Waqf & Zakat

Solidarity-based financing for sustainable development
IDB Vision 1440 H
“A Vision for Human Dignity”

IDB has been innovative and successful in utilising the institutions of Zakat, Awqaf and Sadaqat to alleviate poverty, but their potential has not been fully tapped.

The Bank should help develop these institutions further as key instruments for not only poverty alleviation and reducing income gaps, but also to fight disease, promote health and spur development.
«إذا مات ابن آدم انقطع عمله إلا من ثلاث: صدقة جارية، أو علم ينتفع به، أو ولد صالح يدعو له»، رواه مسلم

“Whence a child of Adam dies, his/her deeds come to an end, except for three things:

• a running charity
• or knowledge which gives benefit
• or a righteous child who prays for him/her

(narated by Muslim)
Waqf is a Voluntary donation: a running charity

Waqf literally means tying up of an asset (Real estate, cash, etc…) for some specific sharia compliant objective in such a way that:

• the Asl (Principle) remains intact

• and only its Re’a (usufruct) is spent on the named objectives
Waqf Typology

**Usufruct**

**Real estate based**
- Rental of Waqf properties and disbursement of the proceeds.

**Cash/commodity based**
- Investment of the waqf principle and disbursement of proceeds

**Principle**

**Usufruct**
- Waqf assets producing goods and service (Farms, fountains, bridges, public utilities etc...)

**Cash/commodity based**
- Direct lending of the Waqf principle (to the needy - student – seeds to farmers - cash to )
Awqaf from the Atlantic to the Pacific

First Waqf established in the early days of Islam included: Mosques - Farms - Wells, etc.,

From the Atlantic to the Pacific, many different kinds of waqf were created:

• Public utilities, education and research, health care, etc.

• Property, cash, grains for seeds, etc.

This great Variety sets Awqaf apart from other forms of endowment (Roman endowed chairs, etc..)
Great variety of innovative Causes

Social
- Interest free loans
- Debt relief
- Guesthouses for passing strangers
- Replace Broken Utensils (housemaids)
- Distribution of Dessert, Fish ...
- Bread basket
- Bailing out prisoners
- Marriage loans, Lending Jewelry
- Shelter for Angry housewives

Health/Environmental
- Hospitals, Veterinary hospitals
- Shelter for Stray animals.
- "Medical caravans" or mobile clinics
- Special Need
- Chanting to entertain sleepless patients
- Guesthouses (Khan-caravan sarays)

Educational
- Universities, student hostels, libraries
- Orphans/poor students vacation home
- Feeding the mule of Sheikh Al-Azhar

Infrastructure
- Roads, Bridges, Railway
- Hijaz Railroad
- Public Utilities
- Etc...
Great variety of innovative Causes

Dar Deqqa: Shelter for angry/abused housewives in the city of Marrakesh, Morocco—offers counseling and mediation between husband and wife…

Replacements of broken utensils (to avoid punishment)

A special Waqf was setup to provide Shaikh Al-Azhar with a vehicle (mule), fuel and maintenance (Feed and care)
One of the most urgent economic problems facing the U.S. is the deplorable state of the country's roads, bridges, railway…

The wealthy should consider a new target for their philanthropy: public works…..

There is a Precedent: Ottoman-era Turkey lacked a budget for the provision of basic services.

To fill the void, more than 35,000 private foundations, known as vakif in Turkish, funded public-works projects and municipal services, from water systems and schools to hospitals, bridges and roads.
Current Estimates of Waqf Assets worldwide

- In some Muslim countries awqaf reached 1/3\textsuperscript{rd} or more of cultivable land.
- Due to different reasons, awqaf have degenerated —both as a concept and in real terms.
- It is difficult to estimate for current size of Awqaf Assets.
- Current Estimates range from USD 100 billion to 1 trillion.
- Awqaf are experiencing major revival nowadays.
Waqf in IDB

- ISFD
- IDB
- WWF
- APIF
- Waqf Activities in IRTI
IDB’s Waqf Supports the following causes:

- **Special Assistance**
  - Health & Education for Muslim communities in non-MCs
  - Relief operations in the event of natural disasters
  - Scholarship programs

- **Technical cooperation programs and technical assistance to MCs**

- **The Islamic Research and Training Institute**
Awqaf Properties Investment Fund

- APIF aims to provide financial resources to develop Awqaf properties to maximize their revenues to contribute to the social and economic development.
- Finance new projects / expansion / renovation of Awqaf projects:
  - Housing / Commercial
• WWF aims to promote Waqf through effective partnership between Philanthropists, NGOs and the Public Sector, to contribute to development projects and programs

• WWF’s aims to add value and fill the gaps in the Waqf Value Chain

The World Waqf Foundation

The Waqf Value Chain
The Islamic Solidarity Fund for Development

- ISFD aims to
  - reduce poverty
  - build the productive capacities of member countries,
  - reduce illiteracy
  - eradicate diseases and epidemics, particularly Malaria, Tuberculosis (TB) and HIV/AIDS
Zakah Basic Concepts

• **Zakah** is the third pillar of Islam

• **Zakah** is “a due right on specific items of assets/properties, in specific percentages with consideration of the passage of a year (hawl) and the satisfaction of nisab”

• A **religious obligation** on all adult men/women who fulfill the conditions
8 categories

- Poor
- Needy

- zakah collection
  Employees

- sympathizers with islamic causes

- Freeing the captives

- Indebted

- In the cause of Allah (General Community services)

- Wayfarers
  (Children of the street)
Zakah and Poverty

- *Zakah* is an instrument of poverty alleviation
- Early history indicates *zakah* was effective in solving the problems of poverty
  - *Zakah* could not be distributed
- Rationale of using *zakah*
  - Unique faith-based institution
  - Still unutilized for poverty alleviation
- Has potentials to mobilize additional untapped resources for poverty alleviation
Zakah During Contemporary Times

• Impact of zakah on poverty would depend on the size of zakah collections and the kind of disbursements

• Contemporary zakah institutions appear to be weak and ineffective in collection and distribution.

• Zakah collection less than potential
  – Potential estimates—3% of GDP
  – Actual estimates—0.15% of GDP

• If we take OIC Member countries only 6 trillion GDP
  – Actual Estimate: USD 10 billion p.a.
Impact of Zakah on Poverty

• Disbursement of Funds
  – *Zakah* used for consumption—smaller and temporary impact
  – *Zakah* used for investment (human, physical, and financial capital)—stronger and permanent impact
  – Integrate *zakat* with microfinance
  – Zakat for social safety nets

- The potential of *zakah* collection and utilization for effective poverty alleviation remain untapped
New Projects: Awqaf Capital (ACAP)

World Waqf Fdn.
- Health
- Community
  Education
- Food
  Sufficiency
- Trade Dev.
- ...
- ...

Invest. Returns

ACAP

Specialized funds to support various social causes

23 (A Cash-Waqf Investment Firm - Under Registration in Bahrain)
New Projects: Waqf for Development (W4D)

- W4D approach aims at injecting Waqf Principle -not the returns- into the “bottom of the pyramid” (i.e. investing Waqf assets into socially responsible projects/Doing business with the poor)

- An asset class in which social impact, economic Empowerment are sought beyond solely the monetary returns

- Through careful due diligence, and intelligent PPPP (Public/Private/Philanthropic/Partnership) risks can be mitigated and objectives achieved
The Way Forward

• How can we work together?