CHAPTER 14

Islamic finance in a war zone: *Murabaha* microfinance in Mesopotamia

Shahzad Siddiqui & Tariq Muinuddin

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Iraq as we know it today was part of the river valley of Mesopotamia. The civilization that grew along the banks of the Tigris and the Euphrates produced the world's first writing, first calendar, first library, first city, and, yes, the world's first democracy. King Hammurabi of Babylon was the first to codify laws governing the social life of citizens. It was a code in which abandoned women, prostitutes, slaves, and even animals had rights. The Hammurabi code is acknowledged not just as the birth of legality, but the beginning of an understanding of the concept of social justice.

Arundhati Roy[1]

BACKGROUND: *MURABAHA* MICROFINANCE IN IRAQ

Microfinance in Iraq commenced in 2003, mainly as a tool to assist the victims of war and violence and is now the sole source of institutional financial services for the poor. The war has made access to credit or other types of financing extremely difficult for Micro, Small or Medium Enterprises (MSMEs). In order to facilitate both the growing of the Iraqi economy and its financial sector, USAID supported the development of indigenous Microfinance Institutions (MFIs) to serve *local* communities through localised strategies for delivering *locally* acceptable loan products through a USAID-Tijara programme.[2]

As mainstream microfinance products, namely interest-bearing loans, are considered haram and off-limits in Islam, mainstream microfinance was initially resisted in Iraq, particularly in the *Sunni* dominated provinces of Al-Anbar, Ninawa and Salah Ad Din, and across other provinces in varying degrees. Of the 14 MFIs in Iraq, six MFIs commenced with *Murabaha* mainly as a strategy to overcome constraints set forth in Islam on interest rates. In order to continue serving the target population of the 7.1 million poor living in Iraq, these MFIs perceived *Murabaha* as a viable strategy for enabling access to financial services for the poor. Today, these MFIs serve 5,240 clients, representing nine per cent of total microfinance clients in Iraq.

Table 1: **MFIs Proving *Al-Murabaha* Loans in Iraq**

MFI	Outreach (Outstanding)	Outreach (Clients)	Province
Al-Takadum – Falluja	$ 1,522,676	1,434	Al-Anbar
Al-Takadum – Ramadi	$ 2,545,700	1,822	Al-Anbar
Al-Takadum – Al-Qaim	$ 1,150,293	873	Al-Anbar
Al-Mosaned	$ 1,250,038	1,111	Salah-ad-Din
Al-Aman	$3,255,487	2,625	Kirkuk
TDMN	$644,444	470	Ninewa
Total	**$ 6,468,707**	**5,240**	

Source: Muhammad Junaid, USAID-Tijara, Iraq

THE CONTROVERSY AROUND *MURABAHA*

In a recent book on Gulf capital and Islamic finance, Aamir Rehman, discussed the controversial mode of financing known as *Murabaha*:

The first step in the *Murabaha* process - like the first step in a conventional financing process- involves a customer identifying a good that he wishes to purchase (for example, furniture). In a conventional financing, the lender would simply provide the customer with the cash at a particular interest rate. In a *Murabaha* structure, however, the financier must itself purchase the furniture, take legal ownership of the furniture, and then sell it to the end customer for profit. Conceptually, the extra step (in which the financier buys the asset) turns the transaction into a trade rather than a money lending arrangement. In practice, the financier typically appoints the end customer to make the purchase on its behalf (so that the financier technically owns the furniture but does not have to go to the store and collect it). Observers have noted that the *Murabaha* structure replicates conventional financing and hardly seems different - in fact, the agency agreement through which the customer buys the asset on behalf of the bank may seem cumbersome. The step by which the financier owns the asset (and thereby takes ownership risk at least temporarily) is nonetheless an important procedural difference, without which the financing arrangement would not be deemed Shari'ah-compliant.[3]

In his seminal book, *Introduction to Islamic Finance*, Muhammad Taqi Usmani went into greater detail about the *Murabaha* mode of financing, and stated:

Originally, *Murabaha* is a particular type of sale and not a mode of financing. The ideal mode of financing according to *Shari'ah* is Mudaraba or Musharaka. However, *in the perspective of the current economic set up, there are certain practical difficulties in using Mudaraba and Musharaka instruments in some areas of financing*. Therefore, the contemporary Shari'ah experts have allowed, subject to certain conditions, the use of the Murabaha on deferred payment basis as a mode of financing. But there are two essential points which must be fully understood in this respect:

1. It should never be overlooked that, originally, Murabaha is not a mode of financing. *It is only a device to escape from "interest" and not an ideal instrument for carrying out the real economic objectives of Islam. Therefore, this instrument should be used as a* <u>*transitory step*</u>…and its use should be restricted only to those cases where *Mudaraba* or *Musharaka* are not practicable.
2. The second important point is that the *Murabaha* transaction does not come into existence by merely replacing the word of 'interest' by the words of 'profit' or 'mark-up'. Actually, *Murabaha* as a mode of finance has been allowed by the *Shari'ah* scholars with some conditions. Unless these conditions are fully observed, *Murabaha* is not permissible. In fact, it is the observance of these conditions which can draw a clear line of distinction between an interest-bearing loan and a transaction of *Murabaha*. If these conditions are neglected, the transaction becomes invalid according to *Shari'ah* [Emphases supplied].[4]

THE HISTORY OF MICROFINANCE

In 2006, Muhammad Yunus, the founder of the microfinance institution Grameen Bank won the Nobel Peace Prize. Yunus started his revolutionary institution by financing a furniture business, in particular a woman who made bamboo chairs. Daud Vicary, the head of Deloitte's Islamic Finance Group and co-author Keon Chee describe the Grameen story as follows:

A study undertaken by the Islamic Development Bank (IDB) reveals that just five of its 56-member countries—Indonesia, Bangladesh, Pakistan, Nigeria and Egypt—account for over half

Checklist of the *Murabaha* transaction steps:[5]

1. The buyer and the agent bank (acting on behalf of the financier) execute a master financing agreement.
2. The buyer negotiates with the seller the terms and conditions of the purchase of the goods as it would in the ordinary course of business.
3. When such negotiations are finalised, the buyer requests the agent bank's permission to proceed with the purchase of the goods by sending a completed 'Transaction Notice' to the agent.
4. The agent bank (if it agrees with the terms contained in the Transaction Notice) confirms acceptance to the buyer by sending a 'Transaction Approval.' Buyer proceeds with the purchase of the goods as the undisclosed agent for and on behalf of the financier.
5. Upon receipt of Transaction Approval, the buyer purchases the goods on the terms and conditions as specified described in the Transaction Notice and confirmed by the Transaction Approval as an undisclosed agent for and on behalf of the financier.
6. The buyer delivers to the agent bank an invoice for goods (or other forms of memorandum of title) before the financier pays the purchase price to the buyer.
7. On the due date, the financier pays the purchase price to the bank account of the buyer acting on its behalf. The agent bank assumes title to the goods.
8. The buyer, acting on its own behalf, enters into a deferred payment agreement by making an offer to the agent bank for the purchase of the goods at an agreed mark-up, as per the terms in the original master purchase agreement.
9. Upon receipt of the offer, the agent bank accepts by countersigning and returning the offer to the buyer.
10. The buyer pays the agent bank the deferred price on the instalment dates until all payments are made in full or as a single bullet payment at the due date.

a billion of the world's poor, with incomes below $2 a day or below their national poverty lines.

So when Bangladeshi economist and banker Professor Muhammad Yunus won the 2006 Nobel Peace Prize for his work in microfinance in his home country, many of us were clapping enthusiastically. Through Grameen Bank, which Professor Yunus founded, microfinance provides low-income customers with small but significant loans that most others would consider a paltry sum.

In 1976 during his visits to the poorest households, Professor Yunus discovered that very small loans made a disproportionate difference to poor people. In Jobra village, for example, he noticed that women who made bamboo furniture for a living had to take out loans with very high interest rates from moneylenders, just for buying bamboo. He then put into place a microfinance scheme, through which he later made his first loan of $27 to 42 women in Jobra.

One of the major reasons for the success of microfinance has been the efforts of such finance providers to educate the destitute groups they serve about the basic workings of banking and financial services. People looking to borrow are first required to take a simple course in money management. Lessons focus on the understanding of how banks work, and how to develop savings as well as manage debt, budget and cash flow. Millions in Bangladesh, where nearly 85 per cent of the population are Muslim and 45 per cent live below the poverty line, are now able to help themselves out of poverty through the process of microfinance.

We are not saying that Islamic finance is a cure-all for any modern-day financial crisis, but the *application of its principles is undoubtedly a silver lining that could help alleviate poverty and stabilise economies at the same time.*

Grameen Bank is not an Islamic financial institution, but its actions are *steeped in the Islamic principles of care for the community and the unfortunate, and of mutual trust and respect.* Its objective is to "bring financial services to the poor, particularly women, and the poorest-to help them fight poverty, stay profitable and financially sound. It is a composite objective, coming out of social and economic visions" [Emphases supplied].[6]

Meanwhile, in a timely article entitled *Islamic Finance and Microfinance: Lessons for the Global Financial Crisis*, Zohaib Patel of Fajr Capital identifies microfinance as a promising area within the sphere of Islamic finance. Beginning with a historical perspective, he states:

With a historic role as a society builder and enabler, Islamic finance shares a strong affinity with microfinance. *'Awqaf'* institutions (charitable trusts) were philanthropically endowed as a principal-preserving, usufruct-delivering, social-welfare asset. Initially consisting of donated durable assets (traditionally land and buildings) the trusts have evolved to also comprise endowment funds (adopted during the Turkish Ottoman period) and are used as a socio-economic tool for religious, education and public service provisions…

Understanding Islamic finance requires an understanding of the governing philosophical framework from which it is derived - a religion requiring the financial system to be guided by social responsibility and justice, while enabling a free market role. The industry presents an alternative banking paradigm which has yet to reach its full potential, given its young contemporary start in the 1970s. As a result, its historic and natural affinity with microfinance has been slow to develop sponsorship. The first modern Islamic financial institutions (IFI) were a network of village micro-saving associations in Egypt and micro-saving association setup in Malaysia to manage pilgrim savings, both established in a 1950s post-colonial setting…

The Islamic finance industry has been traditionally led by grassroots demand from retail customers. The development of a suite of Islamic financing alternatives has now enabled the industry to diversify its client base and the services it provides. As a result, microfinance is garnering greater attention within the young Islamic finance industry. The Islamic Development Bank - a AAA credit rated multilateral organisation-has earmarked microfinance as a strategic imperative in the development framework for the Islamic finance industry to address.

The demand for microfinance products requires a supply that Islamic finance has been slow to provide. A sizeable portion of Muslim-majority countries sit in the bottom-of-the-pyramid income category that are left out of conventional financial systems, and require financial attendance. Access to credit is vital, hampering the progress of micro-entrepreneurs and the growth of income-generating and employment-creating enterprises.[7]

MURABAHA MICROFINANCE

USAID representatives have made official presentations about the value proposition of Islamic finance in Iraq. For example, in June 2008, Giovanni Recchia on a retainer with USAID presented to the Retail Banking Working Group of the US Embassy in Baghdad, for the USAID-Funded Economic Governance II Project. Recchia quoted a 1990 report of the International Association of Islamic Banks, which stated that, "Social goals are understood to form an inseparable element in the Islamic banking system that cannot be dispensed with or neglected." [8]

It is alleged, by many within and without the Islamic finance industry, that Murabaha is simply a form of legal artifice and serves no purpose other than assuaging the guilt of Muslims who need financing. However, the proponents of *Murabaha* argue that it serves as a transition between conventional interest-based finance and Islamic finance. They can also argue that it serves as an instrument of transition for devout Muslims, allowing them to enter the world of finance for the first time. For example, in Iraq, it is clear that people need seed money to start businesses and rebuild their lives; they only need a small amount of money and this can be obtained through microfinance; *Murabaha* is a means of getting financing to them in an accessible and transparent manner. This can be seen in the efforts of USAID, who have now embarked on a full-scale pilot project to provide *Murabaha* micro-financing. The focus of the pilot project is to bring micro-financing to a population that would not make use of it in its conventional, interest-bearing form.

Working with local Sheikhs to reach consensus on Fatawa

As a *Shari'ah*-complaint product, *Murabaha* is acceptable across all provinces and in many communities and has often been lauded as an important service in the Friday service meetings by Sheikhs or Imams in Iraq. The consent of these Sheikhs and Imams is extremely important for the continuance of financing as well as for the MFIs' outreach to the poor. In each Province the MFIs had to identify the relevant Sheikhs in order to seek approval of the *Murabaha* terms and conditions, which are then issued in the form of a *Fatwa* within two weeks to three months, depending on the seniority of the Sheikh which whom the MFI is engaging. For example, each of the cities in Al-Anbar have their own Sheikhs who are governed by a Sheikh living in Jordan, who then gives final approval for issuing the *Fatwa*.

(a) The Process

Upon receipt of the loan application, the loan officer investigates the entrepreneur and performs a feasibility study on their activities. From this study, the officer can estimate the precise loan amount the entrepreneur can repay. If the feasibility study is positive, the entrepreneur identifies items (commodities/equipment) needed from the wholesaler and negotiates a price. The credit officer then purchases items from that source and resells them immediately to the client.

(b) Mark-Up

In Iraq, a mark-up of 12 per cent has been agreed upon by the Sheikhs of the Provinces, based on the mark-up practiced by the market in which the MFI operates. The mark-up is for the services that the financier provides, namely, seeking out, locating, and purchasing the required goods at the best price. This is a recognised service which can be paid for and whose value is predetermined. Other fees such as application fees are also debated with the religious Sheikhs, and in the case of the Al-Takadum in Al-Qaim City, the application fee of $10 was rejected on the basis that the mark-up was sufficient to cover the operational expenses of the MFI.

(c) Types of Business Financed

To ensure that the client accepts the quality or the price of the goods, the *Fatwa* includes key requirements that have to be met in order for a Murabaha contract to be legal. These include the entrepreneur submitting an application in detail describing the commodity to be purchased; the financier buying the commodity and physically taking possession; and the entrepreneur having the right to refuse to accept the commodity when offered for sale by the financier. MFIs in Iraq finance assets or working capital inputs, such as raw materials, machinery or equipment for both household consumption or for MSMEs.

Each MFI has built a network of 10-20 suppliers, who provide goods to the MFI at wholesale prices. If the requested goods are unavailable in their areas of operations, the MFI may seek to procure goods outside their province, which increases their operating cost. For MFIs to continue serving their clients' needs and also maintain their sustainability margins, they standardise the process of goods procurement.

(d) Collateral Options

The collateral option for *Murabaha* in Iraq is similar to that of other micro-finance loan products: a third-party guarantee, typically by a government employee.

(e) Repayment

In the case that the entrepreneur is unable to pay during the agreed time, the amount of mark-up remains as fixed originally in the contract and does not increase due to a delay in the contract. The financier owns the goods purchased until the last installment is repaid, whereupon ownership is transferred to the borrower.

(f) Challenges of implementing Murabaha

i) Mark-up Covering Operational Costs

Mark-ups on procured goods are intended to cover the operational cost of procurement for the MFI. However they may not be sufficient if the MFI has to travel outside their areas of operations to purchase goods. While MFIs want to maintain their competitive edge and continue providing requested services to their clients, the limit on mark-up as prescribed by the Sheikhs based on market practices squeeze the MFI's margins and their ability to incur above a certain level of operating cost for clients.

ii) Creating Efficient Systems for Procurement Planning

In order to realise the incremental increase of their outreach, MFIs must focus on creating efficient and standardised systems for planning procurement for a large number of clients.

iii) Cost of Delayed Repayments

Based on the nature of Murabaha, as defined in the Fatawa related to each MFI, these institutions are not able to charge late fees on delayed repayments.

Case Study: Al-Takadum Microfinance Institution

Al-Anbar, one of the most violence-prone provinces in Iraq, suffers from widespread insurgency, terrorism and a volatile political environment. When the Al-Takadum Microfinance Institution was established in 2007, it faced enormous resistance from religious leaders who perceived microfinance as *'Haram'* or forbidden. Al-Takadum team held approximately 23 meetings with a number of tribal and religious Sheikhs to build consensus on microfinance, namely *Murabaha* lending, and travelled across the province to talk with local communities and people from the *Sunni* Awakening Councils.

Today, Al-Takadum has three branches in Al Qaim, Falluja and Ramadi, serving 4,129 clients and has financed re-establishment of over 3000 MSMEs and 750 homes destroyed by the war and militant insurgency. Al-Takadum's vision in enabling financial access to the people of Al-Anbar was to replace violence with economic freedom, and to empower the large number of widows and destitute women resulting from the war.

Source: Muhammad Junaid, USAID-Tijara.

The introduction of the *Murabaha* product in the Iraqi micro-finance sector has enabled MFIs to reach out to a larger number of clients traditionally excluded from the financial sector. Given the young history of the industry and against the backdrop of war and instability, micro-finance is increasingly recognised as the only channel through which people without tangible collateral can access financing. Therefore it is also imperative for the Iraqi micro-finance sector to continue providing religiously acceptable loan products to achieve the overall objective of poverty reduction and entrepreneurship.

Murabaha deals have also been contemplated by the Central Bank of Afghanistan [9] and witnessed in Palestine. Indeed, *Murabaha* micro-finance has been conducted in the West Bank and Gaza, through FATEN, a mature micro-finance institution serving Palestine.[10]

Despite the controversy surrounding *Murabaha*, its use may be most appropriate for microfinance deals and for purposes of *Al-Suyulah* (Islamic liquidity). Dr. Mohd Daud Bakar has discussed the definition of *Al-Suyulah* thusly:

A modern Arabic lexicon has defined *Al-Suyulah* as the capacity of an individual or a company to convert assets into cash or an immediate ability to meet one's financial obligations. Liquidity is a process of converting assets into cash or cash equivalents and this process must not lead to a significant loss because otherwise the purpose of having liquidity is defeated. Liquidity has varied meanings according to various perspectives and contexts. In the finance sector, liquidity is the bank's ability to meet any unexpected demands for cash from its depositors. Liquidity is parallel to the term 'insolvency', or the ability to meet debts as and when they are due, and this is achieved when the current assets of the bank exceed the current liabilities.[11]

As a trade finance instrument for purchases of inventory and equipment in the contemporary *riba*-based economic system, it may be unsurpassable, especially to champions of 'incrementalism.' [12] However, the controversy still rages. Muslims and non-Muslims alike have weighed in: for example, in a work on *Murabaha*, Shania Sadiq and Stella Cox state that:

In a classical Murabaha, the buyer/financee's objective is the purchase of an asset and the bank's objective is to provide financing for the acquisition of the asset. In a commodity Murabaha, the parties enter into the sales and purchases not because they have the intention of engaging in a trade with exposure to the price of the commodity, but because trading in commodities is necessary to support financing with a Shari'ah-compliant tangible asset. The divergence between the stated objective of the contract and its ultimate purpose is a source of concern for Shari'ah scholars evaluating a *Murabaha* contract in form and in substance.[13]

The authors clearly have a preference for the classical trade finance *Murabaha*, where the purchase of a commodity was connected to the actual use of the commodity in a client business, and they call for a return to simplicity over contractual legerdemain. In the conclusion, they state:

There are still kinks in the *Murabaha* trade finance contracts, such as the apparent inefficiency of monetising commodities and using intermediaries to deliver financing, when it would be more efficient (and less open to contest) if parties documented the financing arrangement using simple bilateral documentation to incorporate key *Shari'ah* principles that are widely recognised as being essential to compliance within the *Shari'ah*. Such a step would focus on substance rather than the contractual form of the *Murabaha*.[14]

For the USAID project to succeed it is very important that it not be seen as a colonial enterprise with a *Shari'ah* veil but a genuine attempt to meet the financing needs of a war-torn population. The former perception will lead to failure; the latter, most likely, to hope.[15]

OTHER INITIATIVES

There has been extensive academic interest in the area of Islamic micro-finance. For example, on April 2007, Harvard Law School organized a symposium of Islamic micro-finance.[16] The symposium featured a diversity of presentations on Islamic microfinance including:

- Nairobi-based Abdikadir Hussein, Ahmednasir, Abdikadir & Company's "The Road to Islamic Micro-finance in Kenya: Climate, Compliance, and Capacity";
- the University of Cologne's Hans Dieter Siebel discussing "Islamic Micro-finance in Indonesia: The Challenge of Institutional Diversity, Regulation and Supervision";
- University of East London law professors Hilary Lim and Siraj Sait on "Islamic Micro-finance in Crisis Situations";

- The International Investor of Kuwait's Muhammad Anas Zarqa on "Monetary *Waqf* for Micro-finance";
- Durham University professor Rodney Wilson on "Making Development Assistance Sustainable through Islamic Micro-finance,"
- and representatives of the World Bank and its Consultative Group to Assist the Poor (CGAP) on "Challenges of Micro-finance and Potential for Islamic Micro-finance".

Following the Harvard symposium, in early 2010, CGAP, Deutsche Bank, Islamic Development Bank and Grameen launched an initiative to encourage the kindling of Islamic microfinance worldwide: the Islamic Microfinance Challenge 2010.[17] The challenge was open to the general public and designed to attract microfinance proposals which were "profitable, sustainable, scalable and *Shari'ah*-compliant." Successful proposals would be awarded a grant of $100,000 plus technical support to launch a pilot project. The proposed projects had to be a working model of an emerging industry which could extend financial access to millions of poor people.

The development of the challenge has an interesting timeline: the founder of Grameen, a Muslim, won the Nobel Peace Prize in 2006; Harvard held a symposium in 2007, wherein representatives of CGAP made a keynote presentation; in 2009, Zohaib Patel noted that the Islamic Development Bank had earmarked micro-finance as a 'strategic imperative'; and in 2010, these same institutions together with Deutsche Bank developed an Islamic micro-finance project.

At the launch of the project, Alexander Schuetz, Deutsche Bank's Managing Director and Chief Operating Executive for the MENA region, stated that, "The competition will identify innovative product and business ideas that fulfill both Islamic and good business criteria, and thus have the potential to become self-sufficient and profitable."[18]

CONCLUSION

The Islamic Micro-finance Challenge is an instructive example of incrementalism in Islamic finance. Indeed, the development of micro-finance in Iraq has followed an incrementalist path: non-governmental organisations like USAID saw the need for micro-finance in Iraq. However, the NGOs noted that the Iraqi population, and especially the poor, showed an aversion to get conventional loans even under a micro-finance regime. The NGOs and specifically USAID-Tijara then presented a solution to this aversion in the form of a *Murabaha* micro-finance programme.

Murabaha micro-finance projects have to be seen in the wider context of the struggle between the sacred and the secular in modern-day, war-torn Iraq. For years, under Saddam Hussein and his Ba'ath party, Iraq remained a secular, nationalist state.

As Saddam sought to consolidate his power during and after the Gulf War, he made increasing reference to religion without entering into specific Islamisation programmes. Post-Saddam, the issues of religion and state, and their role in constitutional democracy have come to the fore. As stated by Noah Feldman, a constitutional law advisor to the US Coalition Provisional Authority, in his book *After Jihad*:

A post-Saddam Iraq will inevitably become, in other words, a laboratory for trying out the mobile idea for democracy in front of the whole world. And in the language of democracy, the new order must guarantee the Iraqi people self-government. This is where Islam will come into play. There are more *Shi'a* Iraqis than *Sunni* Iraqis…but both groups are equally likely to look to Islam to derive some political values and ideals. *Shi'ias* have the model of Iran next door to consider, and Sunnis have the paradigms of Islamist activism in the Sunni Arab world. While Islamism is not at present a force in Iraqi life, there is no reason to think that Iraqi Islam is very different from Islam elsewhere in the Arab world. If Iraqis are freed to make political decisions on their own behalf, Islamists will no doubt quickly arise to offer Islamist solutions to Iraqi political problems. Post-Saddam Iraq would pose an ideal opportunity for the world to show its openness to the possibility of Islamic democracy, by embracing any political parties or organisations that promise to work within the structures of democratic constitutional government. That would mean that ideas associated with Islam would figure in an Iraqi constitutional convention, and that Islamic democrats would be able to participate in a subsequent government.[19]

When the Coalition Provisional Authority started entertaining 'the ideas associated with Islam'in the future constitution, by way of so-called Resolution 137, there were vociferous debates within Iraqi society, with *Shi'a* clerics in support of the resolution and secular women's groups rallied against it.[20]

While these debates did not touch upon finance, they did indicate the struggle between the sacred and the secular within Iraqi society and the challenges facing NGOs like USAID-Tijara purveying Islamic finance product to the lower-class segment of the war-ravaged country.

NOTES & ACKNOWLEDGEMENTS

Shahzad Siddiqui is a Toronto-based lawyer and investment banker. A graduate of the University of Toronto and Osgoode Hall Law School, he has advised organisations as diverse as Ittihad Securities, an Islamic investment firm based in Toronto; the Islamic Foundation of Toronto Inc.; the Chinese Muslim Association of Canada; and Islamic wealth management teams at HSBC Securities and Macquarie Private Wealth.

Tariq Muinuddin is a Toronto-based lawyer. He received his LL.B from the University of Manitoba where he was awarded the D.H. Thompson QC Prize in International Business Law. Previous to that he received a Bachelor of Arts from the University of Waterloo where he studied Mathematics and Philosophy

FOOTNOTES

[1] Arundhati Roy's lyrical words were first spoken during a speech sponsored by the Center for Economic and Social Rights, and broadcast live on Pacifica Radio, from Riverside Church in New York on 17 May 2003. They were replicated in an article entitled "Seize the Time" published by *In These Times magazine*, in its issue of July 2003. Finally, Roy's words were preserved for posterity in book form in *An Ordinary Person's Guide to Empire* (Cambridge, Mass.: South End Press, 2004), p. 49.

[2] Most of the facts and statistics in this paper pertaining to microfinance in Iraq are from author discussions with Muhammad Junaid, head of the USAID-Tijara microfinance program in Iraq, as at 1 July 2010. Tijara is the name of the USAID provincial economic growth program in Iraq. The authors thank Mr. Junaid for his able assistance.

The authors would also thank Professor Haider Ala Hamoudi of the University of Pittsburgh Law School and legal advisor to the current government of Iraq for his instructive and insightful comments on this paper.

[3] Aamir Rehman, *Gulf Capital and Islamic Finance*: *The Rise of the New Global Players* (New York: McGraw Hill, 2010), pp. 97-8.

[4] Muhammad Taqi Usmani, *Introduction to Islamic Finance*: www.darululoomkhi.edu.pk/fiqh/islamicfinance/murabaha.html <Last accessed 8 May 2009>.

[5] Drawn from Abdulkader Thomas and Bryan Katy, with Sudin Haron, Mustafa Hussain and Stella Cox, "The Murabaha and simple sales transaction," in Abdulkader Thomas, Stella Cox and Bryan Katy, *Structuring Islamic Finance Transactions* (London: Euromoney Books, 2005), pp. 74-5.

[6] Daud Vicary Abdullah and Keon Chee, *Islamic Finance: Why It Makes Sense* (Singapore: Marshall Cavendish Business, 2010), pp. 2-3.

[7] Zohaib Patel, "Islamic Finance and Microfinance: Lessons for the Global Financial Crisis," *Microfinance Insights*, Vol. 11, March/April 2009.

[8] Recchia is a senior consultant with Bearing Point and his presentation was entitled "Basics of Islamic Banking," http://pdf.usaid.gov/pdf_docs/PNADQ078.pdf <Last accessed 12 February 2010>.

[9] Daud Vicary Abdullah, "Global trends in Islamic finance," Deloitte Global Perspective Series, Intercontinental Hotel, 225 Front St. West, Toronto, 10 February 2010.

[10] See, for example, Niveen Aboushi, Judith Brandsma with Samir Barghouti, USAID West Bank and Gaza, Microfinance Sector Assessment: http://pdf.usaid.gov/pdf_docs/PNADG870.pdf <Last accessed 8 February 2010>.

[11] Dr. Mohd Daud Bakar, "*Al-suyulah*: the Islamic concept of liquidity," *Euromoney Encyclopedia of Islamic Finance* (London: Euromoney Books, 2009), p. 131.

[12] For a detailed discussion of the incrementalists, see Shahzad Siddiqui and Siddiq Mohamed, "Contemporary developments and growing options in *Islamic wealth management within North America and beyond," Islamic Wealth Management:* A Catalyst for Global Change and Innovation (London: Euromoney Books, 2009), pp. 93-8.

[13] Shana Sadiq and Stella Cox, "Murabaha Based Trade Financing," in Dr. Humayon A. Dar & Umar F. Moghul eds., *The Chancellor Guide to the Legal and Shari'ah Aspects of Islamic Finance* (London: Chancellor Publications Limited, 2009), p. 60.

[14] Shana Sadiq and Stella Cox, "Murabaha Based Trade Financing," in Dr. Humayon A. Dar & Umar F. Moghul eds., *The Chancellor Guide to the Legal and Shari'ah Aspects of Islamic Finance* (London: Chancellor Publications Limited, 2009), p. 75.

[15] Indeed, in the Arundhati Roy speech quoted at the beginning of this paper, the acclaimed author identified USAID, along with Britain's Department for International Development, Arthur Anderson and Merrill Lynch as institutions that might themselves come under siege: see www.thirdworldtraveler.com/Arundhati_Roy/Seize_the_Time.html <Last accessed 10 February 2010>.

[16] For a summary of the symposium, see "Financing the Poor: Towards an Islamic Micro-Finance," Harvard Law School, Islamic Legal Studies Program, Islamic Finance Project, 14 April 2007: http://ifptest.law.harvard.edu/ifphtml/index.php?module=announcement2 <Last accessed 11 March 2010>.

[17] "Islamic Microfinance Challenge 2010: Innovating Sustainable, Scalable, and Market-Driven Models," www.cgap.org/p/site/c/template.rc/1.26.12645 <Last accessed 11 March 2010>.

[18] "Islamic Microfinance Set New Challenges," *Global Islamic Finance* magazine: www.globalislamicfinancemagazine.com/news_list.php?nid=449 <Last accessed 11 March 2010>.

[19] Noah Feldman, *After Jihad: America and the Struggle for Islamic Democracy* (New York: Farrar, Straus and Giroux, 2003), p. 179-180.

[20] Isobel Coleman, *Paradise Beneath Her Feet: How Women are Transforming the Middle East* (New York: Random House, 2010), pp. 246-252.