



للاقتصاد الإسلامي
ALBARAKA FORUM

ISLAMIC FINANCE

A Transformative Model for Global Financial Justice and Sustainable Development



EXCLUSIVE INTERVIEW

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This system - the global financial system - has come to an end, and the world is now on the verge of a new system that aspires to be more balanced, more just, and more efficient

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H.E. DR. MAHMOUD MOHIELDIN

United Nations Special Envoy for Financing Sustainable Development

INTRODUCTION

Amid rising global financial crises and an expanding gap in developmental financing, there is an increasing focus on financial models rooted in justice and human values. Today, people and environmental well-being have become essential pillars of any successful economic approach. In this context, Islamic finance emerges as a model that uniquely combines economic efficiency with a strong ethical commitment.

On the sidelines of the 2nd Global Islamic Economy Summit in Istanbul, themed “**Islamic Economics Strategies: Path to Influential Global Economy**” we had the privilege to engage in an exclusive interview with **Dr. Mahmoud Mohieldin, United Nations Special Envoy for Financing Sustainable Development**. He shares his insights on the role of Islamic finance in reshaping international financial policies and advancing the global Islamic economy.



Question 1:

Given the global financial system's ongoing failure to provide just and sustainable solutions to the debt crisis, to what extent can Islamic finance-with its principles of risk-sharing and asset-backed transactions-offer a viable alternative? Do you see it as merely an ethical proposition, or the beginning of a deeper transformation in international financial logic?

Dr. Mahmoud Mohieldin:

“We are in a phase where all the rules of the game are being re-evaluated. The economic system - and even the political order inherited since the end of World War II - is now under review”

The crisis affecting many developing and emerging economies-many of which are members of the Organization of Islamic Cooperation-is a symptom of a deeper ailment in what is often referred to as the global financial system. I hesitate to even call it a "system", as it lacks both coherence and integration. It is, at best, a patchwork of inconsistent rules and arrangements.

This so-called system is fundamentally inadequate in financing development, responding to climate challenges, and meeting essential needs. At the UN, we frame this around the 17 Sustainable Development Goals (SDGs)-ranging from poverty alleviation and quality education to health, infrastructure, technological investment, and environmental preservation.

We face three fundamental issues:

- First, financing is insufficient to bridge the growing gaps needed to achieve the SDGs.
- Second, the process is highly inefficient. When turning to international financial institutions, it can take more than 24 months from application to disbursement.
- Third, there is an overreliance on debt-based instruments, rather than affordable long-term finance or direct equity participation in development projects.

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We find ourselves today in several developing countries where the amount they have to spend on interest payments alone, rather than servicing the entire debt, exceeds what these countries spend on education, healthcare, and basic services

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When crises occur-as we've seen repeatedly in recent years-debt servicing become unsustainable. Inflation rises, interest rates go up, and debt burdens multiply. Today, many developing countries spend more on interest payments alone than on education, healthcare, or basic services. That is simply untenable.

Question 2:

If overdependence on international financial institutions ends, does this mean that development finance halts altogether? What are the implications of alternative finance models for developing countries?

Dr. Mahmoud Mohieldin:

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Over the past forty years, we have witnessed the fourth wave of global crises in the form of indebtedness

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While I referenced international financial institutions, the global financial landscape is much broader. In cases where these institutions are slow to act, countries often turn to financial markets-where borrowing is short-term (3-5 years) and prohibitively expensive.

Developing countries often pay many times more in interest than developed nations due to credit rating disparities. Moreover, this financing typically comes in foreign currency, which creates a mismatch if the funded projects don't generate revenue in that same currency.

These mismatches have pushed many countries into unsustainable positions. One of the alternative approaches discussed at the summit is risk-sharing, an inherent principle in Islamic finance. This model-based on equity, participation, and shared outcomes-offers a viable and ethically grounded alternative.

Question 3:

With growing global reliance on instruments like green sukuk to fund sustainable development, how do you see the position of Islamic finance within this broader ecosystem? Do you believe tools like green sukuk and institutional intelligence are mature enough to contribute effectively to global sustainable finance efforts? What obstacles remain to their full integration?

Dr. Mahmoud Mohieldin:

“ We have also found green sukuk issued with longer maturity periods, and some are issued in various currencies. There is a good opportunity to utilize such financial mechanisms ”

Islamic finance and banking have evolved over the past five decades. Some even trace its roots back to initiatives like Mit Ghamr in Egypt in 1963, which aimed to pool local savings and support small-scale projects. That experiment didn't last, but it planted early seeds.

Today, we see well-established Islamic financial institutions operating beyond their home countries. However, Islamic finance remains largely concentrated in banking, especially in money markets.

That said, there's encouraging progress with sukuk, including green sukuk. We're seeing longer maturities and multi-currency issuances-positive steps toward broader adoption. The key is to ensure these instruments align with investment-based finance, rather than merely mimicking conventional loan structures.

We also need similar development in takaful (Islamic insurance) and broader inclusion of underutilized instruments like musharakah (partnership) and mudarabah (profit-sharing). Today, the ecosystem is still dominated by murabaha (cost-plus financing) and ijara (leasing), despite the theoretical availability of more diversified tools.

Moreover, while Islamic finance has grown to exceed 10% of total financial assets in a few countries, it remains below 1% globally. This opens up two opportunities:

1. **Scaling up:** There's significant room to expand Islamic finance across the full spectrum-from microfinance and financial inclusion to large-scale infrastructure projects.
2. **Cross-sector integration:** We've seen successful Islamic and cooperative finance models across sectors-agriculture, industry, and services-including in places like Canada, Germany, and Latin America. These cooperative frameworks focus on essential needs and collective benefits, offering efficient, inclusive, and human-centered financial alternatives.

Question 4:

So would you say the model is, by nature, more ethical?

Dr. Mahmoud Mohieldin:

“ The issue of global impact must begin, and will ultimately end, with local impact ”

Absolutely. Islamic finance prioritizes social return, not just financial gain. It seeks to maximize benefit for communities-lowering costs, improving returns, and developing local skills. It considers the well-being of both people and the environment. Its objectives go well beyond simply concluding a contract about creating lasting, ethical impact.

Question 5:

Despite the increasing intellectual momentum around Islamic finance, it was notably absent from the draft document of the upcoming FFD4 conference. In your view, what are the prospects for greater coordination among Islamic countries to strengthen their presence in global decision-making? How can this growing momentum translate into tangible negotiating power at the international policy level?

Dr. Mahmoud Mohieldin:

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we would find that the idea spreads not as one carrying a different ideology, but as one that carries two key values: human dignity, protecting rights, maintaining balance, and respecting contract, the other aspect is that it would be more efficient and reduce transaction costs

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That's a timely and important question. We're currently preparing for the Fourth International Conference on Financing for Development (FFD4)-a once-in-a-decade event. The last one was held in Addis Ababa in 2015, preceded by Doha in 2008, and Monterrey in 2002, following the adoption of the Millennium Development Goals.

FFD4 addresses all aspects of finance-public, private, domestic, and international-as well as trade, technology investment, global financial architecture, and data governance. The next conference, to be held in Spain, will bring together governments, financial institutions, and private sector leaders.

There is interest from institutions within the Islamic world-like the Islamic Development Bank and various Arab and African funds. The current draft of the final document is under negotiation at the UN. It reflects both areas of consensus and ongoing debate, particularly around development aid, the role of governments, and the increasing importance of the private sector.

One of the most pressing and contentious issues is debt. We need solutions beyond diagnosis-such as

debt-for-development or debt-for-climate swaps, enhanced technical cooperation, and a rethink of debt restructuring mechanisms. But more importantly, we must examine the growth models that led to these crises in the first place.

We're now in the fourth wave of global debt crises in four decades-following Latin America in the 1980s, Southeast Asia in the 1990s, the global financial crisis in 2008, and today's underreported yet widespread debt distress, particularly across Africa and many OIC countries.

This is why coordination among Islamic countries is essential. The 57 OIC member states represent diverse groupings-Arab, African, Asian, and within blocs like the G77. A unified negotiating position is critical to transform the intellectual capital of Islamic finance into policy leverage within multilateral negotiations.

Question 6:

When can Islamic finance impose itself as a policy in global discussions, in a way that it becomes a solution-not just an alternative-but a necessary solution to all these international crises?

Dr. Mahmoud Mohieldin:

We are now in a phase where all the rules of the game are being re-examined. The economic and political system inherited since the end of World War II is under review. I believe, as others do, that the system which has continued since World War II, having passed through developments, crises, the end of the Cold War, and other events, has come to an end. The world is now heading toward a new system that seeks to be more balanced, just, and efficient. We hope this new system will be fairer and less unjust toward developing countries.

But before this new system takes shape, we must participate in its formation. It's nice to talk about the global role, but the truth is that change does not begin globally; it begins with local ideas. Therefore, global influence must begin and end with local impact. If we can develop a shared finance system, a contribution system, or a profit-and-loss sharing system that elevates the role of productive, economic, industrial, and agricultural projects, and if this system succeeds

in solving problems in a specific environment, region, or country, others will be influenced by this success and will develop with it.

This is the case with all forms and structures of finance. We should not only focus on accepting our idea in major financial markets like New York, London, or Tokyo. If we succeed in offering practical solutions to hundreds of millions of people within the Islamic cooperation and development system, and also to hundreds of millions of others, this idea will spread-not because it carries a different ideology, but because it is based on human values that protect rights, maintain balance, and respect contracts.

Moreover, Islamic finance is distinguished by its efficiency and ability to reduce transaction costs, and if these practical values are provided, people will embrace it regardless of its origin.

Question 7:

The Islamic finance industry continues to face structural challenges, such as fragmented legislation, high product costs, and weak hedging tools. From your vantage point within the UN system, what key reforms do you believe can move this industry from the margins into the core of global financial policy?

Dr. Mahmoud Mohieldin:

Some long-standing issues have been raised since the early days of Islamic banks and financial institutions-among them the lack of cross-border common standards, and the need for unified frameworks that facilitate effective financing and reduce disparities between systems, thereby enabling smoother transactions across jurisdictions. There remains a significant degree of fragmentation in transactions due to the absence of agreed-upon standards.

Of course, there have been several positive achievements, including the establishment of the Islamic Financial Services Board (IFSB) based in Malaysia, which sets standards for financial safety and stability. There are also the accounting standards set by AAOIFI, as well as guidelines on the best practices in financing, which are in alignment with global regulatory frameworks like Basel and others. These

standards need to be promoted more widely, and capacity-building efforts must be scaled up around them.

However, we also need to further develop other areas of finance, such as capital markets, equity markets, and the Takaful (Islamic insurance) sector-fields that still require significant effort and innovation.

On another front, there is growing interest in artificial intelligence and its applications in financial innovation and fintech. This is a welcome development, as it can enhance the efficiency of financing, reduce transaction costs, and expand reach and accessibility.

Yet, alongside fintech, it is equally important to advance regulatory technology-or RegTech-which ensures that regulators themselves are equipped to understand and oversee these innovations. Often, if a regulator does not fully grasp the nature of a financial product, the instinctive response may be to halt or restrict its use until it can be thoroughly understood.

Thus, investment should not be limited to financial instruments and markets; there must be parallel investment in regulatory and supervisory systems.

Governments, too, must keep pace with these developments-what is referred to as GovTech-where official transactions such as taxes and entitlements are integrated within advanced digital environments, since governments play a major role in both spending and investment.

But perhaps most importantly, we must consider the role of society. This dimension is referred to as SocTech or Society Tech, ensuring that the general public is both aware of and engaged with these advancements. Society is the space in which innovation is received, tested, and ultimately judged for its real-world impact.

Question 8:

AlBaraka Forum for Islamic Economy has established itself as a global intellectual institution through high-impact summits in major economic capitals. How do you assess the role of these summits in repositioning Islamic economics as a comprehensive system?

Dr. Mahmoud Mohieldin:

I've been following and participating in the AlBaraka Forum's events, summits, and even AlBaraka Symposium since its inception-dating back to the days of the late Sheikh Saleh Kamel, may he rest in peace. I'm impressed by the remarkable evolution, the expanding geographical reach, and the thoughtful selection of topics. I also greatly value the diversity of participants who combine academic knowledge with practical experience, as well as those from outside the field who nonetheless have a strong interest in it. This domain is not meant for specialists alone; it's intended to engage the broader public.

I was also pleased to learn that several workshops and follow-up activities are being organized based on themes raised during the discussion topics that

require further analysis and refinement, and some of which may lead to real-world applications and initiatives.

I've always said that what takes place behind the scenes, whether in the form of preparations or informal interactions among participants, both within and around the main event, is just as important as what happens in the formal sessions that you prepare and broadcast.

With this level of dedication and preparation, I believe your events have become a fixture on the annual calendar for professionals and enthusiasts in the fields of finance and economics, regardless of their specific areas of interest.

I wish you continued success and all the best, God willing.

