



CCO BRIEF ON FINANCIAL COOPERATION

COMCEC COORDINATION OFFICE
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BRIEF ON FINANCIAL COOPERATION

I. Introduction

Financial cooperation is indispensable for promoting capital mobility, advancing financial literacy, mitigating financial risks, overseeing financial institutions, diversifying financial instruments, and fortifying financial markets. Accordingly, regional and global financial cooperation remains essential for ensuring the stability of the international financial system and has the potential to improve global economic and social conditions.

The past four years have witnessed unprecedented shocks affecting the financial sector. Post-pandemic, the global economy has traversed a phase of elevated volatility - characterised by supply chain dislocations, an energy and food crisis triggered by geopolitical tensions, and synchronized monetary tightening in response to elevated inflation. Contrary to numerous recession forecasts, the global economy demonstrated resilience: banking systems held firm, major emerging markets avoided sudden stops, and inflation did not ignite wage-price spirals. Instead, inflation levels began moderating at a pace comparable to their rise.

Nevertheless, the recent wave of tariff increases and the associated trade policy uncertainty have exerted significant pressure on global growth, trade volumes, and inflation. These measures have weakened growth prospects, particularly in advanced economies, while generating direct price pressures for consumers through higher import costs. As a result, household purchasing power has eroded, and inflationary pressures have been amplified, underscoring the need for enhanced financial cooperation and coordinated policy responses to mitigate the adverse effects on the global economy.

II. Islamic Finance

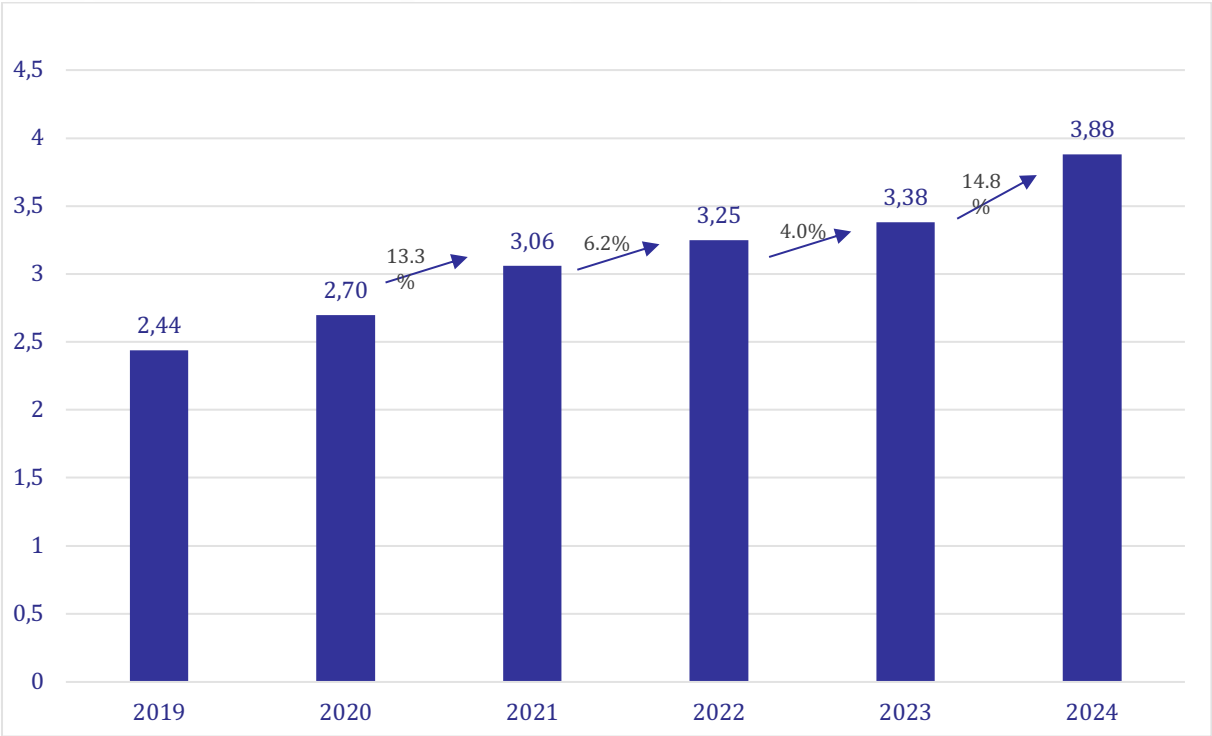
Islamic finance has become a key aspect of the global financial system, showing significant growth but remaining concentrated in certain regions.

Global Islamic finance total assets, comprising Islamic banking, sukuk, takaful, and Islamic funds, grew steadily from USD 2.44 trillion in 2019 to USD 3.38 trillion in 2023, with varying annual growth rates.

By 2024, the sector is projected to reach USD 3.89 trillion, marking the strongest annual growth in recent years at 14.8%.

The consistent upward trend reflects the expanding demand for Shariah-compliant financial products across different regions.

Figure 1: Global Islamic Finance Total Asset Size (USD in Trillion)

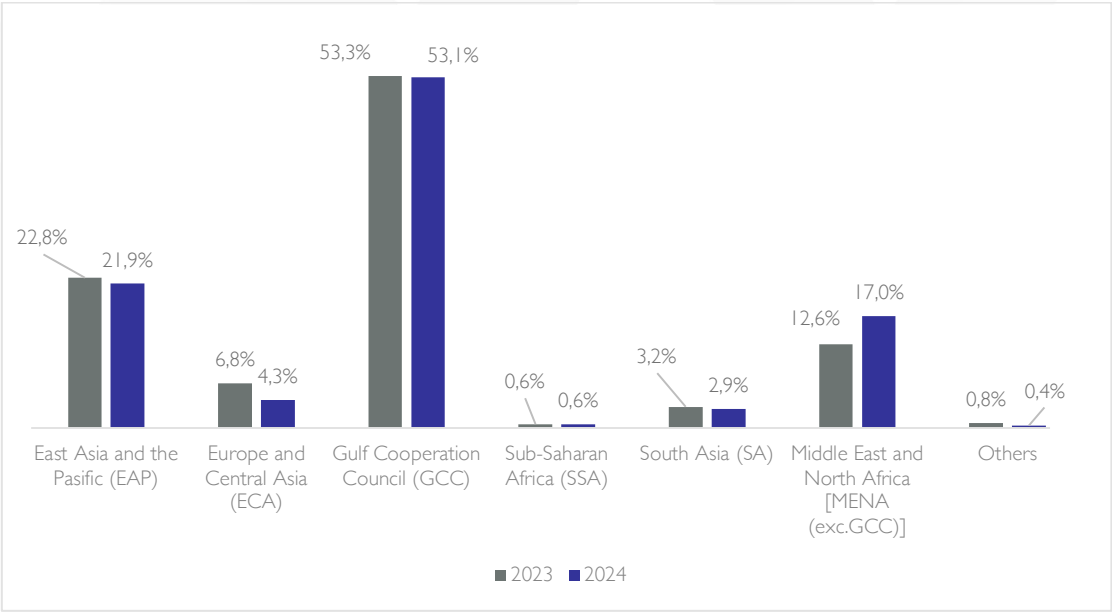


Source: 2025 Islamic Financial Services Industry Stability Report

The concentration of Islamic finance, in terms of the region, remained the same in 2024. The GCC maintains the dominant share at over 53% in both 2023 and 2024.

East Asia and the Pacific followed with 22%, while the Middle East and North Africa (excluding GCC) slightly increased their share from 12.6% in 2023 to 17% in 2024.

Figure 2: Breakdown of IFSI by Region (%)

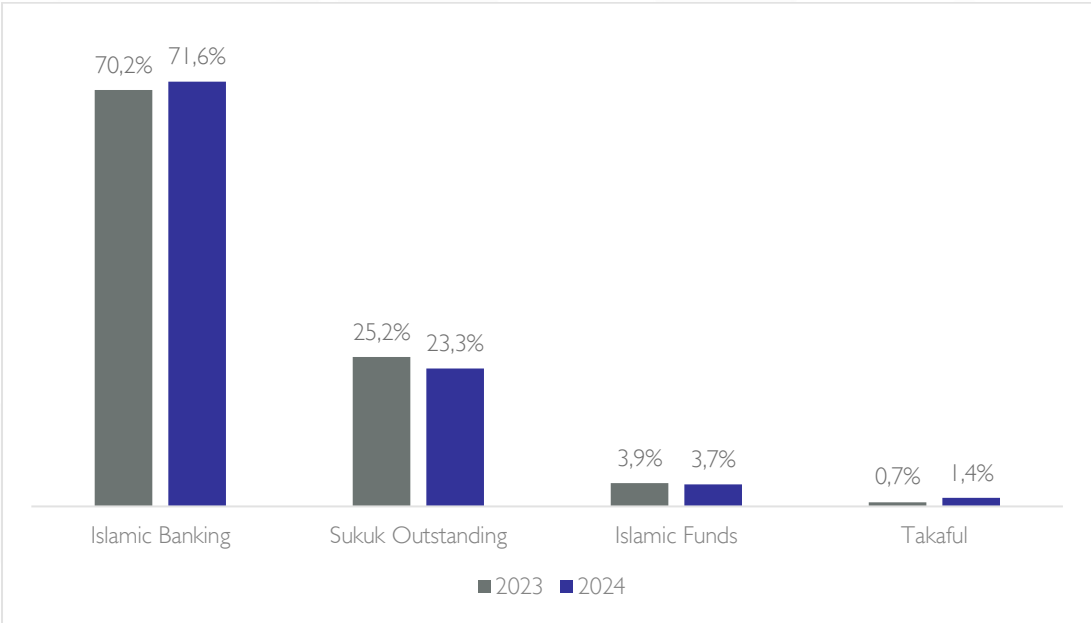


Source: Compiled from IFSB 2024 and IFSB 2025

Islamic banking remains the dominant component of global Islamic finance, increasing slightly from 70.2% in 2023 to 71.6% in 2024.

Meanwhile, the share of sukuk declines from 25.2% to 23.3%, while takaful grows modestly from 0.7% to 1.4%, and Islamic funds see a small dip from 3.9% to 3.7%.

Figure 3: Breakdown of IFSI by Islamic Finance Segments (%)



Source: Compiled from IFSB 2024 and IFSB 2025

III. Cooperation Efforts under the COMCEC

a. Promoting Sustainable and Environmentally Friendly Islamic Financial Instruments to Combat the Adverse Effects of Climate Change and Natural Disasters in the OIC Member Countries

The 23rd Meeting of the COMCEC Financial Cooperation Working Group (FCWG) was held on April 22nd, 2025, in a virtual-only format with the theme of “Promoting Sustainable and Environmentally Friendly Islamic Financial Instruments to Combat the Adverse Effects of Climate Change and Natural Disasters in the OIC Member Countries”. As a sequel to the 23rd Meeting, the 24th Meeting of the Working Group was organized on 17-18 September 2025, in Ankara, Türkiye. While the first draft version of the research report on the above-mentioned theme was submitted to the 23rd Meeting, the final version was submitted to the 24th Meeting of the Working Group.

The report comprehensively examines the efforts to address financial needs in the face of climate change and natural disasters by utilizing Islamic financing models, focusing on the practices in Islamic countries. Four OIC Member Countries, namely Azerbaijan, Indonesia, Qatar, Nigeria, and one non-OIC country (the United Kingdom), have been analyzed in detail as case study countries. The research report included a detailed roadmap for Islamic countries, according to their level of development in this field, on the ways and steps to create an effective strategy for benefiting from Islamic financial instruments to fund green and climate-friendly, disaster risk reduction (DRR), and resilience-focused projects.

The Working Group, during the 24th Meeting, came up with a set of policy recommendations as follows:

- Strengthening legal and regulatory frameworks to enable the effective integration of green, climate-and Disaster Risk Reduction (DRR) - linked Islamic finance instruments into national financial systems
- Promoting diversification and market development of Shari'ah-compliant green financial instruments by simplifying issuance processes, fostering innovation (e.g., resilience-linked sukuk, ESG-compliant contracts), and introducing regulatory incentives to attract investments
- Developing/improving fiscal and macroprudential incentives, fostering public-private partnerships, and leveraging Islamic financial instruments to scale climate and DRR-aligned investments
- Strengthening green Islamic finance by developing secondary sukuk markets, enhancing transparency, and leveraging fintech and blockchain to improve traceability and impact measurement
- Ensuring adequate standardized data availability and developing frameworks to enable effective risk assessment, policy-making, and disaster risk reduction
- Leveraging Islamic social finance, including waqf and zakat, and digital innovation to support climate action and disaster resilience

All the presentations made during the 23rd and 24th Meetings of the Working Group are available on the COMCEC web page (www.comcec.org).

b. The COMCEC Project Funding Mechanism

COMCEC Project Funding (CPF) is the second pillar of the COMCEC Strategy. Projects financed under the CPF are selected considering their potential contribution to the cooperation efforts among member countries in accordance with the objectives and the expected outcomes defined in the finance section of the Strategy. Projects have a crucial role in the realization of the policy recommendations formulated by the Working Groups and adopted by the Member Countries during the COMCEC Ministerial Sessions. Under the 12th Call for Project Proposals under the CPF, two projects were selected in the financial cooperation area to be implemented in 2025. These projects are as follows:

Benin has implemented the project titled “Experience Sharing in Designing a Legal Framework for Building an Islamic Finance Lead Unit” in partnership with Malaysia. This project aimed to understand the process of establishing a legal framework for an Islamic Finance Lead Unit, which would facilitate the mobilization of Islamic green finance to mitigate climate change impacts and enhance disaster resilience. As part of the project, a study visit and a training activity were carried out.

Sierra Leone implemented the project titled “Capacity Building for Strengthening Digital Payment Systems in the Financial Sector” in partnership with The Gambia and Nigeria. The project aimed to enhance the skills of selected professionals in the digital payments sector by providing advanced knowledge and practical experience. A study visit and a training activity were conducted under this project.

c. Other Ongoing Efforts under the COMCEC:

OIC Member States' Stock Exchanges Forum: Cooperation among the Stock Exchanges was launched in 2005 in line with the decision taken by the 20th Session of the COMCEC. The Forum held its 19th meeting virtually on September 23rd, 2025. In addition to efforts to enhance cooperation between stock exchanges, the Forum has realised some important projects, such as the OIC/COMCEC 50 Shariah Index Fund. In this context, an important financial product, the OIC COMCEC 50 Shariah International Investment Fund, based on the index, became available to international investors in August 2022. It remains important to increase the size of the fund and continue to raise investor awareness.

In this context, the 40th COMCEC Session called upon member countries to support the promotion of the S&P OIC/COMCEC Shariah International Fund, which includes stocks from the OIC/COMCEC 50 Shariah Index developed under the coordination of the OIC Exchanges Forum, to investors and the financial community in their respective countries.

The Forum has also been working on the Gold Exchange Initiative for the OIC Member Countries. In this regard, the 40th COMCEC Session requested the Secretariat of the OIC Exchange Forum to complete the technical preparations for the OIC Gold Exchange Project based on the blockchain model in cooperation with the Central Banks of the interested Member Countries.

The detailed information regarding the activities of the Forum is available on www.oicexchanges.org

The COMCEC Capital Market Regulatory Forum: The COMCEC Capital Market Regulatory Forum was established in 2011 in line with the relevant resolutions of the 27th Session of the COMCEC. The Forum has held fourteen meetings so far. The 14th Meeting of the Forum will be held virtually on October 15th, 2025.

Recalling the relevant resolutions of the COMCEC Ministerial Meetings, the 40th COMCEC Session requested the Secretariat of the COMCEC Capital Market Regulators Forum to expedite the necessary legal, administrative and technological preparations for the establishment of the COMCEC Real Estate Electronic Platform and invited the member countries that have not yet done so to identify their competent authorities and notify them to the Forum Secretariat for enhanced coordination.

In this context, the Forum launched the GEFAS online data platform for property-based and emerging financial instruments in 2022. This platform aims to enhance efficiency and transparency in the capital markets by providing investors with easier access to online information on real estate-based investment products.

So far, due to the interest shown in the platform from numerous Forum Members, the stock market links of Azerbaijan, Bangladesh, Egypt, Indonesia, Iran, Kuwait, Lebanon, Malaysia, Maldives, Morocco, Pakistan, Palestine, Qatar, and Saudi Arabia have been integrated into the GEFAS platform.

The details regarding the Forum activities are available on the Forum website. (www.comceccmr.org)

OIC-COMCEC Central Banks Forum: In the 16th Meeting of the Central Banks and Monetary Authorities of the OIC Member States, the central banks of the OIC Member States decided to continue the activities of the Forum as the “OIC-COMCEC Central Banks Forum”. The 34th COMCEC Session took note of the communique of the said meeting as well as the decision on the establishment of the “OIC-COMCEC Central Banks Forum”. Within this framework, the 7th Meeting of the Forum was organized on September 28th-29th, 2025, in İstanbul.

The details regarding the Forum activities are available on the Forum website. (www.comceccentralbanks.org)



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