

**Workshop on Islamic Finance in the National Accounts**  
**31 October – 2 November 2018, Ankara, Turkey**  
**Draft concept note**

**Introduction**

1. Islamic finance does not operate in the same way as conventional finance as it follows the Shari’ah Islamic law, principles and rules. The Shari’ah Islamic law does not permit receipt and payment of “riba” (interest), “gharar” (excessive uncertainty), “maysir” (gambling), and short sales or financing activities that it considers harmful to society. Instead, the parties must share the risks and rewards of a business transaction and the transaction should have a real economic purpose without undue speculation, and not involve any exploitation of either party.

2. At its 10<sup>th</sup> meeting in Paris, France, from 13 to 15 April 2016, the Advisory Expert Group (AEG) on National Accounts discussed issues on the implementation of the 2008 SNA recommendations for Islamic finance. These issues had also been raised during several meetings in the Arab region organized by the Statistics Division of the Economic and Social Commission for Western Asia (ESCWA). The AEG noted the differences in business arrangements between Islamic finance and conventional finance and recognized the systemic importance of Islamic finance for some economies and their relative rapid growth. The AEG agreed that further research on the statistical implications of Islamic finance in the national accounts is required and that practical guidance on the treatment of Islamic finance transactions needs to be developed. Consequently, the Statistics Division of ESCWA and United Nations Statistics Division (UNSD) created a Task Force on Islamic Finance under the auspices of the Intersecretariat Working Group on National Accounts (ISWGNA) to address the statistical treatment of Islamic finance in the national accounts. The Task Force comprises representatives and experts from countries where Islamic finance is important, international and regional organizations and academia.

3. Subsequently, the Statistics Division of ESCWA and UNSD jointly organized a Workshop on Islamic Finance in the National Accounts, in Beirut, Lebanon, from 24 to 26 October 2017. The workshop discussed existing recommendations and guidance on how to account for Islamic finance in the national accounts and the issues arising from these recommendations. The workshop recommended that the work to develop statistical recommendations on the treatment of Islamic finance be streamlined into two work streams to: (a) address the issues related to the use of income statements and balance sheets, sectorization, classification and the recording of Islamic finance transactions; and (b) coordinate the work of regional and international organizations on the collection of data on Islamic finance.

4. At its 11<sup>th</sup> meeting in New York from 5 to 7 December 2017, the AEG welcomed the work of the Task Force and recognized that its future work will contribute to the development of statistical guidance on the treatment of Islamic finance in the national accounts. It supported the recommendations to streamline the work.

## **Objectives and organization of workshop**

5. The workshop is jointly organized by the Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC), Statistics Division of ESCWA and United Nations Statistics Division (UNSD). It will be hosted by SESRIC and will take place from 31 October to 2 November 2018 in Ankara, Turkey.
6. The workshop will bring together experts who are directly involved in compilation of Islamic finance statistics for the national accounts in their countries. Experts from regional and international organizations and individual experts will also be invited to participate as resource persons.
7. The objectives of the workshop are to enhance of capacity of participants to:
  - a. Better understand the differences between Islamic finance and conventional finance and their implications for the national accounts
  - b. Understand and apply the draft recommendations and guidance to sectorize Islamic financial instruments and record Islamic finance transactions in the national accounts
  - c. Review the recommendations to improve the coordination between regional and international organizations in the collection of statistics on Islamic finance
8. The workshop will cover the following topics:
  - a. Sectorization of Islamic financial corporations
  - b. Classification of Islamic financial instruments and corresponding property income
  - c. Calculation of output and value added of Islamic financial services
  - d. Coordination between regional and international organization in the collection of statistics on Islamic finance