



**Gulf Research Centre Cambridge**

Knowledge for All

Workshop 1  
GRM 2023

## **Sustainable Development Financing and the Role of the Financial Sector in the GCC Region**

Workshop Directors:

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## **Workshop Description and Rationale**

The magnitude of the issues the world has been experiencing, both economically and environmentally, has reached such levels which require urgent action to ensure human security. Therefore, the urgency of sustainable development is no longer a niche topic but has become part of global morality as expressed in various international initiatives such as SDGs. As part of such initiatives, the November 2021 United Nations Climate Change Conference (COP26) in Glasgow sought to devise compelling initiatives to combat the climate crisis. Later in 2022, a follow-up conference on this issue convened to discuss a global biodiversity framework.

Exploitative production and excessive consumption habits as the norms of the market economy have resulted in catastrophic environmental, financial, and socioeconomic impacts. Despite the enormous capital and financial gains and movements, poverty remains a pressing issue; exclusion and disenfranchisement of the impoverished remain critical challenges in the 21st century, while climate change due to such products and consumption patterns affects every corner of the world.

The institutionalisation of the Sustainable Development Goals (SDGs) paradigm by the United Nations (UN), which has become part of national public policy in many countries, including in the GCC, stands as an official declaration of the unacceptable economic and financial behaviour of individuals, firms, and corporations which have caused enormous disruption to natural and human life. The call for integrating sustainability and the interests of all the stakeholders in all economic and financial decision-making has been the central discourse and policies of many NGOs over the years, which has now been taken up by multilateral organisations led by the declaration of SDGs by the UN.

SDGs have taken a crucial step by binding all the countries globally and universalizing the expectations of sustainable development beyond the developing country focus of Millennium Development Goals (MDGs). Therefore, global mobilization for 17 goals, 169 targets and 232 indicators of SDGs, including climate change issues, has become the leading global policymaking issues in recent years. The nature of current challenges requires organised, structural, and international mobilization beyond nation-state solutions. Despite certain controversies among the targets, as part of the global mobilization, most UN member countries have become party to the SDGs and incorporated them in their public policy as a vital and positive sign for change. In addition, national governments and international agencies have also initiated motivating strategies for their corporate and financial sector for sustainable practices and also generating the necessary financing to fill the financing gap.

While the financial sector has always been an essential instrument of prosperity and development throughout history, in recent years, the growth and movement of capital within the financial sector have become objectives in their own right rather than instruments for facilitating economic activity, growth, and development as identified by the increasing financialization. The financial sector has consequently expanded through artificial products and mechanisms, resulting in further disconnection from the real economy and producing unsustainable practices.

The growing asymmetry between the real economy and the financialised economy indicates the unsustainable nature of the global economy – World GDP was only 8.3% of the total financial assets in 2019, showing the enormous pressure exerted on the resources in the world. Moreover, banks and financial institutions have created demand far beyond the reasonable level through their lending and financing channels. The results are twofold: strain on global resources and an escalation of the environmental crisis. Further, increased access to finance is not translating into equitable resources for the impoverished – an injustice that

must be addressed.

In order to confront these challenges, the new consensus around sustainability has increased stakeholder expectations, which should be considered as part of the rescuing process – rescuing humans, land, and labour – to prevent further deterioration of the conditions. An official UN-based index, other multilateral institutions and, unofficially, many indices and studies have been developed to measure SDGs' performance in all jurisdictions. A further important step in 2021 was the creation by the International Financial Reporting Standards Foundation, with widespread governmental and international support, of a new International Sustainability Standards Board to create new disclosure standards – starting with a focus on the climate. In addition, the corporate governance system in firms and business are expected to develop sustainability practices through specific committees to ensure sustainable compliance.

The public concern surrounding the abovementioned challenges has spurred the growth of ESG investing, namely integrating Environmental, Social and Governance at the corporate level. Although the (older) ESG paradigm is capable of embracing the SDGs, it is broader and less precisely defined. In some areas, this has led to allegations of 'greenwashing', in which businesses choose to be assessed under the definitions that most suit them. Socially Responsible Investing (SRI) or Impact Investing is also used and overlaps with ESG and SDGs.

In response to these trends, there have been significant developments within the financial sector, including the emergence of sustainability-linked instruments, green bonds and green Sukuk and initiatives by financial sector supervisors; for example, the Network for Greening the Financial System, the Sustainable Stock Exchanges (SSE) initiative and the UNDP's Financial Centres for Sustainability (FC4S). Initiatives have also emerged from the sector itself, notably the promises made at COP26 by the Glasgow Financial Alliance for Net Zero, a coalition of banks, insurers, and major investors. This is part of a process in which banks and financial institutions are expected to align themselves with the sustainable development paradigm as part of a global community.

Correspondingly, the increased focus in financial markets on sustainable development, and the initiatives, both private and public in present times, have resulted in tremendous opportunities for sustainable finance in general and Islamic finance in particular.

To respond to these demands and opportunities, banks and financial institutions, including the Islamic finance sector, must develop the necessary frameworks, taxonomies, mechanisms, practices, and measurements to demonstrate sustainable development credibility in economic, social, environmental, and governance spheres. This requires going beyond the common pattern of the financial screening process to one of the positive choices within an enhanced governance system based on integrating the interests of all the stakeholders so that 'rescuing and healing' can be possible. Hence, sustainability requires transforming business, economic and financial practices and individual consumption behaviour.

## **Thematic Areas and Research Questions**

Considering that the GCC economies are challenged by demand (consumption based economic behaviour) and supply (oil and gas based economy) push factors in terms of sustainability challenges, sustainable development discourse has become an essential policy for the governments as well as corporations and banks in the GCC, as elsewhere. The GCC's demand and supply push factors have created pressure on the climate change debate and framed the GCC countries. In order to moderate and overcome the consequences of consumption and production based sustainability challenges, capital and

financing will play an essential role so that the transformation of economies in the GCC towards a more sustainable state can be possible. In this, the financial sector, along with public policy and public finance, will play a crucial role. However, considering the magnitude of the financing needed for the envisaged transformation, there is a huge financing gap, while the sustainability performance of the financial sector is questioned. Therefore, this workshop aims at responding to the following research questions:

1. What are the SDGs performance of the GCC countries and ESG performance of the GCC business and corporate sector?
2. What challenges are faced by the GCC countries and GCC businesses and corporate in terms of SDGs and ESG?
3. What governance strategies and measures have been developed by the GCC countries and GCC corporate sector and businesses to integrate sustainability?
4. What are the available financing opportunities in the GCC region to transform the GCC economies towards sustainable economies?
5. What is the financing gap in the GCC region for sustainable development transformation, and what alternative financing opportunities are available to overcome the gap?
6. What type and nature of financing offerings and mechanisms are available from conventional and Islamic banks and financial institutions to finance the financing gap for SDGs in the GCC region?
7. How is the sustainable development performance of conventional and Islamic banks at the institutional level in the region? What mechanisms have they developed to be considered sustainable friendly institutions, such as green and environmental friendliness?
8. What is the role of GCC conventional and Islamic capital markets in responding to sustainable and, in particular green financing?
9. What have regulative provisions been developed to incentivise the financial sector to contribute to the financing need to transform the GCC region for sustainable futures?
10. What are available financing mechanisms for the corporate sector in their search for sustainable development and green transformation?
11. What is the role of civil society and charity based financing in generating the necessary funding for sustainable development?
12. What financing options, mechanisms, as well as monetary and fiscal policy measures have been developed by the public sector to respond to the sustainability challenges? For example, is there any initiative for green budgets?
13. How is the comparative sustainable performance of conventional and Islamic banks and financial institutions at the institutional level and in terms of contributing to SDGs financing in the GCC?
14. Are there genuine green economy initiatives in the GCC region, or are initiatives part of greenwashing?
15. What are the innovative nature of sustainable development financing by banks and the corporate and public sectors in the region?
16. What is the impact of financialization in the GCC countries on the transformation of the economy for a sustainable and green economy?
17. Is there a relationship between the knowledge economy, sustainable development performance, and innovative sustainable development financing in the region?
18. How can GCC regional cooperation scale up financing mobilization for sustainable development?
19. What can critical comparative perspectives be offered between countries within the GCC and between the GCC and other regions, such as South-East Asia and Europe, on the above-listed issues?
20. What lessons can be drawn from other regions for financing sustainable development for the GCC corporate and public sectors on all the above-listed issues, including the GCC conventional and Islamic banking sectors?

## **The Nature of the Anticipated Papers and Dissemination of Knowledge**

We expect a reasonably good number of papers (around 50) to be submitted to the conference, as the experience in GRM 2012 and GRM 2016 demonstrated, with about 15-20 papers to be selected to be presented.

The workshop aims to attract mainly two types of papers: empirical papers based on statistical and econometric analysis of primary or secondary data from the GCC and comparative studies with other countries and regions; and secondly, discursive essays looking into the particularities of political economy aspect.

It should also be noted that comparative papers, either between the GCC member countries concerning the financial sector or between the GCC countries and other countries beyond the region, are also welcome, which can be an additional contribution to the workshop. Professor Mehmet Asutay and Dr Dalal Aassouli will be responsible for evaluating the abstracts and papers submitted for the workshop. In the selection process, the following criteria will be employed:

- appropriateness of the subject matter, including the regional reference or the individual country in the region
- identification of an identified gap in the literature
- the intellectual rigour of the paper
- the methodological rigour of the paper
- critical analysis of the paper
- whether the findings of the paper are located within the larger body of knowledge.

## **Publication Plan**

The main publication from the workshop comprises an edited book and a special issue with a leading journal. We expect to develop an edited book from the papers presented at the Workshop. For this, M. Asutay's Series under Palgrave titled Critical Studies in Islamic Banking, Finance and Economics will be considered in line with GRC and GRM regulations. We are also happy to work with any publisher you may suggest.

We are also planning to approach leading journals in the field to discuss a potential special issue with selected papers presented at the workshop.

Tentative completion date: Spring 2024.

## Workshop Agenda

The following agenda is proposed. We would like to have discussants to discuss the papers in the sessions. Therefore, we formatted the session as 25 min (max 30 min) paper presentation (2 papers x 25 min = 50 min) and 10 min discussion (2 discussants x 2 papers =20) and 20 min open discussion. We feel that by including discussants, each participant can be active rather than merely presenting their papers and disappearing. However, we are also happy with the general format of the GRM if we have to follow it.

### Sustainable Development Financing and the Role of the Financial Sector in the GCC Region TENTATIVE AGENDA

#### Day 1 - 11<sup>th</sup> July 2023

13:00 - 13:30	Registration and Networking
13:30 - 14:00	<b>Welcome Remarks</b>  <b>Mehmet Asutay</b> , Professor of Middle Eastern and Islamic Political Economy & Finance at the Durham University Business School <b>Dalal Aassouli</b> , Assistant Professor of Islamic and Sustainable Finance, Hamad Bin Khalifa University (HBKU)
14:00 - 15:30	<b>Session 1: 2 Papers with Discussants</b>
15:30 - 16:00	Break
16:00 - 17:30	<b>Session 2: 2 Papers with Discussants</b>

#### Day 2 - 12<sup>th</sup> July 2023

09:00 - 10:30	<b>Session 3: 2 Papers with Discussants</b>
10:30 - 11:00	Break
11:00 - 12:30	<b>Session 4: 2 Papers with Discussants</b>
12:30 - 14:00	Lunch
14:00 - 16:00	<b>Session 5: 2 Papers with Discussants</b>
16:00 - 16:30	Break
16:30 - 18:00	<b>Session 6: 2 Papers with Discussants</b>

#### Day 3 - 13<sup>th</sup> July 2023

9:00 - 10:30	<b>Session 7: 2 Papers with Discussants</b>
10:30 - 11:00	Break
11:00 - 12:30	<b>Session 8: 2 Papers with Discussants</b>
12:30 - 13:00	End of the workshop - Concluding remarks
13:00 - 14:30	Lunch

## Biography of the Workshop Directors

This workshop is proposed by Professor Mehmet Asutay and Dr Dalal Aassouli. We hope that our academic backgrounds and professional engagements will provide an effective synergy to attract papers with different orientations to enrich the debate, which is missing in most cases. However, academics and professionals should be able to conduct collaborative work to develop the necessary mechanism and financing methods for SDGs.

Mehmet and Dalal's recent work relevant to the proposed topic:

Aassouli, Dalal; Asutay, Mehmet; Mohieldin, Mahmoud and Nwokike, Tochukwu Chiara (2018). *Green Sukuk, Energy Poverty, and Climate Change: A Roadmap for Sub-Saharan Africa*. World Bank Policy Research Working Paper 8680. Washington, DC. Link: <http://documents.worldbank.org/curated/en/595861545145005026/pdf/WPS8680.pdf>

Aassouli, Dalal and Asutay, Mehmet (2022). *Sustainability Guide for Islamic Financial Institutions (IFIs): Guideliness for Islamic Banks*. Bahrain: CIBAFI Link: <https://www.cibafi.org/Files/L1/Content/CI2161CIBAFI%20Sustainability%20Guide%20-%20Final.pdf>.

Aassouli, D., Ebrahim, M.S, & Basiruddin, R. (2018). Can Unleveraged Green Investment Trusts (UGITs) Promote Liquidity Management and Sustainable Development? *ISRA International Journal of Islamic Finance*, 2(10). 126-142.

Asutay, Mehmet; Mergaliyev, A. ; Avdukic, Alija and Karbhari, Yusuf (2021) "Higher Ethical Objective (*Maqasid al-Shari'ah*) Augmented Framework for Islamic Banks: Assessing the Ethical Performance and Exploring its Determinants", *Journal of Business Ethics*, 170 (4): 797–834. DOI: <https://doi.org/10.1007/s10551-019-04331-4>.

Asutay, Mehmet; Platonova, E.; Dixon, R. & Mohammad, S. (2018) "The Impact of Corporate Social Responsibility Disclosure on Financial Performance: Evidence from the GCC Islamic Banking Sector", *Journal of Business Ethics*, 151: 451–471. DOI <https://doi.org/10.1007/s10551-016-3229-0>.

Asutay, M. & Turkistani, Abdullah (eds.) (2015). *Islamic Finance: Political Economy, Values and Innovations*. Berlin: Gerlach Publication.

Asutay, M. & Turkistani, Abdullah (eds.) (2015). *Islamic Finance: Performance and Efficiency*. Berlin: Gerlach Publication.

Asutay, M. & Turkistani, Abdullah (eds.) (2015). *Islamic Finance: Risk, Stability and Growth*. Berlin: Gerlach Publication.

**Professor Mehmet Asutay** is a Professor of Middle Eastern and Islamic Political Economy & Finance at the Durham University Business School and the Director of the Durham Centre in Islamic Economics and Finance.

Mehmet's teaching, research, publication, and supervision of research are all in Islamic moral economy/Islamic economics, Islamic political economy, Islamic finance and banking, Islamic governance and management and the Middle Eastern political economies.

His articles on his research interest have been published in various international academic journals and professional magazines. He has also published and edited books on aspects of Islamic moral economy and Islamic finance, the latest of which are: *A Model for Islamic Development: An Approach in Islamic Moral Economy* (with S. Jan, 2019), *Mapping the Risks and Risk Management Practices in Islamic Banking* (with W. Eid, 2019), *Islamic Finance: Political Economy, Values and Innovation; Islamic Finance: Performance and Efficiency*, and *Islamic Finance: Risk, Stability and Growth* (these three volumes are co-edited with A. Turkistani) (2015).

Mehmet has acted as a consultant to COMCEC (part of OIC), CIBAFI and UNDP-IICPSD on various projects, including sustainable development. In addition, Mehmet was a member of the Board of Directors of Albaraka Turk Islamic Bank from 2018-2020.

Mehmet is the Editor in Chief of the *American Journal of Islam and Society*, the *International Journal of Islamic Economics and Finance Studies*, and the *Review of Islamic Economics*. Mehmet is also a Board Member of the *International Association for Islamic Economics* and is Chairperson of the Education Board of the AAOIFI.

**Dr Dalal Aassouli** is an Assistant Professor of Islamic Finance and Sustainable Development at the College of Islamic Studies at Hamad bin Khalifa University, Qatar.

She has worked at the International Islamic Liquidity Management Corporation (IILM) in Malaysia, where she assisted with the establishment of the IILM's sukuk program. She has also held several positions in international institutions in Europe, where she had exposure to the African, European, and Latin American markets. She is currently acting as an advisor to several financial initiatives on sustainable development and fintech.

Dr Aassouli holds master's degrees from NEOMA Business School and Paris Dauphine University and a PhD from ENS de Lyon in France.

Her areas of research interest include Islamic finance in general and its implications for liquidity management, corporate finance, ethical finance, development finance, green finance, sustainable development, and socially responsible investing.

Dr Aassouli is also an invited speaker at international Islamic finance conferences and events and provides her consultancy expertise to various organizations on Islamic and sustainable finance issues.