

Sixth Session of OIC-StatCom

5 – 6 November 2016, Konya-Turkey

Session on “Implemented Activities of the OIC-StatCom”

Progress Report on “OIC Islamic Financial Industry Database”

1 Project Background

Islamic finance databases that are readily accessible, consistent and comparable across countries are needed to support improved policy assessment, and design and promote quality research in the field of Islamic finance. Currently available databases are constrained by limited coverage, consistency, and gaps in time series. In addition, there are no statistics available as part of standardized international databases such as International Financial Statistics (IFS) maintained by International Monetary Fund (IMF).

Seeing this gap, SESRIC in collaboration with World Bank Global Islamic Finance Development Center is to develop a project to construct an Islamic Finance Industry Database for OIC member countries.

2 Objective

To facilitate the development of a database with a standardized structure for the Islamic financial industry covering banking, capital markets, insurance, and Non-Bank Financial Institutions (NBFIs) sectors within OIC countries.

3 Project Purpose

To assess the current situation of Islamic financial industry statistics by examining the contemporary trends and practices in OIC countries and in existing databases and to determine a preliminary set of priority indicators under Islamic financial industry based on the capacities and needs of OIC countries.

4 Expected Results

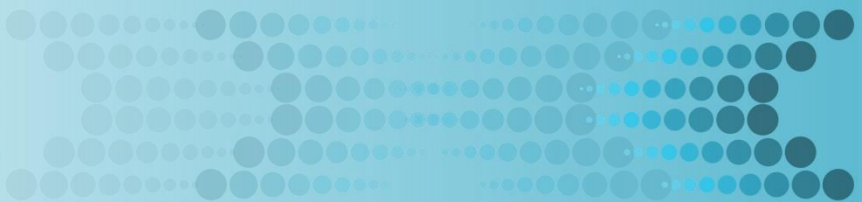
- a) Preparing a report on the Outlook of Islamic Finance Sector Data Practices in OIC countries which will:
 - Provide a comprehensive analysis of the current situation on the Islamic financial industry data practices and tendencies in the OIC countries,
 - Define main categories under Islamic financial industry database and identify the preliminary set of indicators consistent with the international standards (reliability, comparability and consistency),
 - Exhibit practices from selected countries, and
 - Propose the scope and content of the general framework for Islamic financial industry including the draft templates towards compilation of Islamic financial industry statistics in OIC countries.
- b) Identifying the capacities and needs of OIC countries in Islamic financial industry statistics through questionnaires.
- c) Raising awareness of sector players in OIC countries towards the needs of standardized indicators and methodology in the collection of Islamic financial industry data and the needs to integrate the Islamic financial industry statistics into the National Statistical Systems (NSSs).
- d) Collaborating with national, regional and international stakeholders to collect, compile, perform quality assurance and publish data.
- e) Contributing to the studies and research for bringing about more financially sound systems in OIC countries through highlighting the current situation on the Islamic financial industry data practices and tendencies and the dissemination of Islamic financial industry data through a reliable and consistent financial database.
- f) Serving to increase statistical capacity concerning Islamic financial industry in OIC countries through identifying their capacities and needs in this field and also through introducing the priority set of indicators by category.

5 Target Group

The National Statistical Offices (NSOs) and Central Banks of OIC countries especially with developed Islamic banking and financial sector; as well as, SESRIC, World Bank Global Islamic Finance Development Centre, and other relevant national, regional and international stakeholders have shown interest in the project.

6 Main Activities of Study and Timeline

No	Description	Date expected to be accomplished
1	<p><i>Selection of the Consultant</i> The Consultant had been selected based on competency in the Islamic Finance Sector and/or Financial Statistics area with a minimum of 5 years experiences. He has been hired mainly to prepare the project report.</p>	July – September 2016
2	<p><i>Preparation of the Project Report on the Islamic Finance Industry Database for OIC Member Countries</i> The report is expected to include;</p> <p>a) The examination of the contemporary trends in the Islamic financial industry and assess the current situation of Islamic financial industry statistics by identifying the needs and gaps in OIC countries and in existing databases as respect with each Islamic financial subsector.</p> <p>b) The determination of the scope and content of the general framework for Islamic financial industry statistics that OIC countries can utilize if and when they need to collect, process, and disseminate relevant data on a sustainable basis within the official statistical system.</p> <p>c) The identification of the priority set of indicators under Islamic financial industry consistent with the International standards (reliability, comparability and consistency).</p>	September – December 2016
3	<p><i>Organization of a Stakeholders Meeting (SM)</i> A stakeholders meeting was organised by SESRIC participated by AAOIFI, IMF and the World Bank. The meeting took place at the World Bank and IMF Annual Meetings on 9 October 2016 in Washington DC, USA. The meeting covered the issues related to the relevancy, context and the feasibility of the database project.</p>	9 October 2016
4	<p><i>Design of A Survey and Its Circulation</i> Under the context of the project, a survey will be designed to be distributed among OIC countries in three official languages of the OIC. The survey will cover issues concerning the relevancy, context and feasibility of the database project. In addition, the representative institutions from OIC countries will be asked questions on priority variables that should be included within the database together with the existing data collection, compilation and dissemination practices in their countries. The collected surveys will be analysed after collection.</p>	1 September – 31 October 2016



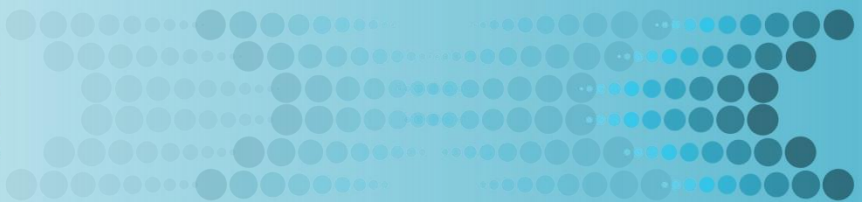
5	<p>Analytical Research</p> <p>Analytical research will be conducted on the current status of Islamic finance in OIC countries, existing databases for Islamic finance industry, existing practices of data collection, compilation and dissemination practices of OIC countries towards determining the priority set variables and their methodologies to be included in Islamic finance industry database. To support the analytical research, short term technical study visits on data practices, survey design, methodology, sampling, etc. will also be conducted.</p>	September – December 2016
6	<p>Organization of Expert Group Meeting (EGM)</p> <p>The aim of the EGM is to get input from the representatives of the stakeholders on the draft report on Islamic finance industry database for OIC countries prepared by the consultant. The EGM will consist of approximately 25-30 participants from Central Banks/Monetary Authorities, NSOs of OIC countries, international organisations and academia related to the Islamic financial industry.</p>	November 2016– February 2017
7	<p>Revision, Finalisation of the Report and Preparation of an Executive Summary</p> <p>The draft report will be revised and finalised in compliance with the results of Survey and feedback taken from the SM, SV and EGM in addition to the findings from analytical research. Accordingly, an executive summary will be prepared.</p>	February 2017

7 Stakeholder Meeting on ‘Developing Islamic Financial Industry Database of OIC Member Countries’

The Stakeholders Meeting¹ on SESRIC Project titled ‘Developing Islamic Financial Industry Database of OIC Member Countries’ was organised by SESRIC in collaboration with the World Bank Global Islamic Finance Development Center on 9 October 2016 in the margins of the IMF-World Bank Annual Meetings in Washington DC, USA.

The Stakeholders Meeting aimed to develop cooperation means in this area and to receive the comments and advises of relevant stakeholders in order to prepare a technical conceptual framework “project document” for developing a database on Islamic Finance industry based on the lessons learnt from previously initiated projects by other stakeholders.

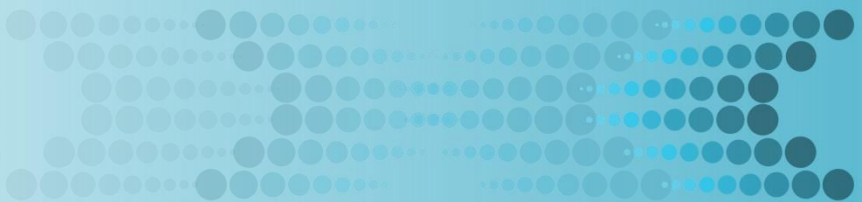
¹ <http://www.oicstatcom.org/event-detail.php?id=1533>



Given the objectives, context and proposed methodology of the project, high level representatives from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), International Monetary Fund (IMF), Islamic Research and Training Institute (IRTI) and World Bank Global Islamic Finance Development Centre participated in the meeting. The participants attended to the meeting from related parties are provided in Annex I.

Main **recommendations** suggested by the participants are summarized as follows?

1. There is a need for an Islamic Finance Industry Database for OIC member countries and **SESRIC is the main relevant party to lead this project** as an international organization working as a subsidiary organ of Organisation of Islamic Cooperation (OIC). All attendees including from AAOIFI, IMF and IRTI have also expressed that they may contribute to the project in respect with the areas under their mandates and as long as their resource constraints allow.
2. The Islamic banking sector constitutes around 80% of the Islamic finance industry in most of the related countries. Therefore, it is more reasonable to start with banking sector. Afterwards, depending on the feasibility of the project for other sectors, Takaful sector and then the capital markets may follow. But SESRIC should be careful about that for most parts of Islamic finance industry, e.g., Islamic non-bank financial sector, there is even no available data at national level. It might even be required to prepare separate sub-projects for each respective sub-sector of Islamic finance industry to speed up the process.
3. Both IRTI and IMF suggested that the proper methodology for gathering the data is to collaborate with the national authorities, such as central banks and other regulatory bodies as done by the IMF. The attempts to compile the data using one's own resources only would turn to be ineffective. The critical point is to persuade national authorities in each respective sector of Islamic finance industry to collect the data through the **conceptual framework** that is going to be provided by the SESRIC and the other stakeholders of the project.
4. SESRIC and the possible other stakeholders of the project should focus on the development of a conceptual framework and a template as one of the ultimate goal of the project that will be used in the collection, compilation and dissemination of the data by national authorities.
5. It is suggested that the data that is going to be collected should include information in three respective headings mainly the information on **monetary, stability, and development indicators**. Since the national authorities are usually collecting data at policy level rather than at a research-detail level, the project should have a modest aim to reach at least the policy level data at the national level.



6. SESRIC should prepare a **project document** that determines the gaps in the existing Islamic finance databases, data collection and dissemination practices. In addition, the project document should also analyse the strategy to follow to establish the conceptual framework and the proper governance structure for the project. In this respect, the project document shall also include a proposed set of priority variables under the monetary, stability, and development indicator categories. These variables will be the starting point for the preparation of template. The budget of the project should be also included within the project document.
7. World Bank suggested that the determination of the governance structure for the project is very important. A two-level governance structure might be established.
 - At the higher level a formal **advisory board** might be composed including representatives from relevant institutions.
 - In addition, a **technical team** might be composed which includes experts in the area of Islamic finance as well as statisticians. This technical team might also include the practitioners from OIC countries.
8. Regarding accounting, financial reporting and other standards, it would be very versatile to leverage the existing international frameworks by emphasizing the application of these standards at the national level in order to collect Islamic finance sector data. In order to sustain the compliance with the existing international standards, a communication mechanism should be set with the related international standard setting bodies in case of any need.
9. SESRIC may submit the project report to the relevant OIC fora towards raising awareness in the member countries regarding the importance and feasibility of the project to collect necessary support.
10. It might be useful to continue the relationship with the attendants of the meeting for further steps in the project even at the stage of the preparation of the project document.

ANNEX I

INSTITUTION	NAME	TITLE
AAOIFI	Mr. Hamed Hassan MERAH	Secretary General
IMF	Mr. Ghiath SHABSIGH	Director of Monetary and Capital Markets Department
IMF	Ms. Inutu LUKONGA	Senior Economist
IRTI	Mr. Azmi OMAR	Secretary General
IRTI	Mr. Dawood ASHRAF	Senior Researcher
SESRIC	Mr. Nabil M. DABOUR	Assistant Director General and Acting Director/Research Department
SESRIC	Ms. Zehra Zumrut SELCUK	Director of Statistics Department
SESRIC	Mr. Nihat GUMUS	Project Consultant
World Bank	Mr. Zamir IQBAL	Head of World Bank Global Islamic Finance Development Center

ANNEX II

ACTIVITY TIMELINE FOR IBFSTAT PROJECT

	#	Activity	Sep-16				Oct-16				Nov-16				Dec-16				Jan-17				Feb-17				Responsible
			W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4	
Stakeholders Meeting (SM)	1	Selection of Consultant	X																							SESRIC	
	2	Preparation of the Question Set and Presentation for the Stakeholder Meeting	X	X																						Consultant	
	3	Distribution of the invitations to prospective attendees for Stakeholder Meeting	X	X	X	X																				SESRIC	
	4	Distribution of the Presentation for SM to Attendees accepted to attend prior to SM					X																			Consultant & SESRIC	
	5	Organization of the Stakeholder Meeting in DC at World Bank IMF Meetings in coordination with World Bank Global Islamic Finance Development Center	X	X	X	X	X	X																		SESRIC	
	6	Collection, compilation and analysis of the Stakeholder Meeting results							X	X																Consultant	
Survey Design	7	Preparation of Survey on Islamic Finance Data Practices and Tendencies to be distributed among OIC countries	X	X	X	X	X	X	X	X															Consultant		
	8	Translation of the Survey to three official languages of OIC								X	X																
	8	Circulation of the Survey to OIC countries									X	X	X												SESRIC		
	9	Collection of the responses of the Survey											X	X	X	X	X	X							SESRIC		
	10	Compilation and analysis of the Survey results												X	X	X	X							Consultant			
Analytical Research (AR)	11	Analytical Research on the existing Islamic finance data practices in OIC countries and determining the preliminary set of indicators				X	X	X	X	X	X	X	X	X	X	X									Consultant		
	12	Submission of the First Draft of the Report														X	X								Consultant		
Study Visits	13	On site Study Visits on the existing Islamic finance data practices in OIC countries											X	X	X	X									Consultant & SESRIC		
Expert Group Meeting (EGM)	14	Preparation of the Draft Agenda, Question Set and Presentation for the EGM									X	X	X	X											Consultant		
	15	Distribution of the invitations to prospective attendees for EGM and collection of the responses											X	X	X	X	X	X	X	X					SESRIC		
	16	Distribution of the Question Set and Presentation for EGM to Attendees accepted to attend prior to EGM												X	X										SESRIC		
	17	Organization of the EGM													X	X	X	X	X	X	X				SESRIC		
	18	Collection, compilation and analysis of EGM results																		X	X			Consultant			
Finalization of the Draft Report	19	Compilation of AR findings, survey results and SM, SV, EGM feedbacks and the writing of the final report on Islamic Finance Industry Database for OIC countries									X	X	X	X	X	X	X	X	X	X	X	X	X	Consultant			
	20	Submission of the Final Draft of the Report																			X			Consultant			
	21	Peer Review and Proof Reading of the Report																			X	X		Consultant & SESRIC			