk Management and Islamic Financial Stability, [Seminar Proceedings]
8. Islamic Financial Architecture and Market Discipline, [Seminar Proceedings]

3.2.2 PAPERS AND PRESENTATIONS MADE TO RESEARCH SEMINARS

Research papers submitted and presentations made to research conferences/seminars are a part of the Institute's external research program. The papers submitted and presentations made to different conferences/seminars during the year are given below:

1. **International Seminar on Comparative Supervision for Islamic and Conventional Finance**, Organized by IRTI and the Islamic Financial Services Board held in Beirut Lebanon, during December, 7-8, 2004. Following papers were submitted at this seminar:
 1. Supervision of Islamic Financial Industry: Challenges Ahead for the IFSB
 2. Role of Islamic Finance in the Macro-economy: Outreach, Access,
 3. Social Inclusion and Funds Mobilization
 4. Group and Plenary Discussion on Risk Profiles and Risk Measurement, Management and Disclosures
 5. Capital Adequacy for Islamic financial institutions
 6. Role of Supervisors under Basel II
 7. Adapting CAMELS for Islamic banking supervision
 8. Group and Plenary Discussion on Capital Adequacy and Supervision
 9. Supervision of Islamic Financial Institutions: Policy Implications
 10. Group and Plenary Discussion on Policy Implications

2. **International Seminar on Challenges Facing the Islamic Financial Industry**, organized by IRTI and the Islamic Financial Services Board held in Bali, Indonesia during April 1-2, 2004. Following papers were submitted at this seminar.
 1. Development of Competitive Islamic Financial Products: Key Issues and Policy Option
 2. The Horizons of Islamic Finance: Product Innovation, Capital Market Activity and Industry Evolution
 3. Defining and Development of Competencies to Support the Envisaged Growth of the Islamic Financial industry
 4. Development of Human Capital to Support the envisaged growth of the Islamic Financial Industry
 5. Institutional Aspects and Requirements to Develop Human Capital to Support the Islamic Financial Services Industry (IFSI) Envisaged Growth
 6. Islamic Perspective on Development of a supportive and effective legal framework for the Islamic Financial Industry
 7. Enforceability of the *Shari'ah* in *Shari'ah*-Compliant Transactions in Purely Secular Jurisdictions
 8. Western Perspective on the Development of a Supportive and Effective Legal framework for the Islamic Financial Services Industry

3. **Seminar on Islamic Banking and Finance** jointly organized with Islamic *Dawah* Movement, Durban, South Africa, held during 21-23 Jumad Thani, 1425H (7-9 August, 2004). Following papers were presented at this seminar:
 1. The Economic and Financial Systems of Islam
 2. *Shari'ah* Principles of Financial Contracts and Islamic Banking
 3. Challenges Facing Islamic Banks
 4. Corporate Governance in Islamic Financial Institutions
 5. Nature and Significance of Islamic Economics
 6. Insurance Models as Practiced by Islamic Insurance Companies – Case Study
 7. Road Map for Development of Life *Takaful* Operation
 8. Role of Infrastructure Institutions for Islamic Finance

4. **Second International Islamic Banking and Finance Conference** jointly organized with Institute of Islamic Understanding Malaysia (IKIM) and Monash University, Malaysia held during 24-25 Rajab 1425H (9-10 September, 2004). Following papers were submitted at this conference :

1. Role of IDB as Infrastructure Provider for Islamic Finance Industry
2. The Westernization of Islamic Finance: Towards More Efficiency and Less Distinctiveness
3. Opportunities and Challenges in Marketing of Islamic Financial Products
4. Risk Management and Islam
5. Standardization on *Murabaha* and *Bithamin Ajil* Financing Practices: A Governance Perspective
6. Global Standards Development and Best Practice: The Opportunity Case for Islamic Banking
7. Corporate Governance Statement Disclosure of Malaysian Banks: The Role of Islam
8. Corporate Governance Best Practices: Lessons from Russian Experience
9. A Religious and Secular Ethical Governance Framework for Resolution Banking and Financial Dilemmas
10. *Shari'ah* Governance of Islamic Banks : Perceptions of the Responsibility & Independence of *Shari'ah* Advisors
11. Regulation in the Islamic Banking System: Case of Islamic Republic of Iran
12. Economic-Juristic Analysis of Usury in Consumption and Investment Loans and Contemporary Jurisprudence Shortages in Exploring Legislator Commandments
13. Investigating the DEA Malmquist Efficiency Performance of Islamic Banks
14. Prospects of Malaysia in the Global Islamic Bond Market
15. Factors Affecting *Mudarabah* Deposit in Indonesia : A Long Run Analysis
16. Islamic vs. Conventional Banking Efficiency in Selected ASEAN Countries
17. Distribution of Underwriting Surplus in Takaful and Conventional Insurance
18. Interest Free Banking in Turkey : The Development of Special Finance Houses (SFHs)
19. The Experimental Process of Partnership Financing in Islamic Banking

5. **The Islamic Bankers' Forum 2004** held in connivance with the Annual Meeting of the Board of Governors of the Islamic Development Bank held on 27 Rajab 1425H (12th September, 2004) in Tehran, Islamic Republic of Iran.
6. **Seminar on Islamic Insurance** jointly organized with Bank Al-Jazira during 7-8 Sha'baan 1425H (21-22 September 2004) held in Jeddah, Saudi Arabia

A summary of the Eight Panels over the two days is provided below:

1. Roots and Foundations of Takaful in light of *Shari'ah*
2. Takaful and Conventional Insurance: A Comparison of Contracts
3. Elements of an Islamic Insurance Model
4. Accounting Standards, Role of *Shari'ah* Boards and Takaful Research
5. Re-Takaful and Reinsurance: Comparative Analysis; Supply and Demand
6. Export-Credit Takaful Coverage from Islamic Company for Insurance Investment and Export-Credit (ICIEC)
7. Family Takaful in Saudi Arabia: The Case of Bank Al- Jazira
8. *Tabarru'* and *Heba* with Compensation
9. *Tabarru'* and *Heba* as Alternatives in Cooperative Insurance
10. Takaful Business Models based upon *Waqf*
11. Contractual Features and Mechanisms of *Takaful* Operations
12. What are the Elements of an Effective *Takaful* Model?
13. *Takaful* Products - Family, Property-General, Corp, Group-Health, etc.- and the Spiritual Aspects
14. Practical Applications for Islamic Insurance in Jordan
15. Historical Glimpse on Sudanese Insurance Market
16. Role of Actuaries in *Takaful*
17. Measuring Performance of Customer Service System
18. Investment Strategies and Placement of Contributions
19. Investment Risk and Return Matrix
20. Case Studies on:
 - HSBC-UAE/Saudi - *Takaful*
 - *Methaq* - Saudi Arabia *Takaful*
 - *Takaful* in South Africa
 - Islamic Insurance Regional Case - TARIIC
 - Arab Malaysia *Takaful* Co. - Saudi Health Care

- *Takaful* in Russia - Case Study

7. **Shari'ah Workshop on Combination of Contracts**, held in Jeddah, during 22-23 Sha'baan 1425H (6-7 October 2005). The following four papers were discussed in the workshop:
1. The Effect of the Prestipulation for Combining Financial Contracts in Islamic Banks
 2. The Stipulation of Combining between the Islamic Banks' Contracts
 3. The Effect of the Preceded Stipulations in Combined Contracts in Islamic Banks
 4. The Rule of Combining the Financial Contracts in One Contract.
8. **The Role of Islamic Financial Institutions in Resource Mobilization in the Arab World** held in Lebanon, Beirut, during 21-23 Shawwal 1425H (4-6 December 2004). Papers contributed are as follows:
1. Risk of Sukuk Structures Implications for Resource Mobilization
 2. The Role of the *Waqf* Institution in Promoting Investment
 3. Issues of Implementing Islamic Hire-purchase in Dual Banking Systems
 4. Excess Liquidity Problem
 5. Mobilization of Islamic Funds by Foreign Banks in Malaysia
 6. Providing for the Resource Shortfall for Poverty Elimination through the Institution of *Zakat* in Low Income Muslim Countries
 7. Profitability Determinants of Islamic Banks: A Co-integration Approach
 8. Gulf Islamic Finance: A Catalyst for Development?

3.2.3 RESEARCH PUBLISHED IN IRTI JOURNALS

IRTI publishes a bi-annual journal in Arabic, English and French. The following papers were published in the journals during 1425H :

1. The Diminishing *Musharakah* as an Islamic Financial instrument
2. Remedy for Banking Crises: What Chicago and Islam have in Common (English)
3. Stakeholders Model of Governance in Islamic Economic System (English)
4. Efficiency in Islamic Banking: An Empirical Analysis of Eighteen Banks (English)

5. Ethical Investment: Empirical Evidence from FTSE Islamic Index (English)
6. The Procedures and Stipulations Proposed for Ensuring the Settlement of the Debts Due to Islamic Banks (Arabic)
7. Meeting the Problem of Delinquency in Settling the Delayed Debts due to Islamic Banks: *Shari'ah* Point of View (Arabic)
8. Problems Related to the Delinquency in Settling Debts and Proposed Solutions: A Banking Point of View (Arabic).

3.3 SEMINARS AND LECTURES

3.3.1 SEMINARS HELD

During 1425H, the following seminars were held on Islamic Banking and Finance in collaboration with other institutions. The related information is given below:

TABLE 3.1**SEMINARS/CONFERENCES ON ISLAMIC BANKING
AND FINANCE HELD DURING 1425H**

No.	Activity	Collaborating Institutions	Venue	Date
1.	International Seminar on Challenges Facing the Islamic Financial Services Industry	Islamic Financial Services Board	Bali, Indonesia	11-12 Safar 1425 [April 1-2, 2004]
2.	Conference on Islamic Economics, Banking and Finance	Da'wah Movement, South Africa	Durban, South Africa	21-23 Jumad II, 1425H [7-9 August 2004]
3.	International Conference on Islamic Banking and Finance	Institute of Islamic Understanding Malaysia and Monash University	Kuala Lumpur, Malaysia	24-25 Rajab 1425H [9-10 September 2004]
4.	Islamic Bankers Forum	General Council for Islamic Banks and Financial Institutions, and Monetary and Banking Research Academy (MBRA)	Tehran, Iran	27 Rajab 1425H [12 Sept. 2004]
5.	Seminar on Islamic Insurance	Bank Al-Jazira	Jeddah, Saudi Arabia	7-8 Sha'baan 1425H [21-22 Sep. 2004]
6.	<i>Shari'ah</i> Workshop on Combination of Contracts	OIC Fiqh Academy	Jeddah, Saudi Arabia	22-23 Sha'baan 1425H [6-7 Oct. 2004]
7.	The Role of Islamic Financial Institutions in Resource Mobilization in the Arab World	Union of Arab Banks	Beirut, Lebanon	21-23 Shawwal 1425H [Dec. 4-6, 2004]
8.	International Seminar on Comparative Regulation of Islamic and Conventional Financial Institutions	Islamic Financial Services Board	Beirut, Lebanon	24-25 Shawwal 1425H [7-8 Dec. 2004]

3.3.2 LECTURES

During 1425H the IRTI's professional staff members presented the following papers/lectures on the subjects of Islamic banking and finance to different events :

1. Unique Market and Credit Risks in Islamic Banking, lecture delivered at the Saudi Arabian Monetary Agency Workshop
2. Principles of Islamic Finance, lecture delivered on GDLN
3. Adapting CAMELS for Islamic Banking Supervision, lecture delivered at IRTI-IFSB Beirut Seminar
4. Risk Management in Islamic Banking, lecture delivered at the Bank Nagara Malaysia Workshop
5. A Framework for Risk Management in Islamic Banking, lecture delivered on GDLN
6. Liquidity Risk Management, lecture delivered on GDLN
7. Role of IDB as Infrastructure Provider for Islamic Financial Industry, presentation made at Monash University, Kuala Lumpur
8. Role of Infrastructure Institutions in Industry Development, lecture delivered at Durban
9. Islamic Financial Engineering, lecture delivered on GDLN.

3.4 SEMINARS/CONFERENCES IN THE PIPELINE

Due to the overlapping nature of time schedule of most of IRTI's activities, particularly seminars and conferences, every year substantial work is done outside the annual work programs. Following table provides a list of such activities, which were not envisaged at the time of preparing the 1425H Work Program. However, the IRTI is working on these activities and these activities will be implemented during 1426H.

TABLE 3.2

PIPELINE OF RESEARCH SEMINARS ON ISLAMIC BANKING AND FINANCE DURING 1425H

No.	Title of Research Seminar	Collaborating Institution (s)	Venue
1.	Seminar on Legal System and Islamic Banking	Islamic Financial Services Board	Kuwait
2.	International Seminar on Challenges Facing the Islamic Financial Services Industry	Islamic Financial Services Board	Tehran
3.	6 th International Conference on Islamic Economics, Banking and Finance	Bank Indonesia,	Indonesia
4.	World Sukuk Forum in Collaboration with IIFM	IIFM - GCIBFI	Bahrain
5.	International Conference on Risk Management	Bank Nagara and IFSB	Kuala Lumpur
6.	Seminar on Completion of Islamization	Higher Committee for Completion of Islamization	Kuwait

3.5 CONTRIBUTION TO THE IFSB RISK MANAGEMENT STANDARDS

IRTI contributed to the IFSB Risk Management Standards as a member of IRTI staff is associated with the IFSB Risk Management Working Group. In addition, the Division organized a lecture on Towards Preparing Risk Management Standards for the Islamic Financial Industry held in the IDB Headquarters.

3.6 DISTANCE LEARNING COURSES

Utilizing the infrastructure facilities that the Bank has established and in collaboration with universities specializing in Islamic economics, banking and finance, IRTI has taken an initiative to organize extended teaching and training programs. Two modules of courses of 20 hours have been initiated to start with. These are : Module - 1 Current Issues in Islamic Finance (implemented during

1425H) and Module - 2 Current Issues in Islamic Economics (will be implemented during 1426H).

Under Module - 1 the lectures delivered are given in Table 3.3.

TABLE 3.3

LECTURES DELIVERED IN DISTANCE LEARNING COURSE ON "CURRENT ISSUES IN ISLAMIC FINANCE"

No.	Lecture	Lecturer	Date
1.	Recent Developments in the Theory and Practice of Islamic Finance	Dr. Hamayoun Dar (Loughborough University, U.K)	5-10-04 (21-8-25H)
2.	Basle Framework and the Issues of Regulation, Supervision and Corporate Governance in Islamic Banking	Dr. M. Umar Chapra, IRTI	12-10-04 (28-8-25H)
3.	Issues of Islamic Accounting Standards	Dr. Seif el Din (Markfield, U.K.)	19-10-04 (5-9-25H)
4.	Evaluation of Performance and X-Efficiency of Islamic Banks	Dr. Khalid Hussain, IRTI	26-10-04 (12-9-25H)
5.	Risk Management in Islamic Banking	Dr. Tariqullah Khan, IRTI	2-11-04 (19-9-25H)
6.	Liquidity Management in Islamic Banking	Dr. Salman Syed Ali, IRTI	9-11-04 (26-9-25H)
7.	Financial Engineering and Evaluation of New Instruments (Sukuk, <i>Tawarruq</i> , Islamic Mortgages etc.)	Dr. Munawar Iqbal, IRTI	20-11-04 (7-10-25H)
8.	Challenges Facing Islamic Finance: Research Areas	Dr. Sayyid Tahir (from Pakistan)	23-11-04 (10-10-25H)
9.	Islamic Banking at Systemic Level: Issues and Approaches	Dr. Sayyid Tahir (from Pakistan)	30-11-04 (17-10-25H)
10.	Panel Discussion	One person each at IF, IIIE, IRTI and ISUI	7-12-04 (24-10-25H)

IRTI also financed the establishment of Distance Learning Centers in Imam Sadeq University, Tehran, International Islamic University, Islamabad and Markfield Institute of Higher Learning United Kingdom. These educational

institutions have incorporated the Model – 1 in their curriculum. In addition, the course was also attended by the participants from State Bank of Pakistan.

3.7 PARTNERSHIP SCHEME FOR CAPACITY BUILDING IN ISLAMIC BANKING AND FINANCE

The program was approved during 1423H with the objective to develop a facility in cooperation with the industry and infrastructure institutions to supply trained manpower to the industry on an ongoing basis. During 1425H memorandums of understanding (MOUs) were signed with some central banks and other institutions working in the area of Islamic banking and finance and programs were implemented. During 1426H this program will be strengthened further.

CHAPTER FOUR

IRTI JOURNAL "ISLAMIC ECONOMIC STUDIES"

4.1 PURVIEW

Islamic Economic Studies (IES) is a research journal published by IRTI devoted to the scientific examination of major issues of current interests in the areas of Islamic economics, banking and finance. *IES* is a professional journal, which is published in three languages, viz. English, Arabic and French. The journal started in Rajab 1414H (December 1993) and is being published regularly since then. The Arabic and English issues of *IES* are being published on a bi-annual basis in Muharram and Rajab each year according to the Islamic calendar while French version of the journal is brought out annually. The Volumes published during 1425H are given in Table 4.1

TABLE 4.1

ISLAMIC ECONOMIC STUDIES IN 1425H

Vol. 11, No. 1 (Arabic)	Published
Vol. 11 No. 2 (English)	Published
Vol. 11, No. 2(Arabic)	Published
Vol. 12 No. 1 (English)	Published

4.2 ABSTRACTS OF ARTICLES PUBLISHED IN ENGLISH

4.2.1 REMEDY FOR BANKING CRISES: WHAT CHICAGO AND ISLAM HAVE IN COMMON (VALERIANO F. GARCÍA, VICENTE FRETES CIBILS AND RODOLFO MAINO)

We document banking system instability arising from a combination of fractional reserve requirements, deposit insurance and moral hazard by presenting several episodes of severe banking distress and crises in Asia. Following a framework of functional perspective suggested by Merton and Bodie (1993), we argue that one hundred percent reserves, "narrow banking",

provides a basis for banking reform and an alternative to reduce the likelihood of systemic financial crises. Both the narrow banking and the Islamic system (equity-based systems) provide more stability to a banking sector than a conventional banking system does. Moreover, the interlinkages of financial markets and the scope for instantaneous reversal of capital flows carry potentially huge systemic risks that could prove costly in terms of economic growth and welfare.

4.2.2 STAKEHOLDERS MODEL OF GOVERNANCE IN ISLAMIC ECONOMIC SYSTEM (ZAMIR IQBAL AND ABBAS MIRAKHOR)

The paper discusses the design of an efficient and optimal corporate governance structure of a firm within Islamic economic system. The objective of this paper is to identify factors, which will influence corporate governance within an Islamic economic system and to examine if corporate governance model will be 'shareholder'- or 'stakeholder'- centered? The paper argues that the governance model in Islamic economic system is a stakeholder-oriented model where governance structure and process at system and firm level protect rights of stakeholders who are exposed to any risk as a result of firm's activities. Whereas conventional system is struggling with finding convincing arguments to justify stakeholders' participation in governance, the foundation of a stakeholder model is found in Islam's principles of property rights, commitment to explicit and implicit contractual agreements and implementation of an effective incentive system. The paper also discusses the implication of a stakeholder model on depositors, Islamic financial institutions, and regulators.

4.2.3 EFFICIENCY IN ISLAMIC BANKING: AN EMPIRICAL ANALYSIS OF EIGHTEEN BANKS (DONSYAH YUDISTIRA)

Are Islamic banks stable and efficient? This paper addresses this question. Technical, pure technical, and scale efficiency measures are calculated by utilizing non-parametric technique, Data Envelopment Analysis. Several conclusions emerge. First, the overall efficiency results suggest that inefficiency across 18 Islamic banks is small at just over 10 percent, which is quite low compared to many conventional counterparts. Islamic banks in the sample suffered from the global crisis in 1998-1999 but performed very well after the difficult periods. The findings indicate that there are diseconomies of scale for

small-to-medium Islamic banks which suggests that mergers should be encouraged.

4.2.4 ETHICAL INVESTMENT: EMPIRICAL EVIDENCE FROM FTSE ISLAMIC INDEX (KHALID HUSSEIN)

This paper examines the hypothesis that ethical investment has inferior performance compared with their unscreened benchmarks. We empirically test whether returns earned by investors who purchase shares in the FTSE Global Islamic Index are significantly different from their index counterpart (FTSE All-World Index). The sample period is divided into two sub-periods, bull period (July 1996 - March 2000) and bear period (April 2000 - August 2003). A comparison of the raw and risk-adjusted performance show that the Islamic index performs as well as the FTSE All-World index over the entire period. On the other hand, the Islamic index yields statistically significant positive abnormal returns in the bull market period, although it underperforms the counterpart index in the bear market period. In general, our findings show that the application of ethical screening does not have an adverse effect on the FTSE Global Islamic Index performance.

4.3 ABSTRACTS OF ARTICLES PUBLISHED IN ARABIC

The Volume 11, No. (2) of IRTI Arabic Journal contained a *Shari'ah* symposium related to the workshop that was organized by IRTI with the collaboration of the Fiqh Academy of the (OIC) on “The Procedures and Stipulations Proposed for Ensuring the Settlement of the Debts due to Islamic Banks”, edited by Dr. Hussein K. Fahmy.

CHAPTER FIVE

TRAINING ACTIVITIES

5.1 PURVIEW

The **IRTI** organized 25 training activities during 1425H, out of which 20 training courses were offered within the framework of the Annual Work Program of **IRTI**, 3 programs were organized within the framework of the “Task Force on Training (Preparing the *Ummah* for the 21st Century)” and 2 courses were conducted under the Distance Learning Program. The courses offered during 1425H covered subjects like Private Sector Development, Islamic Economics, Banking and Finance, Macroeconomic Management, and Human Resource Development.

Of the above mentioned training programs, **IRTI** co-sponsored 3 programs with OIC-affiliated institutions, i.e. the Islamic University of Technology (IUT), Bangladesh, the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRTCIC), Turkey, the Islamic Center for the Development of Trade (ICDT), Morocco, and the Islamic Chamber of Commerce and Industry (ICCI), Pakistan. These programs were organized within the framework of the Task Force on Training, set up to implement the recommendations of the Tehran OIC Summit on Preparing the *Ummah* for the 21st Century.

A detailed list of all training activities organized during 1425H is given in Table 5.1 below:

5.2 TRAINING COURSES

TABLE 5.1

TRAINING PROGRAMS AND WORKSHOPS IMPLEMENTED IN 1425H

No.	Title	Venue	Language	Collaborating Institution	No. of Participants
1.	<i>Awqaf</i> Institutions and their Socio-economic Role in Contemporary Muslim Countries and Muslim Communities	Nouakchott, Mauritania	Arabic	National Institution for <i>Awqaf</i> , Ministry of Islamic Orientation and Cultural Affairs, Mauritania	40
2.	Assets and Liabilities Management in Islamic Banks	Amman, Jordan	Arabic	Institute of Banking Studies, Jordan	19
3.	Auditing and Accounting Standards for Islamic Financial Institutions	Khartoum, Sudan	Arabic	Higher Institute of Banking Studies, Sudan	37
4.	Development of Private Sector and Financing Microenterprises	Cotonou, Benin	French	Ministry of Planning Prospective and Development, Benin	45
5.	*Interface Problem between Islamic Banking and Conventional Banking	IDB HQ, Jeddah, Saudi Arabia	English	IDB DLC (IIIE), Islamabad, Pakistan	26
6.	Regulation of Islamic Banks	Cairo, Egypt	Arabic	Al-Azhar University, Egypt	21
7.	Financing Mechanisms of Islamic Economics	Nouakchott, Mauritania	Arabic	Cultural and Islamic Association of Mauritania	100
8.	* Principles of Islamic Finance	IDB HQ, Jeddah, Saudi Arabia	English	IDB DLC	107

9.	Human Resource Management	Beirut, Lebanon	Arabic	Office of State Minister of Managerial Development Affairs, Lebanon	29
10.	Financial Management in Charity Organizations	Kuwait City, Kuwait	Arabic	Kuwait <i>Awqaf</i> Public Foundation	12
11.	Islamic Banking and Global Financial Markets	Jakarta, Indonesia	English	Mu'amalat Institute of Bank Mu'amalat, Indonesia	35
12.	**Promoting LADA Program in Western Asia and Near East	Damascus, Syria	English	SESRTCIC, Turkey	41
13.	Budget Preparation for Public Sector Corporations	Khartoum, Sudan	Arabic	Business School, University, Sudan	60
14.	Evaluation Process and Procedures in Charity Organizations	Kuwait City, Kuwait	Arabic	Kuwait <i>Awqaf</i> Public Foundation	20
15.	Providing Finance for Voluntary Organizations	Kuwait City, Kuwait	Arabic	Kuwait <i>Awqaf</i> Public Foundation	20
16.	Privatization Techniques	Setif, Algeria	Arabic	Farhat Abbas University, Setif, Algeria	60
17.	Principles and Practice of Islamic Economics and Banking	Astana, Kazakhstan	Russian /English	Kazak Humanities & Law University Kazakhstan Development Bank	37
18.	Effective Boards of Directors for Voluntary Organizations	Kuwait City, Kuwait	Arabic	Kuwait <i>Awqaf</i> Public Foundation	25
19.	Islamic Economics	Bamako, Mali	French	General Division on Public Debt, Ministry of Economy and Finance of Mali	45
20.	** Microprocessor /	Dhaka, Bangladesh	English	Islamic University of	20

	Microcontroller based Industrial Production			Technology, Bangladesh	
21.	Application of COMFAR Modality on Preparing Feasibility Study and Project Evaluation for Industrial Enterprises	Cairo, Egypt	Arabic	Arab Industrial Development & Mining Organization (AIDMO), Morocco	20
22.	Developing Accounting, Managerial and Marketing Capabilities of Zakat Workers in Arab Countries	Beirut, Lebanon	Arabic	Zakat Fund, Lebanon	36
23.	Privatization Strategy and Techniques	Rabat, Morocco	French	Ministry of Privatization, Rabat, Morocco	23
24.	**Traditional Methods of Population Census and New Approaches	Ankara, Turkey	English	SESRTCIC, Turkey	36
25	Cultivating Professional Cadres for Voluntary Organizations	Kuwait City, Kuwait	Arabic	Kuwait <i>Awqaf</i> Public Foundation	23

* Training Courses under IRTI Distance Learning Activities

** Training Courses under the “Task Force on Training (Preparing the *Ummah* for the 21st Century)”

As seen from Table 5.1, IRTI organized 25 training activities during 1425H (2004-2005). Out of these, 22 training activities were initiated by IRTI, taking into account training needs of IDB member countries. Most of these programs were organized in collaboration with technical organizations located in Member Countries. Three courses which are identified in the above table with a double star were held within the framework of the “Task Force on Training (Preparing the *Ummah* for the 21st Century)”. The details about all the training activities organized during 1425H are given below:

5.2.1 AWQAF INSTITUTIONS AND THEIR SOCIO-ECONOMIC ROLE IN CONTEMPORARY MUSLIM COUNTRIES AND MUSLIM COMMUNITIES (MAURITANIA)

The course was organized in Arabic language in Nouakchott, Mauritania, in collaboration with the National Institution for *Awqaf*, Ministry of Islamic Orientation and Cultural Affairs, Islamic Republic of Mauritania, during the period from 10-14 Muharram 1425H [1-5 March 2004].

The course was designed for senior and/or middle level managers of *Awqaf* Institutions of the Islamic Republic of Mauritania. 40 participants from the different *Wilaya* (provinces) of the Islamic Republic of Mauritania attended the course.

The main objectives of the course were to enable the participants to:

- develop a better understanding on the management of *Awqaf*
- have a better idea on the different models of *Awqaf*
- provide the participants with the latest theoretical and practical managerial tools related to *Awqaf* as well as modalities for improving the economic performance of *Awqaf* institutions.

The course contents included the following topics:

- The Islamic Modes of Financing *Awqaf*
- The Socioeconomic Role of *Awqaf*
- The *Fiqh* Aspects related to *Awqaf*
- IDB's Experience in Financing and Promoting *Awqaf* Institutions in Member Countries
- Historical Overview of *Awqaf*
- Principles of *Awqaf's* Accounting
- Historical Overview of *Awqaf*
- Case Studies of Some Arab Countries, such as Egypt, Algeria and Mauritania.

5.2.2 ASSETS AND LIABILITIES MANAGEMENT IN ISLAMIC BANKS (JORDAN)

The course was organized in Arabic language in Amman, Jordan, in collaboration with the Institute of Banking Studies of the Central Bank of Jordan during the period from 23-27 Muharram 1425H (14-18 March 2004).

The course was designed for bankers and executives from commercial and central banks who are engaged in (or concerned with) the operations and supervision of Islamic Financial Institutions in IDB member countries. 19 participants from Jordan, Algeria, Libya, Sudan, and Palestine attended the course.

The principal objective of the course was to familiarize the participants with the concepts and aims of Assets and Liabilities Management in the case of Islamic Banks.

The course contents included the following topics:

- Balance Sheets (B/S) of Islamic Banks and Off-Balance Sheet Accounts
- Islamic Banks' No-return Assets
- Management of Investment Portfolio of Islamic Banks
- Liquidity Management in Islamic Banks
- Capital Adequacy Ratios for Islamic Banks and B/S Analysis.
- Liquidity Indicators and Liquidity Measurement Models
- Developing Liquidity Management Instruments in Islamic Banks
- Liquidity Management in Islamic Banks: Case Studies
- Securitization and Liquidity Management in Islamic Banks
- Profitability Determinants and Liquidity Management in Islamic Banks.

5.2.3 ACCOUNTING AND AUDITING STANDARDS OF ISLAMIC BANKS (SUDAN)

The course was organized in Arabic language in Khartoum, Sudan, in collaboration with the Higher Institute of Banking and Financial Studies of the Central Bank of Sudan during the period 20-25 Safar 1425H (10-15 April 2004).

The course was designed for bankers and *Shari'ah* auditors from commercial banks operating in Sudan, in addition to supervisors from Central Bank of Sudan. 37 local participants attended the course.

The principal objective of the course was to familiarize the participants with auditing and accounting standards for Islamic banks and with *Shari'ah* standards structured for implementation of Islamic modes of finance in compliance with *Shari'ah* requirements.

The course contents included the following topics:

- Financial Statements of Islamic Banks
- Disclosure of Financial Statements
- *Ijara* Standard - *Shari'ah* View
- *Ijara* Standard - Accounting View
- *Ijara* Standard - Case Studies
- *Istisna'* Standard - *Shari'ah* View
- *Istisna'* Standard - Accounting View
- *Istisna'* Standard - Case Studies
- Provisions and Reserves Standard - *Shari'ah* View
- Provisions and Reserves Standard - Accounting View
- Provisions and Reserves Standard - Case Studies
- Investment Funds Standard - *Shari'ah* View
- Investment Funds Standard - Accounting View
- Investment Funds Standard - Case Studies
- *Zakat* Standard - Accounting View
- *Zakat* Funds Standard - Case Studies
- Experiences of Sudanese Banks in Implementation of Accounting and Auditing Standards for Islamic Banks and Financial Institutions.

5.2.4 DEVELOPMENT OF PRIVATE SECTOR AND FINANCING MICROENTERPRISES (BENIN)

The course was organized in French language in Cotonou, Republic of Benin, in collaboration with the Center for Promoting Investment (CPI) of the Ministry of Planning Prospective and Development, during the period from 29 Safar-4 Rabi' Awwal 1425H [19-23 April 2004].

The course was designed for public sector executives engaged in the promotion and development of private sector and financing micro enterprises in Benin. 50 participants from the different provinces of Benin participated in the course.

The principal objectives of the course were to:

- familiarize the participants with the issues and problems related to private sector investment opportunities and credit mobilization
- acquaint the participants with the development of entrepreneurship at microenterprise level through presentation of empirical cases
- provide the participants with a forum to exchange their ideas and experiences and discuss common issues and problems
- provide the participants with a better understanding of the Islamic principles of financing microenterprises.

The course contents included the following topics:

- Capital Formation, Economic Growth and Public Budgeting in an Interest Free Economy
- Promoting Economic Development in Muslim Countries
- Role of Microenterprises in Boosting Economic and Social Development in Developing Countries
- Concept and Principles of Islamic Financial System
- Main Islamic Modes/Instruments of Financing Microenterprises
- Microenterprises and Sustainable Development
- Financing Microenterprises New Strategy for the Future
- Case Studies: Algeria, Benin, Morocco, Italy, UK.

5.2.5 REGULATION OF ISLAMIC BANKS (EGYPT)

The course was organized in Arabic language in Cairo, Egypt, in collaboration with Saleh Kamel Centre for Islamic Economics of Al-Azhar University, during the period from 6-10 Rabi' Awwal 1425H (25-29 April 2004).

The course was designed for executives and managers from banks and other financial institutions and central banks in Arab countries. 19 participants attended the course.

The principal objective of the course was to upgrade the knowledge of the participants about regulatory standards, local and international, and their applications in relation to supervision of Islamic banks, taking into consideration that Islamic banks are bound by the *Shari'ah* requirements.

The course contents included the following topics:

- Banking Supervision and its Contemporary Applications
- Accounting System in Islamic Banking
- Principles and Practices of Internal Auditing
- Supervision of Islamic Banks
- Standards of Internal and External Auditing for Islamic Banks
- *Shari'ah* Supervision of Islamic Banks: Principles and Practices
- Supervision of Foreign Investment Portfolio of Islamic Banks
- Regulation and Supervision of Islamic Banks: Country Cases.

5.2.6 FINANCING MECHANISMS OF ISLAMIC ECONOMICS (MAURITANIA)

The course was organized in Arabic language in Nouakchott, Mauritania, in collaboration with Cultural and Islamic Association of Mauritania during the period from 7-11 Rabi' Awwal 1425H (26 April-1 May 2004).

The course was designed for Muslim *Shari'ah* and Economics scholars from Mauritania and other neighboring IDB member countries. 100 participants attended the course.

The principal objective of the course was to address issues in relation with economic development from Islamic perspective and to study and discuss some important questions related to social and economic challenges facing Islamic *Ummah*.

The course contents included the following topics:

- *Zakat* and *Awqaf* and their Role in Poverty Reduction for Muslim Societies
- Banking Transactions and Insurance in Islamic Perspective
- *Fiqh of Dharura* (Necessity) and its Applications in Contemporary Circumstances
- Production and Capital Management in Islam

- Islamic Economic System and New Schemes
- State and Development of Economic Knowledge and Discipline.

5.2.7 HUMAN RESOURCE MANAGEMENT (LEBANON)

The course was organized in Arabic language in Beirut, Lebanon, in collaboration with the Office of the State Minister of Managerial Development Affairs of Republic of Lebanon, during the period from 10-14 Jumad Awwal 1425H (28 June-2 July 2004).

The course was designed for middle-level officials from personnel departments and training centers of government units in Arab countries who are responsible for designing, implementing and following up human resource policies in their corporations. 29 participants attended the course.

The principal objectives of the course were to develop and build capacity of the trainees in the area of human resource management, exchange views on the most recent developments in personnel management, and to share experiences of countries in this field so that participants could acquaint themselves with modern methods used in increasing labor productivity.

The course contents included the following topics:

- Human Resource Management: Principles and Practices
- Human Resource Management: Islamic Perspective
- Human Resource Management: Strategies and Planning
- Selection Criteria and Employment
- Human Resource Management Departments: Responsibilities, Functions and Regulation
- Training and Assessment of Human Resources
- Schemes of Performance Evaluation and Rewards.

5.2.8 FINANCIAL MANAGEMENT IN VOLUNTARY ORGANIZATIONS (KUWAIT)

This course was organized in Arabic language in Kuwait City, in collaboration with the Kuwait *Awqaf* Public Foundation, during the period from 8-12 Jumad Awwal 1425H (26-30 June 2004). It was designed for finance managers of the Voluntary Organizations in Arab Countries, with the purpose of training them on modern techniques and methods of managing financial

resources, with special reference to Voluntary Organizations. 17 participants attended the course.

The principal objectives of the course were to train finance managers of Voluntary Organizations on different policies of financial management in corporations, with emphasis on Voluntary Organizations, and to familiarize the participants with the way Islamic voluntary organizations can develop their financial resources on the basis of modern financial management programs and techniques.

The course contents included the following topics:

- Financial Management: Definitions and Concepts
- Transparency in Financial Management
- Budget Planning and Preparation for Voluntary Organizations
- Techniques of Budgetary Analysis and Evaluation
- Budget Preparation for Voluntary Organizations: Practical Modules and Computer Models.

5.2.9 ISLAMIC BANKING AND GLOBAL FINANCIAL MARKETS (INDONESIA)

The course was organized in English language in Jakarta, Indonesia, in collaboration with the Institute of the Bank Muamalat, Indonesia, during the period from 2-6 Jumad Thani 1425H (19-23 July 2004).

The course was designed for members of management and executives from non-bank financial institutions, heads of relevant government departments and regulatory bodies, academicians, researchers and legal practitioners. 35 participants attended the course.

The principal objectives of the course were to conceptualize and deliberate on the nature of financial institutions from Islamic perspective and come up with innovative models.

The course contents included the following topics:

- Islamic Financial Industry: Overview
- Institutional Set-up and Infrastructure for Islamic Banks
- *Shari'ah* Financial Contracts: Principles and Applications

- Auditing and Accounting Standards for Islamic Financial Institutions
- Developments in Islamic Financial Industry: Funds
- Developments in Islamic Financial Industry: *Sukuk*
- Developments in Islamic Financial Industry: Securitization
- Case Studies.

5.2.10 BUDGET PREPARATION FOR PUBLIC SECTOR CORPORATIONS (SUDAN)

The course was organized in Arabic language in Khartoum, Sudan, in collaboration with the School of Business Administration of Khartoum University, Sudan, during the period from 28 Jumad Thani-3 Rajab 1425H (14-19 August 2004).

The course was designed for officials from government units in Sudan who are engaged in preparation, implementation and evaluation of the public budgets of government corporations in Sudan. 60 local participants attended the course.

The principal objective of the course was to develop and build capacity of the trainees in the area of managing budgets of their corporations on scientific basis.

The course contents included the following topics:

- Public Finance and its Role in Macroeconomic Policies
- Theories and Methods of Preparing Budgets of Public Enterprises
- Stages and Logical Sequence of Preparing Budgets for Public Corporations
- Accounting System of Central Governments and Their Role in the Supervision of Budget of Public Corporations
- Theories and Methods of Budget Implementation
- Theories and Methods of Budget Supervision and Evaluation
- Relationship Between Central and Local Governments and the Implications on Budget Preparation, Implementation and Evaluation.

5.2.11 EVALUATION PROCESS AND PROCEDURES IN VOLUNTARY ORGANIZATIONS (KUWAIT)

The course was organized in Arabic language in Kuwait City, in collaboration with the Kuwait *Awqaf* Public Foundation, during the period from 26 Jumad Thani -1 Rajab 1425H (11-15 September 2004).

The course was designed for staff of the Voluntary Organizations in Arab Countries with the view to familiarize them with the evaluation process and procedures relating to Voluntary Organizations. 19 participants attended the course.

The principal objective of the course was to train the participants on issues in relation with the evaluation process and procedures relating to voluntary organizations, focusing on modern mechanisms which would improve performance of these organizations.

The course contents included the following topics:

- Evaluation: Concepts and Definition
- Significance and Importance of Evaluation in Voluntary Organizations
- Participation Methodology in Evaluation Process
- Evaluation Process: Practical Steps
- Setting Appropriate Evaluation Policies
- Evaluation Process: Case Studies of Voluntary Organizations.

5.2.12 PROVIDING FINANCE FOR VOLUNTARY ORGANIZATIONS (KUWAIT)

The course was organized in Arabic language in Kuwait City, in collaboration with the Kuwait *Awqaf* Public Foundation during the period from 18-22 Sha'baan 1425H (2-6 October 2004).

The course was designed for workers of the Voluntary Organizations in Arab Countries. 20 participants attended the course.

The principal objective of the course was to build stock of professional staff specialized in fund-raising for Voluntary Organizations, and to increase their awareness about mechanisms, models and programs of funding which could be adapted to suit the needs of the Voluntary Organizations operating in the IDB member countries.

The course contents included the following topics:

- Forms of Finance in Voluntary Organizations
- Capabilities and Potentialities of Voluntary Organizations in Fund-raising
- Fund-raising Strategies in Voluntary Organizations
- Strategic Planning for Fund-raising Strategies in Voluntary Organizations
- Techniques of Fund-raising in Voluntary Organizations
- Strategies of Fund-raising in Voluntary Organizations.

5.2.13 PRIVATIZATION TECHNIQUES (ALGERIA)

The course was organized in Arabic language in Setif, People's Democratic Republic of Algeria, in collaboration with the Faculty of Economics and Management Sciences of Farhat Abbas University, Setif, during the period from 19-23 Sha'baan 1425H [3-7 October 2004].

The course was designed for public sector executives engaged in the privatization process as well as those working in institutions specialized in financing the privatization of public enterprises. 60 participants from the different *Wilaya* (provinces) of Algeria participated in the course. The participants were from universities, banking sector, public and private financial institutions specialized in the financing of the private sector.

The principal objectives of the course were to:

- familiarize the participants with the issues and problems related to privatization and its techniques
- introduce participants to the various issues and problems related to the privatization process through presentation of empirical studies
- provide the participants a forum to exchange experiences and ideas and discuss common issues related to the impact of the privatization process on the economies of IDB Member Countries.

The course contents included the following topics:

- Role of Privatization in Economic Development in the Maghreb Countries
- The Institutional and Legal Framework for Privatization
- Privatization Techniques and their Evaluation
- Measuring the Success and the Impact of Privatization
- Problems, Issues and Challenges of Privatization
- Post-evaluation of Privatization
- Privatization in the Maghreb Countries: Expectations, Trade-offs, Results and Trends
- Social Implications of Privatization
- Case Studies: Algeria, Morocco, Tunisia, Egypt, France.

5.2.14 PRINCIPLES AND PRACTICES OF ISLAMIC ECONOMICS AND BANKING (KAZAKHSTAN)

This course was organized in Russian language in Kazakhstan Republic, in collaboration with Kazakh Humanitarian & Law University (KHLU) and the Development Bank of Kazakhstan (DBK). It was held in Astana, Kazakhstan Republic, during the period from 20-24 Sha'baan 1425H (4-8 October 2004). The course was designed for university researchers, middle-level officials, executives and bankers working in financial institutions and government corporations in Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. 37 participants from these countries attended the course.

The main objectives of the course were to:

- familiarize the participants with the main concepts and tools of Islamic Economics and Banking;
- provide them with the main differences between Islamic Economics and Banking and Conventional Economics and Banking.

The course content included the following topics:

- What is Islamic Economics?
- Islamic Financial System in Comparison with Conventional Financial System
- Principles of Islamic Monetary and Fiscal Policies

- Main Islamic Modes of Financing and their Applications: *Qardh Hassan, Mudharabah, Musharakah, Istisnaa*, etc.
- Comparative Analysis of Financing through the Mode of Conventional Financing and the Islamic Modes of Financing
- What is Islamic Banking in Theory and Practice?
- Case Study on a Private Islamic Bank: Islamic Banking under Conventional Banking Law: Russian Experience
- Islamic Banking Industry: Challenges and Opportunities
- The Role of Financial Capital of Arab Countries in Boosting the Economic Development of Central Asian Countries.

5.2.15 EFFECTIVE BOARDS OF DIRECTORS FOR VOLUNTARY ORGANIZATIONS (KUWAIT)

The course was organized in Arabic language in Kuwait City, in collaboration with the Kuwait *Awqaf* Public Foundation during the period from 14-18 Shawwal 1425H (22 November-1 December 2004).

The course was designed for members of Boards of Directors of the Voluntary Organizations in Arab Countries with the view to familiarize them with the role and the responsibilities of Boards of Directors as practiced in modern voluntary organizations and augment their awareness on this matter. 25 participants attended the course.

The principal objective of the course was to train members of Boards of Directors of Voluntary Organizations on multidimensional issues, such as types of voluntary organizations, organizational structures, authorities of boards, and the way Islamic voluntary organizations can develop their work in compliance with the latest developments in managing voluntary organizations.

The course contents included the following topics:

- Voluntary Organizations: Definition, Classification and Functions
- Authority Limits for Board of Directors of Voluntary Organizations
- Selection of New Directors to Boards
- Principles of Effective Boards of Directors
- Relationships Between Boards of Directors and Executive Management of Voluntary Organizations
- Case Studies on Voluntary Organizations.

5.2.16 ISLAMIC ECONOMICS (MALI)

This colloquium was organized in French language in Bamako, Mali, in collaboration with the General Directorate of Public Debt, Ministry of Economy and Finance, Republic of Mali, during the period from 18-20 Shawwal 1425H [1-3 December 2004].

It was designed for university professors, graduate students, researchers, high ranking executives from public and private financial institutions in Mali. 40 participants from Algeria, Morocco, Mali, Senegal and Tunisia attended the colloquium.

The main objectives of the colloquium were to:

- familiarize the participants with the issues and problems related to the field of Islamic Economics
- create awareness on Islamic Economics
- provide a forum for the exchange of ideas to discuss common issues and problems
- Present some practical models on Islamic banking and finance.

The colloquium contents included the following topics:

- Rationale behind the Prohibition of *Riba*
- Principles of Islamic Finance
- Theoretical Foundations of Islamic Economics
- Islamic Economic Institutions: *Zakah*
- Islamic Economic Institutions: *Awqaf*
- Islamic Economic Institutions: *Hisba*
- Role of Central Bank in an Islamic Economy
- Taxation, Expenditure and Debt Policies in an Islamic Economy
- Insurance in an Islamic Economy
- Capital Markets in an Islamic Economy
- Economics of Islamic Modes of Financing
- Nonbanking Islamic Financial Institutions
- Sustainable Economic Development from Islamic Perspective.

5.2.17 APPLICATIONS OF COMFAR MODALITY FOR PREPARATION OF FEASIBILITY STUDIES AND PROJECT EVALUATION FOR INDUSTRIAL ENTERPRISES (EGYPT)

The course was organized in Arabic language in Cairo, Egypt, in collaboration with the Arab Industrial Development and Mining Organization, Casablanca, Morocco during the period from 22 Shawwal-4 Dhual Qa'da 1425H (5-16 December 2004).

The course was designed for officials working for institutions concerned with preparation and implementation of feasibility studies in IDB Member Countries, especially those from ministries of industry. 30 participants attended the course.

The principal objectives of the course were to:

- offer an opportunity to the participants to acquire more experience in the field of feasibility studies and evaluation of industrial projects;
- allow them to have exposure to new techniques of financial analysis and project indicators used in feasibility studies, especially computer models and programs.

The course contents included the following topics:

- General Framework for Feasibility Studies of Industrial Projects
- Project Cycle and Main Stages for Preparation and Evaluation of Industrial Projects
- Market Survey and Identification of the Demand Size
- Socioeconomic Evaluation of Industrial Projects
- Technical Feasibility Studies
- Financial Analysis for Industrial Projects
- Theoretical Framework for COMFAR and Applications
- COMFAR System: Practical Cases

5.2.18 DEVELOPING ACCOUNTING, MANAGERIAL AND MARKETING CAPABILITIES OF ZAKAH WORKERS IN ARAB COUNTRIES (LEBANON)

The course was organized in Arabic language in Beirut, Lebanon, in collaboration with the *Zakah* Fund of *Dar Al-Fatwa* of Lebanon, during the period from 23-27 Shawwal 1425H (6-10 December 2004).

The course was designed for officials working in *Zakah* Institutions in Arab Countries, with the view to upgrade their capabilities in important areas such as planning, accounting, organization and marketing of *Zakat* activities. 36 participants from Lebanon and other member countries attended the course.

The principal objective of the course was to train *Zakat* workers on financial, administrative and marketing matters, so that they would be able to prepare and analyze budgets for *Zakat* institutions and to apply modern techniques in resource mobilization and deployment.

The course contents included the following topics:

- *Fiqh* Principles Governing Revenues and Expenditures of *Zakah* Institutions
- Calculating *Zakah* for *Zakah* Payers using Modern Empirical Techniques
- Financial and Administrative Rules and Regulations for Revenues and Expenditures of *Zakah* Institutions
- An Analysis and Classification of Administrative Expenses of *Zakah* Institutions
- Uniform Accounting System for *Zakah* Institutions - Computer Models
- Organizational Hierarchy of *Zakah* Institutions
- Media Mechanisms for Marketing *Zakah* Activities
- Experiences of Arab Countries in Marketing, Establishing and Managing *Zakah* Institutions

5.2.19 PRIVATIZATION STRATEGIES AND TECHNIQUES (MOROCCO)

The course on Privatization Strategies and Techniques was organized in French language in Morocco, in collaboration with the Directorate of Public Enterprises and Privatization (DPEP) of the Ministry of Finance and Privatization, Morocco. The course was held at Rabat from 23-27 Shawwal 1425H [6-10 December, 2004].

The course was designed for the senior officials from 8 IDB Member Countries, i.e. Algeria, Chad, Côte d'Ivoire, Mali, Mauritania, Morocco, Senegal, and Tunisia working in financial and technical ministerial departments dealing with privatization process. The total number of participants who attended the course was 21, including one participant from the Democratic Republic of Congo.

The main objectives of the course were to familiarize the participants with the strategies and techniques of privatization of publicly owned corporations, in order to provide them with a better understanding of the objectives of privatization, enhance their awareness and understanding of the reforms needed to support the privatization process and enable them to identify problems and issues pertaining to this process.

The course covered the following main areas:

- Concept of Privatization: Background and Rationale
- Objectives of Privatization
- Evaluation of Privatization in the Framework of African Economic Situation
- Development of Privatization Process on International Standards
- Legal and Institutional Framework for Privatization
- Economic and Political Reforms needed for Privatization
- Strategies and Techniques for Privatization
- Case Studies on Newly Privatized Moroccan Companies (such as Morocco Telecom and Public Enterprises of Tobacco)
- Case Studies of Newly Privatized African Companies (Cases of Mali and Burkina Faso)
- Post Evaluation of Privatization Process in African Countries
- Economic and Social Impact of Privatization

- Country Papers: Presentation of Privatization Process in Algeria, Mauritania, Senegal and Tunisia.

5.2.20 CULTIVATING PROFESSIONAL STAFF FOR VOLUNTARY ORGANIZATIONS (KUWAIT)

The course was organized in Arabic language in Kuwait City, in collaboration with the Kuwait *Awqaf* Public Foundation during the period from 6-10 Dhul Qa'da 1425H (18-22 December 2004).

The course was designed for workers belonging to voluntary organizations in Arab Countries. 21 participants attended the course (7 from Arab countries, 2 from Russia, and the remaining 12 from local voluntary organizations in Kuwait).

The principal objectives of the course were to make the participants aware of the importance of having professional staff for their organizations and how to attract them to develop voluntary activities.

The course contents included the following topics:

- Professional Staff for Voluntary Organizations: Concepts and Definition
- Importance of Attracting Competitive Professional Staff for Voluntary Organizations
- Methods of Attracting Members to Voluntary Organizations
- Techniques of Developing Workings of Voluntary Organizations
- Assessing Impact of Professional Staff and their Role in Voluntary Organizations.

5.3 TRAINING PROGRAMS WITHIN THE FRAMEWORK OF TASK FORCE ON TRAINING (PREPARING THE UMMAH FOR 21ST CENTURY)

In the context of the 8th Islamic Summit Conference [Session of Dignity, Dialogue and Participation] held in Tehran, Islamic Republic of Iran, from 9-11 Sha'baan 1418H [9-11 December 1997] and the Summit Resolution to prepare the *Ummah* for the 21st Century, the IDB Management appointed a Task Force on Training composed of the General Secretariat of the Organization of Islamic

Conference [OIC], Statistical, Economic and Social Research and Training Center for Islamic Countries [SESRTCIC], The Islamic Institute of Technology [IIT], Islamic Center for Development of Trade [ICDT], Islamic Development Bank [IDB] and the Islamic Chamber of Commerce and Industry [ICCI] to meet regularly in order to assess the training needs and mobilize resources and facilities available for training within the Islamic world and outside. Subsequently, the Task Force on Training decided to sponsor training programs, of which the following three were implemented during 1425H:

- 5.3.1 Regional Workshop on “Promoting LADA (Land Degradation Assessment in Dry-lands),”** (English), organized in Damascus, Syria during 8-11 Jumad Thani 1425H (25-28 July, 2004) in collaboration with SESRTCIC, Turkey.
- 5.3.2 Regional Workshop on “Microprocessor/Microcontroller Based Industrial Production,”** (English), organized in Dhaka, Bangladesh from 22 Shawwal-2 Dhul Qa’da 1425H (1-14 December 2004) in collaboration with Islamic University of Technology [IUT], Bangladesh.
- 5.3.3 Regional Workshop on “Traditional Methods of Population Census and New Approaches,”** (English), organized in Ankara, Turkey during 23-27 Shawwal 1425H (6-10 December 2004) in collaboration with SESRTCIC, Turkey.

5.4 DISTANCE LEARNING ACTIVITIES

In the framework of its distance learning activities, IRTI has launched a series of videoconference lectures and distance learning courses on Islamic Economics, Banking and Finance. These activities, conducted by prominent scholars, are delivered through the Distance Learning Centre (DLC) of IDB, Jeddah, and are designed for Executives of Central Banks, Commercial Banks, Financing Institutions and Islamic Banks. The main objective of these lectures/courses is to familiarize the participants with the concepts and modern practices of Islamic Economics and Banking. In the framework of this program, the following two distance learning activities were implemented during 1425H:

5.4.1 LECTURE ON INTERFACE PROBLEM BETWEEN ISLAMIC BANKING AND CONVENTIONAL BANKING

This videoconference lecture was delivered on 22 Safar 1425H (12 April 2004). A total of 26 participants attended the lecture, which was a joint effort between IRTI, and International Institute of Islamic Economics (IIIE) of International Islamic University (IIU), Islamabad, Pakistan. It was a part of the program of postgraduate diploma offered by IIIE. 26 participants from IIIE and from several financial institutions in Pakistan attended this event.

5.4.2 LECTURE ON PRINCIPLES OF ISLAMIC FINANCE

This second videoconference lecture was delivered on 28 Rabi' Awwal 1425H (17 May 2004). It was designed for professionals of financial institutions, policymakers, university teachers, and graduate business, finance and economic students in some member countries. A total of 110 participants attended the lecture.

The principal objective of the lecture was to provide exposure in Islamic finance to the participants who are uninitiated in the subject but who are well-versed in the understanding of contemporary finance and banking issues, and to update and strengthen the knowledge base of the participants already familiar with the subject.

The course contents included the following topics:

- Fundamental Regulations in Areas of Banking and Finance
- Alternatives in Place
- Principles Underlying Islamic Financial Contracts
- Applications of Principles: An Update
- Looking Ahead: Key Challenges.

5.5 PROMOTING ZAKAH AND AWQAF IN SUB-SAHARAN AFRICAN COUNTRIES

The IDB Group initiated and convened a consultative meeting comprising eminent scholars in the field of *Zakah* and *Awqaf* all over the Muslim World and reputed institutions, such as *Zakah* House and the Secretariat General of *Awqaf* of Kuwait, to discuss the ways and means of promoting and supporting *Zakah* and *Awqaf* institutions in Sub-Saharan African countries. The meeting

was held in Dakar, Senegal, during 13-14 Sha'baan 1423H (18-19 October 2002).

Following a comprehensive review of status quo of *Zakah* and *Awqaf* in African countries, and addressing several related issues, the meeting reached a very important conclusion and policymaking issues with the view to enhance *Zakah* and *Awqaf* institutions in the targeted countries. They include the following recommendations:

- i. making necessary awareness on *Zakah* and *Awqaf* among people of African countries;
- ii. encouraging research and academic institutions and training centers to concentrate their activities in this field and implement special programs in this area of *Zakah* and *Awqaf*;
- iii. preparing and providing proactive environment for operation of *Zakah* and *Awqaf* institutions;
- iv. preparing detailed studies on situations of *Zakah* and *Awqaf* institutions in each African country;
- v. enacting a special social development program in African countries so that *Zakah* and *Awqaf* institutions could participate in this program;
- vi. the IDB Group was requested to form a consultative Task Force on *Zakah* and *Awqaf* in Africa to design a working policy and set the appropriate mechanism for promoting *Zakah* and *Awqaf* in Africa.

The second follow-up meeting on “Promoting *Zakah* and *Awqaf* in Sub-Saharan African Countries” was organized in Jeddah, Saudi Arabia, during 18-19 Ramadan 1423H [23-24 November 2002]. The meeting gathered 7 experts and scholars in the field of *Awqaf* and *Zakah* from member countries and Muslim communities along with IDB management. A total of 20 scholars attended the meeting.

The meeting discussed ways and means of laying down the following:

- a plan of action to establish a pilot project on the establishment of *Zakah* and *Awqaf* institutions in the 5 selected countries
- a plan of action on information and awareness on *Zakah* and *Awqaf* in the region
- a plan to introduce a teaching and training material at the university level.

The main recommendations that came up from the meeting were as follows:

- To prepare an action plan for establishing *Zakah* and *Awqaf* institutions in the 5 selected countries
- Organize technical workshops in the five selected countries on *Zakah* and *Awqaf*. These workshops would focus on:
 - i. legal framework for establishing *Zakah* and *Awqaf* institutions;
 - ii. pre-feasibility studies for establishing *Zakah* and *Awqaf* institutions;
 - iii. proposing suitable models for these countries.
- Launch a wide awareness campaign in the five selected countries about *Zakah* and *Awqaf*
- Constitution of national committees for *Zakah* and *Awqaf*
- Incorporate topics on *Zakah* and *Awqaf* in syllabus of education and training programs of universities in the five selected countries.

As a result of the outcome of these meetings, IRTI is in the process of organizing two technical seminars on *Zakat* and *Awqaf* in two African countries, namely, Niger and Senegal.

CHAPTER SIX

INFORMATION ACTIVITIES

6.1 PURVIEW

IRTI Information Center (IRTIC) is entrusted with the task of employing information and communication technology (ICT) with a view to enhancing and promoting economic development and cooperation among IDB Member Countries, to assist in the development of Islamic banking and finance and support IRTI services and training activities. Currently, IRTIC has embarked upon developing information systems that serve the above objectives. The major areas to be covered by information systems are:

1. *Awqaf* Databank
2. IDB Database on Experts
3. Guidelines for a National IT Strategy
4. IRTI Publications Management System
5. Trade Information and Promotion
6. Islamic Banks Information System
7. IRTI Newsletter

In addition, IRTIC is coordinating and supporting holding of international conferences in the area of ICT jointly with reputed OIC/IDB, regional and international organizations.

The following is an overview of the information activities carried out during 1425H.

6.2 INFORMATION SYSTEMS

6.2.1 AWQAF DATABANK

IRTI and the Kuwait *Awqaf* Public Foundation (KAPF) are jointly setting up an interactive trilingual (Arabic, English and French) web portal on Islamic *Awqaf* called “The *Awqaf* Databank”. IRTI and KAPF have signed a consultancy contract to implement the first phase of the project which will be financed equally by KAPF and IDB.

Five countries with vast expertise in *Awqaf* were selected to be partners in the first phase of the project. The basic analysis and design for the global web portal of this system were finalized and are ready for implementation. Various steps have been taken concerning data entry modules, the back-end database, workflow, collection management policy, resource delivery procedures and promotional materials. During 1425H, the data entry module has been finalized. Missions to the selected countries were launched to present the details of the project and to get information about the manual systems used and current environment in those countries and to train number of candidates on the data entry module and to agree with the entities to provide the project with various details related to the system and procedures used for organizing *Waqf* documents and information.

The objectives of *Awqaf* Databank are summarized below:

- Support the Muslim world's efforts to promote and develop *Awqaf*
- Help to fill the gap in terms of facts and information about *Waqf* activities in the Muslim world
- Document and disseminate practical expertise and research work in the field of *Waqf*
- Provide a platform equipped with cutting edge software/hardware to serve databank activities
- Build a databank that is run through highly technical and competent operation and management systems
- Set up an interactive databank website supported by trilingual search engines
- Initiate the first world forum on Islamic *Waqf* matters.

6.2.2 IDB DATABASE ON EXPERTS (IDBDE)

As the IDB Group members and specially IRTI need to communicate with various Muslim experts and scientists around the world for consultancy services, and reviewing IRTI publications, papers, monographs or articles, a great need arose to IRTI to develop a global and comprehensive database that includes full details of Muslim experts around the world. Hence, IRTIC was mandated to develop the IDB Database on Experts (IDBDE).

IDBDE aims at facilitating the identification of Muslim experts and scientists around the world in various fields. This would reduce the cost of locating competent consultancy services to all IDB Member Countries and to serve as a heritage for Muslim experts in the globe.

The first release of the system was produced on a CD-ROM and distributed during the Science and Technology Workshop conducted jointly by IIFTIHAR and IRTI at Jakarta, Indonesia in May 1999.

In a process to extend the database, a contract was signed with IIFTIHAR, USA to collect information on Science and Technology experts in North America. In addition, IRTIC has collected information directly from primary and secondary sources.

IRTIC developed a comprehensive website to be hosted on the Internet under IRTI website with the help of an external consultant. The website includes the basic data and full profile for around 3000 scientists/experts where the database is still growing. In addition, the website has hyperlinks to similar databanks and S&T centers and organizations with a facility to collect and update the data online.

During 1425H, the first update of the full database has started where letters containing the full bio-data were sent to all experts in the database to seek their changes and updates. In addition, new experts' data is being sought from new primary and secondary sources and from similar databases around the world.

6.2.3 GUIDELINES FOR A NATIONAL IT STRATEGY

As a result of the resolution of the symposium on "Preparing the Ummah for the 21st Century: Promotion of Information Technology for Development"

held in Cotonou, Benin in Rajab 1419H, IRTIC was entrusted to develop a Model IT Strategy for IDB member countries in order to:

- promote IT awareness in member countries by developing a general Model IT Strategy and provide technical assistance on request to member countries willing to adopt the Model IT Strategy to their needs and conditions;
- identify leading centers of excellence to enable superior coordination and better utilization of their services and resources.

In this regard, IRTIC has developed the Guidelines for a National IT Strategy with the help of an external consultant from Malaysia. To assure maximum benefit from this project, IRTIC organized a two-day workshop in January 2003 for highly qualified selected experts in the area of Information and Communication Technology (ICT) from member countries to evaluate, assess and clear the Guidelines. IRTI published the Guidelines in the form of a book. In addition, a paper about the study was also presented at the International Conference on Science and Technology held during the Summit. To assure maximum usage, IRTIC has also published the book in electronic format as a web page and hosted on the IRTI/IDB website. The web page includes full text of the book with a search engine and the ability to cut and paste text and also download the full document under permission from IRTI. The book and its summary was distributed during ICT conferences/ seminars/workshops held in IDB member countries.

During 1425H, data was collected to update and enhance the book for a new edition. In addition, continuous revision and update on the web page was carried out.

6.2.4 IRTI PUBLICATIONS MANAGEMENT SYSTEM

One of the main pillars of IRTI is research in the areas of Islamic Economics and Islamic Banking and Finance, where these researches are published regularly for sale, distribution and exchange. So far, IRTI has been publishing these publications in paper format and distributing through regular mails. However, with the advent of the Information Communication Technology (ICT) and the Internet and to ease the method of distribution and selling, IRTIC was mandated to develop a comprehensive portal for IRTI publications. The portal shall include full information of each publication, its

price and a bio-data for the author. The portal has the capability of selling the publications online through a secure site.

The main objective of the system is to develop an online virtual bookshop for selling and purchasing IRTI Publications and to convert published files from legacy format, and other different file formats to web compatible formats. The main modules of the system are:

- Directory of IRTI Publications
- Publications Inventory Control
- Publication Distribution and Control
- Publication General Ledger
- System Reports and Administration

During 1425H, IRTIC started working on the Project and made an initial plan for the design and implementation of the project. The first two modules of the system - the Directory of IRTI Publications and Inventory of IRTI publications including the abstracts (Executive Summary) - were designed and implemented. A survey was made on all IRTI publications to seek executive summaries for the publications. Only few were found and re-written and entered into the new module. However, IRTIC is collaborating with the concerned authors of the publication and research divisions in IRTI to get the write-up of these abstracts. An electronic copy of the IRTI Publications Directory was extracted from this module and published in the monthly IRTI Newsletter. Work is being done to launch this Directory on IRTI website. In addition, IRTIC is working on the third module of the system.

6.2.5 TRADE INFORMATION AND PROMOTION SYSTEM (TIPSys)

Trade plays an important role in promoting cooperation among member countries for their economic development. Hence, IDB has evolved a Trade Information and Promotion System (TIPSys) to provide traders and investors in IDB Member Countries with information on business opportunities and markets that will be selected and designed to facilitate the expansion of their “Regional Exports, Imports and Investment”.

In addition to the provision of trade information directly to traders, TIPSys will provide the Governments and Trade Promotion Organizations (TPOs) with trade data to help them develop efficient trade promotion programs at national, regional and intraregional levels.

The general objectives of TIPSys are summarized as follows:

- Increase the volume of trade between IDB Member Countries
- Provide traders with business opportunities and market information
- Provide TPOs with information needed for their trade promotion purposes
- Provide IDB Departments with business information relevant to their needs
- Identify further information needs on trade and investment
- Offer value-added services in particular through the Internet.

IDB has entrusted IRTIC to make initial studies and coordination to implement the system. Hence, as an initial step, the International Trade Center (ITC), Geneva and the IRTIC developed jointly a comprehensive feasibility study and project proposal for TIPSys in 1999. The following six business information categories were identified for the links offered by the proposed TIPSys website:

1. Business Opportunities
2. Company Information
3. Product and Country Market Information
4. Trade Regulations
5. Trade Statistics
6. Trade Fairs.

The IDB Management has approved to implement the objectives of TIPSys using the expertise of OICNetworks within OICTrade portal developed by the Company. However, due to certain technical difficulties and the downsizing of OICNetworks during 2004, IRTI is negotiating with the IDB Management for alternatives to implement the system.

6.2.6 ISLAMIC BANKS INFORMATION SYSTEM

Islamic banking and financial operations are increasing rapidly all over the world. This development has important implications for financial reporting, transparency and banking stability. IRTI/IDB, central banks, standard setters

and other international institutions share the responsibilities of developing financial reporting systems, monitoring the Islamic financial flows and collecting, systematizing and disseminating Islamic financial data.

On its part, IRTI has initiated an internet-based Islamic banking information system, IBIS (www.ibisonline.net), that provides financial and other relevant data to be used in promoting Islamic banking products and advance cooperation between Islamic banks utilizing the information for internal and external research purposes and acting as a global portal for Islamic banks. IBIS spans several levels to actively avail its information and interact online.

IBIS is primarily a financial database on Islamic banks having information on Islamic Financial Institutions. The IBIS website offers its users up to 12 years of detailed financial information, details of ownership information (shareholders and banking subsidiaries), a comprehensive repository of annual reports, and to conduct in-depth comparative and statistical analysis on subsets of banks.

IBIS is supplied with powerful search software tied with graphical representation tools, enabling users to prepare customized individual or group reports and to conduct in-depth analysis on subsets of banks. Users are able to combine financial, graphical, textual information and their own defined variables as well. Other facilities enable direct extraction of data with the ability of transforming and saving the data in various document formats.

- Directory of Islamic Financial Institutions
- Islamic Banks' *Shari'ah* Databank and Glossary of Islamic Economic Terms
- Who's Who Database
- Publication Bibliography Databank
- Events Database and News Database

First phase of work on 8 modules partially completed and presented to the meeting of Islamic Banks during the IDB Annual Meeting in Tehran. Second phase will be prepared and the IBIS launched during 1426H. The second phase of IBIS will start in 1426H and continue during the rest of the strategic plan period. It will concentrate on (a) continue enhancing the IBIS website adding new functionalities and services and incorporating refinements in response to user comments, and (b) expanding data collection, entry and analysis activities.

6.3 IRTI NEWSLETTER

As an aid of awareness to the IDB Group members internal staff about the activities that IRTI is undertaking and as a documentary evidence, IRTIC was mandated to design and develop an online newsletter to be browsed by IDB staff as a local web page on the IDB Intranet. However, at a later stage the newsletter will be part of the new IRTI page within the IDB Group Portal so that users and organizations dealing with IRTI will be aware of its recent activities.

The newsletter is designed to keep track of back issues. In addition, the newsletter is supplied with a full text search engine to search various activities. IRTI is proposing to host the newsletter on IRTI page in the new IDB Group Portal. In addition, the link of the newsletter will be provided to various organizations and individuals dealing with IRTI.

Starting Muharram 1425H, IRTIC designed and published a monthly electronic newsletter through the IDB Intranet. The newsletter is issued during the first week of each Hijra month. It contains news and events, visits of delegations, lectures, seminars, conferences, workshops, publications, research papers, training programs and information provided through applications developed by IRTIC and other IRTI activities.

6.4 CONFERENCES

IRTIC is coordinating and supporting holding of international conferences in the area of ICT jointly with reputed OIC/IDB, regional and international organizations. In 1425H, IRTIC has been working to hold two conferences:

6.4.1 SECOND ARAB CONFERENCE ON INDUSTRIAL INFORMATION AND NETWORKS

IRTIC is working on holding the 2nd Arab Conference on Industrial Information and Networks jointly with AIDMO and the Tunisian Ministry of Industry and Energy to be held in May 2005 in Tunisia. This conference is an extension of the 1st Arab Conference held in Dubai in February 2002. The main objective of the conference is to improve the Arab industries, use information technologies in these industries, and promote Arab products

through a detailed Arab Industrial Map as an aim for bilateral Arab industries and the international market.

6.4.2 INTERNATIONAL CONFERENCE ON ICT STRATEGIES AND THEIR IMPLEMENTATION PLAN

IRTIC has drafted an MOU for holding the International Conference on ICT Strategies and their Implementation Plan, in Rabat, Morocco in November/December 2005. The theme of the conference is to analyze the ICT strategies that were developed in IDB Member Countries and to extract a suitable implementation plan for implementing the Guidelines for a National Strategy which was published by IRTI earlier.

CHAPTER SEVEN

OTHER PROFESSIONAL ACTIVITIES

7.1 PURVIEW

In order to promote Islamic economics, banking and finance, a function that is assigned to it by its statute, the Islamic Research and Training Institute has evolved a number of professional programs such as Encouragement and Promotion Program, IDB Prize in Islamic economics / Islamic banking, Visiting Scholars Scheme, Lectures Program etc. These programs are implemented by a Special Assignments Unit (SAU). In addition to implementation of these programs, the unit is also responsible for performing certain other tasks such as preparation of IRTI's Annual Work Programs, Budget and Annual Report in consultation and cooperation with other divisions.

Generally speaking, the functions described in this chapter may be classified into four categories:

- ◆ Programs and Schemes
- ◆ Committees and Reports
- ◆ Budget and Work Program
- ◆ Miscellaneous

7.2 PROGRAMS AND SCHEMES

7.2.1 IDB PRIZE IN ISLAMIC ECONOMICS/ISLAMIC BANKING AND FINANCE

With the objective of recognizing, rewarding and encouraging creative efforts of outstanding merit in the fields of Islamic economics, banking and finance, the IDB annually awards an international prize alternating between Islamic economics and Islamic banking. The Prize is known as the *IDB prize in*

Islamic economics/Islamic banking. The prize includes a citation acknowledging the contribution of the prize laureate and a cash award of Thirty Thousand Islamic Dinars which is equivalent to more than 40, 000 (forty thousand) dollars.

IRTI is responsible for implementation of the prize, which is administered by three committees viz. Preparation Committee, Screening Committee and Selection Committee. The Preparation Committee is an internal committee that looks after all arrangements and preparations pertaining to the Prize. The Screening and Selection Committees perform the functions suggested by their respective names. These committees include substantial number of external scholars. The Selection Committee in particular is composed of eminent scholars and persons drawn from the member countries of the IDB. The implementation of IDB Prize includes various types of activities such as arranging the wide scale publicity of announcements, receiving and screening nominations, coordinating the meetings of Screening and Selection Committees and awarding the prize etc.

As a Secretariat for the IDB Prize , IRTI managed and supervised all activities of the Preparatory Committee, Screening Committee and Selection Committee relating to the award of IDB Prize including advertising the prize, processing the nominations received and making all the necessary arrangements for the work of the Screening and Selection Committees in pursuance of implementation of IDB Prize 1425H. IRTI also made necessary arrangements for the award ceremony, which is held every year during the annual meetings of the Bank.

TABLE 7.1

**WINNERS OF IDB PRIZE IN ISLAMIC ECONOMICS /
ISLAMIC BANKING**

Islamic Economics	
1.	Prof. Khurshid Ahmad, 1408H (1988)
2.	Dr. M. Umar Chapra, 1409H (1989)
3.	Dr. M. Anas Zarqa, 1410H (1990)
4.	Dr. Yousuf Al-Qardawi, 1411H (1991)
5.	Dr. Sabahuddin Zaim, 1412H (1992)
6.	Centre for Research in Islamic Economics, 1413 H (1993)
7.	Dr. Muhammad Umar Zubair, 1415H (1995)
8.	Dr. Rafic Younus Al Masri and Dr. Abdur Rahman Yousri, 1417H (1997)
9.	Dr. Mohammed Al Habib Ibn Al Khojah, 1419H (1999)
10.	Dr. Monzer Kahf and Dr. Hasanuzzaman, 1421H (2001) [jointly]
11.	Dr. Abbas Mirakhor and Dr. Mohsin Khan, 1422H (2003)

Islamic Banking	
1.	Dr. Sami Homoud, 1409H (1989)
2.	Tabung Haji, Malaysia 1410H (1990)
3.	Dr. Ziauddin Ahmad 1411(1991)
4.	Dr. Ahmad Mohammed Ali, 1414H (1994)
5.	Mr. Saleh Abdullah Kamel, 1416H (1996)
6.	Dr. Tanzilur Rahman, 1418H (1998)
7.	International Institute of Islamic Economics, Pakistan, 1420H (2000)
8.	John Presley and Sa'eed Ben Ahmad Ben Lutah , 1422H (2002)
9.	Dr. Mohammed Ali Al Qari 1424H (2004)

The IDB Prize in Islamic economics/ Islamic banking for the year 1424H was jointly awarded to Dr. Mohammed Ali Al Qari (Saudi Arabia) for his substantial contribution to Islamic banking.

7.2.2 IDB PRIZE LECTURE SERIES

The Winner of the IDB prize is invited to deliver a lecture at the IDB headquarters each year. The lecture is held before an invited audience, which includes a large number of scholars, researchers, academicians, social workers and diplomats.

7.2.3 DISTINGUISHED SCHOLARS' LECTURES OUTSIDE IDB/IRTI

The Institute has evolved different schemes for the mobilization of outside professional expertise, available in the member countries, in attaining the targets set for different IRTI programs and promoting the cause of Islamic economics, banking and finance.

During 1418H, IRTI started a distinguished lecture series by prominent Islamic economists outside the Headquarters. The purpose of the scheme is to introduce Islamic economics as a scientific discipline to major educational and research institutions in the world, in general, and in the member countries in particular.

Like previous year, during the year under reporting, Dr. M. Umar Chapra, Research Advisor, IRTI delivered several lectures at reputed academic institutions in the member and non-member countries. Dr. Chapra visited several member countries to deliver lectures on various topics of Islamic economics. The details of these lectures are given in Table 7.2.

TABLE 7.2

**LECTURES DELIVERED BY THE RESEARCH ADVISOR,
IRTI IN VARIOUS MEMBER COUNTRIES AND
NON-MEMBER COUNTRIES**

Date	Topic	Place
5-7 January 2004	1. paper presented at the International Conference on Islamic Banking and Finance. 2. Lecture at the University of Brunei	Brunei
5-8 March 2004	3. Lectures on <i>Shari'ah</i> , Islamic Jurisprudence and Islamic Economics	Mufeed University , Qom, Iran
9 March 2004	4. Lectures on Islamic Economics	Imam Sadeq University,
31 March -2 April, 2004	5. "Harmonization of <i>Shari'ah</i> Ruling" Presented at the Meeting of the Islamic Financial Services Board	Lugkawi, Malaysia
26-27 May 2004	6. Paper presented at the Round Table on the Current State and Development of Islamic Economics	Islamic Development Bank, Jeddah
7-9 August 2004	7. Lectures delivered at the Third South African Seminar on Islamic Insurance, Banking and Finance	Durban, South Africa
2 December 2004	8. "The Role of Justice in Development"	WAMY, Riyadh, Saudi Arabia
6-9 December 2004	9. "The Malaise of the Present-day Muslim World: Its causes and Cures in light of Ibne Khaldun's Theory of Development" paper presented at the conference on the Muslim Ummah : Cultural and Developmental Crisis	University of Cairo, Egypt.

It is expected that this program shall succeed in promoting Islamic economics as a scientific discipline. IRTI plans to enlarge the scope of this program in future.

7.2.4 IRTI SHARI'AH LECTURE SERIES

Under this program prominent *Shari'ah* scholars are invited to deliver lectures at the IDB/IRTI headquarters. Usually some major issue in Islamic economics, banking and finance is the subject of the lecture, in which all IDB, IRTI professional staff and outside scholars available in Jeddah participate.

Within the framework of this program in 1425 H, a lecture of Shaikh Ali Ahmad al Nadvi was organized on 25 Moharram 1426. (6 March 2005)

7.2.5 VISITING SCHOLARS' PROGRAM

The Visiting Scholars Program was initiated in 1413H. It enables external scholars to visit IRTI on a short-term basis in order to carry out certain well-defined tasks such as a research paper. As it is not always possible to recruit full-time research staff in order to attain the goals of different programs, the scheme provides more flexibility in tapping various talents and experiences available elsewhere.

Several requests under this scheme were processed during the year.

7.2.6 ENCOURAGEMENT AND PROMOTION PROGRAM

The objective of this program is to promote such academic activities and efforts which are considered essential for the achievement of the purpose of the Bank and IRTI through encouraging innovative research by external scholars, researchers and institutions in Islamic economics, banking, finance and related areas.

This is a regular program of IRTI. Financial assistance to eligible candidates both individual and institutional is provided under this scheme. During 1425H a number of requests under this program were processed and implemented.

APPENDICES

APPENDIX I

SEMINARS, CONFERENCES, WORKSHOPS AND TRAINING COURSES, 1417-1425H

Year	Seminars, Conferences and Workshops		Training Courses	
	No.	Participants	No.	Participants
1417H	6	282	5	118
1418H	10	279	8	206
1419H	10	603	8	255
1420H	13	895	17	583
1421H	10	730	11	269
1422H	10	435	15	453
1423H	12	534	25	804
1424H	18	1,572	30	1044
1425H	15	1,530	25	935
Total, since 1404H	166	10,045	227	6,704

APPENDIX II

RESEARCH AND TRAINING ACTIVITIES BY THEME

SEMINARS, CONFERENCES, WORKSHOPS, 1404-1425H*

RESEARCH

Islamic Banking and Finance	62
<i>Zakah and Awqaf</i>	47
Islamic Economics	49
Other Topics	5
Total	163

TRAINING COURSES, 1404-1425H

Islamic Economics, Banking & Finance	87
Macroeconomic Management	45
Private Sector Development	93
Human Resource Development	2
Total	227

* The figures in this table are an approximation to the actual due to a marginal data inavailability.

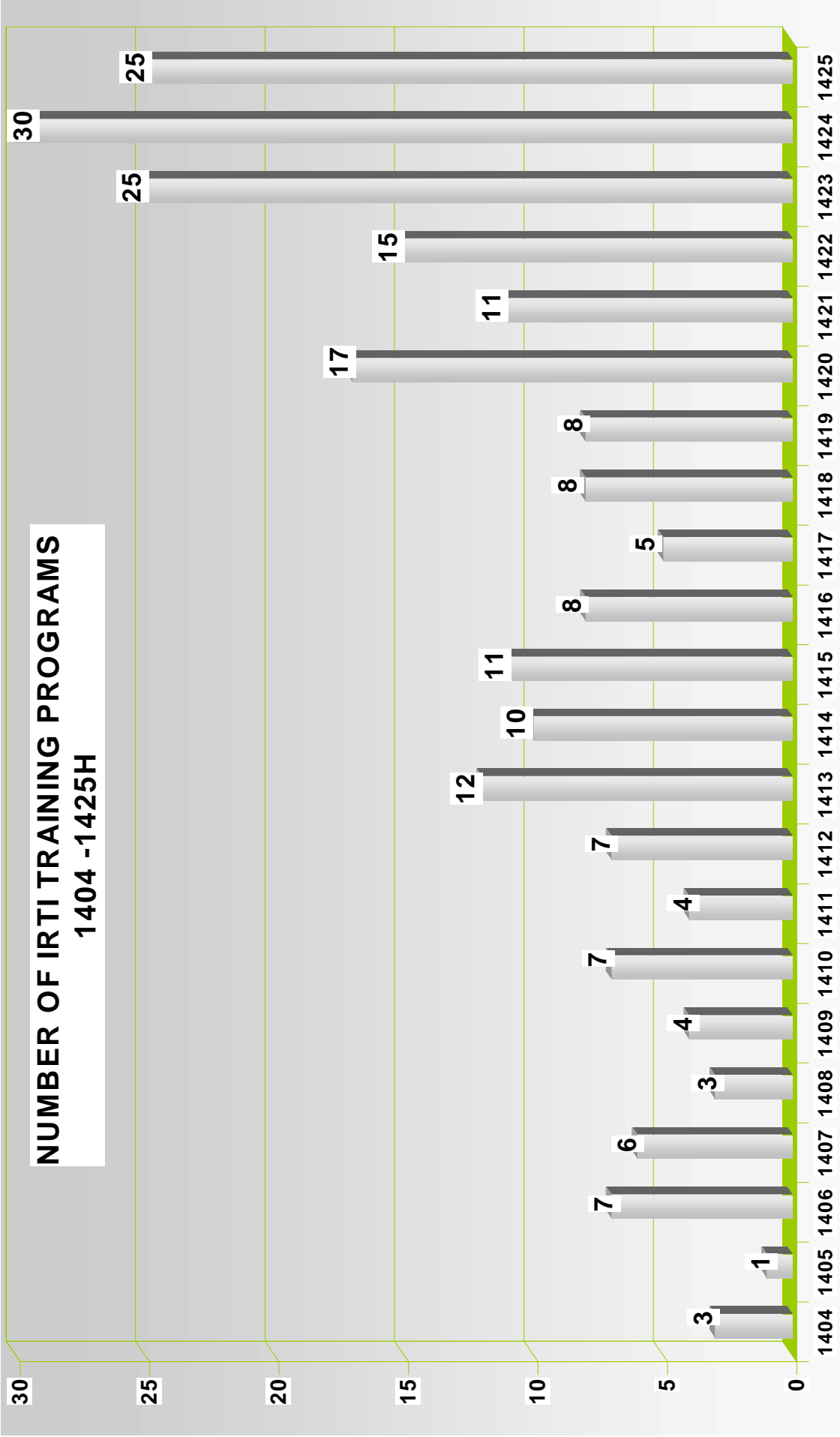
APPENDIX III

NUMBER OF IRTI TRAINING PROGRAMS AND PARTICIPANTS, 1404-1425H

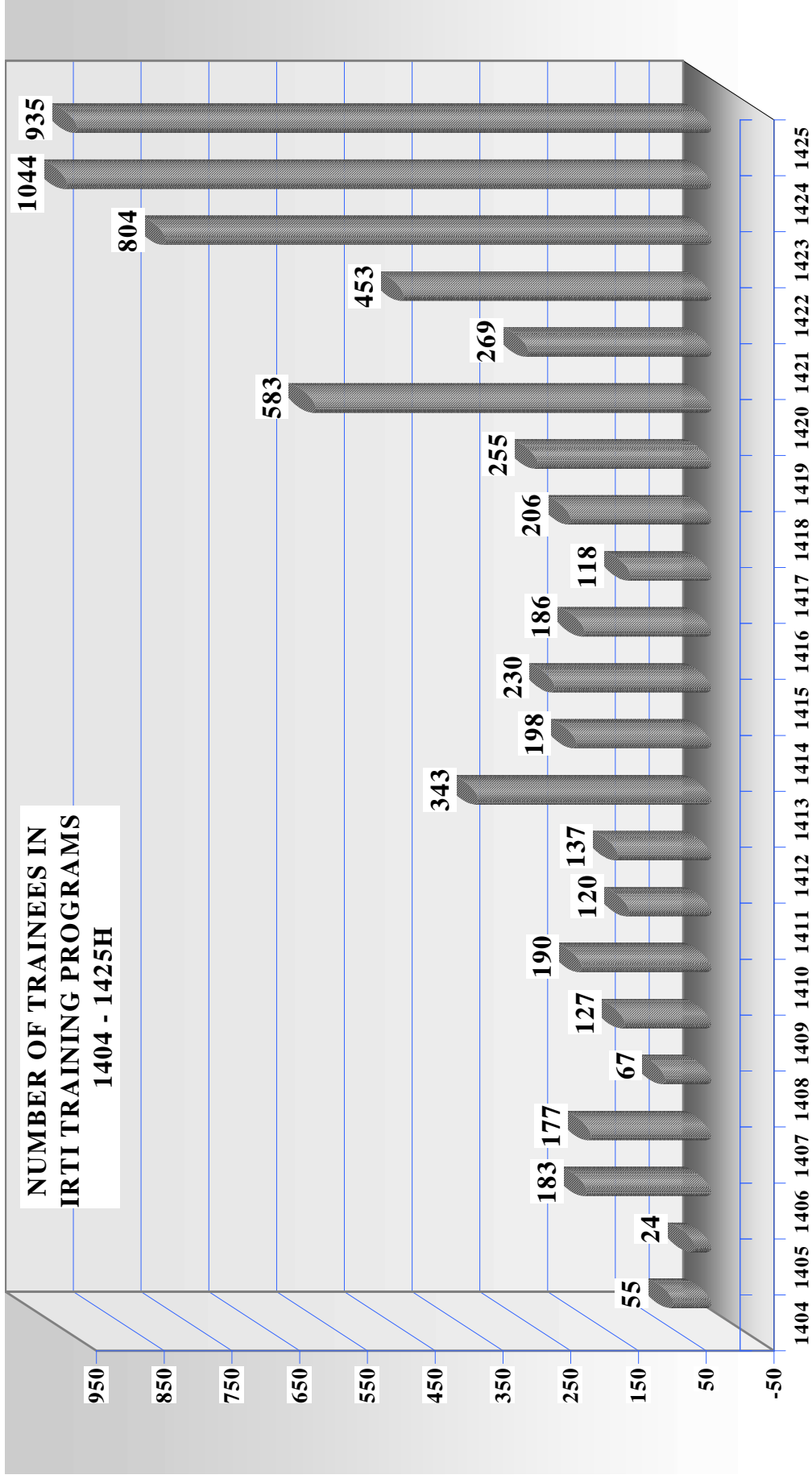
Year	Courses, Seminars & Workshops	Number of Participants
1404H	3	55
1405H	1	24
1406H	7	183
1407H	6	177
1408H	3	67
1409H	4	127
1410H	7	190
1411H	4	120
1412H	7	137
1413H	12	343
1414H	10	198
1415H	11	230
1416H	8	186
1417H	5	118
1418H	8	206
1419H	8	255
1420H	17	583
1421H	11	269
1422H	15	453
1423H	25	804
1424H	30	1044
1425H	25	935
Total	227	6,704

APPENDIX IV

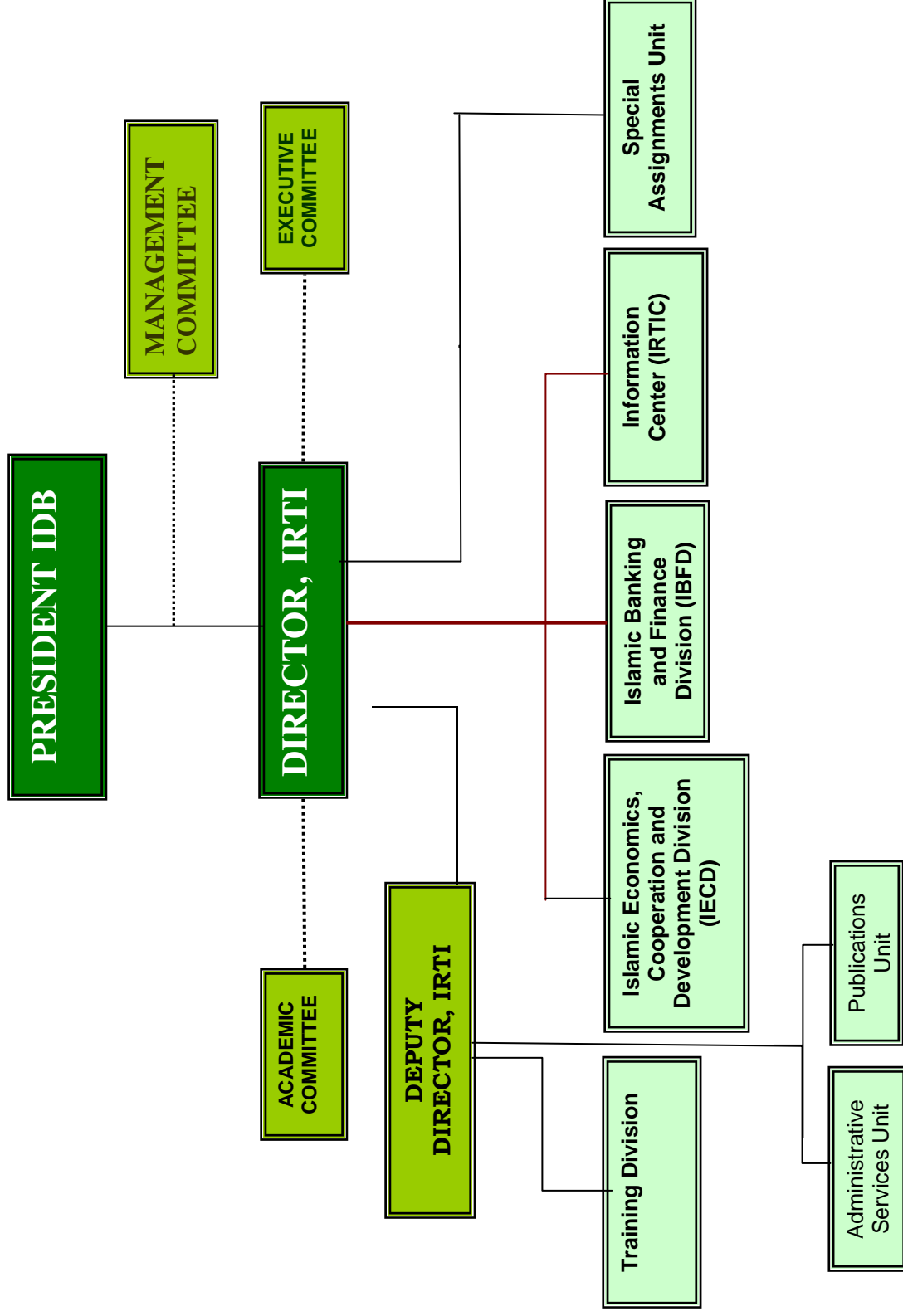
**NUMBER OF IRTI TRAINING PROGRAMS
1404 -1425H**



APPENDIX V



APPENDIX VI
ORGANIZATION CHART



APPENDIX VII
MEMBERS OF THE IRTI MANAGEMENT
COMMITTEE

<i>President, IDB</i>	:	<i>Chairman</i>
<i>Vice President (Trade and Policy)</i>	:	<i>Member</i>
<i>Vice President (Corporate Resources and Services)</i>	:	<i>Member</i>
<i>Vice President (Operations)</i>	:	<i>Member</i>
<i>Advisor to the Bank</i>	:	<i>Member</i>
<i>Acting Director, IRTI</i>	:	<i>Member</i>
<i>Chief, Islamic Economics, Co-operation and Development Division</i>	:	<i>Member</i>
<i>Chief, Islamic Banking & Finance Division</i>	:	<i>Member</i>
<i>Chief, Information Centre</i>	:	<i>Member</i>
<i>Acting Chief Training Division</i>	:	<i>Member</i>
<i>Head, Special Assignments</i>	:	<i>Secretary</i>

APPENDIX VIII

COMPOSITION OF IRTI ACADEMIC COMMITTEE

<i>Prof. Dr. Muhammad Umar Zubair</i> Advisor, IRTI	<i>Chairman</i>
<i>Bashir Ali Khallat</i> Acting Director, IRTI	<i>Deputy Chairman</i>
<i>Dr. Mohammad Ali Al-Qari</i> Centre for Research in Islamic Economics, King Abdulaziz University, Jeddah	<i>Member</i>
<i>Dr. Mohammed Dammas Al-Ghamdi</i> Al Jazirah Bank, Jeddah	<i>Member</i>
<i>Prof. Dr. Abdulwahab Abu Sulaiman</i> Ummul Qurah University, Makkah	<i>Member</i>
<i>Dr. M. Umer Chapra</i> Research Advisor, IRTI	<i>Member</i>
<i>Dr. Faiz Mohammad</i> EP&SP Department, IDB	<i>Member</i>

APPENDIX IX

IRTI SENIOR OFFICIALS

<i>Dr. Ahmad Mohamed Ali</i>	:	<i>President, IDB</i>
<i>Dr. Muhammad Umar Zubair</i>	:	<i>Advisor to IRTI</i>
<i>Bashir Ali Khallat</i>	:	<i>Acting Director, IRTI</i>
<i>Dr. M. Umer Chapra</i>	:	<i>Research Advisor</i>
<i>Dr. Muhammad Fahim Khan</i>	:	<i>Chief, Islamic Economics, Co-operation & Development Division</i>
<i>Dr. Munawar Iqbal Malik</i>	:	<i>Chief, Islamic Banking & Finance Division</i>
<i>Dr. Tahar Memmi</i>	:	<i>Acting Chief Training Division</i>
<i>Dr. Ahmad Ibrahim Iskanderani</i>	:	<i>Chief, Information Center (IRTIC)</i>
<i>Dr. Ausaf Ahmad</i>	:	<i>Head, Special Assignments</i>
<i>Ibrahim Al Zahery</i>	:	<i>Head, Publications Unit</i>
<i>Yousif Kawadis</i>	:	<i>Head, Administrative Services Unit</i>

APPENDIX X
IRTI PROFESSIONAL STAFF

ISLAMIC ECONOMICS, COOPERATION AND DEVELOPMENT DIVISION
Dr. Habib Ahmed
Dr. Khaled Hussein
Dr. Layyachi Feddad
ISLAMIC BANKING AND FINANCE DIVISION
Dr. Tariqullah Khan
Dr. Hussein Kamel Fahmy
Dr. Salman Syed Ali
Dr. Sami al Suwailem
Sherif A. Abdelhalim
TRAINING DIVISION
Abdul Kadir Deria
Dr. Boualem Bendjalali
Dr. Osman Babikir Ahmed
INFORMATION CENTER (IRTIC)
Br. Omar Abdullah Attiah
Br. Khalid Humaid

APPENDIX XI

IRTI PUBLICATIONS

1404H (1984) - 1425H (2005)

PROFILE OF PUBLICATIONS

1404H (1984) - 1425H (2005)

<i>Classification</i>	<i>Arabic</i>	<i>English</i>	<i>French</i>	<i>Total</i>
Research Papers	23	44	9	76
Discussion Papers	2	18	-	20
Background Papers	1	11	1	13
Proceedings	17	20	10	47
Occasional Papers	2	7	1	10
Lectures	19	11	12	42
Books of Readings	-	2	-	2
Journals	10	10	2	22
Translations	6	6	7	19
Reports and Directories	2	-	-	2
Others	-	1	-	1
Total	82	130	42	254
GRAND TOTAL				254

1404H (1984)

Reports & Directories [Rapports et répertoires] []

1. Economic Research Institutions of the Islamic World (Directory - No.1), Abdullah Gul and S. Doha, IRTI/IDB, Jeddah, pp. 132.
2. Islamic Economics: A Bibliography (Directory No.2), Tariqullah Khan, IRTI/IDB, Jeddah, pp. 156.

1406H (1985)

Research Papers [Documents de recherche] []

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