

A Brief History of the Harvard Islamic Finance Information Program

Report prepared by
Munir Zilanawala*

I. INTRODUCTION

In late 1995, the Harvard Islamic Finance Information Program (HIFIP) was established as a true interdisciplinary program under the aegis of the Center for Middle Eastern Studies (CMES). From its inception HIFIP drew interest from several departments of the Faculty of Arts and Sciences as well as from the faculties of Business, Divinity, Government, and Law. Pioneering HIFIP activities such as the *DataBank* and the annual forum on Islamic finance, as well as CMES's Harvard Islamic Investment Study, have ensured that Islamic finance is no longer an obscure area of inquiry at the University.

The Harvard Islamic Finance Information Program seeks to further research in Islamic finance, Islamic economics, and related issues at both ends of this process. The three key areas of research and research support were the *DataBank*, the annual Harvard University Forum on Islamic Finance and its proceedings, and support to individual researchers and students.

While HIFIP was originally set up as an information clearinghouse, over time the Program's mission grew, its activities broadened, and more goals were added. The Program's main objectives over 1995-2003 have included:

- To act as a center of knowledge on Islamic finance and investment, and to be a clearinghouse of information, primarily through the *DataBank*, but also by conducting research projects and identifying resources.
- To promote understanding of Islamic finance and investment within and without the Muslim community through seminars, lectures, and forums.
- To disseminate information to as wide an audience as possible. Through its *DataBank*, forum, web portal, and interaction with the media, the Program reached a large and diverse audience.
- To drive research and development in the Islamic financial industry. HIFIP sponsored research projects that investigated new trends and methods, with particular emphasis on studies of how conventional financing methods could be transformed into Islamic equivalents, and organized a Visiting Research Scholars Program.
- To advance the study of Islamic economics, finance, and investment. HIFIP assisted professors of investment banking, Islamic law, and Middle Eastern history with their courses, and assisted doctoral candidates in fields related to Islamic finance.

II. THE *DATABANK*

Information on Islamic finance and investment is scattered across various sources and is not easily accessible. In fact, much information is not available at all to most researchers because it comes from primary contacts in the industry and is published privately or obscurely, if at all. This difficulty hampered the Islamic Investment Study conducted from 1994 to 1998 by Frank Vogel of the Harvard Law School and Samuel L. Hayes III of the Harvard Business School, and provided the impetus for the creation of the *DataBank* in 1995: to provide an information resource both comprehensive in its scope and universal in its accessibility. In the years of its existence, the *DataBank* has become a well-established research tool and is the most comprehensive source of information available to researchers worldwide on all aspects of Islamic finance.

* Affiliate, 1998-present, Harvard Islamic Finance Information Program, Cambridge, Mass.

The main work of HIFIP for much of the year centers on the compilation, updating, and technical development of the HIFIP *DataBank*. This unique collection is a tool helpful for researchers and practitioners alike. Information in the *DataBank* is collected continuously using primary and secondary sources by scouring libraries, governments, Internet sources, and, most importantly, the two hundred-odd institutions in the Islamic financial field with which HIFIP has industry contacts. The *DataBank* contains detailed information on myriad topics, including:

- the constitution and performance of Islamic financial institutions and funds
- original descriptions of technical terms and translations of rulings of *shari'ah* boards
- research programs and publications in Islamic economics and finance
- transactions involving Islamic financial tranches, including syndicated loans and project financing
- a database containing biographical and contact information on thousands of practitioners and scholars
- macroeconomic and other country-level data on most Muslim-majority nations.

III. FORUMS AND INFORMATION DISSEMINATION

As an emerging field, the Islamic financial sector stood in need of regular conferences for the exchange of news, information, and research. To that end, HIFIP has for years been a leader in organizing annual convocations on Islamic finance. The Harvard University Forum on Islamic Finance grew from a small one-day affair in 1997 to a major multi-session international conference bringing together the latest research from notable scholars, contemporary developments from leading practitioners, and trenchant analyses by academics and government officials. HIFIP has published the proceedings of each forum except the first.

Each forum has been chaired by Samuel L Hayes III, Jacob Schiff Professor Emeritus at the Harvard Business School. The Islamic Legal Studies Program of the Harvard Law School has played a crucial role in its content, and provided a venue for the Second and Third Forums. In September 1999, HIFIP published the *Proceedings of the Second Harvard University Forum on Islamic Finance*, a landmark publication with over thirty original works covering Islamic economics, the *shari'ah*, Islamic finance, commercial products, and business models. This volume held the distinction of being the first complete proceedings of a conference on Islamic finance, and has since been followed by proceedings of comparable depth and scholarship.

The Harvard Forum has traditionally been a magnet for all types of individuals in this field. Bankers, economists, *shari'ah* scholars, financial analysts, attorneys and legal practitioners, management professionals, members of the public, and students, all united in their keen interest in Islamic financial theory and practice, came within its ambit. An average of over 300 people attend the conference each year, and many others follow the program electronically. The forum also holds the distinction of being the only conference of its kind that devoted at least one entire session to *shari'ah*. Every year, distinguished jurists in *fiqh al-mu'amalat* have addressed the audience and presented papers. Other sessions have covered Islamic economics, Islamic finance, and the practice of Islamic finance by financial institutions. A popular session in recent years has been the Islamic Finance for newcomers, providing an overview of the field for students and interested non-practitioners.

In April 2002 HIFIP held a formal seminar for the U.S. Department of the Treasury, with a hundred-strong audience consisting of Treasury personnel, members of the Executive Branch, Congressional staff, and reporters. The seminar, entitled "Islamic Finance 101," opened with remarks from Treasury Undersecretary John Taylor, who commented on the increasing relevance of Islamic finance for American institutions in a post-September 11 world. Thomas D Mullins, the Executive Director of HIFIP and the Associate Director of CMES, introduced and outlined HIFIP's major activities. Moderated by Professor Samuel L Hayes III of the Harvard Business School, the seminar featured talks by Mahmoud A. El-Gamal (Rice University) on the economic theory behind Islamic finance; Rifaat Ahmed Abdel-Karim, head of a Bahraini rating agency, on accounting standards; Rushdi Siddiqui of Dow Jones on current business practices; and Anwar Sadah of the Bahrain Monetary Agency on regulation. The event was covered in full by, among other publications, the *Harvard University Gazette* in a report entitled "Seminar Explores Islamic Finance," (May 2, 2002). Smaller-scale initiatives including information sessions for members of the Harvard community interested in Islamic banking and finance in general and in the Program in particular, and a more focused Doctoral Students Research Roundtable at the Harvard Business School were also highly appreciated.

IV. RESEARCH AND PUBLICATIONS

Harvard's interest in Islamic finance began with the Islamic Investment Study in 1993, which culminated in Frank Vogel and Samuel Hayes' *Islamic Law and Finance: Religion, Risk, and Return*, published by Kluwer Law International of The Hague. The Harvard Islamic Finance Information Program, already more than two years old by the time Vogel and Hayes's book was published in 1998, became the natural magnet for this interest, attracting and centralizing resources that helped make Harvard a leader in this dynamic aspect of Islamic studies.

That HIFIP, as an academic program, should have given great importance to research is self-evident. HIFIP has always seen itself as an information clearinghouse, channeling information between the research and practice of Islamic finance. Information exchange with the community and a range of research activities are commensurate with this ambition, and HIFIP is committed to both. Students from Harvard Law School and other parts of the University have written dissertations and theses on topics related to Islamic finance. Moreover, the Harvard Business School has conducted a few case studies and produced some working papers, including several by Professor Benjamin Esty.

HIFIP has been in contact with almost all Western institutions involved in research on Islamic finance since its inception. These include academic institutions, research and legal advisory departments of commercial institutions, and organizations such as the Islamic Development Bank, the IMF, and the World Bank. HIFIP also hopes to assemble the various research bodies and information service providers that exist in the Islamic finance community through an international research roundtable to coordinate efforts, avoid duplication, and enhance research and development.

In addition, HIFIP is interested in systematically addressing the theoretical and practical problems the Islamic financial industry faces. One way of accomplishing this is by commissioning researchers worldwide to address these problems and study industry trends. Their findings could then be compiled and published.

HIFIP allows researchers in the field access to its vast store of information. Researchers have always been encouraged to contact HIFIP to obtain the data they needed to facilitate their work. Financial professionals also routinely request information on matters ranging from *shari'a* issues to the engineering of financial instruments.

The Visiting Research Scholars Program has invited prominent researchers in the field to Harvard under HIFIP's auspices and provided them the opportunity to complete their research there. HIFIP's first Visiting Scholar was Muhammed-Shahid Ebrahim, presently of Nottingham University. While at HIFIP during the summer of 1997, he published two papers on financial engineering in Islamic finance. While a Visiting Scholar at the Islamic Legal Studies Program in 1998, Gohar Bilal also spent a great deal of time at HIFIP doing research and helping organize the Second Harvard University Forum on Islamic Finance; she worked on Islamic tradable instruments. Omar Kamal spent 2001 as a visiting researcher at HIFIP while writing his doctoral dissertation.

HIFIP has usually employed an average of about a dozen students a year, mainly from Harvard College, with some from the Harvard graduate schools and neighboring institutions such as MIT and Tufts, Brandeis, Northeastern, and Boston Universities. These students carry out the enormous task of compiling and updating the *DataBank* and organizing the forum. HIFIP also utilizes student and alumni volunteers from to compile and edit the proceedings of each forum. Most HIFIP student associates develop a deep loyalty to the Program, creating a network of academics and professionals that further strengthen HIFIP's presence in the field.

At the same time, the Program has assisted in student research. Over the years, some 50+ students have had studies touching on the Middle East, at CMES or elsewhere within the University, and have benefited directly from HIFIP's presence. Students from numerous faculties have found HIFIP of help when they prepared honors theses, dissertations, and research projects, and gave back to the Program by volunteering their time at HIFIP.

V. OTHER ACTIVITIES

Other projects routinely undertaken by HIFIP have included devising internships and travel opportunities for HIFIP student researchers at numerous Islamic financial institutions and other firms, creating long-term career opportunities for former associates, and providing quality information on Islamic finance to the press, resolving misconceptions and raising awareness of developments in the industry, to such outlets as *Fortune* and the *Wall Street Journal*.

While the Program never played a formal role in the University curriculum, it has assisted individual faculty members with their research and teaching on an ad hoc basis. As an interdisciplinary program, HIFIP has ties with several Harvard schools and departments. Student organizations such as the Harvard Islamic

Society have always been involved in organizing forums, and faculty members such as Professor David G. Mitten have helped in organizing logistics for the mammoth undertaking of the annual Forum.

The Program maintains a balance between academia and industry interaction. HIFIP's position in the academic community allows it a further role: to involve academics in the creation of new products and services in the Islamic finance industry, while, in turn, exposing the industry to the original research of academics. In effect, the Program is a meeting place of minds drawn together by the goals of studying Islamic finance and serving its growth.

VI. FRIENDS OF HIFIP

During HIFIP's eight years at Harvard, it has crossed paths with innumerable students and scholars, most of them affiliated with Harvard. After their departure from Harvard, many of these fine individuals have retained their interest in the unique field of Islamic finance and carried the torch of HIFIP to newer pastures, assuming the role of Program ambassadors to their chosen circles of contact. Such bright young folks have kept good relations with HIFIP because they see the Program as an organization that touches upon society as well as scholarship. The Program could not have accomplished as much as it did without the support of the many who volunteered their time and expertise. The contributions of these volunteers enabled the Program to take on projects that would otherwise have been impossible with its limited financial resources.

The core set of individuals—mostly Harvard College students—who contributed most to the Program at and after leaving Harvard continued to be involved in important HIFIP activities, such as editing papers for the Proceedings, suggesting topics for the Forum, advising on Program strategy, answering industry-related inquiries, collecting information, and acting as liaisons between the Program and the Islamic finance industry. These HIFIP associates offered all these services on a pro bono basis. Regular communication along with periodic face-to-face meetings have kept graduating talent tied to the Program.

Among those who became Friends of HIFIP were: Abdur-Rahman Syed '99, Munir Zilanawala '01, Fatima Raja '03, Taha Abdul-Basser '96 (Ph.D. candidate in GSAS), Aamir Rehman '99 (GSAS '99, HBS '04), Gohar Bilal (Visiting Scholar at ILSP in '98), Saif I. Shah Mohammed '02, Michael Medeiros (Class of 1959), Kamal Mian (LLM '98), Fatimah Iliasu (S.J.D. candidate), Shahzad Bhatti (J.D. '97), and Irfan Siddiqi '97. Generously donating their time toward IT development were Sajjad Shah (Chief Architect, Netnumonia, Cambridge, Mass.), Omar Abdullah (Network Engineer at Boston University), Borhan Talukder (Boston University '00), and Sani Abul Fadl (Boston Ledger). Two others also kindly lent their time and sharp minds in the service of HIFIP: Husam El-Khatib (London School of Economics '00) and Abdur-Rahim Syed (Middlebury College '02).

HIFIP has enjoyed a great deal of support from the Harvard Islamic Society (HIS). The organization has assisted in organizing the Forum, compiling the proceedings, and providing a labor pool of many of the undergraduate and graduate students HIFIP has employed. HIFIP also serves as a friend to HIS, helping show students and others in the Harvard and international communities the importance of Islam not only as a spiritual path, but as a complete way of life.

VII. TRAINING THE LEADERS OF THE FUTURE

Every year, Harvard attracts many of the brightest students from around the world, many of whom express interest in getting involved in the Islamic finance industry. The Program has enabled many such students to explore internship and recruitment opportunities in the Islamic banking sector, and also placed several former associates in full-time positions in the industry even as they continue to assist the Program on a pro bono basis. "A mind is a terrible thing to waste," goes the saying. Sustaining the evident interest in Islamic finance and economics among the budding leaders of tomorrow can only be beneficial to Islamic finance and to Muslim communities around the world.

The Program held annual information sessions for students from the Faculty of Arts and Sciences, the Law School, and the Business School, at which attendees were introduced to the basics of Islamic finance, the workings and resources of the Program, and the latest developments in the field.

HIFIP seeks to train the leaders of the future in Islamic finance. It envisions a role in creating courses, internships, and fellowships on Islamic finance, at Harvard and beyond. It also hopes to connect interested young students with scholars and practitioners for mentoring and guidance. Ideas and enthusiasm are the lifeblood of development, but they need to be cultivated to reach their fullest potential. HIFIP's connections to the academic community of Harvard and the Islamic finance community around the world put it in a plum position to make this dream a reality.

HIFIP associates who worked in the industry joined firms including Albaraka Investment and Development Company, Citigroup, Ernst & Young, Faysal Islamic Investment Bank, HSBC Amanah Finance, iHilal.com, Islamic Development Bank, Kuwait Finance House, McKinsey & Co., Oasis Asset

Management, Rockefeller International, The International Investor, United Bank of Kuwait, and Wellington Management Company.

VIII. MANAGEMENT

HIFIP was established with an initial grant from the Switzerland-based Dar Al Maal Al Islami company's investment arm IICG (Islamic Investment Company of the Gulf). After the initial grant, the program ran on a membership scheme by which corporations paid an annual fee to be members of HIFIP. Sponsorships of the Harvard University Forum on Islamic Finance generated additional resources to support the Program. To date, the Program has always been monetarily self-sufficient.

The heart of the Program lies with two people: the Founding Director, S. Nazim Ali, and Executive Director, Thomas D. Mullins. During the early 1990s, Ali realized the great need for a program serving as a center for information resources about Islamic finance around the world. After long negotiations, Ali and Mullins established the Harvard Islamic Finance Information Program at the Harvard University Faculty of Arts and Sciences on December 1, 1995. Iqbal Khan of the Islamic finance industry helped this dream become a reality. Khan, then the General Manager of IICG and presently the CEO of HSBC Amanah Finance, was instrumental in bringing the seed money needed to start HIFIP.

The HIFIP governing structure consists of an Operating Board and an Advisory Board. The Operating Board is responsible for the daily workings of the Program, while the Advisory Board counsels the Program on matters of policy and general strategy. Members of the Operating and Advisory Boards include: Samuel L. Hayes III, Frank E. Vogel, Dale Flecker, Thomas D. Mullins, Iqbal Khan, Amr Alfaisal Al Saud, and S. Nazim Ali.

IX. CONCLUSION

In as young and inchoate an industry as Islamic finance, there is much duplication of effort. The industry would benefit from coordination of these efforts. Yet this requires the existence of an independent information clearinghouse that can provide information to industry participants about potential partners in the field. Such a clearinghouse can also play a more active role, mixing and matching participants that complement each other and creating venues for interaction and cooperation.

Among other areas, HIFIP sees an especially important role for itself in the coordination of new developments in two areas: 1) research and 2) information technology. Although various research centers around the world are doing groundbreaking work, no centralized registrar of novel developments exists. Nor do these multiple efforts complement each other. The Islamic finance industry could also benefit if developments in conventional economic and financial fields could be adapted and applied to Islamic economics and finance. HIFIP could be ideally placed to coordinate new research in Islamic finance and be a contact nexus for researchers from around the world. The academic prestige of Harvard affords the Program credibility that will be vital in convoking the disparate participants in Islamic financial research.