

## **Minutes of 3<sup>rd</sup> Meeting of Islamic Microfinance Network**

**DATE:** Oct 05, 2010

**VENUE:** MUSLIMAID Conference Hall- Islamabad

**Time:** 3:30 p. m

**Chaired by:** Khaliq –uz- Zaman  
Ms. Farida Tariq (Chairperson of the Network)

**Meeting Attended by:** State Bank of Pakistan, Muslim Aid, Islamic Relief, Pak Qatar Takaful Company, CWCD, Khawend-o-Kor, AlHuda CIBE, Farz Foundation, Helping Hands, NRDP, Dollar East, Riphah University, International Islamic University Islamabad and ASASAH.

- **Beginning**

The meeting started with the recitation by Mr. Hamad Rasool. Later he stated that Islamic Microfinance Network had its first meeting in Sept 2009 last year which was attended by CWCD, Akhuwat, MAP, Karakoram Cooperative Bank, NRDP, HHRD, NRSP KPK, Dollar East Microfinance Bank, Alhuda CIBE and many more. IMFN was meant to bring Islamic microfinance agencies to one platform.

Prof. Khaliq uz Zaman, Head of Islamic banking Department, International Islamic University Islamabad stated the Theme and Vision of IMFN. According to him the thought behind the establishment of this forum was the rising acceptance and role of Islamic microfinance in the uplift of individuals as well as the economy on aggregate, keeping in view that few NGOs had already been working in the field. Need for a common platform Islamic Microfinance institutions especially for Shariah advice, Shariah compliance and international representation. Shariah compliance of products is binding on all members of IMFN and one of its functions involves the provision of a direction for Shariah compliance their products to practicing NGOs as well as those organization who are planning to enter this field.

- **Objectives and Plans of IMN**

Ms. Farida Tariq, the Chairment of IMFN, while discussing the future direction and guidelines for the forum, stated that many organizations took Islamic initiative but are scattered due to the unavailability of a single platform that could be used for raising their voice, addressing their problems, contributing to research on the subject and working for its promotion.

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In 2009, IMFN was started, funding was obtained and manuals were developed for introducing Salam, Morabah, Istasna and Diminishing Musharkah. Initially, it involved great risk due to its novelty as the idea could have received resistance from the conventional financial system and the masses due to their ignorance of its effectiveness and practicality.

The main challenge was the availability of of riba free money/investments as all financial institutions including international institutions like World Bank, USAID and others give money on interest only. IMFN can play a vital role for the Islamic MF organizations in obtaining interest free funds.

Standardization is also important as single working SOP is needed for all member organizations to follow and practice. Shariah board should later review, mark and register it. The concept of shariah audit is also underway and the request for the development of the same has been place to the State Bank.

The main affiliates of the IMFN will be practitioners, academia (product development, consultancy) , other institution and scholars.

Memorandum of association and articles of association of IMFN have been drafted and are under review for finalization after which they will be uploaded on the website. The efforts of Dr Amjad Saqib, Mrs. Farida Tariq and Zubair MUGhal from AlHuda CIBE , together with other 11 members have contributed to the development of this document. Membership fee has been defines and registration forms for the network has also been prescribed, suggestions welcomed.

Chief Executive of IMFN, Mr. Zubair mughal Read out the minutes of the last meeting and the CEO confirmed.

For the past three years Islamic banking has been sprouting in Pakistan, their shariah compliance structure was missing or it was not as strong as that of Sate Bank Shariah Supervisory Board.

NGO sector did not have any mechanism like IMFN has developed. Linkages with Donor organizations were needed to spread this idea, Dr Amjad saqib, Prof. Khaleeq uz Zaman and Ms. Farida Tariq made great efforts in this regard. Micro Takaful products were also taken into consideration yet a need for bringing together the Takaful institutions still remains there.

Last year, SECP registration was intended which it will be completed this month, after that all stakeholders will be invited for memberships. Some forms were floated to obtain consent of the people present in the meeting, for becoming members of IMFN.

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As put forward by a participant, IMFN is a hope to bring harmony to Islamic micro finance. Many microfinance networks from around the world have expressed interest in becoming members of IMFN, 6-7 from Afghanistan while from Ghana, Ethiopia, Mauritius, institutions some networks have already become members. In Challas, Skardu Karakoram Bank is also intending to be a member.

Togetherness is very important, Ms Farida said. Many organizations are seeking institutions to give funding to , they don't want to give to the government so we need to attract donors . Product innovations are demanding related insurances so takaful concept should also grow with the need.

Mr Zubair while expressing his views about donor linkages, said that ---- IDB has given a lot in the name of Islamic MF,

Ms. Farida stated that CWCD is negotiating with IDB and OIC for donations as well.

Mr. Khaliq shared that that funds had not been channelized due to unavailability of a unique platform for IMF practicing organization. In a survey it was found that there was 90% demand for Islamic microfinance.

Mr Mughal Contributed that [www.imfn.org](http://www.imfn.org) has been established. Advertisement after registration of IMFN, with SECP, will be floated for membership on the site. Fee will be decided after discussion and suggestion of the current members. Advertisement will be also done on a large scale. It has already been floated on linked In groups.

**Ms. Shazia Hassan, Senior Program Officer – Islamic Relief** proposed interactive sessions on issues and problems, experience sharing and lesson learning, as well as suggestions while membership campaign sessions should be conducted separately.

While talking about the Board of Governors Ms. Farida Tariq stated that people like Mullana Taqi Usmani will make the board of directors, as governing body. Products will be verified by the board and then will be offered to the members for practice. State Bank's Shariah Advisory Board will also be consulted for their Shariah compliant products and practices.

While answering a question **Ms. Farida Tariq** said that financial literacy is very important.

**Mr. Ayub** said , even CEO level professionals don't know what shariah products are and how they work better than any other model. So training should start from home, grass root level. Board working for 10 days or State Bank's board meeting 4 hours every month can't serve the need of the members of this forum.

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Standardization is another important factor for promotion of the ideas of IMFN. Mr. Ayub offered his honorary services to work for documentation of for standardization of the of the procedures and products of IMFN. Wakalh, Instisna, Modaranah or Muhsarikah and Salam (for Agricultural products) were agreed to be very essential components of IMFN members' practice are important as there are potential donors to provide funds for these products.

Profit sharing for savers/investors is important. A point was raised by a participant that Musharikah is not practically possible in our country. In response to which Ms. Farida shared her experience that it is practically possible and is going on e.g. in garments industry, jeans industry and grocery. Slaam and *arhat* in agriculture is going on, on trust basis yet their limitation is that they are not institutionalized as bank is not ready to take initiatives and is scared of bearing the brunt. She shared her experience of earning good profits through Salam, within 6 months not waiting for a full year, and she was totally convinced that these products can be implemented.

**Mr. Farhat Shah from Farz foundation** shared that their organization is practicing Muharikah after taking advice from Pak Qatar, which took a long to verify procedures of Farz Foundation yet proved to be successful.

Mr. P. Ahmed CEO, Pakqatar Faimly Takaful was of the view that email discussions must be started at the earliest. In Pakistan work is being done in micro insurance which could be related with the concept of Takaful for Shariah compliance. Health Takaful may be a good idea yet institutions must come forward to take initiatives in this regard. Mr. Zahid Director Pakqatar Family Takaful expressed his wish to launch a MF institution in Pakistan as are already working in Qatar.

**Mr. Shahid of Naimat Foundation**, stated that they were registered in 2004, starting Islamic MF and had had 400 clients within 1 year. Want to learn more and more as there is great potential in us to do it to our max. Humanity and religion both oblige us to do so. Our country needs it and we should make it our national and religious goal to contribute to IMFN.

**Mr. Zahid** said NGOs mostly depend on donors and a lag can come in their operations due to unavailability of funds. To make their work more sustainable, such institutions need to be established that specifically offer the funds for this purpose. The work should be started from district level.

**MR. Imran Jeffery, Head ASASAH Islamic Microfinance** said that IMFN must be introduced for keeping transparency.

**Ms. Farida** stated that State Bank is running a financial Inclusion Program. They are working hard on improving procedures and legal system of it. State Bank has money to give and they need people to give money to.

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**Mr. Farhat Shah, CEO Farz Foundation** congratulated IMFN and said that AlHuda CIBE has built the esteem of the country through their initiatives.

**State Bank of Pakistan** people said that IMFN has provided a forum a platform to interact with and development of Islamic financial system. State Bank's efforts are being complemented. They mentioned that State Bank has not approached NGOs yet, thought the idea that IMFN has decided to promote is wonderful and can add to the effort of State Bank further in facilitating Islamic Microfinance and development finance. They invited Islamic University, Takaful companies and MFI's NGOs to share this responsibility with State Bank.

Financial Inclusion Office of State Bank is in Karachi, which is working toward financial literacy on UC and tehsil level. Islamic Banking Focus Group has met once and had planned to launch seminars in universities Chamber of Commerce and grass root level. State Bank offered credit guarantee facility for any organization intending to expand their IMFN activities. They requested a data base for IMF'S NGOs to invite them to seminars etc

It was agreed upon that IMFN members should agree on all the definitions of Islamic and Un Islamic so that there remains no doubt about anything as happened in the case of Islamic Banking that started in 1984 and was declared to be Un Islamic by the Shariah Authorities 20 years later.

**Ms. Farida Tariq** explained that state bank is positive about Islamic Microfinance . IMFN applied to State Bank as a little microfinance institution and obtained funds from them which is a proof that they recognize the role of MFIs.

**Mr. Khaliq uz Zamaan** concluded the meetings by saying that positive things and weaknesses as well as guidelines were obtained from this third meeting. Many new issues have been brought into the lime light. Mr. P. Ahmed must oblige us by helping us on micro insurance and Family Takaful.

- **AOB**

By laws and rules of IMFN are on its websites. They are under approval process and will be circulated after approval. Next IMFN meeting was decided to be held in Lahore in December at LUMS campus, date has yet to be confirmed.

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