



Waqf & Zakat

Solidarity-based financing for sustainable development



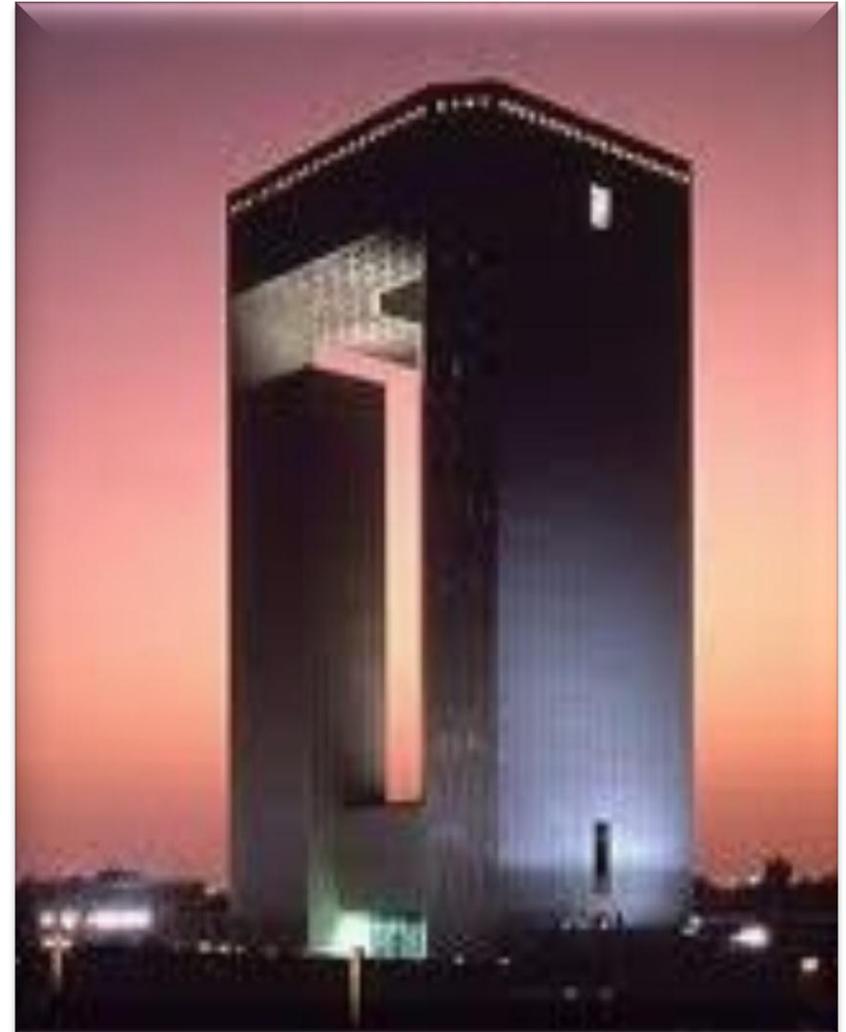


IDB Vision 1440 H

“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



Waqf-Basic Concept

«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

(narrated by Muslim)



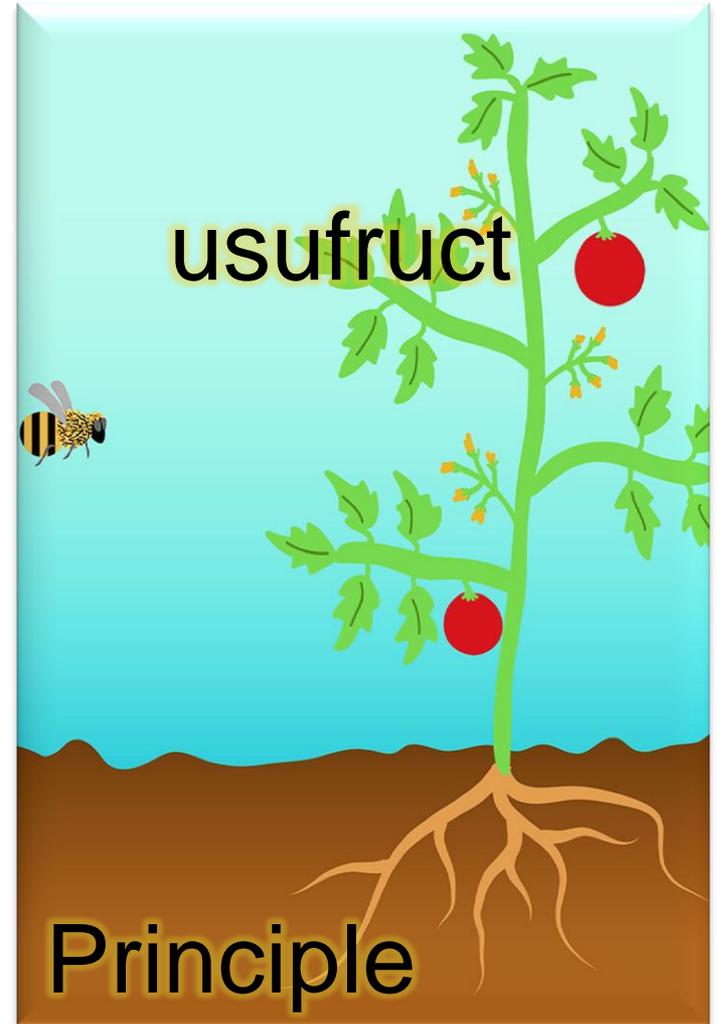
What is Waqf?



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 أصل (Principle) remains intact
- and only its Re'a ريع (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

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

Direct lending of the Waqf principle (to the needy- student – seeds to farmers- cash to)

Awqaf from the Atlantic to the Pacific

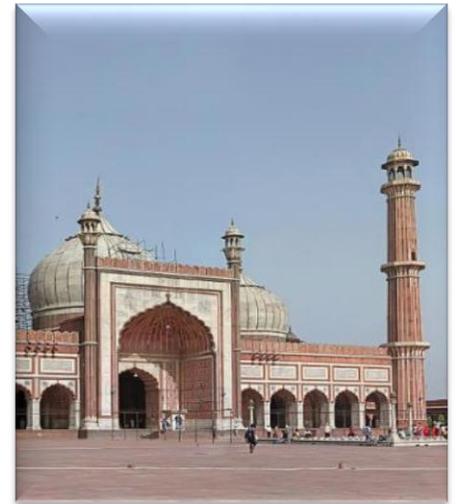
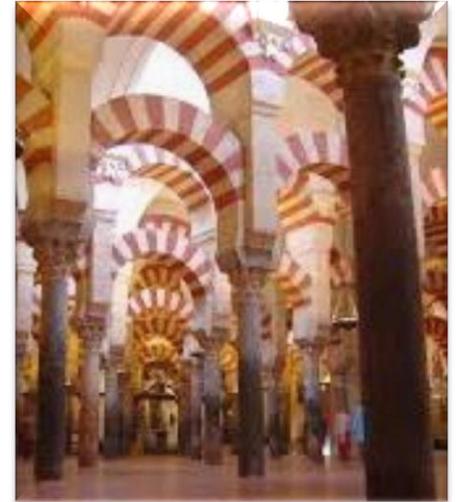


First Waqf established in the early days of Islam included: Mosques - Farms- Wells, etc.,

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

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

Health/Environmental

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

Educational

Roads, Bridges, Railway
Hijaz Railroad
Public Utilities
Etc...

Infrastructure

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)



Waqf as a Solution to the Economic Crisis?



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.

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OPINION | OCTOBER 17, 2011

How Billionaires Can Build Bridges

The wealthy should consider a new target for their philanthropy

Article | Comments (62)

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BY CHARLES LINDOY AND COURTNEY LOBEL

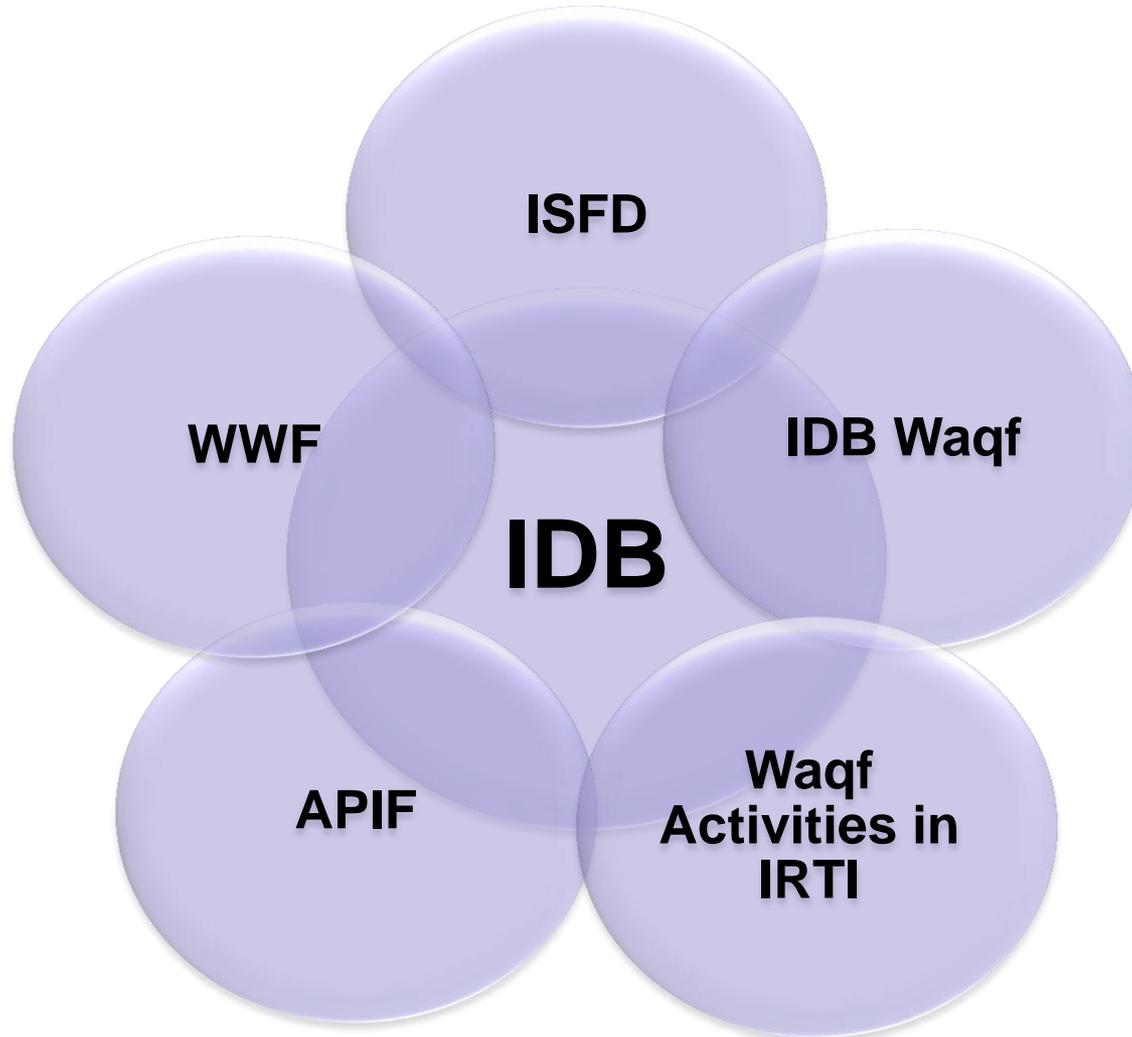
The Washington Post reported recently that William Conway, co-four private equity firm Carlyle, is asking the public how to use \$1 billion of fortune to create jobs. Here's an answer for Mr. Conway and America's billionaires: Build a bridge.



Current Estimates of Waqf Assets worldwide

- In some Muslim countries *awqaf* reached 1/3rd 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



The IDB Waqf

(Special Account Resources Waqf Fund)



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



The World Waqf Foundation



- 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 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

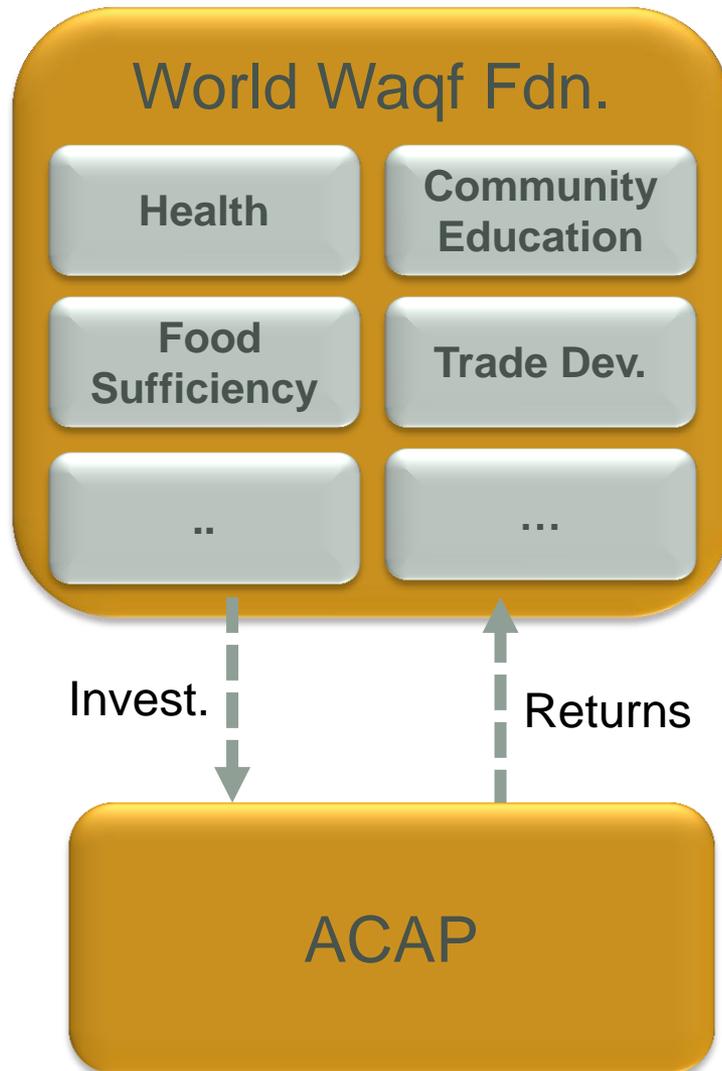
- Impact of zakah on poverty would depend on the size of zakah collections and the kind of disbursements
- Contemporary zakah institutions appear to be weak and ineffective in collection and distribution.
- Zakah collection less than potential
 - Potential estimates—3% of GDP
 - Actual estimates—0.15% of GDP
- If we take OIC Member countries only 6 trillion GDP
 - Actual Estimate: USD 10 billion p.a.
 - **Potential Estimate: USD 200 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)

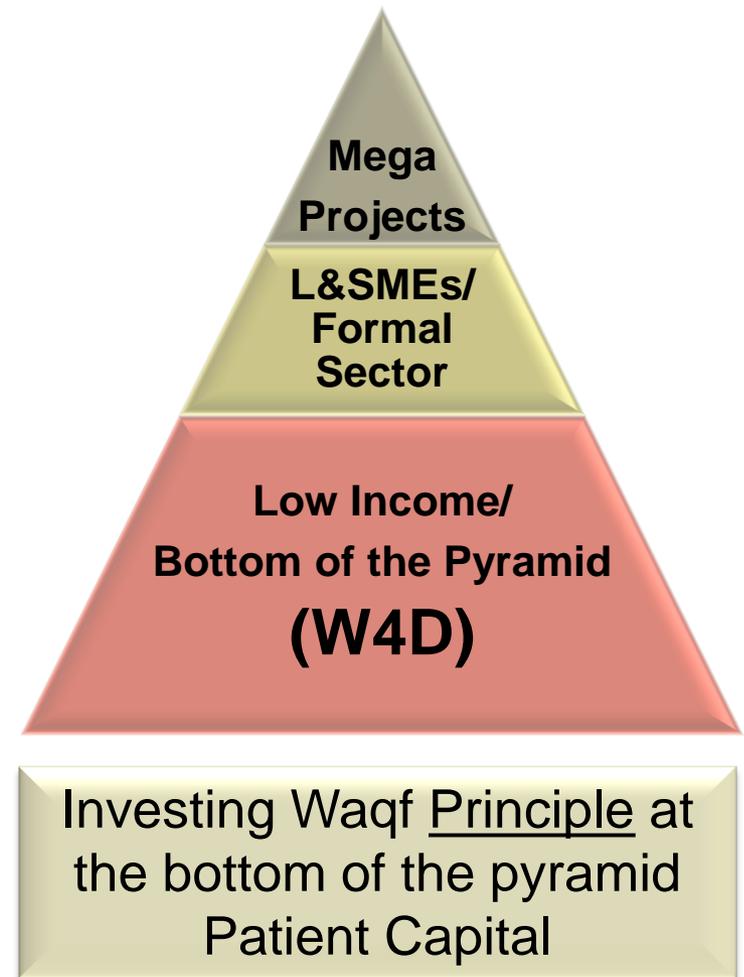


Specialized funds to support various social causes

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?

