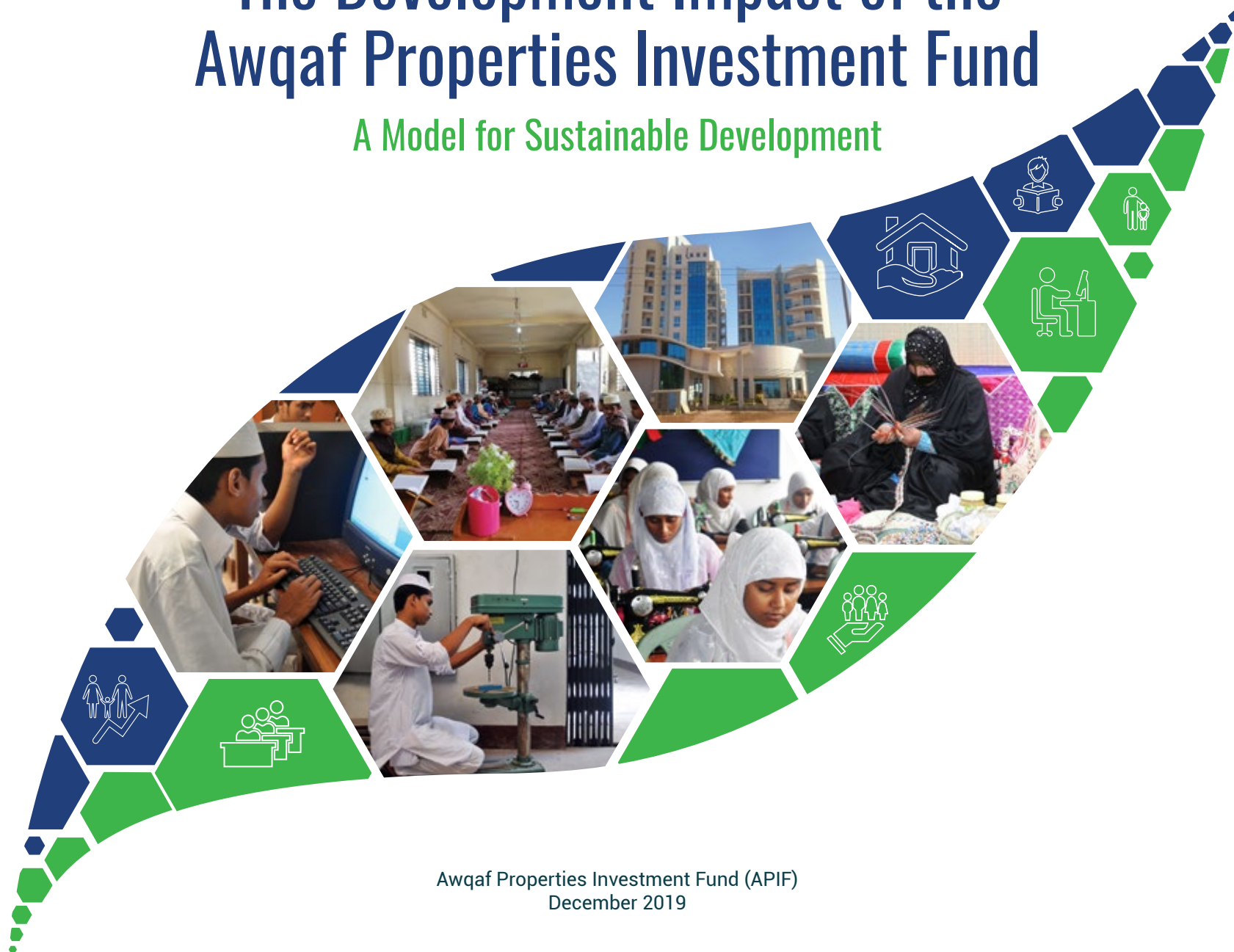


The Development Impact of the Awqaf Properties Investment Fund

A Model for Sustainable Development



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A Model for Sustainable Development

Islamic Financial Sector Development Department (IFSDD)
Islamic Finance Investments (IFI) Division
Awqaf Properties Investment Fund (APIF)
December 2019

Foreword by The President of IsDB



The Islamic Development Bank (IsDB) believes in finding innovative solutions to tackle the most difficult development challenges faced by our Member Countries and Muslim communities in Non-Member Countries. In addition, as the IsDB repositions itself to become a catalytic Bank of Developers, we believe that development decision-making, financing and implementation should be increasingly decentralized and localized to Member Countries and Muslim communities, supported by locally generated financial resources.

To this end, the IsDB has successfully revitalized the concept of *Awqaf*, or Islamic charitable endowments, which is deeply rooted in our Member Countries' heritage, to empower local development partners. It has achieved this via an innovative impact investment fund based on a unique development model with long-term financial sustainability at its core – the Awqaf Properties Investment Fund (APIF).

The APIF model could drive a shift away from short-term fixes for hard development issues towards long-term, intergenerational solutions. Through its unique mandate of establishing and developing real estate endowments, APIF empowers local welfare institutions and civil society

organizations, providing them with sustainable sources of income, which allow them to make their own contextual development decisions. Furthermore, as a component of large social infrastructure projects, APIF interventions can bring long-term operational sustainability to traditional development projects.

Given the high quality of the IsDB's technical oversight, APIF's resulting projects are sustainable sources of development funding that are expected to endure and continue to yield usable income over the long term.

For the international development community, the APIF model demonstrates an innovative mechanism to fill the large gap

in financing to achieve the Sustainable Development Goals (SDGs) of the 2030 Global Agenda. As an excellent impact investment vehicle, APIF has provided proof of concept for future development-oriented funds based on Islamic Social Finance.

Indeed, looking back over the long experience of APIF, it becomes evident that beyond heritage, the concept of Awqaf can be an effective tool for the future of international development. Initially, the creation of APIF nearly two decades ago was in response to a very specific problem, namely, the lack of financial resources to develop idle Awqaf lands, which are often not commercially bankable. In fact, through our unique fund, the IsDB has financed the development of many under-utilized Awqaf real estate properties and supported the establishment of entirely new Awqaf.

Today, APIF has further evolved into a much broader model. That's to say, it has financed the construction or purchase of income-generating real estate assets to be utilized as Awqaf for NGOs and other development-oriented players, even where there is no pre-existing Awqaf land. In the future, APIF is expected to continue to evolve, thus enhancing the relevance of Awqaf as a powerful tool for sustainably financing diverse development needs, especially in social infrastructure.

I believe that this publication provides an important contribution to the current development discourse. It will introduce to the development community the concept and potential of Awqaf as a form of Islamic Social Finance, which is supported by the documented impact of Awqaf projects.

Going beyond the direct impact of APIF projects on communities' social welfare, several projects have had positive indirect impact as well. For example, a few projects have influenced the legal and regulatory environments through prompting the adoption of new Awqaf laws and regulations introduced specifically to accommodate APIF projects. This impact is a very significant achievement indeed. In many Member Countries and large Muslim communities, Awqaf land represents a significant intergenerational accumulation of often untapped and poorly governed societal wealth.

Furthermore, this publication will provide development practitioners familiar with Awqaf with an opportunity to reflect on the lessons learned concerning best practices and

applications of Awqaf investments. For example, it emphasizes the critical role of proper governance structures for efficient and sustainable Awqaf asset management. Additionally, it highlights the role of Awqaf in bringing long-term sustainability to development projects. This is achieved via supplementing these projects with Awqaf components, which would provide renewable sources of operating expenses, thereby taking the pressure off fiscal expenditures and ensuring sustainable achievement of social objectives.

Finally, I would like to take this opportunity to express my sincere thanks and deep appreciation to APIF participants for buying into this initiative and for the support they have provided to APIF since its creation in 2001.



Dr. Bandar M. H. Hajjar
President, Islamic Development Bank

Message from the APIF Team and Summary

The APIF Impact Publication is the outcome of the collaborative efforts of the APIF Team to document nearly two decades of interventions by a unique fund. The sole purpose of this fund is to promote socio-economic development by improving the lives of destitute and poverty-stricken individuals in IsDB Member Countries (MCs) and Muslim communities in Non-Member Countries (NMCs), particularly in areas where poverty incidence is most acute.

Through this publication, the Team sought to produce a document that would, first, serve as a mean for internal evaluation of APIF's performance and effectiveness in project implementation; and second, capture the various types and levels of impact of Awqaf projects across all involved stakeholders.

The Publication also presented an opportunity to reflect on lessons learnt and how to leverage on past experiences to improve the delivery and magnify the impact of future interventions, especially as APIF continues to expand beyond its traditional borders and activities. Additionally, it was intended that this publication would serve to raise awareness about APIF's activities and allow not only shareholders of the fund to understand the impact of their capital, but to enlighten those looking at the fund from outside with interest.

Beyond simply capturing the direct output of APIF's financing, the main aim of this report is to capture the developmental impact, i.e. to assess the real effect on the beneficiary sponsors' activities in empowering, transforming and galvanizing the lives of the end-beneficiaries/individuals that receive humanitarian support or social services.

Focus was therefore on projects that have been completed and where the property is fully operational and generating a surplus of rental income being utilized by beneficiary organizations whereby some developmental impact could be measured, inferred or ascertained.

Predictably, and as is commonly faced in research, the greatest challenge encountered by the Team was in collecting

data/information from the field (i.e. from the beneficiaries of APIF's financing), given the fact that some projects date back to the early 2000s. Indeed, a lack of baseline data and accurate historical records was a major challenge. Another difficulty faced, given the plethora of activities that the beneficiaries are involved in as well as the multiple sources of common-pool resources at their disposal, was in extracting/separating the precise impact of revenue generated from APIF projects. Therefore, this publication presents an indicative sense of the impact achieved, with various levels of certainty of attribution. It nevertheless provides powerful evidence of real socio-economic impact.























This publication presents the highlights of our journey with Awqaf at the IsDB as it relates to APIF. Specifically, it presents the following:

1. A brief introduction to the concept of Awqaf;
2. A discussion of the relevance of Awqaf in general and APIF in particular to international development practice;
3. A look at how the concept of Awqaf has been operationalized as a development tool via APIF;
4. A broad overview of APIF's portfolio and the social impact of selected beneficiaries;
5. A deep dive into specific case-study projects, including the most important lessons learnt from each selected intervention; and
6. A look towards future issues of relevance to Awqaf.

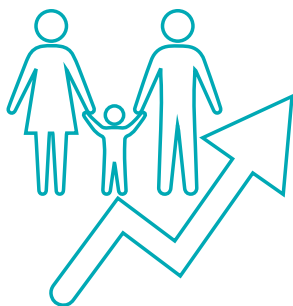
For example, the selected case studies present the impact achieved by Awqaf projects at multiple levels and groups, including the following:

1. The end-beneficiaries impacted by the activities of beneficiary organizations;
2. The beneficiary organizations themselves, which are provided with access to finance to improve their financial sustainability and resilience; and
3. The governments, where APIF projects have impacted regulations through prompting the adoption of new Awqaf regulatory frameworks introduced specifically to accommodate APIF projects and future Awqaf projects in general.

A summary of the end-beneficiaries impacted by the activities of the beneficiary organizations considered in the case studies is as follows:¹

Waqf Beneficiary Institutions	Number of Long-Term Beneficiaries	Total Number of Beneficiaries	Proportion Funded by Waqf	Other/Notes	SDGs
IsDB-BISEW (Bangladesh)	 7,000 completed IT and vocational training and placed in jobs; all other beneficiaries are in long-term-oriented programs	43,000	Full	92% job placement for program graduates, many in life-changing career jobs	   
Fujairah Welfare Association (UAE)	 6,000 empowered via vocational training, workshops, and Productive Families Program	9 Million	Partial	50,000 annual sponsorships (orphans, students, families, special needs); and many one-time spot interventions	     
Towfiq Welfare Society (Somalia and Kenya)	 20,000 orphans, students, and instructors supported	400,000	Partial	Operate social infrastructure institutions, including 7 schools and 1 university with its hospital	    
High Authority of Waqf (Senegal)	 12,500 students in the major daras (Quranic schools) to benefit	12,500	Partial	64 daras (Quranic schools) to be supported	  

¹ For simplicity, the figures presented are approximate. For Senegal, they are as planned/predicted.



This publication presents an indicative sense of the impact achieved, with various levels of certainty of attribution. It nevertheless provides powerful evidence of real socio-economic impact.

Additionally, this publication highlights the potential role of Awqaf in the following:

1. supporting charity-based value chains;
2. supporting the activities of NGOs in areas of fragility and conflict; and
3. bringing real sustainability to development projects by supplementing these projects with Awqaf components.

This publication emphasizes the nature of APIF as an impact investment fund, wherein each investment potentially has the following triple financial impact on the availability of development resources:

1. It directly supports the financing of major real estate projects with a lasting income-generation potential **(the average total size of approved projects is US\$ 18.9 million)**;
2. It mobilizes and crowds-in additional financial resources from IsDB, the beneficiary organizations, and/or philanthropists **(APIF's resource mobilization ratio is 5.5:1)**; and

3. It revitalizes previously endowed properties, unlocking massive untapped resources **(nearly 1 million square meters of built-up area has been financed)**.

This publication would not have been possible without the dedication of the entire APIF Team².

Furthermore, valuable direct contributions and inputs were also sourced and received from several professionals within and outside of the IsDB. Specifically, the Team would like to express its sincere appreciation to the following individuals for their direct contributions of written material for this publication, with appreciation due as well to their respective entities and departments:

- Dr. Layachi Feddad; Senior Sharia Specialist, IRTI
- Dr. Mohammad Abdullah; Director – Sharia – Corporate Investment Banking at First Abu Dhabi Bank (FAB)
- Khalid Ahmed; Young Professional; IsDB
- Ahmed Berthe; Economist; RSDD, IsDB.
- Jawara Gaye; Senior Education Specialist, IsDB

Last but not least, the Team is indebted to the beneficiary organizations that were instrumental to the success of this publication. Specifically, we would like to extend our sincere gratitude to the management of the organizations whose projects are featured in the detailed case studies chapter for their time, support, and hospitality.

We hope the Publication has done justice in capturing and depicting the enormous efforts of the sponsors/beneficiaries of APIF's financing as well as to the Fund itself, as a unique vehicle promoting socio-economic development globally.

**Thank You,
The APIF Team**

² The APIF Team includes the following staff of the Islamic Development Bank: Core team of this report: Bayan Atallah Almazroui, Technical Assistant, Yoseph Alsawady, Young Professional, Ghassen Khelifi, Young Professional; Al-Amin Mutallab, Young Professional; Dr. Mohamed Ali Chatti, Manager, IFI Division, Acting Director IFSD; APIF Team: Syed Asim Raza, Dr. Mohamed Ahmed Mohamed Salem, Mohamed Guermazi, Hassan Mahfouz, and Mohammad Iqbal Jhumka (Emeritus).



IsDB-BISEW's IT Scholarship project Aptitude Test

Source: IsDB-BISEW Management Office.

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Children at the Makola Muslim Orphanage

Source: <http://www.yathama.com/en/>.

Abbreviations

AH	Hijri (Islamic) Calendar Year
APIF	Awqaf Properties Investment Fund
BTEB	Bangladesh Technical Education Board
CAGR	Compound Annual Growth Rate
CAIR	Council on American Islamic Relations
CSO	Civil Society Organization
DSCR	Debt Service Coverage Ratio
DWSF	Daras Waqf Support Facility
FAB	First Abu Dhabi Bank
FDRP	Family Development and Rehabilitation Program (FWA)
FIRR	Financial Internal Rate of Return
FWA	Fujairah Welfare Association
GCC	Gulf Cooperation Council
GFD	General Food Distribution
GIIN	Global Impact Investing Network
GPE	Global Partnership for Education
HAW	High Authority of Waqf, Senegal
ICT	information and communication technology
IsDB-BISEW	Islamic Development Bank - Bangladesh Islamic Solidarity Education Waqf
IDP	Internally Displaced Persons
IFI	Islamic Finance Investments (Division of IFSD)
IFSD	Islamic Financial Sector Development Department, IsDB
IIUC	International Islamic University Chittagong, Bangladesh
IRTI	Islamic Research and Training Institute
IsDB	Islamic Development Bank
IsDBG	Islamic Development Bank Group

ISFD	Islamic Solidarity Fund for Development
KSA	Kingdom of Saudi Arabia
KU	Kismayo University, Somalia
KYC	Know Your Customer
LIBOR	London Inter-Bank Offered Rate
MC	Member Country
MDB	Multilateral Development Bank
MENA	Middle East and North Africa
NCRB	Nama Commercial and Residential Building, Fujairah, UAE
NGO	Non-Governmental Organization
NMC	Non-Member Country
ODA	Official Development Assistance
OIC	Organization of Islamic Cooperation
PBUH	"Peace be Upon Him" (Phrase Typically Used After Mentioning a Prophet)
P5P	President's Five-Year Program (IsDB)
PROMOD	Project for the Modernization of the Daras
RAK	Ras Al Khaimah Emirate, UAE
RSDD	Resilience and Social Development Department, IsDB
SDG	Sustainable Development Goal
SSA	Sub-Saharan Africa
TK	Bangladeshi Taka (Currency)
TWS	Towfiq Welfare Society, Somalia
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

01



Children Receiving Education at IsDB-BISEW's Orphanage Source: IsDB-BISEW Management Office.

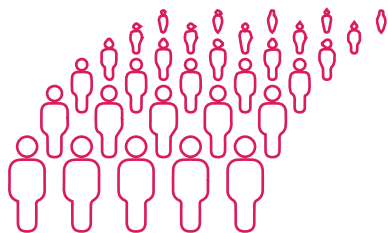


INTRODUCTION

CHAPTER 01

Introduction

Islamic charitable endowments (Awqaf) are an important institution of the Islamic social finance supported by the Islamic Development Bank (IsDB). Beyond Islamic heritage, the concept of Waqf / Awqaf is highly relevant to modern international development practice. Thus, through its unique Awqaf Properties Development Fund (APIF), IsDB is seeking to operationalize the role of Awqaf in development.



Historically, Awqaf have played a major role in providing sustainable finance for many social services, including but not limited to education and health. In fact, it has been estimated that during the Umayyad and Abbasid Caliphates, more than 60 percent of public services were carried out via the institution of Waqf.

A. Background on Awqaf

Awqaf (singular Waqf, also spelled Awkaf and Wakf) is an Arabic word meaning assets that are donated, bequeathed, or purchased for being held in perpetual trust for general or specific charitable causes that are socially beneficial. In many ways, the concept of Waqf is similar to the Western concept of endowment. The strong emphasis placed on the perpetuity of Awqaf has led, over the years, to a considerable accumulation of societal wealth, such that Awqaf has become an important economic sector dedicated to the improvement of the socio-economic welfare in Member and Non-Member Countries of IsDB with Muslim communities/populations.

The beneficiaries supported by Awqaf are not limited to a finite list but mainly include poverty alleviation programs, disaster relief, free health services, imparting religious and contemporary education, heritage, culture, and environment. Thus, in addition to being a religiously significant institution, the idea underlying Awqaf can be of significance to the larger development community.

Indeed, historically, Awqaf have played a major role in providing sustainable finance for many social services, including but not limited to education and health. In fact, it has been estimated that during the Umayyad and Abbasid Caliphates, more than 60 percent of public services were carried out via the institution of Waqf³. First, Awqaf financed the basic social services (and infrastructure) of education and health as well as sustenance or social security for the needy. Second, beyond these basic needs, Awqaf played an important role in the development of cultural and scientific life as they financed the production of books, the construction of libraries, as well as supporting scholars of various religious and secular sciences.

Furthermore, many modern Western institutions, most notably major universities, depend heavily on their endowments. In fact, scholars have argued that the West

³ Wael B. Hallaq, 1955-. The Impossible State: Islam, Politics, and Modernity's Moral Predicament. New York: Columbia University Press, 2013.



Students at IsDB-BISEW's Nayanagar Madrasah, Bangladesh Source: IsDB-BISEW Management Office.

emulated and benefited from the experience of Islamic Awqaf in the development of educational institutions, designing Western educational institutions with endowments since the West's contact with the Ottoman civilization.

It is therefore not surprising that many of the most prestigious universities today in the West (such as Oxford, Cambridge, the London School of Economics and Political Science, Harvard and Stanford) are all supported by major endowments. For example, the Massachusetts Institute of Technology (MIT) has more than US\$11 billion in charitable endowments funding its research.

B. Operationalization of Awqaf Support within IsDB

APIF represents IsDB's attempt to operationalize its support to the Awqaf Sector. In fact, APIF promotes Awqaf as a social-finance-based instrument of development while observing relevant principles of jurisprudence. With its mandate to finance the establishment and/or development of Islamic real estate endowments, APIF is a unique fund among MDBs with a strong focus on long-term, intergenerational financial sustainability.

APIF operates by financing (via Sharia-compliant modes of finance) the construction or purchase of physical real estate assets that would generate a return. These returns will then be used to make repayments to the fund, with residual amounts used to support the activities of the beneficiary during the repayment period. After this period, the asset is registered as a Waqf and all income generated accrues to the beneficiary, helping to provide a sustainable source of income for the beneficiary's socially desirable activities.

As a mechanism for operationalizing Awqaf to achieve their development impact, APIF has succeeded in providing a proof of concept, which is now ready to be scaled-up. Indeed, with a total paid-up capital of US\$79.92 million supplemented by a line of financing from IsDB of US\$100 million, APIF's portfolio includes 55 projects in 29 Member Countries (MCs) and Non-Member Countries (NMCs) of IsDB worth a total of US\$ 1.1 Billion. These projects have proven that Awqaf in general and the APIF model in particular can play a very significant development role. Although scientific documentation of impact is beyond the scope of this publication, especially given its retrospective nature, an idea of the thematic areas of impact achieved is contained in this document. Furthermore, in some instances, specific impact has indeed been established.

02



Project Showcasing 28 March 2019 at IsDB office. Source: APIF



AWQAF AS A FORM OF ISLAMIC SOCIAL FINANCE

CHAPTER 02

Awqaf As A form of Islamic Social Finance

The role of social finance has grown in recent years and has become an important pillar among other forms of financing. Indeed, it has become an important supplementary source to support commercial or for-profit financing. In this sense, it is important to invest the financial resources of social institutions in order to maximize their resources to increase social spending and combat negative social phenomena such as unemployment, poverty and illiteracy.



Establishing endowments (Awqaf) is a charitable act of worship, as evidenced by the general texts of the Quran and detailed in the tradition (Sunnah) of Prophet Muhammed (PBUH) as well as confirmed by consensus among his companions

A. Awqaf from the Perspective of Islamic Law and Jurisprudence

By: Layachi Feddad, PhD; Senior Sharia Specialist, IRTI

The role of social finance has grown in recent years and has become an important pillar among other forms of financing. Indeed, it has become an important supplementary source to support commercial or for-profit financing. In this sense, it is important to invest the financial resources of social institutions in order to maximize their resources to increase social spending and combat negative social phenomena such as unemployment, poverty and illiteracy.

In Islamic societies, the most prominent among these social institutions that require attention is the Islamic charitable endowment (Waqf – plural Awqaf). Indeed, special attention must be given to investing the resources and assets of Awqaf institutions given their important societal role.

1. The Endowment Tradition in Islam

Establishing endowments (Awqaf) is a charitable act of worship, as evidenced by the general texts of the Quran and detailed in the tradition (Sunnah) of Prophet Muhammed (PBUH) as well as confirmed by consensus among his companions.

The textual source of the legitimacy of Waqf as a religious institution from the Sunnah is a narration concerning the Prophet's companion and Second Caliph, Omar Ibn al-Khattab.⁴ Asked by Omar how to utilize the best plot of land he had ever owned, the Prophet (PBUH) replied: "If you wish, you can put it aside (restrict it) and give in charity from it (from what it produces), but the original property should not be sold, given away or inherited." Furthermore, all companions of the Prophet with sufficient wealth are

reported to have set up Awqaf, and the importance of Awqaf was a matter of consensus among them.⁵

Hence, in order for beneficiaries to benefit from the Waqf in perpetuity, it is necessary to take special care of the Waqf property in terms of its development and investment.

2. Investment and Development of Awqaf Properties from a Sharia Perspective

The purpose (Maqсад) of protecting property is one of the general purposes of Sharia (Maqasid Al-Sharia) that were derived from the requirement to preserve the five necessities (religion, self, family, mind and property). One main conclusion derived from this Maqсад is to work on the development of the Waqf properties and their investment through various Sharia-compliant means and to preserve and safeguard them from depletion. The investment of Awqaf properties is defined as: the development and growth of Waqf properties, whether assets, rents or surpluses through Sharia-permissible means of investment.⁶

The investment in Awqaf properties is a legitimate, Sharia-based activity. Generally, the request to thrive which is mentioned in the Quranic verse: "He brought you into being out of the earth and made you thrive thereon"⁷ carries the meaning of development and investment of resources for enhanced wellbeing. Specifically, investing in Awqaf properties helps achieve the purpose (Maqсад) of preserving and developing property, one of the five general purposes (Maqasid) of Sharia.

In fact, utilizing orphans' property and the like and investing them in order to provide their livelihoods from the profit and preserve and increase their principal,⁸ is in line with prophetic guidance. The Prophet (PBUH) is narrated to have said: "Invest the property of orphans, so that it is not consumed by charity."⁹

3. The Role of Jurisprudential Opinions in Motivating the Investment of Waqf Properties

The codes of jurisprudence, the bodies of collective jurisprudence opinion formulation such as the fiqh councils and the Sharia standards and laws and regulations of Awqaf, are full of provisions

that provide guidance towards the ways of investing the properties of Waqf. This includes the investment methods and criteria to achieve the social goal of the Waqf by enhancing benefits accruing to its beneficiaries.

The most important considerations in the investment of Waqf properties and their returns are the controls confirmed by jurists and experts, including:¹⁰



Ensuring that the investments are Sharia-compliant,



Taking into consideration the conditions placed by the endower(s) regarding the Nazir's use of endowment properties,



Avoiding high-risk investments.



Diversifying the investment portfolio to minimize high risks.



Relying on economic feasibility studies of Waqf investment projects.



Selecting investment formulas suitable for the nature of endowments, with an emphasis on achieving the interests of the Waqf while minimizing the risk of losing the beneficiaries' rights.



Seeking to achieve social return of the Waqf investments without sacrificing profit for the benefit of the originally intended beneficiaries.

4 Fath Al-Bari, Vol. 5, Pg. 402.

5 Ibn Qudamah, Al-Mughni, Vol. 8, Pg. 186; Ibn Hajar, Fath Al-Bari, Vol. 5, Pg. 402; Burhanuddin Al-Trabelsi, Al-Isa'af fi Ahkam Al-Awqaf, Pg. 13.

6 Resolution No. 140 (6/15) on Investment in Waqf and its Output, Fifteenth Session, Muharram 1425 AH, March 2004. Item I.1.

7 Surah Hud, Verse 61.

8 See Al-Razi, Al-Tafseer Al-Kabeer, Vol. 9, Pg. 186, Published by: The Revival of Arab Heritage House, Beirut.

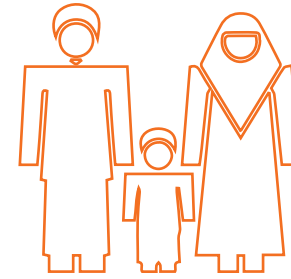
9 Imam Al-Nawawi said: Narrated by al-Bayhaqi from Omar ibn al-Khattab - may Allah be pleased with him - suspended, and he said: its isnad is sahih. Al-Tabaraani narrated in al-Awsat that Anas ibn Malik said: The Messenger of Allah (peace and blessings of Allah be upon him) said: "Trade in the property of orphans, so that it is not consumed by Zakat." Al-Haythami said that Al-Iraqi said: its isnad is sahih. See: Al-Nawawi, Al-Majmu', Vol.5, Pg. 329; Al-Baihaqi, Al-Sunan Al-Kubra, Vol. 4, Pg.107.

10 Al-Shuaib, Istithmar Amwal Al-Waqf, p. 27; Al-Ammar, Istithmar Amwal Al-Waqf, p.28.

4. The Jurisprudential Requirements to Revitalize Awqaf

The Waqf in its meaning and content is a social economic institution capable of performing its developmental role in the society when a number of conditions are met. These include the willingness of decision makers to activate the role of Waqf to achieve all its objectives in relevant fields, including education, health and social services.

Then comes the next stage of the development of a strategic plan to promote the developmental role of the Waqf based on clear Sharia-based principles, considering the practical requirements of the reality and the dictates of the economic and social conditions of each state, Islamic society, or Muslim community. This plan would strive to establish a legislative system (regulatory framework) for Awqaf based on the Prophetic tradition and Islamic jurisprudence (fiqh). Indeed, recorded Awqaf jurisprudence is both flexible and original, opening wide horizons for new endowments to be created in response to the urgent needs of society, which would boost the role of Waqf in development.



It's important to develop a strategic plan to promote the developmental role of the Waqf based on clear Sharia-based principles, considering the practical requirements of the reality and the dictates of the economic and social conditions of each state, Islamic society, or Muslim community



Students at IsDB-BISEW's Borohatia Madrasah, Bangladesh

Source: IsDB-BISEW Management Office.

B. Comparing and Contrasting Islamic Awqaf with Western Endowments: Concepts and Practice

By: Mohammad Abdullah, PhD; Director – Sharia – Corporate Investment Banking at First Abu Dhabi Bank (FAB).

Waqf (plural; Awqāf) is frequently compared with the English trust¹¹ or endowment¹² in the West. The institutions of Waqf and English endowment evolved in two different socio-legal and socio-economic environments.

While Waqf arose in the Middle East in the 7th Century CE, trust originated in England in the 12th century. The premises of the two institutions are derived from two different worldviews.

Waqf denotes an Islamic non-obligatory charity, and it has its origin in the Prophetic era. The evolution of Waqf as a socio-economic institution entailed a plethora of benefits for the early Muslim societies. Throughout the Islamic history, the institution of Waqf played a critical role in the provision of social security and basic necessities to the masses. The role of Waqf has been instrumental in advancement of education, religion, spirituality and general welfare of all. In a nutshell, the institution of Waqf provided a channel for sustainable charity all across the Muslim world and beyond.

The mechanism of Waqf has its parallel in English trust. There are strong suggestions that English trust borrowed its conceptual as well as structural framework from Waqf in the 12th Century CE. Similar to the institution of Waqf, the role of trust has been crucial in institutionalising charity in the English society. The essential characters of Waqf versus trust are comparable in the below table:

Waqif	Settlor/Endower
Maquf bihi	Property/Subject Matter of Trust
Nazir/Muwalli	Trustee
Mauquf Alayh	Beneficiary
Sighah	Declaration

Waqf originated as an Islamic charitable institution and constantly maintained its religious character throughout history. The religious nature of Waqf entailed many distinctive implications for the



Makola Muslim Orphanage, Bangladesh

Source: www.yathama.com

institution which differentiate it from its English counterpart i.e. trust. In essence, Waqf is necessarily required to comply with Shari'ah in terms of its structural formation, administrative framework, methods of management and intended objectives. In comparison, despite having close affinities in its structural formation with Waqf, English trust transformed into a secular device being free from a religious regulating force.

Waqf and trust both have their own glorious past of effectively serving a multitude of charitable objectives in their own contexts. Notwithstanding this, the two institutions witnessed divergent experiences of prosperity and decline during the phases of their prolonged history. As far as the comparative effectiveness of the two institutions is concerned, there is no scope for a sweeping statement. The effectiveness of specific Waqf or trust can be assessed and ascertained by juxtaposing their functions, management and outreach on an individual basis.

In general, there are certain discrepancies between the Waqf and trust management practices. Arguably, compared to the traditional Awqaf, the modern Awqaf are not only as effective as English trust, rather are superior to trust in countries such as Malaysia, Turkey and UAE. Waqf in these countries has already developed into Modern Corporation. Similarly, Waqf is effectively a non-profit corporation. It has its own legal personality and is governed by the board of trustees compared to the traditional Waqf which was in general managed by a single Mutawalli. The modern Waqf has much more flexibility to adjust in accordance to the different legal and socio-economic paradigms.

¹¹ Though there is a technical difference between the terms 'endowment' and 'charitable trust', in substance, both are almost identical.

¹² Charity Commission defines a 'Permanent endowment' as "... money or property that was originally meant to be held by a charity forever. This is usually set out as a restriction in the charity's governing document" (Charity Commission, 2015). Compared to this, there is no specific definition of charitable trust.

03



IsDB-BISEW's Vocational Training Program in Session in the SOS Children's Village Facility in Dhaka, Bangladesh. Source: IsDB-BISEW Management Office.



THE RELEVANCE OF APIF TO DEVELOPMENT

CHAPTER 03

The Relevance of APIF to Development

At the highest level, the Awqaf Properties Investment Fund (APIF) is relevant to the international development landscape in two major ways – namely through:

(1) the relevance of its mandate and (2) its innovative operating mechanism.

APIF has the unique mandate of supporting the establishment and/or development of endowments (Awqaf), promoting the concept of Waqf. Furthermore, APIF's operational mechanism is designed as an impact investment fund, which pays social as well as financial dividends. The conceptual relevance of Awqaf as well as impact investing to international development is further developed in the following sections.



Waqf as a development tool could have broad significance for development practice in general, with both long-term and short-term development impacts. In the short run, it could help achieve financial independence and sustainability both of local development partners (organizations) as well as development projects.

A. The Role of Awqaf in Development

The concept of Waqf holds great potential for development practice. This concept could help decentralize development decision making, financing and implementation. As a hybrid institution with elements of both the private and public sectors, Waqf is designed to seek profit in the market under independent private management, generating income to be utilized in supplying public services. A deeper look at the characteristics of Waqf as an institution for economic development is presented in the first subsection, below.

To begin with, prior to considering the relevance of Awqaf financing to development practice in general, APIF's mandate has special significance for countries with an Awqaf heritage, which was in fact its *raison d'être*. Providing a source of financing dedicated to the revitalization of society's idle or underutilized Awqaf properties can unlock the potential of a significant amount of un- or under-productive accumulated intergenerational wealth, as well as encourage the diverting of new savings away from consumption and towards the pool of public wealth.

Beyond this limited relevance, however, introducing the concept of Waqf as a development tool could have broad significance for development practice in general, with both long-term and short-term development impacts. In the short run, it could help achieve financial independence and sustainability both of local development partners (organizations) as well as development projects. Indeed, it could help empower NGOs and civil society organizations providing social services by providing them with a sustainable source of income. Furthermore, it could relieve fiscal pressures on government by providing post-completion operational expenses,

when Waqf components are included in larger social infrastructure projects. Examples of synergy with other IsDB efforts towards empowering civil society and relieving fiscal pressure are presented in the second and third subsections below, respectively.

In the long-run, the concept of Waqf could have the profound impact of decreasing dependence on official development assistance (ODA), substituting this with domestically generated social wealth.



Target 17.1: Strengthen Domestic Resource Mobilization The concept of Waqf could decrease dependence on official development assistance, substituting this with domestically generated social wealth

1. The Characteristics of Waqf as an Institution for Economic Development

By: Layachi Feddad, PhD; Senior Sharia Specialist, IRTI

In its simplest sense, economic development aims to increase real national income, resulting in an increase in per capita income¹³. This leads to increased resources for the state to invest. In fact, the institution of Waqf has an important role in this arena because it plays an active role in the economic and social development of Islamic societies due to its active role in financing many basic public needs and services of society, and in helping to relieve the fiscal pressure on governments.

By definition, the institution of Waqf is a development tool, due to its role in wealth creation and capital accumulation. In fact, the Waqf is a form of investment of the capital that is sustained and increased, due to its perpetual nature¹⁴.

The economic relevance of the Waqf derives from the fact that it diverts funds from consumption to investment in productive capital generating income or benefits, which support the general public or are allocated to support a particular subset of a given society.

From a legislative perspective, the idea of Waqf is based primarily on the development of the so-called third sector, which is classified as a sector independent of the public and private sectors¹⁵.

The special nature of endowment (Waqf) activity has freed it from the private sector's characteristic pursuit of maximum profits and gains with little attention to social objectives. At the same time, Waqf has not limited its management to the umbrella of the public or government sector, which suffers from many weaknesses and shortcomings when it comes to property management and investment, including endowments.

Thus, the institution of Waqf is similar to the private sector in that it is profit oriented, but it is also close to the public sector in terms of its interest in achieving public interests and giving priority to social benefits. As such, Waqf is in fact a type of social property that is not owned by a particular person or state, but is for the benefit of everyone who meets the conditions of the Waqf¹⁶.



SOMAK House, the Waqf Building in Held by Towfiq Trust in favor of TWS. Source: www.somak.com

13 Mohamed, Mahmoud Younis, Mubarak, Abdel Moneim Mohamed, Fundamentals of Economics, Pg. 404.

14 Kahf, Monzer, Waqf in Contemporary Islamic Society, Pg. 23-25.

15 Kahf, Monzer, Waqf in the Islamic Society, Pg. 25.

16 Qari, Muhammad ibn Ali, Waqf in the Islamic Economic System, Pg.14.

2. Potential Synergy with Other IsDB Efforts to Support Civil Society

In many developing countries of the OIC, especially those classified as least developed countries or experiencing civil war or unrest, public economic and political institutions struggle to manage the country's affairs and achieve real development for their populations. In fact, this applies to large portions of private-sector institutions in these countries as well, most of which are pushed to pursue short-term gains and have little genuine interest in (or ability to support) improving their countries' socio-economic situations.

Thus, in light of this institutional weakness and fragility of public and private sector institutions, social solidarity and civil society institutions emanating from the community itself remain one of the most important pillars of sustainable development in these countries. In such situations, the State or its institutions may not have access to remote rural areas to provide public services in education and health. On the other hand, it may be difficult to convince private profit-seeking institutions to invest in social infrastructure for these remote areas, so a good option to achieve the most basic sustainable development requirements could be to resort to civil society's NGOs and CSOs, financially empowered through the institution of Waqf.

Within IsDB, the Human Development Division of the Resilience and Social Development Department is active in the area of NGO empowerment; therefore, many opportunities of synergy and collaboration with APIF exist (as many of APIF's beneficiaries are NGOs). These areas are detailed below.

The Human Development Division has developed the IsDB/ISFD initiative "NGO Empowerment for Poverty Reduction" as well as embarked on knowledge events to promote the role of CSOs in development and humanitarian responsiveness.

The NGO Empowerment for Poverty Reduction Program is derived from the existing IsDB NGO Program, analysis of IsDB Engagement with Civil Society and Strategy of Islamic Solidarity Fund for Development (ISFD). It is aligned with the inclusive social development pillar of IsDB's 10-Year Strategy and the President's 5-Year Program (P5P), which calls for more participation of Civil Society Organizations (CSOs) as a network of developers. The Program supports Member Countries (MCs) to attain the targets of Sustainable Development Goals (SDGs).

The goal of the Program is to contribute to reduce poverty in OIC MCs through development and humanitarian initiatives. More specifically, it will improve the socio-economic well-being of the hard-to-reach communities. The key results of the program include the following:



15,000 refugees and orphans will have access to quality basic education and relevant skills development;



3,000 low income families will have access to community livelihoods development through income generating activities;



500 NGOs/CSOs capacities will be strengthened; and



increased resources through access to innovative financing such as partnership and crowdfunding.



BCS Computer City Specialized Shopping Center

Source: IsDB-BISEW Management Office.

To achieve the fourth anticipated result, Awqaf development for the benefit of NGOs/CSOs could provide a major source of sustainable financing. Indeed, through the NGO Empowerment Program, it is envisaged to set up sustainable financing mechanisms to increase resources allocated for the NGOs/CSOs through innovative approaches targeting private sector, foundations, philanthropists, INGOs and non-traditional partners.

3. Case Study of Potential Synergy with an IsDB Education Project

By: Br. Jawara Gaye; Lead Global Education Specialist, IsDB

IsDB Member Countries (MCs) are facing a mounting demand for more and better education. Adequate financing is essential to produce equality within the educational system and provide quality education. To face this challenge, the IsDB Education Policy has adopted the principle of “optimizing education financing” as a means of ensuring sustainability of investments in education for enhancing human development. A challenge experienced from investments in education in Member Countries (MCs) is the ability of governments to sustain the recurrent implications of capital investments. For instance, the operations and maintenance of facilities and indeed the ability to support beneficiary students transit to higher levels of the education and training to increase their employability and or gainful self-employment potentials. The education and training systems in MCs have limited access to finance, as opposed to the lack of funds, which, admittedly is also a challenge. Avenues for efficient sustainable funding schemes to supplement domestic and donor funding sources are limited.

Traditionally, endowment /Waqf has been an effective tool in securing the finances of Tertiary Education institutions. The IsDB has been pioneering in supporting / establishing endowment/Waqf in MCs to support education and training mostly through communities and non-government institutions/ universities.

In line with its education policy principle of “cultivating value-added partnership”, the IsDB has signed in April 2019, a Letter of Intent with the Global Partnership for Education (GPE) aimed amongst others, at collaborating to leverage additional resources for education through the GPE Multiplier Fund. This has resulted in the IsDB commitment to leverage a \$10 million grant allocated by GPE to Tajikistan with a blended financing package of \$30 million.

Whereas the government of Tajikistan is keen on utilizing the IsDB funding for school infrastructure and related facilities, this joint operation provides an opportunity for IsDB to pilot a Waqf real estate investment with the government to ensure sustainability of

the investment loan. The GPE grant has a ‘variable’ part amounting to 30% of its resources that is conditional on the fulfilment of an agreed output or outcome to trigger the release of those funds for a defined activity that would address efficiency, equity or learning outcomes. Therefore, part of this GP grant allocation to Tajikistan could be earmarked for blending with APIF funding to develop or purchase a real estate whose revenue proceeds would be dedicated to supporting the operations and maintenance of the infrastructure built under the project, providing scholarships to girls and deserving students to enable them transit from lower secondary (which is free and compulsory) to higher secondary (which is fee paying), or support students pursuing science & technology at higher education, amongst others. Alternatively, the IsDB could still explore a Waqf for the schools constructed under this project (or similar projects in future) to ensure a sustainable source for their maintenance while providing targeted funding for its graduates to transit to post-secondary to pursue studies in specified fields.

The GPE resources when blended with APIF funding would impact on the repayment capacity of the facility of the APIF loan to hasten recovery, while incentivizing government through a much-needed reliable revenue source. The trigger for the GPE grant resources would be the provision of a prime land for development or the creation of the necessary legislative framework for Waqf/Islamic financing. On its part, the APIF loan will be sovereign guaranteed in addition to government agreed to the management and governance structure of the Waqf.

The model will be unique in donor funding for education and serve as the additional value-added of IsDB involvement with GPE as a way of not only providing resources for education but ensuring the long-term sustainability of the investment and developing human capacity for vulnerable groups, girls, and deserving students. It will also fulfil the fundamental aim of an endowment in providing restricted funding for a define course.



The IsDB has been pioneering in supporting / establishing endowment/Waqf in MCs to support education and training mostly through communities and non-government institutions/ universities.

B. The Role of APIF as an Impact Investment Fund

The concept of impact investment holds great potential for development finance. This concept could help fill the large funding gap required to achieve the Sustainable Development Goals (SDGs) of the 2030 Global Agenda. It could also help crowd-in private-sector investment to support public goods that are not intrinsically attractive to private investment by focusing on developing income-generating Awqaf as 2nd-degree development interventions that can in fact be profitable.

Achieving the 2030 Sustainable Development Goals agenda has become the priority of the Development Community wherein IsDB is a main player. Attaining the 17 SDGs requires yearly funding of US\$ 5 trillion to US\$ 7 trillion. The total of all allocated financial resources from governments, Multilateral Development Institutions and other main actors combined is insufficient and requires innovative financing mechanisms to fill the funding gap estimated at US\$ 3 trillion yearly. Engaging and mobilizing resources from the private sector is the key in achieving the targeted developmental goals. Therefore, the Development Community is considering today among the innovative financing tools, Impact Investing, as a tool to inject resources from the private sector towards the 2030 agenda¹⁷.

Impact Investing is defined as the deployment of funds to generate social and environmental impact as well as a financial return¹⁸ and is considered today as one of the main drivers of the 2030 agenda. Private Debt and Equity account for almost 65 percent of impact investments where bonds are the main instrument. High Net Worth Individuals and Development Finance Institutions also play a major role. However, with its deeply rooted ethical and social foundations, Islamic Finance boasts a good track record in achieving and completing the objectives of Impact Investing. In fact, both models target value-based Investment universes with a moral purpose¹⁹. One of these Islamic Finance Instruments that IsDB presents as an efficient tool for impact investing is the Awqaf Properties Investment Fund (APIF).

In fact, APIF has been engaged in fulfilling this double mandate of achieving a sustainable financial and social impact since the beginning of its operations in 2001. APIF provides financing to the entities holding or managing Waqf properties in accordance



The concept of impact investment holds great potential for development finance. This concept could help fill the large funding gap required to achieve the Sustainable Development Goals (SDGs) of the 2030 Global Agenda.

with the principles of Sharia to develop these properties based on financial feasibility and social return generally associated with the concept of Waqf (or endowments). APIF provides its participants or "shareholders" an opportunity to generate income returns from property development as well as social returns in the form of assistances to Waqf property holders to develop the properties whose income is used for various developmental and charitable goals.

APIF has been generating a net distributable return of 3-4 percent annually over the last five years. A portion of the return is distributed in the form of dividends and the remaining portion is reinvested in APIF and reflects capital gains for APIF participants. As of the end of 2018, the share value of APIF reached US\$11,439 as compared to US\$10,000 at inception. As for dividend distribution, APIF has consistently paid dividends of between 2.5 percent to 5 percent of the share capital over the last 10 years.

17 UNCTAD, World Investment Report, Geneva, 2014

18 Global Impact Investing Network (GIIN), thegiin.org

19 UNDP, I for Impact : Blending Islamic Finance and Impact Investing for the Global Goals, Istanbul, 2017.



Girls at the Rasulpur Madrasah Learn to Sew in the Vocational Training Workshops Sponsored by IsDB-BISEW

Source: IsDB-BISEW Management Office.

Over the years, APIF has financed projects to help generate additional income for diverse beneficiaries, including the following: governments; Awqaf institutions (Islamic endowments); research centers; endowment funds; charitable NGOs; and orphanages and universities.

Indeed, APIF currently provides low-cost and high-impact financing to establish Awqaf for organizations that ultimately serve various Sustainable Development Goals (SDGs). Specifically, these include Poverty Alleviation (SDG No. 1), Good Health and Well-Being (SDG No. 3), Quality education (SDG No. 4), Decent Work and Economic Growth (SDG No. 8), Empowerment of Women (SDG No. 10), and Partnership for the Goals (SDG No. 17).

IsDB intends to increase the volume of Awqaf operations to US\$2 billion in 10 years. The goal is to scale up its contributions to the development of Waqf properties, encouraging the revival and usage of the concept of Waqf, which will be instrumental in globally promoting human development, impact investing and contributing to the United Nations' Sustainable Development Goals (SDGs) of which the IsDB is a signatory.

APIF provides low-cost and high-impact financing to establish Awqaf for organizations that ultimately serve various Sustainable Development Goals (SDGs). Specifically, these include Poverty Alleviation (SDG No. 1), Good Health and Well-Being (SDG No. 3), Quality education (SDG No. 4), Decent Work and Economic Growth (SDG No. 8), Empowerment of Women (SDG No. 10), and Partnership for the Goals (SDG No. 17).



04



APIF purchased a student hostel in eskişehir Source: APIF



APIF – OPERATIONALIZING THE ROLE OF AWQAF IN DEVELOPMENT WITHIN ISDB

CHAPTER 04

APIF – Operationalizing the Role of Awqaf in Development within IsDB

Recognizing the important development potential of Awqaf, IsDB pioneered the financing of a number of Waqf projects prior to the establishment of the Awqaf Properties Investment Fund (APIF). These projects represent IsDB's earliest efforts to provide material support to the concept of Awqaf.



APIF helps Awqaf and charitable organizations fulfil their mandate by providing required resources to develop Waqf land owned by these organizations, renovate Waqf properties, and/or purchase property to be utilized as Waqf.

Subsequently, APIF was established based on the approval of the 6th meeting of Awqaf Ministers of Member Countries of the Organization of Islamic Cooperation (OIC) in Jakarta, Indonesia in 1997.

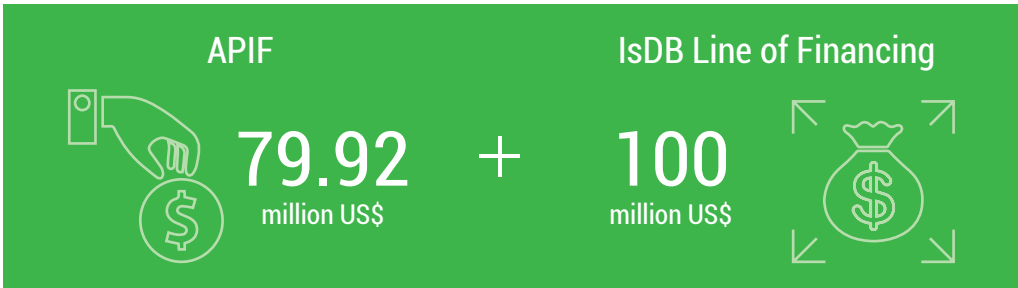
APIF helped institutionalize IsDB's approach to Awqaf promotion via financing the development of Awqaf real estate properties, with a special focus on the properties to be invested for the utilization of their income as per the condition(s) of the endower, since this form of Awqaf would be conducive to repaying the financing from the income of the property itself. As a fund that distributed dividends, APIF brought an element of impact investment to encourage resource mobilization for Awqaf.

A. The Resources of APIF

The IsDB along with nine other institutions created APIF in 2001 with total subscriptions of US\$50 million.

As of December 2018, there are 15 participants in APIF comprising IsDB, Ministries of Awqaf, Awqaf Organizations and Islamic banks with a total paid-up capital of US\$79.92 million. A full list of participants in APIF is provided in Annex 1. To augment the resources of APIF, the IsDB has extended a US\$100 million line of financing for APIF to be utilized for the financing of APIF's projects. The breakdown of the financial resources of APIF is provided in chart below.

APIF Financial Resources Allocation



B. The Role of APIF

APIF participates in the financing of Waqf (or endowment) income generating commercial and residential real estate properties. It does not finance the construction of schools, universities, mosques, health facilities and the like.

The APIF portfolio, as of the end of 2018, includes 55 completed or active projects, totaling US\$ 1.04 billion in total value. Of this, IsDB's contribution includes US\$ 161 million from APIF and US\$ 370 million from the IsDB line of financing and the remaining is from the beneficiaries.

APIF helps Awqaf and charitable organizations fulfil their mandate by providing required resources to develop Waqf land owned by these organizations, renovate Waqf properties, and/or purchase property to be utilized as Waqf. Supported Waqf institutions or charitable organizations are then expected to utilize the rental income generated by such projects to support their social and charitable activities.

1. APIF's Mission

APIF aims at reviving the Islamic Sunnah of Waqf by developing Awqaf properties around the world to increase their returns and thereby contribute to the sustainable socio-economic development of the Ummah.

2. APIF's Objective

The objective of APIF is to ensure the sustainability, financial independence and social development of philanthropy organizations for the benefit of the Islamic Ummah.

APIF's strategy relies on extending financing to develop and invest in accordance with the principles of Islamic Sharia, in Awqaf real estate properties, such as residential and commercial buildings, that are socially, economically, and financially viable, in either Member or Non-Member Countries. Thus, the value of the Waqf properties is increased and, from being idle, they are transformed into fully income-generating assets of high standing.

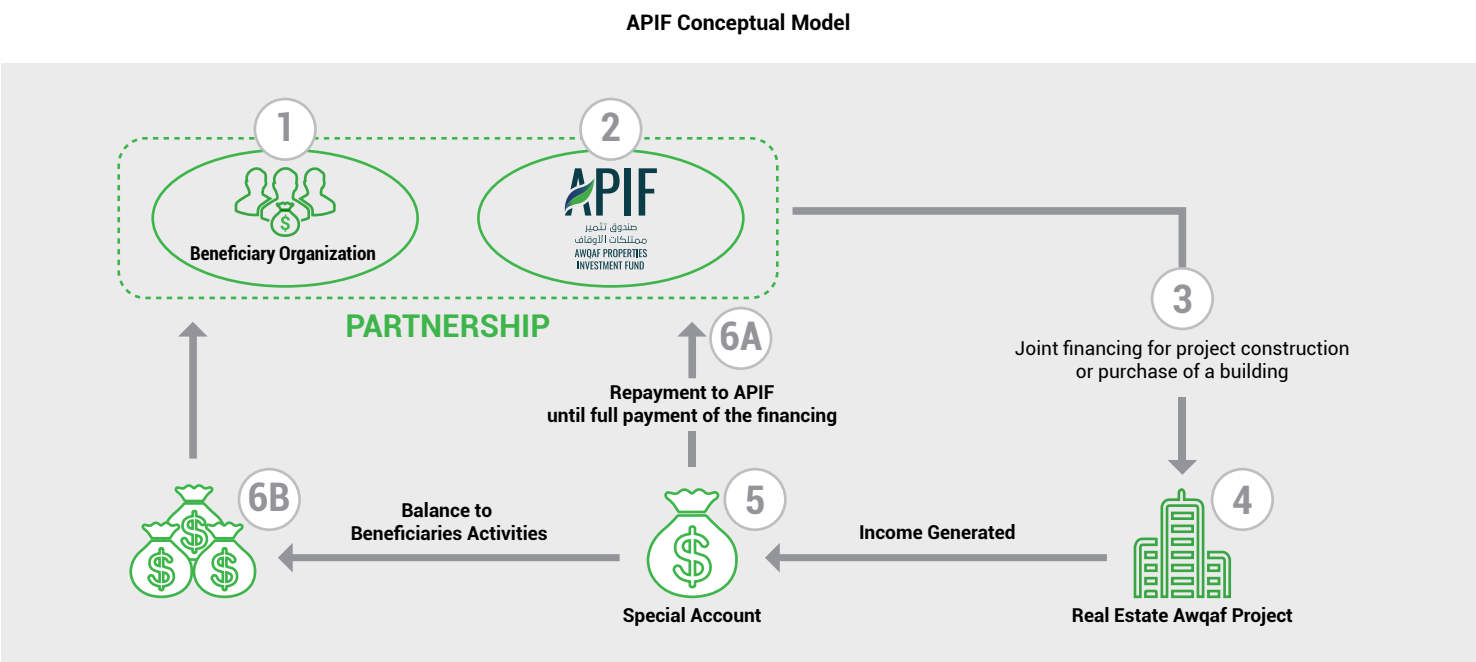


Traditional Weaving as part of FWA's FDRP.

Source: <https://www.alkhairia.org.ae>.

C. Operational Model of APIF and the Project Life Cycle

In a nutshell, APIF helps organizations engaged in activities of a developmental value achieve financial sustainability through financing the development of Waqf land or facilitating the establishment of entirely new charitable endowments. With a financial contribution of at least 25 percent of the total project cost or a suitable plot of land (in case of a greenfield project) provided by the beneficiary, APIF finances the construction, renovation and/or purchase of an income-generating real estate asset. Typically, the project is designed such that the repayments on APIF financing are made entirely from the income of the project itself, ideally with a significant amount remaining to support the beneficiary's activities during the repayment period. After the financing is repaid, all income generated goes to support the beneficiary's activities in perpetuity. This model is summarized in Figure1, below.



The life cycle of APIF projects is mostly similar to other development projects executed by IsDB, with a few notable exceptions. First, unlike sovereign projects, the initiating document can be a formal request from either a non-sovereign or a sovereign entity. Indeed, APIF is one of the few sources of financing within IsDB that does not require a sovereign guarantee.

Second, APIF can consider requests from organizations operating in MCs and NMCs, alike.

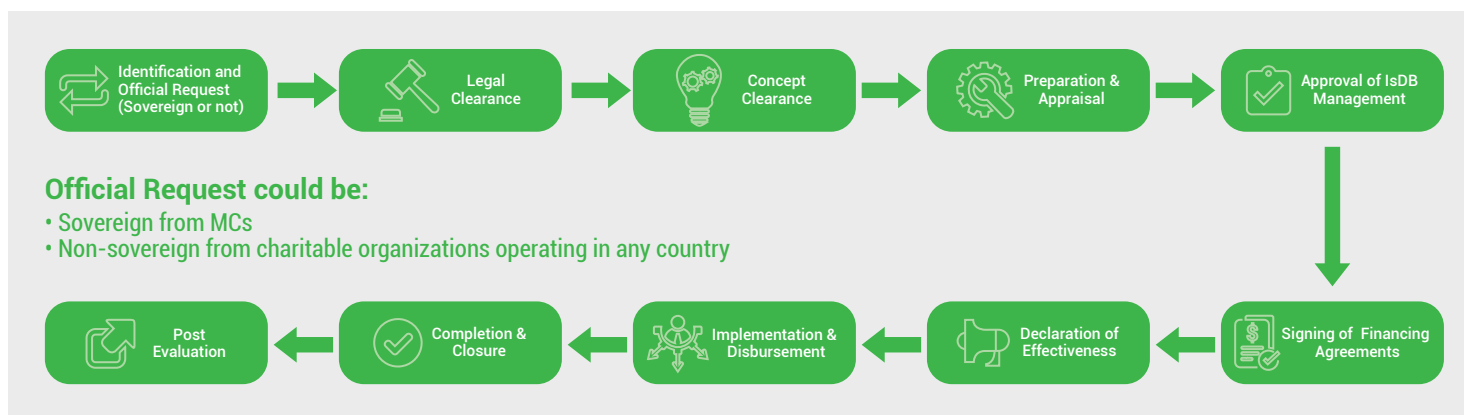
Third, emphasis is placed on early legal and compliance (KYC) due-diligence. This is because APIF projects are designed to financially empower organizations already engaged in developmentally usefully activities through providing them with financial sustainability. Thus, the legality and merit of the beneficiary's activities as well as the integrity of its key members must be established early-on, as APIF

does not intervene in the specific development activities of the organization.

A further distinguishing feature of the APIF project lifecycle is the financial metrics of interest during the appraisal stage. Here, the crucial metrics are the Financial Internal Rate of Return (FIRR) as well as the Debt Service Coverage Ratio (DSCR). Indeed, unlike typical sovereign development projects, most APIF projects are expected to depend on income from the project itself for repayment and are otherwise unjustified if they fail to cover debt installments (since the sole purpose of the projects is income generation). Ideally, beyond providing a factor of safety, the DSCR should be large enough to allow income over-and-above the installment amounts to be available to support beneficiary activities even during the repayment period.

The full life cycle of APIF projects is depicted in Figure 2, below.

APIF Project Life Cycle



Source: APIF team

D. Information Relevant to Potential APIF Impact Investors

Generally, APIF provides a secure avenue for investing with a social impact. Indeed, its relatively low dividend (averaging 3.5 percent of the invested amount annually since inception, with a minimum distributed dividend of 2.5 percent) is offset by its social dividend, its low-risk nature, in addition to appreciation in the value of its shares.

APIF is established as a U.S.-Dollar denominated fund managed by the Islamic Development Bank in accordance with the Islamic concept of Mudarabah and the regulations of APIF.

The IsDB undertakes the role of Mudarib acting as Manager and Custodian of APIF. As such, APIF benefits from the high-quality support functions provided by IsDB (e.g. procurement, legal, risk management, KYC, and financial control), the management expertise of a AAA-rated institution, as well as the general Islamic-finance-based development ecosystem provided by IsDB.

The Mudarib (Fund Manager), IsDB, applies very prudent measures for extending financing out of APIF's resources. These measures include, among others, thorough project due diligence, the requirement of government guarantees, first class bank guarantees, mortgage or insurance cover from renowned credit insurance companies.

Subscription to APIF's capital is open to Awqaf ministries, directorates, and institutions in addition to Islamic banks and financial institutions as well as philanthropic/donor institutions and individual investors. Given the diversity of potential participants, various options for investing and donating are available. Full detailed information for prospective investors can be found in **Annex 2**.

E. Information Relevant to Potential Beneficiaries of APIF Financing

APIF provides a competitive source of financing for income-generating real estate assets (Awqaf) with the objective to serve charitable organizations. Specifically, APIF finances any of the following:



The main condition of financing the project is that at the end of the financing period, the project will be registered as a Waqf where possible or otherwise as an equivalent legal status (e.g. trust), to ensure perpetuity thereby achieving the APIF mandate.

Consideration for APIF financing is open to Awqaf ministries and institutions as well as charitable organization/trusts operating in accordance with Waqf principles in IsDB MCs and NMCs. However, the beneficiary is expected to provide at least 25 percent of the total project cost or a plot of land for the project (in case of a greenfield project).

Full information of interest to prospective beneficiaries, including how to benefit from APIF financing, can be found in **Annex 3**.

05



IsDB-BISEW Project Land Source: IsDB-BISEW Management Office.



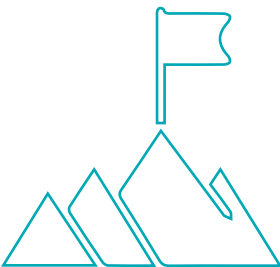
APIF PERFORMANCE AND HIGH-LEVEL IMPACT

CHAPTER 05

APIF Performance and High-Level Impact

A birds-eye review of APIF's portfolio could help get a feel of APIF's broad areas of impact. This is presented in the first section of this chapter below.

Nevertheless, a real understanding of the Fund's socio-economic impact can only be attained via a closer and more in-depth examination of individual beneficiaries and their Waqf projects. Therefore, the second section under this chapter presents a summary of the activities of selected beneficiaries, before presenting four detailed case studies in the subsequent chapter.



The highest number of approved projects within the active portfolio was achieved in 2015 and 2017 totaling 6 projects each year. In 2018, the total value of the 4 projects approved was US\$217.5 million – the highest total for active projects approved in any year.

A. Portfolio Analysis²⁰

This section presents the relevant high-level statistics, general trends as well as financial performance of the Fund itself. It gives a broad indication of impact, and it is crucial to understanding the overall achievements of the Fund. Furthermore, the main statistics related to APIF's portfolio are summarized in a tabular format in the table below.

Statistic (as of 31/12/2018 for the Active Portfolio)	Value
Average Total Cost/Value per Project Approved	US\$ 18.9 million
APIF Average Financing Size for Approved Projects	US\$ 2.93 million
APIF Line Average Financing Size for Approved Projects	US\$ 4.33 million
APIF + APIF Line (Total) Average Contribution per Approved Project	US\$ 7.26 million
Co-Financing (Resource Mobilization) Ratio for APIF Financing	5.5:1
Number of Projects closed/fully repaid	8
Number of Projects in Repayment	16
Number of Projects in Disbursements	8
Actual Disbursements	US\$ 157.9 million
Actual Repayments	US\$ 89.5 million
Average IRR	5.4%
Average time from effectiveness to disbursements	7 months

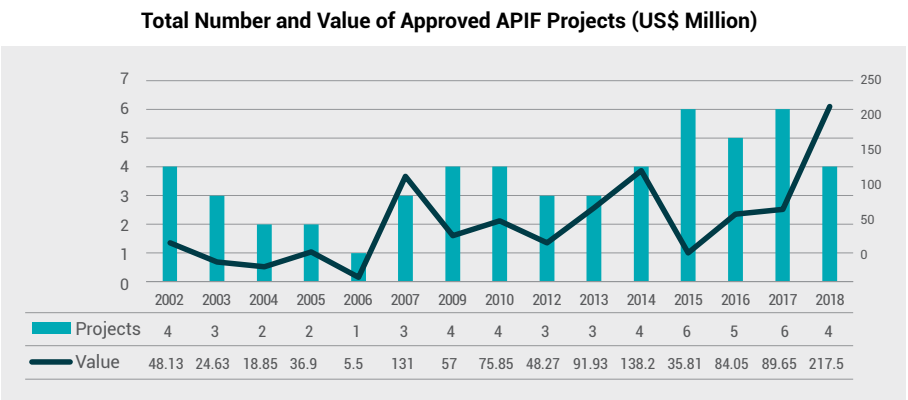
²⁰ Unless otherwise mentioned, most numbers used are as of the end of 2018 for the active portfolio; however, some variation may exist as the analysis is intended to be indicative of overall trends and impact.

Statistic (as of 31/12/2018 for the Active Portfolio)	Value
Average time from signature to effectiveness	8 months; 11% of projects effective on date of signing
Total Built-up Area (square meters) for Fully Repaid or Under-Repayment (i.e. Implemented) Projects	839,377
Total Land Area (square meters) for Fully Repaid or Under-Repayment (i.e. Implemented) Projects	416,340
Largest Total Project Value <ul style="list-style-type: none"> - Turken Foundation (USA) - IsDB-Guinea - Govt of Selangor (Malaysia) 	US\$ 89. 6 million US\$ 76.3 million US\$ 76.0 million
Largest Total Contribution from APIF + APIF Line <ul style="list-style-type: none"> - Washington Trust - Provera Development (Indonesia) - University of Niger - Turken Foundation (USA) 	US\$16 million US\$15.5 million US\$15 million US\$15 million

1. Project Approvals

Since its inception in 2001 and as of the end of 2018, APIF's portfolio includes 55 approved projects worth US\$1.04 billion. Of this amount, US\$531 million is coming from APIF and IsDB's line of finance dedicated to APIF projects, while the remaining amounts are pledges/contributions from the beneficiaries/sponsors and the resources mobilized from donors as well as the contribution of the other IsDBG entities like the Islamic Solidarity Fund for Development (ISFD).

Over time, the ability of APIF to approve and deliver has improved. The highest number of approved projects within the active portfolio was achieved in 2015 and 2017 totaling 6 projects each year. In 2018, the total value of the 4 projects approved was US\$217.5 million – the highest total for active projects approved in any year.

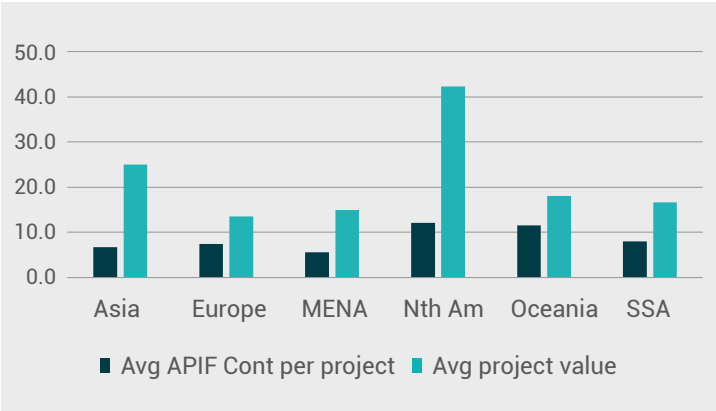


Since inception, however, the APIF portfolio contains an average of 3 approved projects for each year with an average combined total projects cost of approximately US\$ 60 million. This translates into an average of US\$ 18.9 million per project of which the IsDB contributes (via APIF and the APIF Line) US\$ 7.26 million (38 percent of total project value).



Makassed Philanthropic Islamic Association, Beirut, Lebanon
Bazerkan Building Waqf Project. Source: APIF

APIF Contribution to the Total Cost of Approved Projects (%)



IsDB's contribution varies by project and by region, depending on specific need. It can go up to a maximum of 75 percent of the project value in case the sponsor contributed cash amounting to 25 percent of the project cost. However, previously APIF has contributed 90 percent or more in green field projects, where the land was provided by the beneficiary.

As the chart above reveals, regional trends indicate IsDB/APIF's varying role in different regions, from catalyst in regions with a stronger tradition and/or sufficient funds for Awqaf (in MENA, Asia, and North America) to playing heavier role in financing (in SSA, Oceania and Europe).

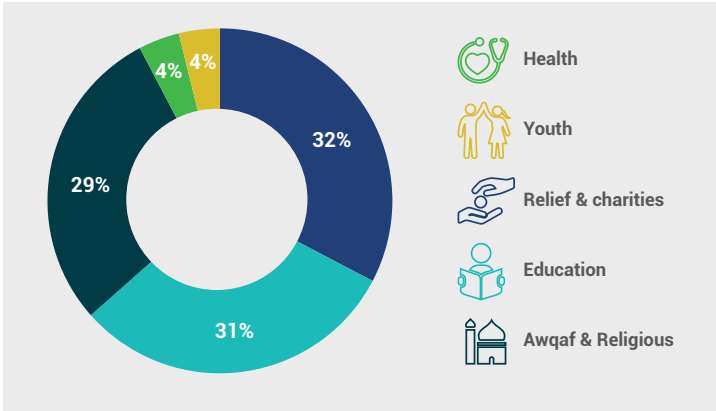
2. Beneficiaries' Sectors

APIF has supported the establishment and/or development of Awqaf properties for the benefit of various organizations active in a number of different socially beneficial sectors, impacting the financial sustainability of their activities. Indeed, beyond the direct use of the property (e.g. as a residential or commercial building), the sectoral breakdown of APIF beneficiary organizations is of primary interest to understanding APIF's socio-economic impact.

Beyond supporting religious organizations and Awqaf ministries, APIF has shown the potential of Awqaf for supporting the financial sustainability of organizations active in a number of domains. Not least among these are organizations providing basic public services and social infrastructure.

In fact, as the chart below shows, educational organizations constitute a major portion of APIF beneficiaries, besides NGOs engaged in relief, charity, and health interventions.

APIF Beneficiaries' Types/Sectors



Children Receiving Technical Education at IsDB-BISEW's Dakkhingaoan Madrasah, Bangladesh
Source: IsDB-BISEW Management Office.



APIF has supported the establishment and/or development of Awqaf properties for the benefit of various organizations active in a number of different socially beneficial sectors, impacting the financial sustainability of their activities

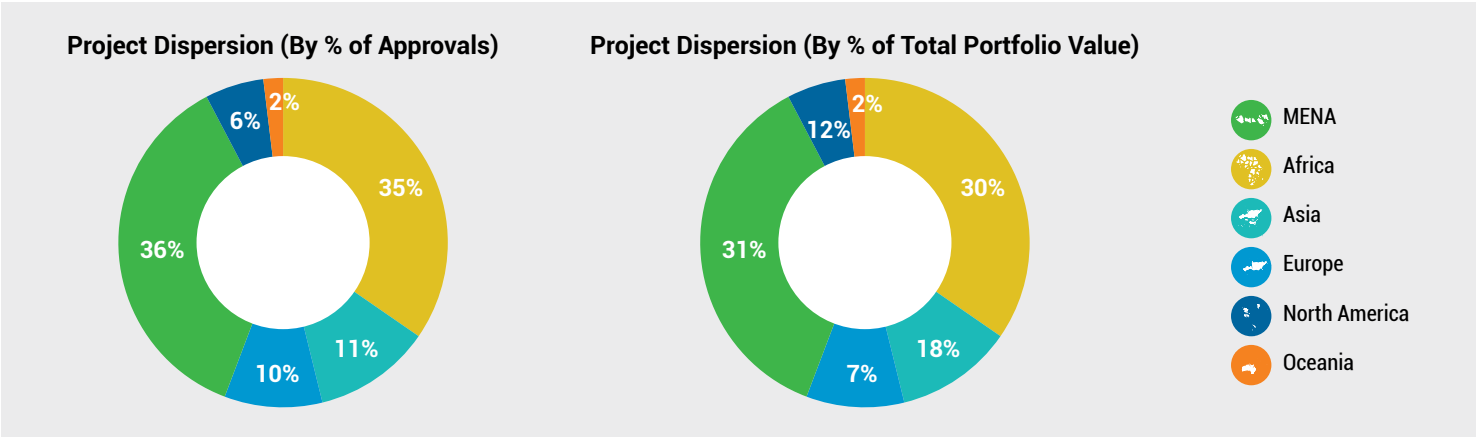


Children Receiving Education at IsDB-BISEW's Hapunia Madrasah, Bangladesh

Source: IsDB-BISEW Management Office.

3. Geographical Distribution

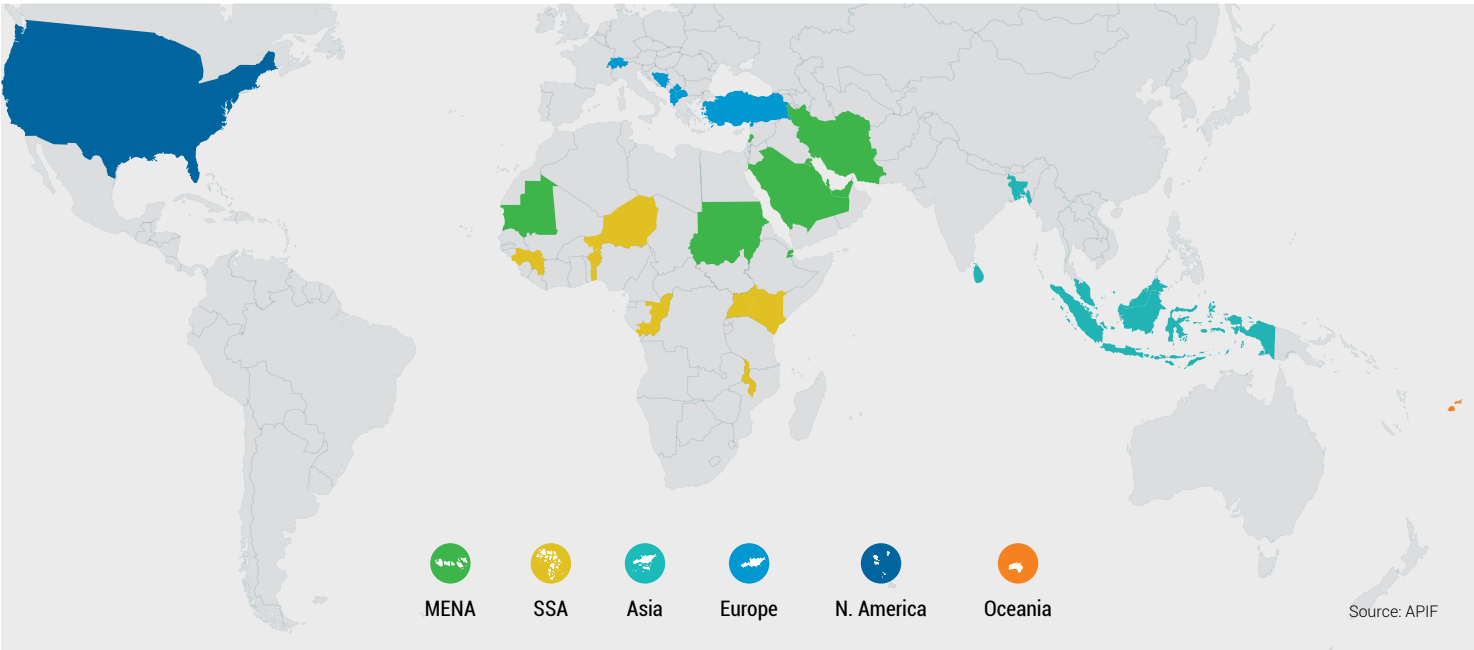
APIF's impact extends over five continents, since it enjoys the flexibility and discretion of financing projects not only in IsDB Member Countries (57 countries of the OIC), but also in Non-Member Countries. Out of the six habitable continents, only South America is bereft of APIF's intervention for the time being. However, a few projects in Suriname and Guyana are in the pipeline and are being considered.



Regionally, APIF utilizes its geographical spread to strike a balance between ensuring its financial sustainability as a fund (e.g. via projects in the MENA region) and maximizing its development impact (e.g. via SSA projects), all the while supporting its mandate of developing the Awqaf sector.

Therefore, the Middle East and North Africa (MENA) has the most approvals with 19 projects worth US\$ 307.7 million, followed closely by Sub-Saharan Africa (SSA) with 18 projects worth US\$298.8 million. Together the two account for 71 percent of all approvals and 61 percent of total project value.

APIF's geographical footprint



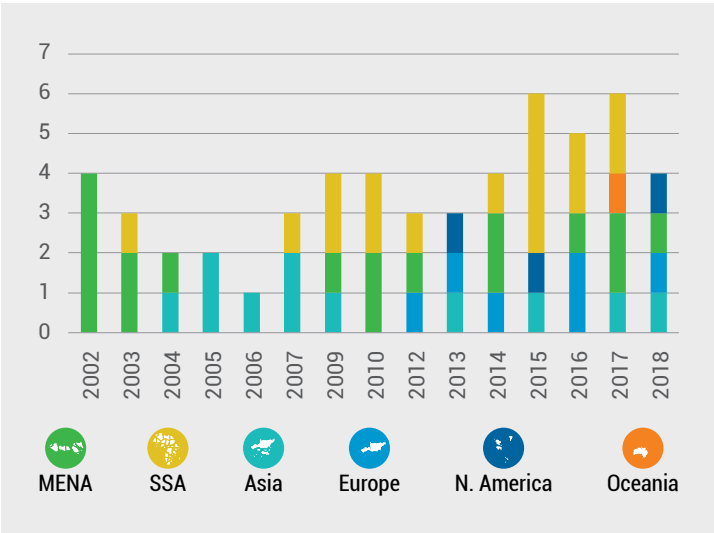
Furthermore, APIF emphasizes broad geographical spread for maximum impact. Out of the 29 countries where the APIF projects have been approved, a majority have only 1 project approved for APIF financing. UAE (6), Saudi Arabia (5) and Sudan (5) have the greatest number of project approvals.

In the early, foundational years of APIF, its projects were concentrated in the MENA and Asia regions. This stems from the fact that these regions have by far the most developed Awqaf sectors that date back to earlier historical periods. In fact, countries in the GCC and MENA regions already had structured institutions and Ministries specifically dedicated to regulating the Waqf sector, and they were hence better positioned to apply for and receive APIF's financing.

Soon, however, APIF began to expand its operations into the SSA region, to increase its development impact.

Previously in this region, countries had not developed substantial Awqaf frameworks (except for Sudan – an exceptionally early recipient of APIF funds). However, the dire need for the type of developmental financing that APIF was offering to help tackle socioeconomic challenges plaguing the region ensured that governments were willing to make special provisions and exemptions in their legislation to facilitate the establishment of Waqf institutions that could benefit from APIF's funding.

Yearly Approvals by Region (Number)

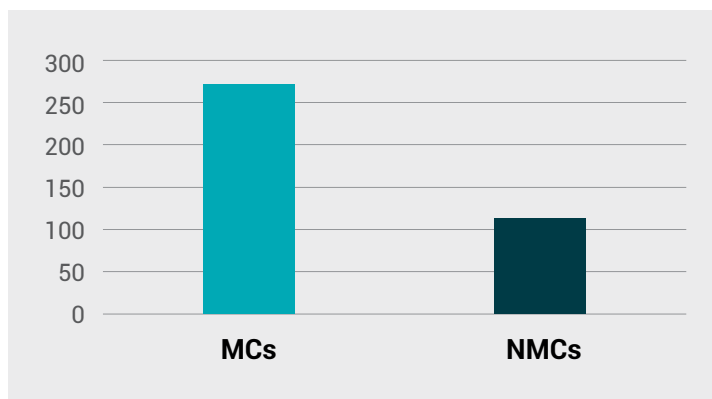


Recently since 2012, growing demand/requests from Muslim communities in NMCs has led APIF to expand its financing horizon to beneficiaries/institutions in Europe and North America.

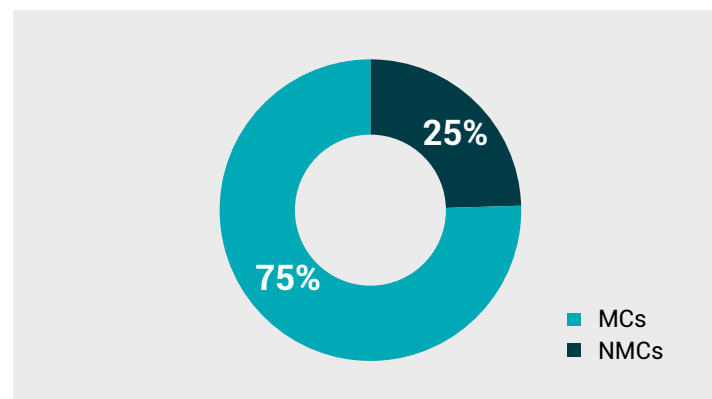
In fact, the single most valuable project in terms of total cost (US\$ 89.6 million) as well as the largest total contribution by IsDB to any individual project (US\$1.6 million) are for projects in North America for the benefit of Turken Foundation, New York City, and CAIR Washington Trust Foundation, Washington D.C., respectively.

Nevertheless, the weight of APIF's portfolio remains in MCs. In fact, the contribution of APIF and APIF Line in MCs is more than double that in NMCs, and the total value of projects in NMCs is nearly three times that in MCs.

APIF + APIF Line Contributions in MCs vs. NMCs (US\$ Million)

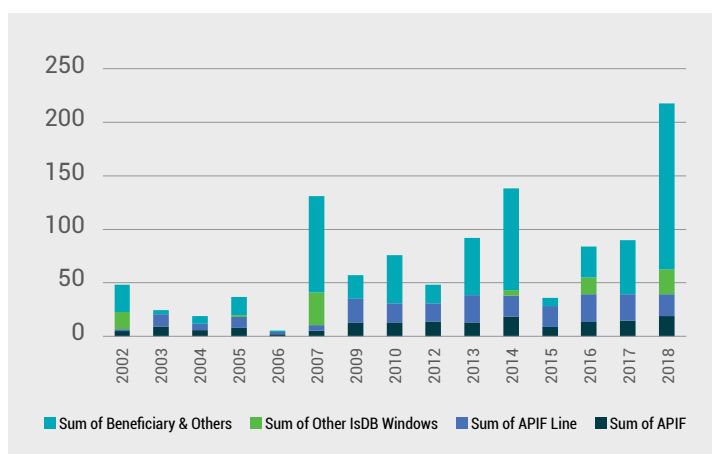


Approvals MCs vs NMCs (% By Total Projects Cost)

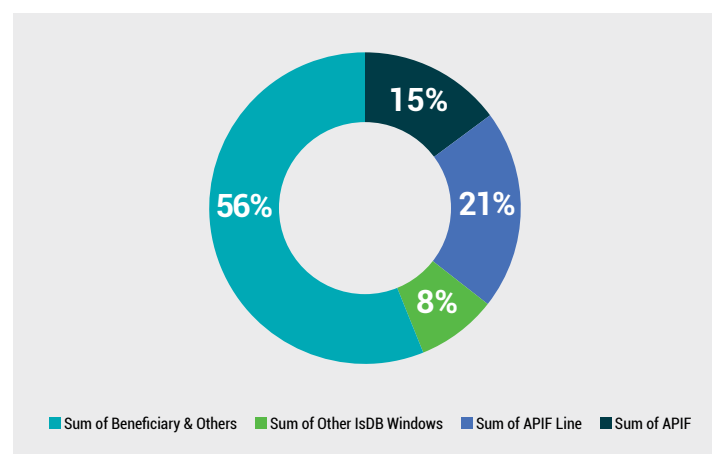


4. Source of Project Funding and Amounts Mobilized

Funding for APIF Projects by Source (Annual in US\$ Million)



APIF Project Funding Breakdown by Source



For many Waqf projects, the largest component of the total project value is the plot of land, which is often otherwise idle, and unlocking its productive potential is a major impact (and in fact the *raison d'être*) of APIF financing. This explains the fact that 56 percent of the total project is contributed by the beneficiary and other sources. For example, given the very high cost of real estate in New York City, USA, it is no surprise that the Turken Foundation Project ranks highest in terms of total project cost.

In line with the spirit of its initial mandate, APIF has mobilized a large amount of resources to support the concept of Waqf, including idle Awqaf land. As the catalyst in mobilizing resources for each project, APIF's contribution is generally the smallest component (15 percent) of the total value of the project (not including IsDB line of financing). Cumulatively as of the end of 2018, APIF has crowded in US\$879 million (including over half a billion US dollars of non-IsDB resources) for its projects, achieving a co-financing/resource mobilization ratio for the Fund of 5.5:1. In addition to the APIF line of finance from IsDB, these mobilized resources include the following: contributions from the beneficiary's resources that would not otherwise have been utilized with such a sustainable impact; donations mobilized by the beneficiary for the specific project with donors often incentivized by the reputation of IsDB; as well as donations facilitated directly by IsDB and received on behalf of the beneficiary.

For all projects, APIF's funding is complemented by the amount coming from the APIF Line of Finance extended by the IsDB which constitutes about a fifth (21 percent) of the total project value.

APIF and APIF Line have contributed an average US\$7.26 million to each project, including US\$4.33 million from the APIF Line of Finance.



Rasulpur Madrasah Project

Source: IsDB-BISEW Management Office.



APIF has mobilized a large amount of resources to support the concept of Waqf, including idle Awqaf land. As the catalyst in mobilizing resources for each project, APIF's contribution is generally the smallest component (15 percent) of the total value of the project (not including IsDB line of financing)

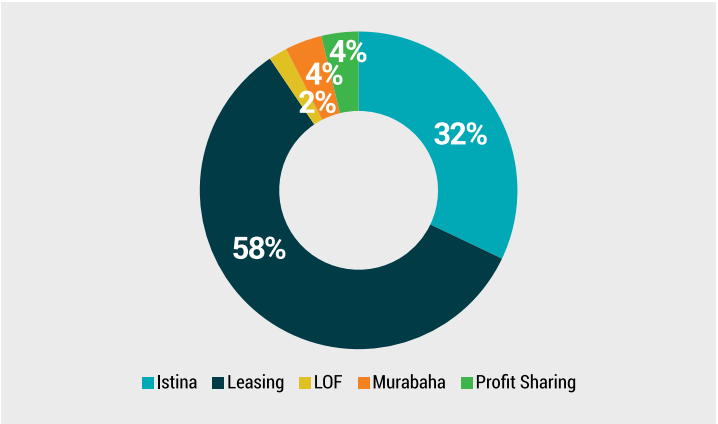
5. Modes of Project Financing

In addition to supporting a form of Islamic social finance – namely Awqaf, APIF utilizes various Islamic modes of project financing.

Therefore, APIF utilizes Islamic finance at two different levels. It supports and operationalizes Awqaf as a non-debt-based, long-term, intergenerational solution to development challenges through deploying debt-based, short-term Islamic modes of project finance.

In the long-run, this could have the profound impact of decreasing dependence on official development assistance (ODA), substituting this with domestically generated social wealth. APIF has further had the impact of providing proof of concept for future expansion of Islamic finance as an effective vehicle for international development.

Approvals by Mode of Financing

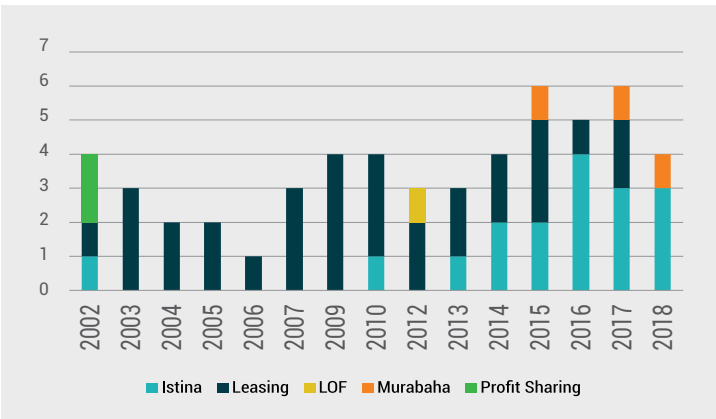


As a highly dynamic and exploratory fund, APIF has evolved and adapted its practice over the years, to select the most practical mode of finance for its projects.

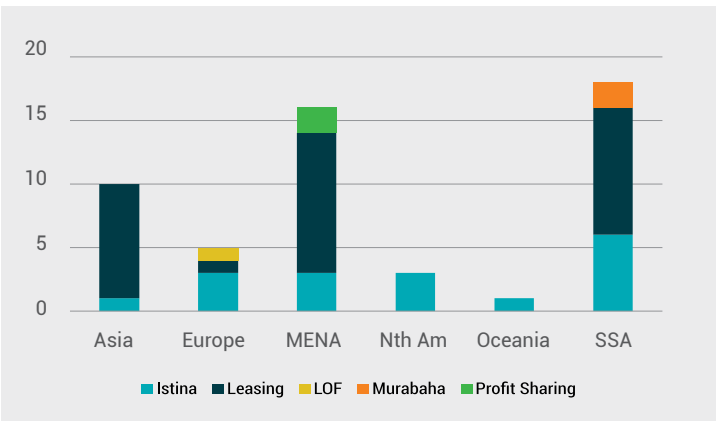
The very first project approved by APIF was on a profit-sharing contract for a commercial complex in Kuwait in 2002. However, that was the first and last time it was ever used; APIF quickly realized that other modes of financing would be more suitable for a catalytic fund meant to intervene but not remain ever present, as a stakeholder, in the philanthropic institutions which it aimed to support.

Subsequently, leasing mode (Ijara) grew to become the contract form of choice in APIF financing. Today, leasing represents over 58 percent of all approvals. Between 2003 and 2009, it was the only mode of finance utilized.

Approvals by Mode of Finance



Mode of Finance by Region



More recently, APIF has gravitated towards Istisna contracts. Since 2013, it has accounted for 59 percent of all approvals which coincides with APIFs entry into NMCs where that form of agreement is better suited to the legal and regulatory environments governing Waqf in these new jurisdictions. Leasing is prevalent in MC regions (i.e. MENA, Asia and SSA) while Istisna dominates in NMC regions.



Vocational Training Workshops Sponsored by IsDB-BISEW

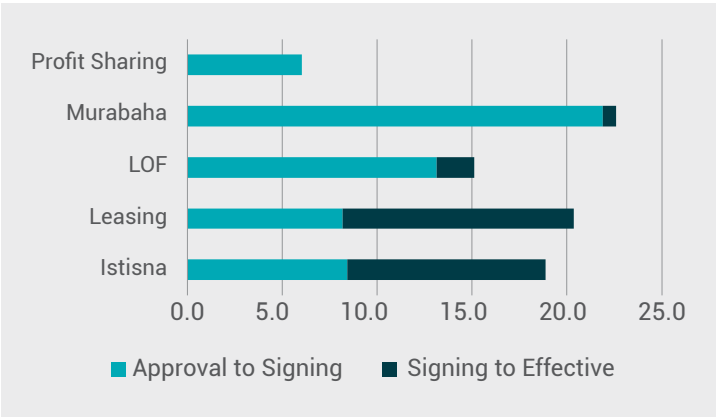
Source: IsDB-BISEW Management Office.

6. Project Timeline and Status

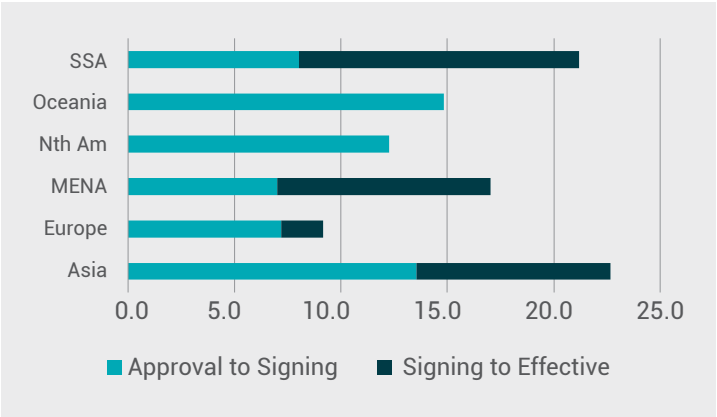
In line with its development impact mandate, APIF attempts to offer its beneficiaries favorable terms of financing, with the aim to generate income to support beneficiaries' activities during the repayment period. Towards this end, it extends financing to beneficiaries for long tenors usually exceeding 12 years, in addition to a grace period of 2 to 3 years.

Even when the revenue generated by the building is sufficient to repay the loan in a shorter duration, APIF has opted to maintain the longer-term repayment plans with the beneficiary so as not to put pressure on their income and allows for the remaining amounts of income in excess of the loan repayment to be channeled towards the philanthropic interventions of the beneficiary organization.

Approval to Effectiveness by Mode of Financing (Months)



Approval to Effectiveness by Region (Months)



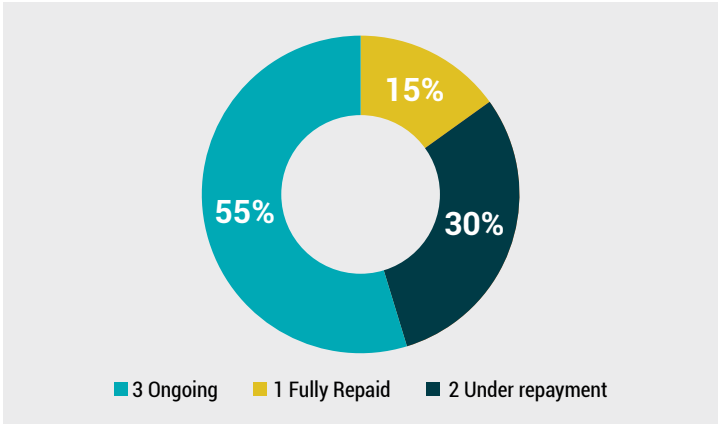
Indeed, unlike traditional development projects, APIF projects are not ends in themselves (for direct use) and are only as good as the income they generate and the organizations supported by this income.

APIF projects have varied widely in their implementation timelines due to a number of factors. On average, however, it has taken 19.5 months to get few projects through the initial stages of the APIF project cycle. Approval to signing has lasted on average 8.9 months. Thereafter, it has taken an average of 10.6 months for the beneficiaries to fulfil all the requirements to make to the agreements effective.

This variation is attributable to the varying levels of complexity of APIF projects and conduciveness of their surrounding country-specific ecosystems, as well as the various modes of finance deployed.

Regionally, for example, the duration from signing to effectiveness was the shortest in Europe and longest in Asia. By mode of financing, projects based on Murabaha contracts required the least time to become effective. For example, in the UAE, the Awqaf commercial building in Ajman for the Directorate of Awqaf became effective on the day it approved.

Projects by Implementation Status



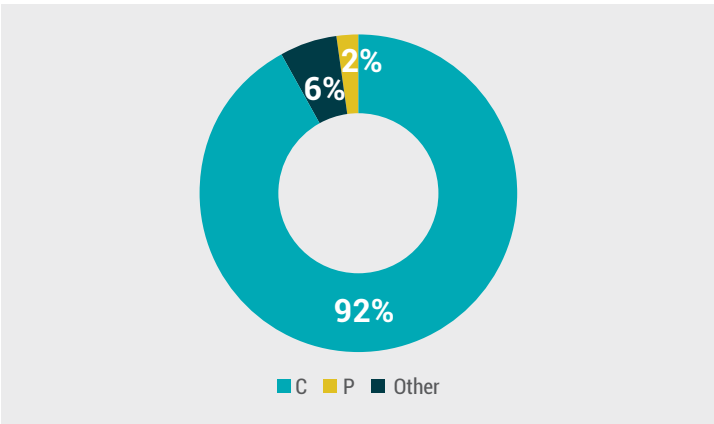
As for project repayment, most beneficiaries have maintained consistent repayments, although few projects have been fully repaid due to the relatively young age of the Fund and long tenors of APIF financing. Out of the total approved portfolio, 9 projects have been fully repaid, all of which were approved before 2006.

7. Land Area, Built-up Area, and Types of Projects

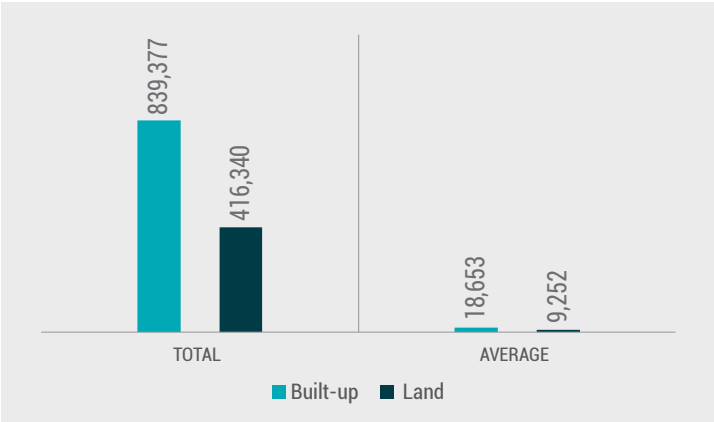
Since the income generated by APIF's Waqf projects, which is the sole purpose of these projects, is directly related to the lettable area developed, the spatial footprint of APIF's projects is critical to its impact on beneficiary organizations as well as the local economy and landscape.

The total area of land that has benefited from implemented (i.e. fully disbursed) APIF projects stands at **416,340 square metres**. Once these lands were fully developed and transformed into income-generating properties, the total built-up area that has been achieved is **839,377 square metres**. This means that for every plot of land, the revenue-generating capacity (lettable area) developed by APIF is roughly double the area of this plot of land. Crucially, this has positive implications for APIF's impact through unlocking the potential of under-utilized resources.

Construction or Purchase



Size of the Lands Developed



Although recent trends have been towards purchase of pre-existing, rented properties, especially for the benefit of NGOs, APIF's implemented portfolio remains dominated by construction. This is no doubt due to its original mandate of developing pre-existing, idle Awqaf land or underutilized Awqaf properties. Indeed, apart from 4 projects, all other implemented (i.e. fully disbursed) projects have involved the construction/development of idle Waqf land or the renovation of existing property.



For every plot of land, the revenue-generating capacity (lettable area) developed by APIF is roughly double the area of this plot of land. Crucially, this has positive implications for APIF's impact through unlocking the potential of under-utilized resources



IsDB-BISEW project 2nd land

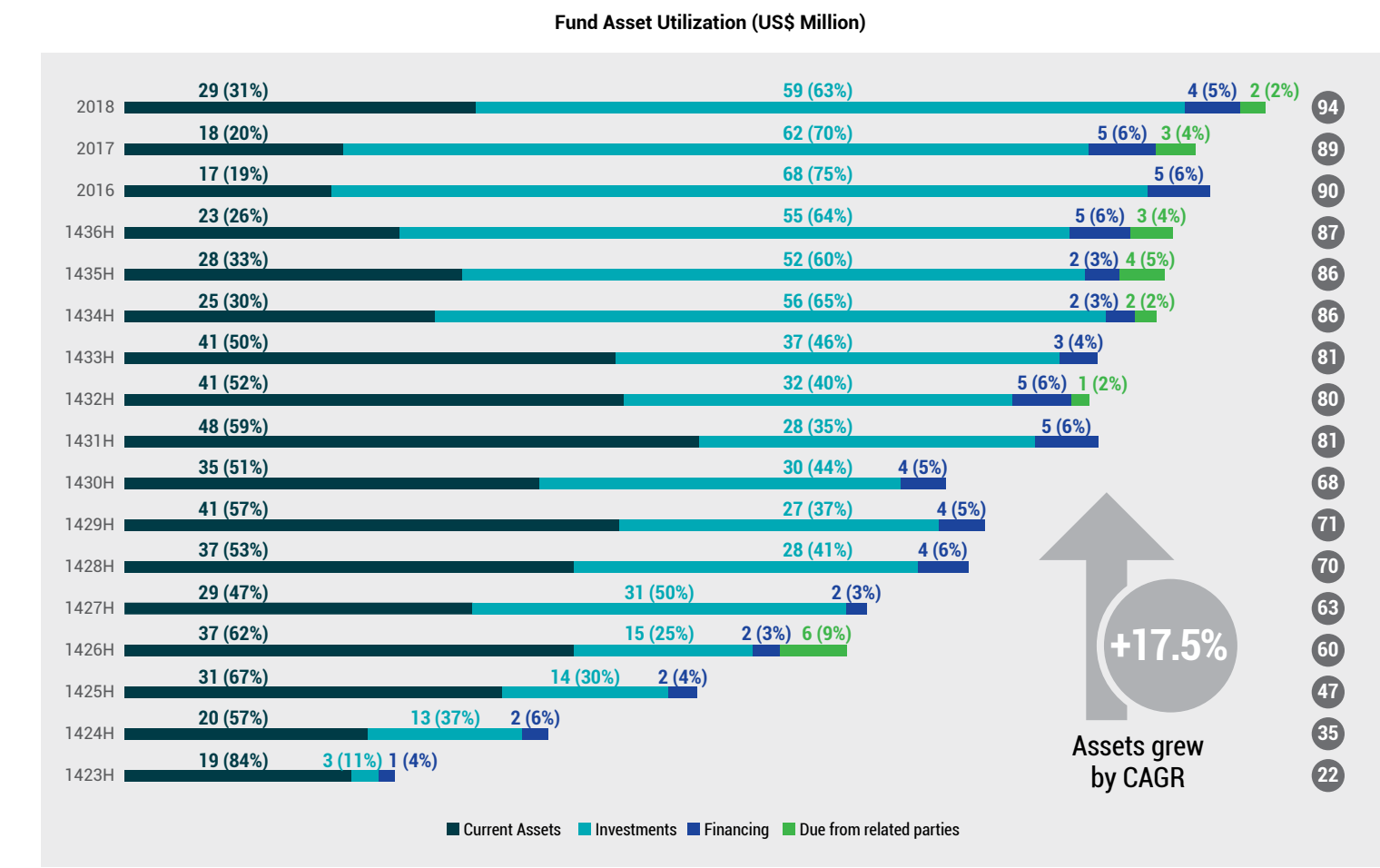
Source: APIF

8. Financials

As an impact investment fund engaged in difficult, mandate-driven project financing, APIF has maintained a consistent and stable return for investors, beyond their social dividend in the form of socio-economic impact.

It has been generating a net distributable return of 3-4 percent annually for the past five years. A portion of the return is distributed in the form of dividends and the remaining portion is reinvested in APIF and reflects capital gains for APIF.

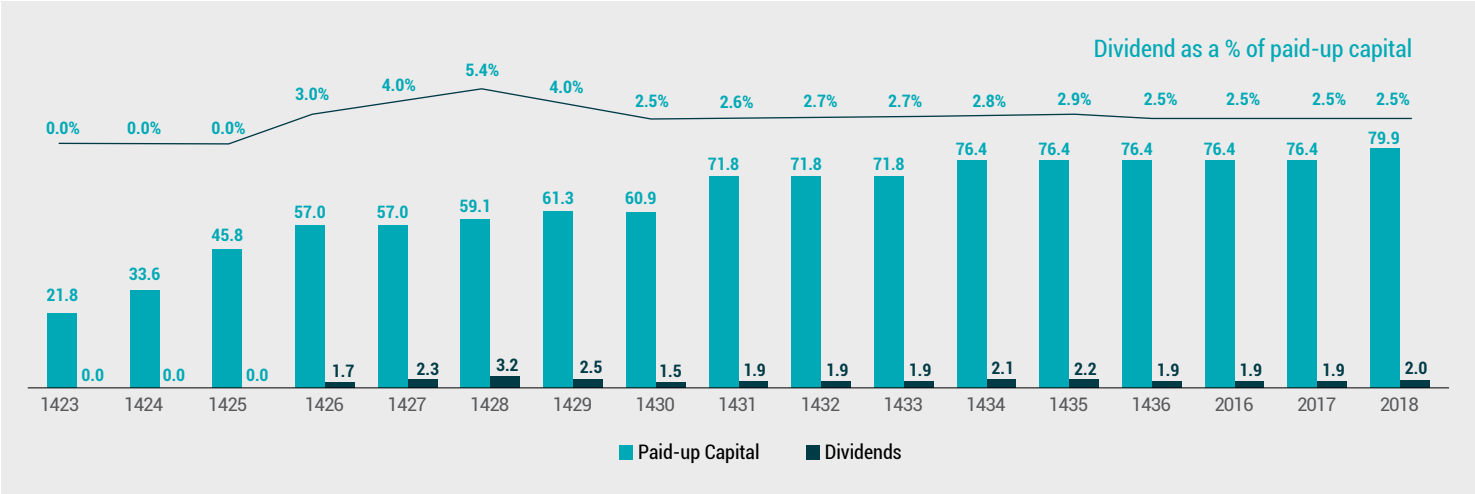
As of the end of 2018, the share value of APIF stood at US\$11,439 as compared to US\$10,000 at inception. As for dividend distribution, APIF has consistently paid dividends of between 2.5 percent to 5 percent of the share capital over the last 10 years. Indeed, even during the financial crisis of 2007/2008, APIF continued to distribute dividends to its shareholders.



Fund management has remained consistent and prudent since inception. In the early years of establishment, assets grew by CAGR 17.5 percent mainly due to increasing capital contribution from the Fund's shareholders.

Furthermore, since 2013, the deployment of the Fund's assets into return-generating investments has increased, reaching as high as 70 percent in 2017.

Dividend as a Percentage of Paid-up Capital



Makola Muslim Orphanage in Colombo, Sri Lanka


Source: <http://www.yathama.com/en/>.

B. Overview of APIF’s Social Impact through Selected Beneficiaries

Given APIF’s business model, its real impact is secured by conducting a thorough due diligence process to assess potential beneficiary organizations. This is because APIF typically operates by supporting organizations that are already operational and fully engaged in worthwhile activities, empowering them via establishing a sustainable source of financing. Hence, a review of the current activities of the beneficiaries (often supported via donations) presents a good indication of the future types of activities that will be supported by the income from APIF’s Waqf projects. To shed light on the various activities of supported, selected beneficiaries’ profiles are presented below.

1. Islamic University of Niger in Niamey, Niger - Commercial and Residential Complex Waqf Project:


The achievements of the Islamic University of Niger include the following:



More than 3,600 students have been graduated from the University;



The current number of students in the university is 1,915 students from 19 countries; and

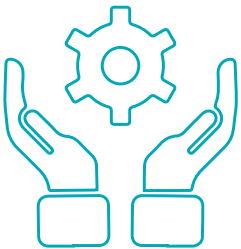


The university comprises of the following faculties: Law, Science and Technology, Economics, Administration, Agriculture, Education and Vocational Training.



Islamic University of Niger Design Concept

Source: APIF.



APIF typically operates by supporting organizations that are already operational and fully engaged in worthwhile activities, empowering them via establishing a sustainable source of financing.



Islamic University of Niger, Niamey, Niger Waqf Project.

Source: APIF.

2. Madinah Research Center, Saudi Arabia – Building Waqf Project

The Center is involved in gathering information related to Al-Madinah in different languages from books, articles, studies and documents. It also preserves, produces and disseminate research documents and studies to research scholars and knowledge seekers.



Madinah Research Center Waqf Building.

Source: APIF.

3. Makola Muslim Orphanage in Colombo, Sri Lanka – Twin Tower Commercial Complex Waqf Project

The Makola Muslim Orphanage is a non-profit charitable organization established in 1962. Today, its achievements include the following:



It has become one of the largest and most well-managed orphanages in Sri Lanka, employing qualified and experienced principals, tutorial staff and wardens under the strict supervision of the Members of the Board of Trustees;



It is currently providing food, shelter, clothes, education, and healthcare to approximately 600 resident orphans, ranging from the very young to the late teens; and



The younger children have special wardens who ensure that each child is looked after, given due attention and cared for from a young age. This gives the child the opportunity to develop in a secure environment.

The Orphanages are at the following locations:

- Makola (Anwarul Uloom Arabic School); and
- Malwana (Yathama School).



Makola Muslim Orphanage in Colombo, Sri Lanka

Source: <http://www.yathama.com/en/>.




Children at the Makola Muslim Orphanage


Source: <http://www.yathama.com/en/>.

4. Al Magzoub Organization in Khartoum, Sudan – Commercial & Residential Complex Waqf Project


Al Magzoub Organization is contributing to the socio-economic and human development of the community in Sudan through education & capacity building, including supporting the following activities:




Supporting 3,300 students in memorizing Quran in a scientific manner;




Sponsoring 1,000 orphans;



Supporting 200 vocational training internees;



Providing rehabilitation services to prisoners; and



Providing medical education.



Al Magzoub Organization in Khartoum, Sudan Waqf Complex.

Source: APIF.

5. International Islamic University Chittagong (IIUC), Bangladesh – Office Tower Waqf Project

The activities of the International Islamic University of Chittagong include the following:



Contributing to the improvement of literacy rates in Bangladesh;



Providing financial assistance to 250 students annually for accommodation, food, books, etc. via the Waqf proceeds; and



Sponsoring university staff to obtain PhD degrees via the Waqf proceeds.




IIUC, Bangladesh Waqf Tower

Source: APIF.


6. Makassed Philanthropic Islamic Association in Beirut, Lebanon – Extension and Renovation of Bazerkan Commercial Center Waqf Project

Makassed Philanthropic Islamic Association was founded in Beirut, Lebanon in 1878. It is a non-profit Islamic charitable organization that strives to promote a society based on noble values, proud of its national belonging. It aims to develop society's capabilities and to educate its generations. Through its various institutions, it promotes Islamic education specifically, and provides educational, health and cultural services by supporting the costs of these services.


The diverse activities of Makassed Philanthropic Islamic Association's activities include the following:



Supporting the community in education, including: 45 schools, university, vocational college;



Supporting the community in health, including a hospital serving 65,000 patients annually; and



Maintaining 3 cemeteries.



Bazerkan Building after Project Completion

Source: APIF.

06



Students in Dakkhingao Madrasah Source: ISDB-BISEW Management Office.



DETAILED CASE STUDIES

CHAPTER 06

Detailed Case Studies

As alluded to previously, the only effective method to observe the real socio-economic impact of APIF is via careful analysis of specific case-study projects.























Here, four cases are exhaustively analyzed. In addition to the impact of each case on the end beneficiaries, careful study of these cases reveals a number of thematic/broad impacts, including the following:



IsDB has impacted the beneficiary's legitimacy and ability to raise funds; indeed, IsDB received US\$300,000 in grants on behalf of the beneficiary to be counted towards the beneficiary's contribution

1. **IsDB-BISEW represents the role model/reference case of a Waqf project.** It represents the best of the decentralized yet powerful model of Awqaf as a development tool, which is able to tailor its social interventions down to the most intricate details to the local context in pursuit of impact. This is enabled by a competent Waqf management team, which is the product of a strong governance structure.
2. **The Fujairah Welfare Association's Waqf presents an interesting model of a Waqf-financed charity-based value chain approach,** via its Family Development and Rehabilitation Program (FDRP).
3. **Towfiq Welfare Society's Waqf represents a very impactful model to support NGOs operating in fragile and/or conflict areas,** via establishing an endowment in a neighboring politically and economically stable country with a favorably liberal capital controls regime. Furthermore, IsDB has impacted the beneficiary's legitimacy and ability to raise funds; indeed, IsDB received US\$300,000 in grants on behalf of the beneficiary to be counted towards the beneficiary's contribution.
4. **The Senegal Daras Waqf represents the unique case of impact preceding project implementation, in the form of regulatory change** (adopting a special legal framework for Awqaf in Senegal). Since this was in fact incentivized by the prospect of receiving APIF financing, this micro-level operation has already achieved a macro-level impact in the form of a new Waqf law.

A summary of the end-beneficiaries impacted by the activities of the beneficiary organizations considered in each of these case studies is as follows:²¹

Waqf Beneficiary Institutions		Number of Long-Term Beneficiaries	Total Number of Beneficiaries	Proportion Funded by Waqf	Other/Notes	SDGs
IsDB-BISEW (Bangladesh)		7,000 completed IT and vocational training and placed in jobs; all other beneficiaries are in long-term-oriented programs	43,000	Full	92% job placement for program graduates, many in life-changing career jobs	   
Fujairah Welfare Association (UAE)		6,000 empowered via vocational training, workshops, and Productive Families Program	9 Million	Partial	50,000 annual sponsorships (orphans, students, families, special needs); and many one-time spot interventions	     
Towfiq Welfare Society (Somalia and Kenya)		20,000 orphans, students, and instructors supported	400,000	Partial	Operate social infrastructure institutions, including 7 schools and 1 university with its hospital	    
High Authority of Waqf (Senegal)		12,500 students in the major daras (Quranic schools) to benefit	12,500	Partial	64 daras (Quranic schools) to be supported	  

Generally, for all operations, IsDB/APIF was a trusted partner, coaching the beneficiary through the process. Frequently, APIF fills a real need, providing access to finance that would not otherwise be available to the beneficiary (e.g. because of the inability of commercial banks to place a mortgage on Waqf land and the resulting unavailability of adequate collateral).

²¹ For simplicity, the figures presented are approximate. For Senegal, they are as planned/predicted.

A. Case Study 1: The Islamic Development Bank – Bangladesh Islamic Solidarity Education Wakf (IsDB-BISEW)²²



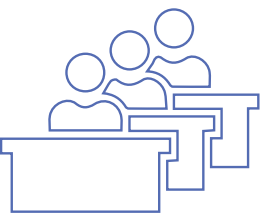
The Islamic Development Bank-Bangladesh Islamic Solidarity Educational Wakf (IsDB-BISEW) was established in 1987 following an agreement between the Islamic Development Bank and the Government of Bangladesh. It commenced operations in 1997 and began to serve its educational mandate in 2003.

Based on this agreement, a Waqf complex was constructed in Dhaka, Bangladesh, named IsDB Bhaban. It is comprised of a 20-story mixed-use commercial building and a 4-story computer shopping complex on a 2-acre plot of land donated by the Government of Bangladesh. The construction was financed through a US\$10-million grant and US\$3.2 million financing, both from IsDB.

1. Profile of the beneficiary organization

Unlike most of IsDB Waqf projects, there was no pre-existing organization before the Waqf project with ongoing activities and the grant component of the project was very large, making IsDB more of a founder than a financier.

In this case, the endowment and educational organization were created simultaneously as a single integrated initiative, which would then develop its own educational programs. Furthermore, the large grant component ensured a minimal repayment burden, meaning that funds were immediately available to support educational activities. Only IsDB-Guinea Waqf has a similar design, as officials from Guinea



The endowment and educational organization were created simultaneously as a single integrated initiative, which would then develop its own educational programs

visited IsDB-BISEW a number of times to gain necessary information to replicate the model.

As per the 'Deed of Waqf' the objective of the IsDB-BISEW is to provide financial assistance to serve an educational mandate, including supporting the following:



IsDB-BISEW undertakes funding, formulating and implementing of projects in the areas of education, human resource development and institutional strengthening.

The intent is to transform the large population into a productive workforce by strengthening their technical capabilities to use existing and emerging technologies resulting in sustainable economic growth and equality.

From a development perspective, the main focus of the major programs implemented by IsDB-BISEW is to bridge the gap between education and employment, assuring that Bangladeshi youth are equipped with the skills necessary for the job market. As such, the major barometer of success guiding Management's operations is job placement.

2. Waqf asset description

Among the tallest buildings in Dhaka, Bangladesh rising 20-stories (81 meters) high, IsDB Bhaban at Agargaon is one of the most prestigious buildings in the capital. The tower houses UN Bodies (occupying 14 floors) as well as other multinational organizations and companies, attracted by the excellent quality of the building's facilities, maintenance and security.

The podium building at the base of the tower is occupied by the BCS Computer City – a specialized shopping complex that is also the unrivaled IT Hub of Bangladesh. Comprised of 4 stories with

²² IsDB-BISEW pre-dated the establishment of APIF but is nonetheless relevant to the APIF model.

an area of nearly 10,000 square meters, the BCS Computer City includes over 156 outlets for retail and wholesale of exclusively computer hardware, accessories, peripherals and related products.

IsDB Bhaban is conveniently located in the heart of Dhaka City at Agargaon, Sher-e-Bangla Nagar in proximity to the Bangladesh Parliament building. It is a distinctive, well-maintained building equipped with modern amenities.



IsDB Bhaban Waqf Complex for the Benefit of IsDB-BISEW, Dhaka, Bangladesh.

Source: IsDB-BISEW Management Office.



BCS Computer City Specialized Shopping Center

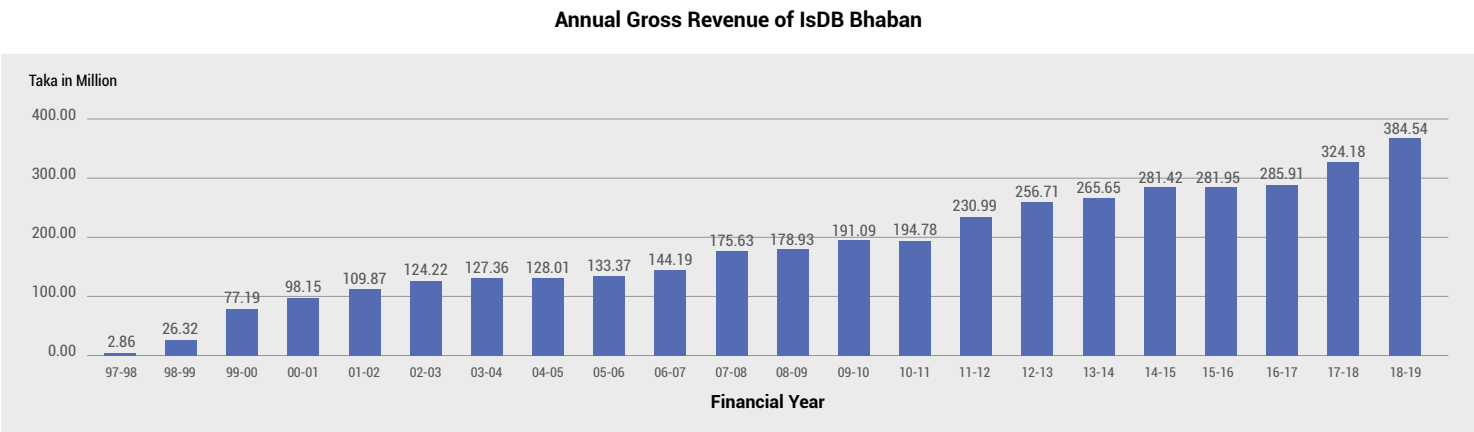


Source: IsDB-BISEW Management Office.

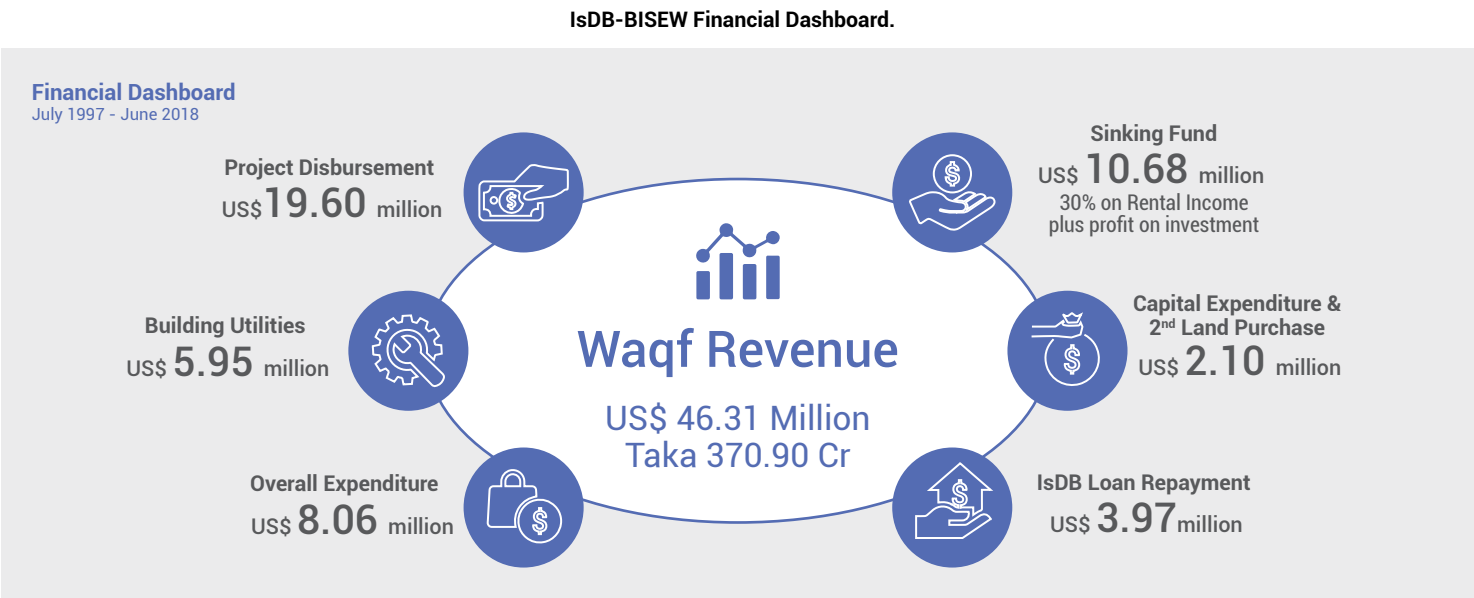
3. Financial Performance

The excellent quality of IsDB Bhaban’s tenants has helped it achieve a high level and stability of financial income. The budget estimates for Financial Year July 2018–June 2019 indicate a total gross income of approximately US\$4.56 million, of which US\$3.53 million is available.

The steady growth in gross income over time is depicted below.



In addition to covering expenses, this available amount of income has contributed US\$19.60 million in project disbursements, since inception (an average of US\$1.23 million of support to educational programs per year of operations). Furthermore, over the same period (with the exception of only two years), 30 percent of gross income has been channeled to a sinking fund. Profit on investment from this sinking fund is projected to account for US\$ 818,140 of the total gross income for the current financial year. A summary of the overall financial situation of IsDB-BISEW is depicted in the following financial dashboard.



Hence, with inputs of a 2-acre plot of land from the Government of Bangladesh in addition to US\$10 million grant and US\$ 3.2 million financing from IsDB, the direct outputs have been impressive. IsDB-BISEW has made US\$19.6 million in project disbursements and it sits on a sinking fund of US\$10.68 million as well as a piece of property estimated to be worth US\$50 million. Indeed, when accounting for the new 2-acre plot of land in a prime location of Dhaka allocated by the Government for the new Waqf project and purchased at a government price, IsDB-BISEW currently holds approximately US\$160 million worth of assets.

4. Socio-economic impact of the Waqf project

Four different levels of impact from the Waqf project are worth considering. These include its impact on the following: the end beneficiaries; the project sponsor/beneficiary organization; the Awqaf and philanthropic sector; and the local economy. Each of these levels of impact is discussed in detail below.

a. Impact of revenues generated from the Waqf asset on end beneficiaries

IsDB-BISEW achieves its objectives via disbursing an average of around US\$1.23 million each year from its own resources for implementing various programs in the areas of education and human resource development in Bangladesh since 2003.

Specifically, the IsDB-BISEW supports the following five programs:

- IT Scholarship Program;
- Vocational Training Program;
- Madrasah Program;
- Scholarship for 4-Year Diplomas in Engineering Program; and
- Orphanage Program.

First, as for the IT Scholarship Program, its purpose is to transform the large population of unemployed university graduates of any non-IT field into productive members of the workforce by strengthening their technical capabilities in the field of ICT. Its specific scope covers the following:

- Training in in-demand employability-focused IT skills, via an intensive, transformational training course lasting just over 1 year;
- Achieving a trainee intake of 1200 students per year;
- Providing international IT certifications' exam fees; and
- Ensuring the employment of course graduates.



IsDB-BISEW's Prometric and Pearson VUE Authorized Test Centers (Largest in Bangladesh)

Source: IsDB-BISEW Management Office.



Graduates of IsDB-BISEW's IT Scholarship Program at the Certificate Distribution Ceremony

Source: IsDB-BISEW Management Office.

To date, this program has had the following achievements:

- 12,778 scholarships awarded;
- 9,961 computer literacy programs completed;
- 6,753 professional courses completed; and
- 5,922 job placements made.

Indeed, IsDB-BISEW's IT Scholarship Program is held in high regard by employers, and a preference for IsDB-BISEW graduates is often explicitly mentioned in job advertisements.

Second, regarding the Vocational Training Program, its purpose is to transform high school dropouts, who failed to pursue further education due to financial constraint, by strengthening their vocational skills to create job opportunities. Its scope covers the following:

- Providing training fees;
- Providing free accommodation and food facilities;
- Providing a monthly maintenance allowance; and
- Assisting with job placement.

Furthermore, this Program currently covers the following trades:

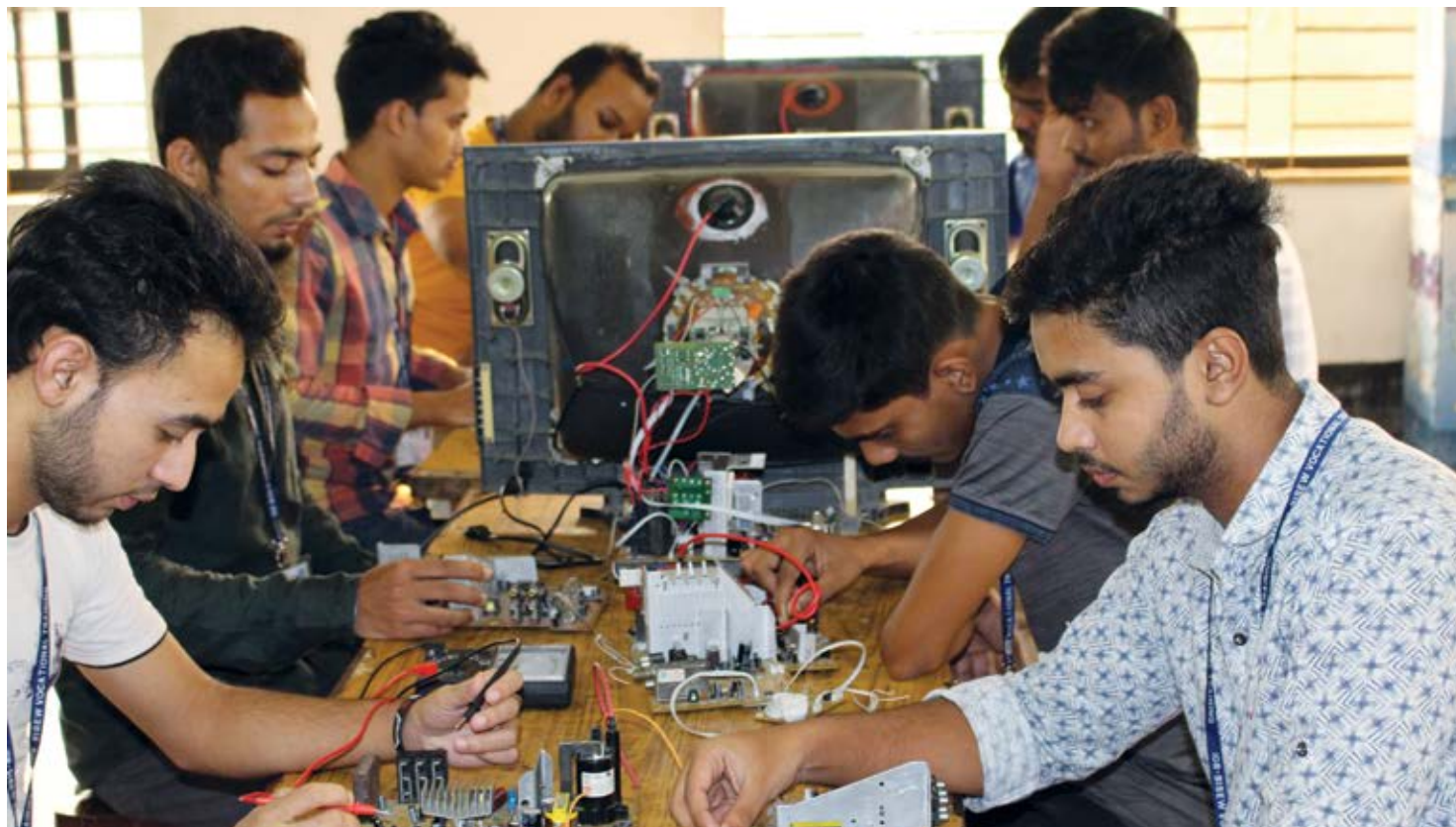
- Electrical works;
- Electronics;
- Machinist work;
- Refrigeration & air-conditioning; and
- Welding & fabrication.

To date, this program has had the following achievements:

- 1,288 scholarships awarded;
- 950 courses completed; and
- 872 job placements made.



The Vocational Training Program's purpose is to transform high school dropouts, who failed to pursue further education due to financial constraint, by strengthening their vocational skills to create job opportunities.



IsDB-BISEW's Vocational Training Program in Session in the SOS Children's Village Facility in Dhaka, Bangladesh.

Source: IsDB-BISEW Management Office.



Nayagar Nesaria Islamia Dakhil Madrasah before and After IsDB-BISEW's Intervention

Source: IsDB-BISEW Management Office.

Third, as for the Madrasah Program, its purpose is to develop physical facilities of Madrasahs and to introduce Dakhil (Vocational) Program by providing complete facilities under Bangladesh Technical Education Board (BTEB). Its scope covers the following:

- Construction of academic buildings and vocational workshops;
- Provision of teaching staff;
- Supply of raw materials, tools & equipment;
- Provision of registration and exam fees.

To date, this program has had the following achievements:

- 27,210 beneficiaries served, including 1,068 vocational graduates; and
- Positions in the Top 20 in the BTEB final Exam from 2011 to 2015.



Girls at the Rasulpur Madrasah Learn to Sew in the Vocational Training Workshops Sponsored by IsDB-BISEW

Source: IsDB-BISEW Management Office.

Fourth, regarding the Scholarships for 4-Year Diploma in Engineering Program, its purpose is to create opportunities for Dakhil (vocational) graduates of the Madrasah Program to complete a 4-year Diploma in Engineering in government polytechnic institutes. Its scope covers the following:

- Providing TK 2,500 in tuition fees (per semester);
- Providing TK 2,000 in pocket expenses (monthly);
- Providing TK 500 for books and other materials (monthly).

To date, this program has had the following achievements:

- 171 scholarships awarded; and
- 34 government polytechnic institutes covered.

Fifth, regarding the Orphanage Program, it includes a single project to date, namely the Khaiyarbhangra Orphanage in Madaripur. It includes a number of running courses/classes for the orphans. To date, this Program has had the following achievements:

- Residential accommodation constructed for 100 orphans;
- 50 percent of monthly expenses for food provided;
- 100 percent passing rate in public exams maintained and Government Merit Scholarships secured;
- 1350 orphans served; and
- 20-30 new orphans enrolled per year.



The Orphanage Sponsored by IsDB-BISEW.

Source: IsDB-BISEW Management Office.



Children Receiving Education at IsDB-BISEW's Orphanage

Source: IsDB-BISEW Management Office.

Based on the above, a summary of IsDB-BISEW's achievements in its various areas of activity is as follows:

Description	Value
1. IT Scholarship Program	
First year of operations	2003
Total disbursement for this Program	US\$ 15.2 Million
Scholarships awarded	12,778
Computer literacy programs completed	9,961
Professional courses completed	6,753
Job placements made	5,922
2. Vocational Training Program	
First year of operations	2012
Total disbursement for this Program	US\$ 1.1 Million
Scholarships awarded	1,288
Courses completed	950
Job placements made	872
3. Madrasah Program	
First year of operations	2008
Total disbursement for this Program	US\$ 1.2 Million
Beneficiaries served	27,210
Vocational graduates (included in above)	1,068
4. Scholarships for 4-Year Diploma in Engineering Program	
First year of operations	2016
Total disbursement for this Program	US\$ 59,299
Scholarships awarded	171
Government polytechnic institutes covered	34
5. Orphanage Program	
First year of operations	2006
Total disbursement for this Program	US\$ 250,947
Orphans served	1,350
Total number of beneficiaries	42,797
Total actual job placements made	6,794
Percent of graduates placed in jobs	92%
Total project disbursements	US\$ 19.6 Million
Total Waqf revenue	US\$ 46.3 Million

b. Impact of the Waqf project on the beneficiary/sponsor

As mentioned previously, IsDB-BISEW falls in the minority of projects where no pre-existing organization was in place prior to the Waqf intervention. Thus, beyond providing a sustainable source of financing for socio-economically beneficial activities, the Waqf project in this case, saw the creation of a new institution, complete with its own governance and management structures. This institution has evolved over time, improving its ability to efficiently and effectively utilize the return from the Waqf for educational programs, thereby delivering on the Waqf's purpose and the institution's mandate.

c. Impact of the Waqf project on the Awqaf and philanthropic sector

For the Bangladesh Ministry of Religious Affairs' Waqf Administration, represented on the Mutawalli Committee of IsDB-BISEW, this project is a major success, representing a significant shift in Awqaf management in Bangladesh. IsDB-BISEW has received multiple prizes and honors, raising the profile of Awqaf and setting a high-standard role model to for emulation within the sector.

d. Impact of the Waqf project on the local economy

IsDB Bhaban's high-quality facilities have positively impacted the local ecosystem for international organizations and corporations. Among the tallest, most well-maintained and most secure buildings in Dhaka, IsDB-Bhaban provides facilities according to international standards, facilitating the work of international organizations (like the UN). The facilities also house the largest specialized computer market in Bangladesh. As such, it has helped vitalize the district in which it situated.



IsDB-BISEW was one of the earliest providers of IT training, which arguably helped facilitate the early stages of the Bangladeshi IT/software sector that is now booming. It helped fill a critical skills gap during the early 2000s.



The IsDB-BISEW Logo. The IT Certification has Become a Well-Recognized Brand Among Employers

IsDB-BISEW was one of the earliest providers of IT training, which arguably helped facilitate the early stages of the Bangladeshi IT/software sector that is now booming. It helped fill a critical skills gap during the early 2000s. Furthermore, the IT Scholarship Program's business model of selecting high-quality training centers – known as Third-Party Service Providers (TSPs) – to train students based on the IsDB-BISEW curriculum has helped raise the general level of IT training centers, vying for selection (due to the sizable and timely payments made by IsDB-BISEW to participant TSPs).

Regarding training design and execution, IsDB-BISEW's IT Scholarship Program has become a true role model for employment-focused educational/training programs in Bangladesh, affecting both the practices of the government and other organizations. Indeed, among beneficiaries and the broader Bangladesh community (most notably employers), IsDB-BISEW has created a name for itself – a unique brand. Furthermore, the Government has arranged IT Programs similar to IsDB-BISEW's and other organizations have been influenced by its practices. For example, one vocational training center in Dhaka decreased the length of its vocational programs after observing the success of a similar IsDB-BISEW program, which achieved equally good job placements with a shorter training time. This has allowed a quicker turnover rate and the skilling/training of a larger number of Bangladeshi youth within the same period.

5. Management

IsDB-BISEW has its management office housed within the Waqf building itself, which oversees both the Waqf facilities and educational programs.

The management team, headed by the CEO, oversees management of the Waqf facility and employs a team of educational consultants to manage the various educational programs of IsDB-BISEW.

This team of consultants ensures the educational programs described perform to the highest standards, with continuous monitoring and

improvement, which has produced programs closely tailored for the local context with detailed checks and balances.

6. Governance

At the highest level, the oversight and administration of the IsDB-BISEW has been vested in a "Committee of Mutawallis" (effectively a Board of Directors) constituted of six members. Three of these members represent the Government of Bangladesh, while the other three members are nominated by IsDB.

Although this structure is a direct result of the partnership between the Government and IsDB (including the large grant component), and as such is rather unique, it has provided a model of successful oversight.

The competence and professionalism of the management team is a direct result of the well-designed governance structure and close oversight of the Waqf. Indeed, management utilizes dashboards and IT systems to maintain quality, oversight, and transparency.

7. Sustainability

IsDB-BISEW, as a large-scale well-managed Waqf, is among the most sustainable (and in fact expanding) projects executed by IsDB. Not only has it supported (and does it continue to support) educational programs, but it has also been able to accumulate a significant amount of reserves to be utilized for its expansion. Indeed, 30 percent of its annual income has been consistently directed to a sinking fund (except for two years).

Today, IsDB-BISEW is in a position to execute a new Waqf project, partially financed by its own resources and partially by APIF, with land allocated by the Government. In fact, the success of the first project has encouraged the Government of Bangladesh to allot a second 2-acre plot of land in a prime location of Dhaka purchased by IsDB-BISEW at a government price and valued at US\$50 million for the new project – a testament to the Government's recognition of the impact achieved by IsDB-BISEW. This new project has in fact been approved for APIF financing.

Furthermore, the level of representation from the Government on the Committee of Mutawallis has ensured continued project success, robustness, and sustainability. Despite the full financial independence, which allows for operational efficiency in a decentralized model, the government remains fully involved and informed ensuring that the project continues to be viewed positively and to receive government support.

At the level of individual end beneficiaries, the benefits attained by trainees are expected to be sustained over multiple generations. As attested by many IsDB-BISEW alumni, especially of the IT Scholarship Program, the Program represented a once-in-a-lifetime opportunity for them, which completely changed their prospects and ultimately their standard of living and that of their families.

8. Lessons Learnt

Overall, IsDB-BISEW represents the prototypical role model case of IsDB Waqf interventions in many ways. It has set an example that in itself could impact future Waqf projects executed by IsDB or other players. A few of the lessons and best practices gained from the IsDB-BISEW experience are described below.

a. Board membership

One of the critical lessons learnt from the IsDB-BISEW experience is the usefulness of both IsDB and government membership on the Board of a Waqf project (the Mutawalli or Nazir committee), where possible. IsDB membership ensures quality and technical oversight and avoids deviation from the initial deed of the Waqf. Furthermore, continued IsDB involvement could boost the standing



IsDB-BISEW represents the prototypical role model case of IsDB Waqf interventions in many ways. It has set an example that in itself could impact future Waqf projects executed by IsDB or other players.

of the organization, given its continued partnership/affiliation with an international organization, which is not limited to that of a financier.

As for the government membership of the Board, it can facilitate the speedy achievement of the objectives by guiding the decision making of the Board and providing the necessary advice and network to facilitate the Waqf objectives. Furthermore, the government membership can help transfer expertise both ways and promote the idea of Waqf by providing intimate knowledge to the government of the success of the Waqf's projects and programs.

Generally speaking, the establishment of a Mutawalli/Nazir Committee as a model for Waqf institutional management is superior to the traditional practice of individuals as Nazirs, which can open



Children Receiving Computer Education at IsDB-BISEW's Dakkhingaoan Madrasah

Source: IsDB-BISEW Management Office.

the door to corruption or at the very least weaken decision making.

b. Program Design

The intricate design of IsDB-BISEW's educational programs, which are tailored to ensure actual performance on the job, are the result of an organic process of continuous improvement since these programs commenced in 2003. Thus, these practices can be taken as the starting point for future Waqf projects with similar educational mandates. These practices include the following: dependence on third-party service providers (TSPs) for training, with strong in-house verification/testing of students' progress; biometric verification of physical attendance at TSPs; payments to TSPs that are structured around/closely tied to performance and attendance; continuous surveying of employers and updating of curricula accordingly; etc.

c. Waqf asset utilization

Additionally, IsDB-BISEW's selection of tenants and building use has been highly successful. For the tower, it has limited selection to international organizations and multinational corporations, to ensure smooth cash flow (the UN, for example, makes its rent payment 100 percent in advance). As for the podium market, the Management remained adamant that it should be branded as a highly specialized (computer) market, making it a uniquely attractive venue for computer-related businesses.

9. Challenges

No doubt, many challenges remain for the IsDB-BISEW model, most notably the scalability and macro-economic impact. The concern is that, while useful, this model is not significant in the larger development picture, especially given the very large unmet need among unemployed/underemployed Bangladeshi youth. However, if replicated, this model could be highly impactful, and a successful case provides a role model/proof of concept for similar initiatives.

10. Individual Success Stories

IsDB-BISEW provides many, well-documented success stories. A few of the most successful graduates of IsDB-BISEW's IT Scholarship Program are listed in the following table. This table is followed by two stories of IsDB-BISEW's graduates from different programs, presented in their own words.

a. Highly Successful IT Scholarship Program Graduates

Name	Position and Organization	IT Course Completed
Md. Mahmudur Rahman Khan	IT Head (5 Sear Ports) at RAK, UAE	Database Design and Development
Md. Sharafat Hossain Kamal	Manager at Spectrum Engineering Ltd	ESAD-J2EE
Shamim Ashrafi	Big Data Consultant at Amazon.com, USA	Database Design and Development
Gazi Mukter Hossain	Network Administrator at Medisys, KSA	Diploma in Network Technologies (NT)
Nur Mohammad Siddique	Senior Software Developer at MF Asia, Bangladesh	ESAD-J2EE
Mizanur Rahman	Analyst Programmer at Medisys, KSA	Database Design and Development
Enamul Haque Miraz	Freelancer	WPSI
Mizanur Rahman	CEO at BelaTech System	ESAD-J2EE
Mohammad Abdul Halim	Senior Database Administrator at State Government Georgia, Atlanta, USA	Database Design and Development



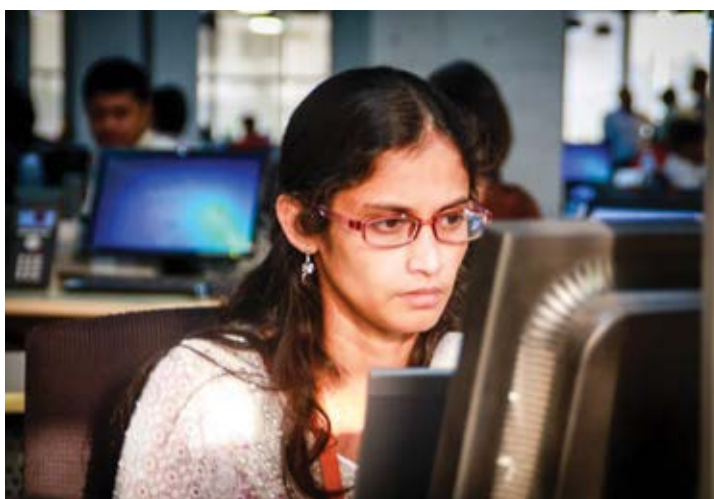
Shamim Ashrafi - Big Data Consultant at Amazon.com, USA

Source: IsDB-BISEW Management Office.



Md. Mahmudur Rahman Khan - IT Head (5 Sea Ports), Govt. of Ras Al Khaima, UAE

b. An IT Scholarship Program Graduate: Afroza Akhter ²³



Afroza Akhter, an IsDB-BISEW IT Scholarship Program Alumnus. Source: IsDB-BISEW Management Office.

I am Afroza Akhter. My story started on 2003 when I was preparing myself for the B.C.S. exam after successful completion of a Master of Social Science in Political Science. One day, my father informed me about an IT scholarship of IsDB-BISEW. He encouraged me to apply for the scholarship, and by the grace of the Almighty I got the scholarship. I was totally blind about the scholarship that I had achieved. At that time I didn't even know how to switch

on a computer. Day by day as time passed, I discovered that the program was not only a financial aid for scholars but also a new era for someone like me.

I successfully completed my scholarship program and entered the Job struggle on 2004. Yes, initially I experienced gender discrimination. Few companies were ready to recruit female employees. IBCS-Primax software BD Ltd was the first company that believed in woman power and recruited me on 04-Mar-2004 on a 3 months project for a TK5,000 salary per month. I am thankful to IsDB Project Co-coordinator Mr. Nawsher and Mr. Niaz [the IsDB-BISEW CEO], who told me Afroza please join there and try to prove yourself so that the Company will recruit you permanently. I listened to them and started my IT job at IBCS-Primax software BD Ltd. After 4 months the company confirmed me as a permanent employee as a Junior Programmer and reviewed my salary from TK5,000 to 10,000. I have worked there 4 years and 7 months and held many positions. Also, I attended many projects and in-house international trainings.

In September, 2008 I left IBCS-Primax and joined a leading Telecom operator Banglalink on December, as Senior Engineer in the Information Technology Department. I left Banglalink as an Application Lead Engineer on 31-Jan-2017. I drew TK120,886.00 per month from Banglalink, which is really a very attractive remuneration in the current job market. In the journey with Banglalink, I have attended local & international trainings. Most remarkable for me is that Banglalink always preferred me whenever any big or small project started as Technical or Project Manager regardless of gender & qualification. They honored me a lot. Thanks to Banglalink.

Now, I am planning to join a more challenging position and all the time grateful to the IsDB-BISEW Scholarship Program, which believed in me and gave me the opportunity to discover myself.

Thanks to IsDB-BISEW scholarship program and associated organization and persons. Thanks,

Afroza Akhter



I was totally blind about the scholarship that I had achieved. At that time I didn't even know how to switch on a computer. Day by day as time passed, I discovered that the program was not only a financial aid for scholars but also a new era for someone like me.

²³ The language of this piece has been slightly edited from the original.

c. **A Madrasah Program (Vocational) Graduate:**
Md. Rakib Hossain²⁴



Md. Rakib Hossain, an IsDB-BISEW Madrasah Program Alumnus.

Position: Area Manager

Trade Name: Electrical Works

Source: IsDB-BISEW Management Office.

Madrasah: Dakkhingaon Kaliab Dakhil Madrasah

Employer: ROSE CAFA, Sunamganj

Md. Raquib Hossain was born in Sanmania village of Kapasia Upizalla in Gazipur. He is the eldest son of the family. Raquib's father Md. Reazuddin is a poor farmer. It was very difficult for him to bear the expenses of 5-member family. Raquib's father admitted him at Dakkhingaon Kaliab Dakhil Madrasah, Kapasia, Gazipur in class four due to financial constraints. After passing Junior Dakhil Exam (JDC) in 2009, his teacher advised him to enroll in the Dakhil (Vocational) course in class IX under the IsDB-BISEW Madrasah Program.

Respecting the advice of his class teacher, Raquib Hossain enrolled in the Dakhil (Vocational) course under BTEB in the General Electrical Works trade in the same year. Extreme poverty could not stop his journey of education. He attended theoretical and practical classes attentively and completed jobs of trade class regularly. Besides study, Raquib Hossain had frequently done electrical wiring, electrical motor repairing, and fan repairing works in his locality and earned money. As a result of his hard work, Raquib passed the Dakhil (Vocational) course in 2011 with a CGPA of 4.77. Excellent results in Dakhil (Vocational) inspired him to get admission in MIST Gazipur in a 4-year Diploma in Engineering in Electrical Works and he became a Diploma Engineer in 2016.

Raquib and his family were very happy when he got a job as an electrician in 2016 at ROSE CAFA industry at Sunamganj. As a result of his outstanding performance in the profession, currently, he has been promoted to the position of Area Manager and is drawing a monthly salary of TK22,000. Raquib believes Dakhil (Vocational) training under IsDB-BISEW Madrasah Project has made him a confident and successful person in society. Now, he is a productive member of society and can contribute to his family as well. His dream is now to complete BSC Engineering in EEE. Raquib is deeply grateful to IsDB-BISEW.

B. Case Study 2: Fujairah Welfare Association's Nama Waqf²⁵



Although the Fujairah Welfare Association (FWA) had multiple sources of income prior to the construction of Nama Commercial and Residential Building (NCRB), these resources were insufficient to meet the increasing costs of its expanding social and humanitarian projects.

Previously, it had been the beneficiary of two small Waqf buildings in addition to receiving the return on various investments as well as significant philanthropic donations. Despite the growth in cash flows generated from these assets, which increased from AED6.4 million in 2007 to AED11.5 million in 2009, FWA was expanding its social welfare programs both locally and internationally and a reliable source of income was necessary to sustain the growing operations.

The idea of building a commercial and residential Waqf building was endorsed by His Highness the Ruler of Fujairah, the Honorable Chairman of the FWA, who donated a 1200-square-meters piece of land for building NCRB located in the Business District of the City of Fujairah between two main roads. The FWA received the building permission and signed the construction contract during the first half of 2007.

The project was in an advanced stage of construction when the FWA approached IsDB for possible financing. An APIF mission

²⁴ The language of this piece has been slightly edited from the original.

²⁵ This case study is based largely on the Final Project Performance Evaluation Report prepared in January 2016 by the Group Operations Evaluation Department (GOED), updated as per the findings of a mission to Fujairah mounted for this report in May, 2019.

visited UAE in 2009 and appraised the project. It was found that the FWA's Balance Sheet was strong and its mandate aligned with that of APIF. Moreover, the estimated project cash flows over a period of 15 years indicated an Internal Rate of Return of 14 percent. Accordingly, the project was considered technically sound, mission-aligned, and financially viable for APIF financing.

On 26 March 2009, the IsDB President approved US\$9.00 million (US\$3.00 million from APIF and US\$6.00 million from APIF Line of Financing) by way of Leasing for the construction of NCRB. The estimated total project cost was US\$18.00 million, of which the sponsor contributed US\$9.00 million in terms of construction work and land value. The tenor of financing was for a 10-year repayment period, including 2 years of gestation.

The project was completed in mid-2011 with some justifiable time and cost overruns. The realized project cost was AED 76.00 million, which was equivalent to approximately US\$20.71 million.

1. Profile of the beneficiary organization

The Fujairah Welfare Association (FWA) is a charity organization in the United Arab Emirates. FWA was established by a Ministerial Decree dated 26 April 1987. It operates from its head office in the city of Fujairah but has two field offices: one in the city of Dibba (70 kilometers from Fujairah) and one in Bangladesh.

The main objective of FWA is to deliver social services to the needy communities through providing in-kind and financial aid. The targeted beneficiaries include widows, orphans, students and destitute families. FWA also provides relief and humanitarian efforts during natural disasters and calamities, both nationally and internationally and helps with donations of food, clothes and blankets in local relief efforts.

Since inception, FWA has conducted projects worth (and distributed) over US\$319 million. FWA has more than 70 employees (regular and seasonal), five of whom were hired after NCRB building was constructed.

The FWA also exerts efforts in the field of supporting the underprivileged families in the educational and services fields as well as giving care to orphans. While charitable and humanitarian work constitutes the focus of FWA, it provides training for qualifying productive families to set up small enterprises. The FWA's Development and Rehabilitation of Productive Families Program has received national and regional recognition.

FWA has received ISO 9001:2015 certificate in the field of good work, charitable donation and community development. In this regard, FWA has collaborated with the Dubai Quality Group in order to achieve organizational excellence through continuous development of its staff, improving service delivery and ascertaining quality.



A FWA Event Participation.

Source: <https://www.alkhairia.org.ae/>.



FWA's NCRB Waqf.

Source: APIF.

2. Waqf asset description

The Nama project included the construction of a 23-story commercial and residential building encompassing offices, apartments, shops and car parking spots. The project scope included 19 typical floors with 95 apartments (of various sizes) and 41 offices. In addition, the building has two basements with 70 car-parking slots, a ground floor with 8 shops, and a mezzanine floor. The combined built-up area is relatively large at 27,600 square meters.

3. Financial Performance

Two levels of financial performance are worth consideration in the context of FWA's Waqf Project. The first is the financial performance of the Waqf asset itself, and the second is the financial performance of the beneficiary organization. This is because, unlike IsDB-BISEW (in the previous case study), FWA as an organization was operational long before its engagement with IsDB and the establishment of its Waqf asset. Each level is discussed in detail, below.

a. Performance of the Waqf Asset

The operations of NCRB started in 2012 by renting shops, apartments and offices. Since the rents charged by FWA have been relatively below the market price (about 5 percent lower), the building has maintained an occupancy rate of nearly 100 percent. The revenue generated has been stable and the tenants have paid their rents on time without significant delays. This income strengthened the financial position of FWA and enabled it to expand its social and charitable programs.

Although the total rent generated by NCRB from apartments, offices, shops and parking has fluctuated over the years, reaching a low of US\$1.36 million in 2018 due to the weak real estate market (as the

chart below reflects), it has generally remained strong. These cash flows have strengthened the FWA financial position and enabled it to make regular repayments towards the amount received from IsDB. The remaining balance, which has often been significant, has been used for the continuation of the social welfare and charitable programs sponsored by the FWA.

b. Performance of the Organization

The main sources of FWA's income are: (i) charity and donations, and (ii) return from its investments. Indeed, charity and donations are the main source of income for FWA.

During the five-year period centered around the completion of NCRB (2009-2014), the income mobilized from donors and partners increased from US\$13.56 million to US\$19.23 million (42 percent). It is noteworthy to mention here that these donations are, for the most part, zakat payments and orphan sponsorships. As such, these funds are special-purpose (restricted) funds that are spent according to the donor's instruction.

On the other hand, the income generated from investment during the same period increased from US\$3.17 million to US\$7.66 million (142 percent), a large growth that includes the US\$1.8 million generated annually from the rent of NCRB. Hence, FWA's net income (i.e. income after deducting assistance/charity payments and administrative expenses) increased from around US\$2.58 million to around US\$5.62 million during the same period.

4. Socio-economic impact of the Waqf project

Four different levels of impact from the Waqf project are worth considering. These include its impact on the following: the end beneficiaries; the project sponsor/beneficiary organization; the Awqaf and philanthropic sector; as well as the local economy.

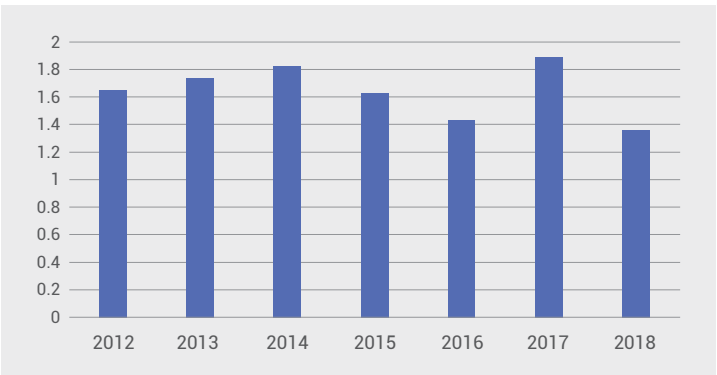
Each of these levels of impact is discussed in detail, below.

a. Impact of revenues generated from the Waqf asset on end beneficiaries

The flagship program of FWA known as the Family Development and Rehabilitation Program (FDRP) presents an interesting charity-based value chain approach, supported by Awqaf-generated resources.

At both ends of the value chain, charity plays the major driving role. On the demand side, the final off-taker of FDRP products is often a charitable organization, which requires materials for distribution (e.g. Al Maktoum Foundation). On the supply side, FWA provides all necessary inputs and facilitates production by families. For example, for textile/clothing production, it provides the raw materials, sewing

NCRB's Gross Income (US\$ Million)





Traditional Weaving as part of FWA's FDRP

Source: <https://www.alkhairia.org.ae/>.

machines and training and it facilitates obtaining any required licenses.

Families supply their labor and, in the process, receive coaching, capacity development and hands-on experience. Therefore, at both ends of the value chain, Awqaf could help generate the resources necessary to maintain such charity-based value chains.

FDRP is geared towards building the capacity of poverty-stricken women to enable them to become financially independent through various forms of training and support.

FDRP provides training in arts and crafts, cuisine, sewing and detailing, ready-made clothing, beauty, and perfumes. Professionals and experts conduct these trainings in partnership with various



FDRP is geared towards building the capacity of poverty-stricken women to enable them to become financially independent through various forms of training and support.

Chambers of Commerce and Dubai's Quality Group. Furthermore, beyond direct financial support, one important aspect of this program is that FWA has signed an agreement with the relevant government licensing agency to exempt certified FDRP ladies from the fees for home-based production licenses. The FDRP has won a number of awards, both domestically and regionally.

One important initiative of FDRP is the Women's Taxi Program. Under this Program, beneficiary women receive vehicles on a daily rental basis. These taxis, which are registered with the local police department, are used specifically for transporting women.

FWA utilizes Awqaf-generated resources to support a number of additional social programs both domestically and abroad. Domestic programs include orphan and family sponsorship, direct financial support to impoverished families, and scholarships for education. Internationally, FWA operates three orphanages (2 for boys and one for girls) in Bangladesh and FWA also sponsors seasonal programs particularly during Ramadan and the two Eids.

One of the main objectives of FWA is developing a sense of social responsibility among the local people to participate in community service. To that end, FWA has succeeded in mobilizing philanthropists and local businesses to support its charitable and social programs.

FWA also aims to achieve the principle of solidarity and goodwill spirit through its Zakat program. FWA social researchers study the

needy family cases and identify the deserving families to the Zakat Committee, who make the allocation.

FWA also works closely with the UAE Red Crescent Authority, in remote and poor areas, in providing relief and implementing development projects (e.g., building mosques, schools, clinics, digging water wells, boreholes).

FWA also participates in all social programs organized by Government institutions (e.g., Ministry of Social Works) and non-governmental organizations (NGOs). Accordingly, FWA has won many awards and recognitions for its social and charitable work. For example, in collaboration with the Ministry of Education (Fujairah Educational Zone), FWA organized remedial classes in mathematics, physics, Arabic and English languages for secondary school students.

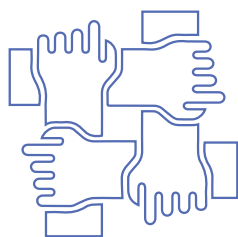
The income generated from the Waqf building is added to incomes accruing from other assets to finance all of the social welfare programs sponsored by FWA. A summary of the achievements of FWA as of 2018 in its various areas of activity is as follows:

Item	Total Number
Sacrificial sheep (adahi) (sheep/ individuals)	1,500 / 38,000 (2018)
Seasonal - Ramadhan Iftar beneficiaries	1,701,800 (2014-2018)
Seasonal - Zakat Al-Fitr beneficiaries	297,720 (2014-2018)
Seasonal - Eid Clothing (kiswah) beneficiaries	42,955 (2014-2018)
Annual Sponsorship – Orphans in UAE	1,452 (2014-2018)
Annual Sponsorship – Orphans Abroad	46,667 (2014-2018)
Annual Sponsorship – Families	2,231 (2014-2018)
Annual Sponsorship – Students	55 (2014-2018)
Annual Sponsorship – Special Needs Individuals	115 (2014-2018)
Food preservations events covered	15,086 (2004-2018)
Food preservation beneficiaries	6,348,991 (2004-2018)
Students' Fund beneficiaries	18,398 (2014-2018)
Ladies' Vocational Training & Workshop beneficiaries	5,661 (2013-2018)
Development and Rehabilitation of Productive Families Program beneficiaries	493 (2004-2018)
Financial Support beneficiaries	165,506 (2014-2018)
In-Kind Support beneficiaries	90,929 (2014-2018)



A Food Distribution Campaign by FWA

Source: <https://www.alkhairia.org.ae/>.



FWA also aims to achieve the principle of solidarity and goodwill spirit through its Zakat program. FWA social researchers study the needy family cases and identify the deserving families to the Zakat Committee, who make the allocation.

b. Impact of the Waqf project on the beneficiary organization

The project was part of FWA's plan to seize the opportunity of favorable market conditions to construct a Waqf building to generate income to fund its charitable and humanitarian operations.

The Waqf building was expected to generate sustainable cash flows in terms of rent that would enable FWA to service the financing, recoup its investment and realize sufficient revenues.

Although NCRB was at an advanced stage of construction when FWA approached IsDB for financing, APIF was nonetheless instrumental to the smooth completion of the project.

APIF's financing of the building was highly needed at the time. In particular, the FWA did not approach conventional banks for financing to avoid paying interest. In addition, the real estate market was in turmoil during 2008/2009 after the global financial crisis, and local banks were charging high rates while curtailing financing real estate projects.

The markup rate charged on IsDB/APIF Lease financing (360 bps plus 6 months US\$ LIBOR) was below the long-term loan rates charged by domestic banks (8-9 percent) in UAE. Therefore, APIF was able to maintain competitiveness and continue to serve the needs of the Awqaf sector even during the financial crisis.

In addition to the lower mark-up, IsDB/APIF financing ensured the timely completion of the project without disrupting the activities of FWA.

Although FWA could have secured the financing from other sources, including its own resources, such a choice would have delayed the completion of project as well as the expansion of FWA's charitable and humanitarian activities.

Overall, the success of FWA's experience with NCRB incentivized it to undertake subsequent projects financed by APIF – a testament to the positive impact of APIF on the organization.

To date, two additional major Waqf projects have been approved for the benefit of FWA.

c. Impact of the Waqf project on the Awqaf and philanthropic sector

The Awqaf sector in UAE is expanding and flourishing, particularly among charitable organizations. Indeed, this sector in UAE is highly developed. Its operations span different socio-economic activities including religious, educational, healthcare, as well as relief efforts and charitable activities. The most important characteristic of the sector is the fact that most of the Awqaf properties are new and that the agencies and organizations managing these properties are making genuine efforts to revive the role Awqaf in socio-economic development.

APIF's financing has participated in mainstreaming the Awqaf culture among charitable organizations in the UAE. Indeed, IsDB has financed two Awqaf buildings for FWA, Nama 1 (NCRB) and Nama 2, and it has approved a third project. The success achieved with the first building inspired FWA to pursue further Awqaf projects and no doubt its visible success has inspired other organizations to consider establishing Awqaf.

d. Impact of the Waqf project on the local economy

When the project was planned, there was a strong demand for housing and office space in the city of Fujairah in anticipation of the growing business and the new planned strategic projects. Although Fujairah, located on the Sea of Oman, was a small Emirate in terms of population at the time of appraisal (150,000), it was implementing some regional strategic projects. A 3,800 kilometers pipeline was built to export oil from Habsan Oil Field in Abu Dhabi to Fujairah Port, which became operational in June 2012. Moreover, the Fujairah port was expanded and a Free Zone was created. These economic projects created a significant demand for residential and office spaces. In fact, despite setbacks during the 2008 financial

crisis, the city's population had increased to approximately 530,000 by 2018, ensuring a persistently strong demand for real estate units.

The FWA has contributed to private sector development indirectly in terms of availing office space. In addition to the 40 offices in NCRB, FWA has a new 9-story building (Nama 2) financed by APIF in the seaport area designated purposely for office space. The development and expansion of Fujairah Sea Port has increased the demand for office space as many foreign shipping and logistic companies are moving to Fujairah. NCRB has contributed towards meeting the demand for residential and commercial space in the Fujairah city, facilitating the relocation of major companies and the creation of domestic job opportunities.

5. Management

The management of the Waqf property is lodged within the offices of FWA. An in-house team manages the property and its rentals. Also, the in-house Investment Department oversees investment decisions and opportunities.

6. Governance

The Governance structure of the FWA provides the ultimate oversight for Waqf management and utilization of returns. This structure comprises a 12-member Board of Directors that sets the strategy and directions of the Association and management that executes the policies and directives of the Board. The Board, elected by the General Assembly, appoints the General Manager. The growth and expansion of FWA over the years, the accumulation of assets and the strong financial position are indication of good planning and strong management style.



UAE-Humanitarian-Day-HE-Saeed-Raqbani

Source: <https://www.alkhairia.org.ae/>.

Accountability and transparency are crucial to FWA. Towards these ends, management engages a professional firm to audit the accounts before presenting it to the Board. In addition, FWA publishes an annual report summarizing the charitable and humanitarian activities implemented during the year and distributes it to all stakeholders.

7. Sustainability

Partially encouraged by IsDB, FWA has focused increasing attention on establishing Awqaf as sustainable and relatively predictable sources of income. A number of other philanthropic organizations in the UAE have also begun to focus on Awqaf investments.

High-quality tenants ensure smooth and sustainable rental flows, supporting the predictability of FWA programming. The major tenants of NCRB are the UAE army (15 apartments) and the Ministry of Health (15 apartments). Other tenants include a college for women and Khaliefa Residential Fund, a National Fund providing UAE nationals with loans to build homes. The FWA's Family Development and Rehabilitation Program, which provides training and capacity building to needy women, occupies 6 offices.

8. Lessons Learnt

The Awqaf sector in UAE is expanding and flourishing, particularly among charitable organizations, providing an opportunity for APIF and Awqaf-based models of charity.

APIF may need to be proactive and look for profitable Awqaf investment opportunities, especially given the high-quality and stability of returns on projects executed in the UAE – a source of strength for APIF as a fund.

Furthermore, an abundance of philanthropic funds and official support of charitable organizations can empower charity-based philanthropic value chains, supported by Awqaf funds, with major government-affiliated charities as off-takers at the end of the chain.

C. Case Study 3: Towfiq Welfare Society (or Towfiq Trust) Waqf



In November 2015, the IsDB approved a Murabaha operation for the purchase of a Waqf property for the benefit of Towfiq Trust, Kenya, to support the educational and health activities of Towfiq Welfare Society in Somalia. After a delay due to time taken by the beneficiary to close the financing gap as well as a change of scope to a different property and re-appraisal, the financing agreement was finally signed in July 2017. In the spirit of solidarity, IsDB provided its full support to the beneficiary during both processes.

Beyond the role of financier, APIF played the role of catalyst and facilitator. Indeed, with the help of IsDB, donations for the project amounting to US\$300,000 were received in IsDB accounts on behalf of the beneficiary. These, along with additional donations received directly by the beneficiary in Kenya, helped to close the financing gap.



Signing of the Financing Agreement between IsDB and Towfiq Trust.

Source: TWS

This project was relatively small compared to most APIF projects. The total cost of the project as executed was US\$3.50 million, including financing of US\$2.75 million (US\$1.0 million from APIF and US\$1.75 million from APIF Line of Financing) and a contribution by the beneficiary of US\$0.75 million.

1. Profile of the beneficiary organization

Towfiq Trust was the sponsor and the executing agency of the project. It was registered in Kenya as an NGO in 2013 and subsequently as a Trust in February 2015 mainly to undertake income-generating projects to support the educational and health activities of its sister organization, Towfiq Welfare Society (TWS), incorporated in Somalia.

TWS is a registered, charitable, non-profit, non-sectarian humanitarian organization, established in September 1995, based in Kismayo, the coastal capital city of Lower Juba province, Somalia. The organization has sub-offices in Mogadishu, Dhobley, Afmadow, Bu'ale and Jilib. TWS has also a liaison office in Nairobi. It is managing 5 primary and secondary schools, Kismayo University, a hospital and an orphanage.

Born out of a necessity to supply basic public services during the turbulence of the mid-1990s, TWS represented a uniquely humanitarian effort in an area polarized by persistent local tribal politics and poverty. The organization resulted from a need to fulfill the well-being needs of the South and central provinces of Somalia in the areas of education, healthcare, child support, agriculture, emergency relief and environmental protection. It was the initiative of local intellectuals who were experiencing the man-made and natural catastrophes paralyzing the Somali community. The goal of TWS was to rebuild the nation through developmental programs in line with Somali society needs and government development strategies by alleviating the prevailing socio-economic challenges. Today, TWS continues to strive towards this purpose.

2. Waqf asset description

The property that was ultimately purchased as a Waqf for the benefit of Towfiq Trust, known as "SOMAK House," is an office building in a prime location in Nairobi, Kenya. The APIF project scope included the purchase of a commercial property in Nairobi comprised of a 7-story office building and 3 small multipurpose blocks. The property has a land area of 2078 square meters, a total built-up (construction) area of 4140 square meters, and a lettable area of 2,611 square meters. The complex provides parking facilities for 51 cars. The scope of the project also included the property transfer costs, consultancy services and statutory fees.

The property is situated in a prime location in Nairobi, Kenya, on Mombasa Dual Carriageway around 6 kilometers far from Nairobi city center. The property is located within an area that is rapidly becoming popular with high-rise office blocks and hotels. The immediate neighborhood is characterized by commercial, hospitality, residential and storage activities. The property is next to Gateway Park and opposite DTB Commercial Centers. Also, within 1 kilometer from the site, there is Nairobi National Park as well as a number of hotels.



SOMAK House, the Waqf Building in Held by Towfiq Trust in favor of TWS. Source: www.somak.com

3. Financial Performance

Two levels of financial performance are worth consideration in the context of TWS's Waqf Project, given that TWS as an organization predates and is independent of the Waqf project. The first is the financial performance of the Waqf asset itself, and the second is the financial performance of the beneficiary organization. Each level is discussed in detail, below.

a. Performance of the Waqf Asset

At the time of appraisal, the projected income and cash flow statements of the project were promising and realistic, especially since the property was already rented. Over a projection period of 20 years, they indicated a Financial Internal Rate of Return (FIRR) of 8.63 percent and an average Debt Service Ratio of 1.35. Given the recent nature of the project and availability of actual rental information at the time of appraisal, these numbers remain valid. Furthermore, at the time of appraisal, it was estimated that 6.1 million square feet of office space would be supplied in Nairobi in 2017 vs a net absorption of 7.1 million, indicating that there would be an undersupply of 1 million square feet and a strong demand for office space. As a result, the project was expected to continue to show strong financial performance.

At the time of appraisal, the property was almost 97 percent occupied. Occupants included 9 tenants besides the current owner who was willing to stay in the property on a rental basis after the transfer of the deed to Towfiq Trust. The sale agreement included an annex signed by both parties in this regard. The vacant space was comprised of one office in addition to some parking spaces.

The project will generate adequate cash flows for TWS operations over and above debt service. The cash balance after debt service will grow from an average of US\$98,000 during the repayment period to US\$585,000 in the 16th year (after completing repayments). Although the property is currently covering repayments as well as operations and maintenance costs, the remaining balance amount available to support the beneficiary's activities is expected to increase as rents increase. This expectation is supported by the fact that rental contracts at the time of purchase were for a minimum period of 5 years, stipulating an annual rental increase of 7.5 percent.

b. Performance of the Organization

Despite its prudent financial management prior to IsDB engagement, this Waqf project nevertheless represents a major financial milestone for Towfiq Welfare Society, especially in light of recent declines in donations from the Gulf region. The income-expenditure account of

TWS during the last 3 years prior to purchasing the Waqf building shows a budget of US\$2.07 million in 2016, US\$1.96 million in 2015 and US\$1.91 million in 2014. The income of TWS during these years was mainly from tuition fees, income generation projects (Awqaf) in Somalia, Kenya and Ethiopia in addition to donations. As for the assets of Towfiq Welfare Society, they were estimated at a value of US\$4.4 million inside Somalia in addition to US\$743,000 investments outside Somalia. Thus, the addition of the Waqf's income of US\$246,000 at the time of purchase, which would grow at 7.5 percent annually as per the rental contracts, as well as an asset worth US\$3.17 million, represent a major financial impact on the society.

4. Socio-economic impact of the Waqf project

Four different levels of impact from the Waqf project are worth considering. These include its impact on the following: the end beneficiaries; the project sponsor/beneficiary organization; the Awqaf and philanthropic sector; and the local economy. Each of

these levels of impact is discussed in detail, below.

a. Impact of revenues generated from the Waqf asset on end beneficiaries

Towfiq Welfare Society has a number of programs and areas of activity, for which this Waqf project represents a step towards sustainability and institutionalization beyond dependence on donations. These programs as described, below.

Education

Towfiq Welfare Society operates a number of educational facilities and institutions. It has been constructing and sustaining a number of schools offering different levels of education in most districts of the Lower and Middle Juba provinces over its life time. Currently, TWS runs the only licensed University in Kismayo – Kismayo University (KU). In addition to that, there is a non-formal institute named Institute of Research and Community Development.



Children in a School Sponsored by TWS in Somalia

Source: TWS.



Graduation Ceremony from Kismayo University.

Source: TWS.

Health

The establishment of an educational hospital in Kismayo came in response to the demand of Kismayo University (KU) students and the local community to offer medical services. This demand was a result of experiencing health problems caused by the spread of disease and deadly epidemics, in the absence of governmental health services in these areas. The hospital receives 250-300 patients per day.

In addition to that, TWS sends mobile teams to varied districts and locations in the areas of Juba. These mobile teams conduct protective and remedial campaigns especially targeting cholera, malaria and malnutrition among villagers.



Kismayo University Hospital's Medical Services to the Community.

Source: TWS.

Water Resources and Development

TWS has executed Water Development Programs in the region, catering to human and livestock needs for potable water via artesian boreholes and hand-dug wells. The first borehole was dug in Janey Abdalla small village, which is 60 kilometers north of Kismayo. Afmadow was the second target point of borehole constructed, where abundant water is found benefiting more than 3,000 people with their livestock. The third artesian borehole was constructed in Camp Jaroon, a small village in the west of the Lower Jubba. This well is a water point for 2,500 people with their livestock. In Jamame district, 53 kilometers East of Kismayo, the fourth borehole was established in 2011, and the inhabitants are benefiting from the clean water provided by this well. Finally, the fifth and most recently drilled borehole was in Canjeel, 30 kilometers to west of Kismayo.



Livestock Watering in Juba, Somalia.

Source: TWS.



Children Supported by TWS.

Source: TWS.

Child Support

The Child Support sector was the first operational sector initiated in 1995 with a mission to foster hope in the hearts and minds of vulnerable children and orphans by administrating their needs in a holistic manner. This sector of the organization is dedicated to fulfilling the basic needs of vulnerable children and orphans in the areas of education and healthcare. Services provided to children under this program include boarding, lodging, education, and nursing facilities. In addition, for those children in boarding, the organization provides financial and material assistance including text books, uniforms and other essential school supplies that are needed by the children in addition to adult mentorship. Through its Al-ansar Center dedicated to orphans, the largest of its kind in the areas of Juba, TWS offers a variety of services to orphans. TWS looks after more than 700 orphan children.



Child support sector of the organization is dedicated to fulfilling the basic needs of vulnerable children and orphans in the areas of education and healthcare. Services provided to children under this program include boarding, lodging, education, and nursing facilities.



Agricultural Land in Juba, Somalia.

Source: TWS.

Agriculture

TWS has implemented, in coordination with other organizations, a number of agricultural projects. These include arable land rehabilitation, livelihood programs, in addition to the provision of farm tools and equipment to Farmers in the area of Jubba valley. The aim of these projects is to increase the agricultural productivity in the area, thus contributing to food security and improved per-capita income and living standards of the target population. Furthermore, the organization has supported the reclamation and cultivation of large tracts of agricultural land, amounting to 260 hectares within a five-year period.

Food and Emergency

Food shortage is a chronic problem in South Central Somalia, which TWS is helping to solve. TWS has been sustaining the Al-ansar feeding center since 1998. The Center hosts children and also prepares and delivers food baskets to poor families to reduce the threat of food insecurity.

In the case of the Humanitarian crises, un-expected drought, natural disasters or famine, TWS has cooperated with humanitarian relief organizations to implement emergency relief efforts. These have included food and medicine distribution as well as water trucking to the affected needy people. TWS has executed food distribution projects serving 150,000 drought-affected households in the Middle and Lower Juba. In addition, TWS has implemented General Food Distribution (GFD) efforts in Internally Displaced Persons (IDP) camps in Mogadishu, where drought-affected internal refugees had clustered.

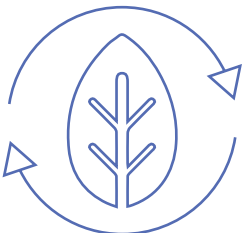
A summary of TWS' achievements as of 2016 in its various areas of activity is as follows:

Item	Number
Students benefited (total)	9,554 (1995-2016)
Orphans supported/sponsored (total)	10,280 (1995-2016)
Schools operated (all levels)	7
Teachers supported	125
College graduates (various colleges)	1,561
University faculty supported	41
Orphans supported/sponsored	1,530
Mosques constructed (all sizes)	54
Schools constructed	11 schools + 3 university buildings
Wells dug	547 surface and 6 artesian
Waqf farms operated	2 (total area 210 ha)
Farm land reclaimed for poor families	2,000 ha on Jubba River banks
Sacrificial sheep (adahi) provided (total)	28,000 (1995-2016)
Medical campaign beneficiaries covered	250,000 (2012-2014)
Ramadhan Iftar beneficiaries (total) covered	65,000 (1995-2016)
Food basket (relief aid) beneficiaries (total) covered	75,000 (1995-2016)

b. Impact of the Waqf project on the beneficiary organization

Financial sustainability is a major goal of the sponsor, after experiencing a situation of dependence on donations, which have dwindled in the past few years. After receiving initial support from IsDB via Special Assistance Operations (help that was much needed during the establishment phase), at a certain level of institutional maturity, TWS sought to secure continuity and financial sustainability. This is often an important step towards institutionalization, to decrease dependence on the personal charisma and energy of the founder in collecting donations.

Furthermore, according to TWS management, having the Waqf asset on their balance sheet is a very positive achievement for the organization, lending it further weight and credibility. Indeed, TWS might not have realized this achievement without APIF



Financial sustainability is a major goal of the sponsor, after experiencing a situation of dependence on donations, which have dwindled in the past few years.

financing and support. As suggested by TWS, APIF plays an important empowerment role for otherwise underprivileged, local civil society organizations – a role that is in line with the prophetic tradition of empowering the destitute to achieve profit ("tuksibu alma'adum"). Indeed, APIF empowers local, small-scale civil society organizations that would otherwise be excluded from commercial financing to achieve ownership of assets and ultimately financial sustainability, supporting institutional maturity.

As attested by TWS management, the partnership and support provided by IsDB via APIF was crucial to the success of the Waqf project on a number of fronts. First, APIF showed a high degree of flexibility and support, allowing a change of scope to another building due to unforeseen circumstances and advising TWS throughout. Second, the partnership with IsDB lent credibility to TWS and its affiliated institutions. Indeed, this partnership facilitated efforts by TWS to raise money for the project. For example, one donor (a high-net-worth member of the Somali community in Kenya) visited IsDB's headquarters in Jeddah, which helped build his confidence to ultimately contribute a large grant to the project. In this way, IsDB facilitated resource mobilization for the project both directly (receiving US\$300,000 in donations directly on behalf of TWS) as well as indirectly through leveraging on its reputation.

c. Impact of the Waqf project on the local economy

For a single operation, the impact on the local economy is negligible, although it becomes relevant when this model is scaled-up. With increased interest in emulating APIF's cross-border investment model to support fragile countries, neighboring politically and economically stable hosts of similar projects could benefit in multiple ways. Operations of this nature could improve building standards and lead to inflows of hard currency.

Although the building was pre-existing, so that the project had no direct impact on the real estate landscape through construction, an indirect positive impact of similar interventions is possible. Purchase operations that abide by a high standard of appraisal can have an indirect impact to incentivize local developers to improve their standards, targeting international organizations as attractive off-takers of their properties. When this sort of operation is scaled-up, this could help improve the overall quality of the real estate market.

Another benefit derived by Kenya relates to the inflow of foreign investment. In the short run, this sort of operation leads to an influx of hard currency (US dollars, in this case) to complete the purchase. In the long run, not all of the income will be remitted as Towfiq Trust also plans to serve Somali communities in Eastern Kenya.

5. Management

Waqf facility management is internal to the property, with dedicated staff in place. Since, at the time of appraisal, the property was already in operation through the previous owner "SOMAK Travel Limited" and was maintained in a good condition (through specialized staff), it was decided that the same operator would continue for the first year of operation, taking into consideration that it would remain in the building on a rental basis.



Children in a School Sponsored by TWS in Somalia

Source: TWS.

6. Governance

The involvement of the IsDB and its requirement of establishing a Kenyan Trust ensured that the Waqf will have a solid governance and oversight structure. Financial management was optimized for the ultimate benefit of the end beneficiaries, helping to decrease the possibility of corruption, which plagues many Awqaf. This is supported by TWS's governance. It has a Board of Trustees, the supreme power of the organization, consisting of founding members and other members who have joined the association after its establishment to oversee and deal with all policy issues. TWS also has a Board of Executives.

7. Sustainability

Ultimately, the Waqf will ensure continuity and sustainability of service for the end beneficiaries of TWS. It will decrease the precariousness of their situation and solidify their ability to plan for the future as an extension of the sustainability and financial stability of TWS itself. The political and economic stability of neighboring Kenya will act as an anchor and source of stability for their fragile neighbor and for the precarious Somali community in Eastern Kenya.

8. Lessons Learnt

Given the innovative model of the TWS Waqf Project, it could serve as a prototype for supporting certain subsets of NGOs. It has set an example that could impact future Waqf projects executed by IsDB or other players. Two lessons learnt/best practices gained from the TWS experience are described below.

a. Governance and Registration in NMC Waqf Projects

Active IsDB involvement in structuring the governance of the Waqf is recommended, with special attention to the philanthropic ecosystem in NMCs. In this case specifically, IsDB was flexible to allow registration in an NMC under the prevailing trust laws, given the right governance structure. Further development of best practices for these countries and a better understanding of trust/endowment vs. Waqf laws are relevant in this context.

b. Cross-Border Support for NGOs in Fragile States

One success of this project, highlighted previously, which presents a model worth emulating, is leveraging on neighboring countries' political and economic stability for the benefit of NGOs operating in contexts of fragility. Liberal capital controls are an additional consideration. In the specific case at hand, Kenya is the host of



The repayment challenge is compounded by Foreign Exchange and Economic conditions Risks. These include currency fluctuations and the possibility of deteriorating economic conditions.

the Region's World Bank Group office and several international and regional organizations operating in Africa. Also, Kenya's political stability and appropriateness for the model presented was boosted by recent institutional reforms, including the adoption of a new constitution that provides for devolved governance.

9. Challenges

The larger the grant component, the more immediately accessible funds are for utilization of the organization in its activities. Therefore, larger donations/grant components should be encouraged and facilitated to the extent possible, by APIF. In the case of Towfiq Trust, the minimal beneficiary contribution (even after significant efforts to mobilize resources) presents some challenges. Furthermore, the repayment challenge is compounded by foreign exchange and economic conditions risks. These include currency fluctuations and the possibility of deteriorating economic conditions.

As for potential challenges related to transferring funds internationally, a critical consideration given the cross-border design of the project, they were considered during appraisal. Kenya has a liberal capital controls regime, having repealed all exchange control laws in 1993.²⁶

Nevertheless, a risk of temporary difficulties of money transfer from Kenya to Somalia exists. In this regard, as per the constitution of Towfiq Trust, its objective is "To improve Education and Health in Jubaland region (Somalia) and North Eastern (Kenya)". Thus, in case the project income could not be transferred to Somalia for any temporary reason, it will serve the Somali refugees in the North East Provinces of Kenya.

As for the transfer of money from Kenya to IsDB for repayment instalments, it will be conducted via the escrow account bank in accordance to the regulations of Kenya.

²⁶ <https://www.export.gov/article?id=Kenya-foreign-exchange-controls>

D. Case Study 4: Senegal Daras Waqf²⁷



The IsDB and the Government of Senegal have had a long-standing relationship that underpinned the development of the regulatory framework of Islamic Finance and Waqf in Senegal, with its earliest beginnings in 2009. IsDB's concrete intervention in Senegal towards this end started on the sidelines of the First International Conference on Islamic Finance in Sub-Saharan Africa, in Dakar, with the signature of a Memorandum of Understanding in 2011 and the drafting of a roadmap for the establishment of the regulatory framework for Islamic Finance and Waqf.

Prior to modern state regulation, the institution of Waqf arrived with Islam in Senegal and supported thousands of mosques and Muslim cemeteries across the country. In the modern era, however, two modern precursors deserve to be mentioned. Ahmeth Gora DIOP (1910-2010) constituted, based on a notarial act, a Waqf for the underprivileged and Serigne Mourtalla Mbacké (1921-2004) set up more than 350 Franco-Arab schools (called Al-Azhar institutes), buildings, farmland, public transport vehicles or bakeries based on Waqf. Furthermore, international Islamic NGOs, such as Islamic Relief, also financed activities in Senegal through this mechanism.

However, IsDB's education project for modernization of the Daras (PROMOD – 2011) was the first project that had a direct catalytic impact on the establishment of a modern Waqf regulatory framework. PROMOD was an innovative education project in that it included a Waqf component intended to support the post-completion financial sustainability of the modernized Daras (component 4 – Daras Waqf Support Facility or DWSF). In this framework, the IsDB provided a Technical Assistance grant to finance the feasibility study required to establish the Waqf regulatory framework and to undertake the construction of the real estate Waqf project.

These efforts culminated in passing of Law No. 2015-11 of 6 May 2015, a major breakthrough for Waqf in Senegal and an example of the potential macro-level impact of a proposed micro-level Waqf project. With this law, Senegal adopted the Waqf legislative framework. This law regulates all types of Waqf, including public, family, mixed or public interest.

Finally, with the legislative framework in place, APIF received a request from the Government of Senegal in January 2019 to

consider financing the cost of a real estate development project as a Waqf for the Quranic Schools (Daras) in Senegal. The project will be constructed on a plot of land that was allocated to the High Authority of Waqf (HAW) by the Government of Senegal in Dakar, capital city of Senegal, and is currently registered under their name.

The project aims at constructing a mixed use commercial and residential building comprising a ground floor, 16 upper floors and 2 basement levels, for the benefit of the modernized Quranic Schools (Daras) in Senegal. The income of the project will serve to enhance and support the modernization of these Daras and provide the required support to its students. These objectives will be achieved through constructing the abovementioned project and renting out the space in order to generate a regular income that will be used to finance the educational activities of the Daras. The Daras Waqf project is a Sovereign project where the Government of Senegal represented by the Ministry of Economy, Planning and Cooperation will be the Recipient of the IsDB/APIF financing and the High Authority of Waqf (HAW) will be the Executing Agency.

1. Profile of the beneficiary organization

The Executing Agency of the IsDB financing will be the High Authority of Waqf (HAW) and the Government of Senegal will be the beneficiary. Law No. 2015-11 of 6 May 2015, which created the Waqf legislative framework for Senegal, also created the High Authority of Waqf (HAW), an independent administrative authority attached to the Primature (Prime Minister's Office), whose main missions are to administer public Waqf, to promote and develop Waqf in Senegal and to control and supervise other types of Waqf.

The HAW is in the process of being operationalized, with the continued involvement and assistance of IsDB. Nevertheless, it has not yet had consistent experience with Waqf. The organs of the HAW are the Supervisory Commission and the General Management. The President of the Supervisory Commission and the Director General were appointed on 19 April 2017.

The role of the HAW is defined in Article 3 of the Decree Number 2016-449 fixing the rules of governance includes and functioning of the High Authority of Waqf. Its mission include the following:

- Receive from a notary the constituent documents of Waqf and any other document relating thereto;
- Administer public Awqaf;
- Promote the development of Awqaf, especially public ones;
- Control and supervise family Awqaf, mixed Awqaf and Awqaf of public interest;

27 Much appreciation to Iqbal Jhumka, emeritus member of the APIF Team, for his input on this subject.

- Ensure the use of Waqf according to the wish of the endower (Waqif);
- Keep a register of all Waqf properties in Senegal;
- Ensure the registration of all real property built in Waqf;
- Look for funding for public Waqf investment projects; and
- Ensure the protection and preservation of Waqf's heritage.

In the process of developing its organizational chart, the mission of the HAW was analyzed to identify the different activities that underpin it. These activities have been grouped into the following four main functions:

- **Administrative function.** This includes reception activities, conservation of Waqf acts and administration of public Waqf, integrating the financial and accounting management as well as the management of human resources, information and awareness of potential endowers (Waqifs);
- **Control and supervision function.** This includes internal and external control as well as Sharia compliance control. It also includes strategic management and middle management;
- **Planning and studies function.** This includes strategic studies, Waqf project development, technical, financial, economic and environmental studies; and
- **Investment and heritage preservation function.** This includes Waqf asset protection and maintenance activities as well as investment activities.



Conceptual Design of the Daras Waqf project (Est year of completion – 2022).

Source: APIF.

With total assets amounting to US\$244,000 and an annual budget of US\$1 Million, during the years 2017 and 2018, the HAW implemented the following activities:

- Appointment of Management and members of the Supervisory Board;
- Identification of a HQ;
- Setting up of the organization and management tools;
- Implementation of a communication and awareness plan on Waqf;
- Acquisition of sites for real estate projects;
- Development of two real estate public Waqf projects;
- Design of a cash Waqf project for the economic empowerment of poor families through youth entrepreneurship;
- Identification and evaluation of existing Awqaf;
- Development of partnerships for technical assistance and financing of Waqf projects

A special capacity building component for the benefit of HAW will be considered before commencing the implementation of the Daras Waqf Project. The aim of this component is to elucidate the procurement procedures and Waqf management techniques, considering that the HAW started its operations only in April 2017 and that this is the first Waqf project that will be implemented and managed by the HAW.

2. Waqf asset description

The project is titled "Construction of a Commercial and Residential Waqf Complex in Dakar for the benefit of the Daras". The objective of the project is to generate income for the HAW that will be used to sustainably support the development and modernization of the Daras schools, through the construction of a commercial and residential complex in Dakar and renting out its premises on commercial basis.

The project is situated in a very prime and easily accessible location in the heart of Dakar. It is located on the site of the El Hadji Amadou Assane

NDOYE elementary school, located at the intersection of Huart Street and Amadou Assane Street NDOYE in the Plateau Area in Dakar close to the Presidential Palace and to the French Embassy. The land has a total area of 2,273 m². The site will be provided with all necessary amenities and utilities, such as internal access roads, electricity, water, drainage and waste disposal. Although the land title deed is currently in the name of the High Authority of Waqf, a specific decree will be issued to transform the land into a Waqf.

Given its sensitive location, the project zone is subject to specific regulations relating to the maximum height of buildings. However, in order to maximize the lettable space of the project and thereby the income generation potential, the HAW applied for and obtained a special derogation from the relevant authorities in order to double the number of lettable floors (G+16 instead of G+8).

The building has 19 levels comprised of 2 basement levels for parking, a ground floor for retail and 16 upper floors forming two joint sub-buildings. One of the buildings will be dedicated to apartments and the other to offices. The total built-up area will be approximately 20,017 square meters. The car parking levels will house 178 parking spaces, whereas the apartments, offices and retail premises will respectively offer 9,050, 6,450 and 600 square meters of space available for renting.

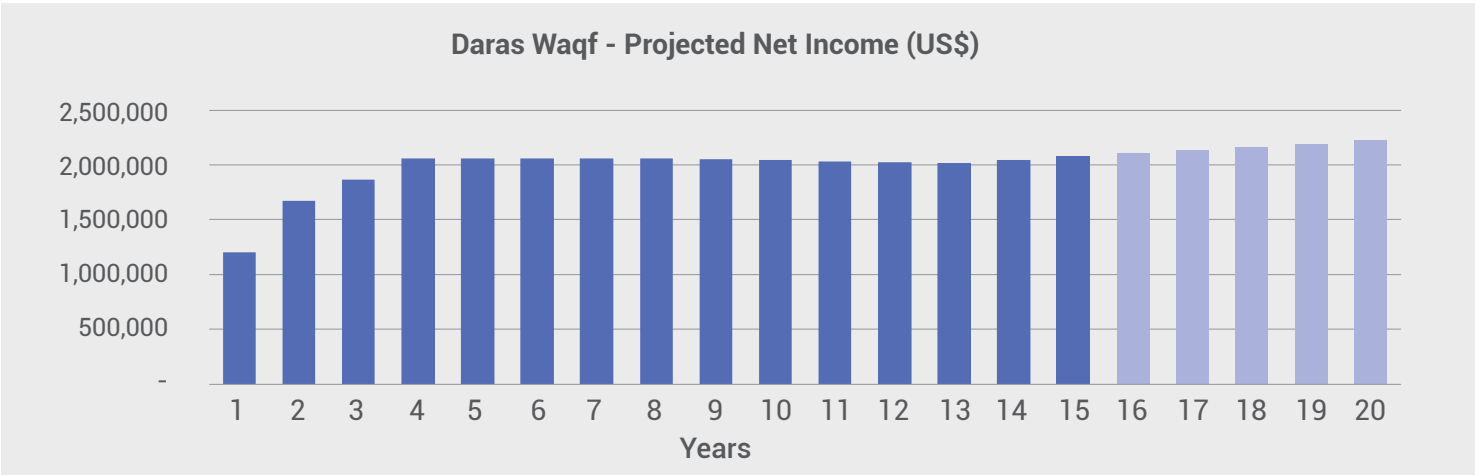
Based primarily on the strategic location of the site in the Plateau area of Dakar, and taking into consideration the project financials and the need to maximize Waqf returns, a specific segment of society will be targeted as potential tenants. The project will target mainly the middle class and wealthier segments of the population living in Dakar and the surrounding areas, as well as the expatriate population living in Dakar.

3. Financial Performance

Based on a set of assumptions, the projected income and cash flow statements of the project over a period of 20 years indicate strong financial returns. They indicate Financial Internal Rate of Return (FIRR) of 15.6 percent and an average Debt Service Coverage Ratio (DSCR) exceeding 1.26 over the repayment period. To improve the DSCR during first years of operations, a cash reserve will be established from the first six months of operation of the project.

This project will generate on average a yearly net income of US\$2 Million to the benefit of the HAW after fully repaying APIF's financing (15-year tenor including a 3 year grace period). This is shown in the chart below. However, the Daras Waqf project is considered a sovereign project wherein the cash flow generated from the project is independent from the amounts due during the repayment period since the Government of Senegal will be repaying IsDB directly.

In addition, the financial position of this asset will be enhanced with the favorable fiscal environment that was developed for the Waqf sector. In fact, in terms of taxation, the General Tax Code, in its article 5, provides that "private non-profit associations or bodies, as well as foundations and Awqaf recognized as being of public utility are exempted from taxation, within the limit of their social object." Moreover, Article 9 of the same Code declares as deductible expenses "payments made in favor of organizations, foundations, Waqf or associations recognized as being of public utility, designated by order of the Minister of Finance, within the limit of 0.5 percent of the donor's turnover.



4. Socio-economic impact of the Waqf project

Four different levels of impact from the Waqf project are worth considering. These include its impact on the following: the end beneficiaries; the project sponsor/beneficiary organization; the Awqaf and philanthropic sector; as well as the local economy. Each of these levels of impact is discussed in detail, below.

a. Impact of revenues generated from the Waqf asset on end beneficiaries

In general, the institution of Waqf plays a major social role by improving the quality of public services including health and education while reducing the social charges of the State. In this case, this project has an educational purpose with the specific objective of providing Senegal with an innovative and sustainable financing system for modern Daras. In fact, this project tries to address the following critical issues that the Daras are facing that are impeding their development:

- **Insufficient and non-adapted physical facilities and school furniture and equipment.** The majority of the existing Daras is characterized by a poor physical environment.
- **Insufficient, outdated and non-adapted quality inputs for education.** Unlike the formal education system, the traditional Daras, which are the most widespread type, do not have any structured timetable or curricula. There is no guarantee of the quality of the learning and teaching conditions. The curriculum is mainly focused on the memorization of Qur'an and sometimes Islamic sciences and Arabic language. The basic competencies of the formal education system (in language, mathematics, sciences, etc.) are not taught in the traditional Daras.
- **Poor Management.** As opposed to the public schools, there is no Daras management system in place. The directors of the Daras have very limited skills in human resources, administration, or



The institution of Waqf plays a major social role by improving the quality of public services including health and education while reducing the social charges of the State.

financial or even pedagogical management. At the Central and Decentralized levels of the Ministry of Education, the specialized staff and the skills mix are very limited.

IsDB's PROMOD project, supported by the Daras Waqf Project, was designed to enable the Government to address one of the key challenges faced by the sector, namely, quality education for those who chose the Quranic education. Furthermore, Daras learners would also benefit from improved learning conditions and have the opportunity to qualify for transitioning to secondary (general or vocational) and higher education; and there would be more regional parity in primary education. The overall performance of the educational system would also improve.

Specifically, the generated income from the Daras Waqf Project will support the following:



64 Daras Schools (Public and Non-public); and



More than 12,500 students of the target Daras.

b. Impact of the Waqf project on the beneficiary/sponsor

Beyond the macro-level impact, described previously, of incentivizing the adoption of a Waqf legal framework and the creation of the HAW, at the micro level, this project will provide a sustainable source of financial support and mobilize further resources for the HAW.

Incorporated as a component of a larger education project, the Waqf will help relieve the Government of Senegal of fiscal pressure related to the operational costs of the Daras schools. Furthermore, the Daras Waqf Project facilitated the mobilization of other resources through another IsDB project that will benefit HAW directly. A technical Assistance grant will be implemented for the benefit of the HAW to contribute to the building of its operational capacity through the following components:

- Consultancy services for the implementation of Waqf reporting procedures, to work on the development of functional procedures and manuals of the HAW;
- Training services;
- Consultancy services for the identification of existing Waqf; and
- Acquisition of a Management Information System (MIS) and its customization to HAW's needs.

c. Impact of the Waqf project on the Waqf and philanthropic sector

As described in the introductory material of this case study, Senegal has been engaged with the Islamic Development Bank Group since 2009 on an active cooperation to build the enabling environment to allow the Islamic finance industry to thrive in the West Africa region. This pioneering role resulted from the strong political commitment by the Authorities, the high social demand, and the special interest of business and civil communities.

This cooperation has been on two tracks:

- i. **With the Central Bank of the West African Economic and Monetary Union (WAEMU)**, a supranational institution, to build the regulatory framework for segments under its jurisdiction (banking, microfinance, etc.), with results applicable to the eight countries of WAEMU; and
- ii. **With the Government of Senegal** for instruments that are under the States' jurisdiction, such as Waqf, to build a regulatory and institutional hub and center of knowledge that can be "reverse linked" to other countries to propagate and mainstream the achievements in Senegal, forming the foundation to engage diaspora, the business community, civil society, and for crowd engagement in general.

Among other achievements regarding microfinance and sukuk, the cooperation with Senegal (the second track) has been especially fruitful for Awqaf, catalyzed by the Daras Waqf project that was awaiting the adoption of a regulatory environment conducive to implementation. It has culminated in a first-of-its-kind law regulating the Waqf sector in Sub-Saharan Africa and a High Authority for the management of Waqf assets, created in 2017.

The role of the Daras Waqf project as a tangible incentive and catalyst for making real progress on the legal and regulatory ecosystem for Awqaf in Senegal is laid out in the introduction to this case study. Nevertheless, despite this catalytic role, larger forces have no doubt been at play and the genuine interest and support of the Government of Senegal for Islamic finance has been crucial.

The above shows that IsDB and Senegal have been in a collaborative partnership to build a hub for the Islamic finance industry in Senegal, which would be easily replicable in the other 7 members of the WAEMU community. Indeed, these efforts are beginning to bear fruit, as IsDB has already received official requests from Guinea Bissau and The Gambia to "reverse-link" the Senegalese experience. Other

countries are expected to submit similar requests soon that would facilitate the expansion of the Waqf sector in this important region.

These significant achievements shall now be scaled-up to fast-track the operationalization of the HAW to capture latent philanthropic domestic and external resources in West Africa. In fact, Senegal has a significant diaspora remitting approximately US\$2.0 billion annually. However, the bulk of these resources have been gone towards consumption due to the absence of investment vehicles and instruments to channel part of this amount to productive social investments. Furthermore, Senegal has a vibrant community of businesses and civil society organizations that have shown their willingness to assume social responsibility towards their communities, given the appropriate vehicles.

Interested in the potential positive social outcomes of a diversified Islamic finance industry, especially Islamic social finance, the Government of Senegal has been resolutely engaged in pioneering the development of a favorable legal and regulatory environment to support this industry. It is keenly interested in this industry's innovative instruments to fight poverty, reduce inequality, improve access to basic social services, redistribute income, protect vulnerable groups and strengthen national solidarity.

Realizing the power of Awqaf specifically as a form of Islamic social finance, Senegal scheduled the building of its legal and regulatory environment in the following three phases: (i) the establishment of the regulatory framework; (ii) the inception of the institutional environment; and (iii) the operationalization phase.

Phase 1: The Establishment of the legal framework for Waqf. This phase included the following major achievements:

- i. **Adoption of a specific law on Waqf.** To this end, the Law Number 2015-11 of May 6th, 2015 relating to Waqf was adopted by the National Assembly and promulgated by the President of the Republic. It created in Article 26 an independent administrative authority in charge of Waqf as the legal receptacle for Waqf.
- ii. **Implementing Decree.** The law was completed by an implementing Decree Number 0 2016-449 laying down the rules of organization and functioning of the High Authority of Waqf.
- iii. **Other texts in preparation.** In the application of the articles of law 2015- 11 of June 06, 2015 on Waqf, a draft decree setting the general conditions and modalities of the public interest recognition to a Waqf of public interest and the draft model statutes of Waqf recognized as of public utility are being validated.

Phase 2: Establishment of the Institutional framework/Creation of the High Authority of Waqf (HAW). This phase included the establishment of the HAW, with the following objectives:

- i. Created by the 2015-11 law of June 6, 2015, under the Office of the Prime Minister, the High Authority of Waqf overall goal (or general objective) is to "contribute significantly through Waqf to the Government's social policy of reducing inequalities, improving access to basic social services, income redistribution, social protection of vulnerable groups and organizing national solidarity."
- ii. The specific objectives of HAW are to carry-out the following:
 - Establish public Waqf investment projects capable of generating sufficient income to redistribute to social sectors and disadvantaged populations;
 - Encourage people to subscribe to the concept of Waqf;
 - Promote the development of Waqf; and
 - Establish a system of good governance and transparency, allowing strong confidence of the endower (Waqif) and partners.

Phase 3: Operationalization of the High Authority of Waqf. The major objective of this stage is to take actions to ensure the proper functioning of this institution (the HAW) in terms of governance, organization, and activities.

d. Impact of the Waqf project on the local economy

Beyond the positive effects of developing the Waqf sector on the economy, including relieving fiscal pressures, the Waqf project will contribute to economic development in Senegal via supporting the following SDGs:

- i. **SDG 4 (Quality Education).** This project contributes directly to the improvement of financial resources available to the Daras schools, allowing them to maintain a high standard of operation and to attract qualified staff;
- ii. **SDG 8 (Decent Work and Economic Growth):** The direct impact following the enhancement of the Daras education and curricula to make it adapted to market needs is to empower the students of the Daras with the required knowledge to join the labor force.
- iii. **SDG 11 (Sustainable Cities and Communities).** This is a high-standard real estate project that will use the latest technology in construction and will be built in the heart of Dakar. It will be a benchmark for future Awqaf buildings in that region, setting a high standard for both design and execution. Furthermore, the income generated from this project will allow great sustainability to the Daras Schools' physical facilities and infrastructure in Senegal.

5. Management

The sponsor will take necessary measures to ensure that the building will be managed and maintained in accordance with recognized industry standards after its completion. A real estate management company will be recruited to operate the project on behalf of the High Authority of Waqf.

6. Governance

The Supervisory Commission at the level of the HAW will directly oversee the development of the Waqf for the Daras. This Commission will act as the Mutawalli/Nazir Committee of the Waqf and will define how the revenue will be managed and distributed. In fact, the Supervisory Commission will be composed of 12 members (including the Chairman), each member representing the respective Ministries of the State of Senegal. The Ministry of Education will have a representative that will propose how the funds will be distributed and allocated to the Daras. Furthermore, this Commission will define the Investment Policy and steer the HAW towards its implementation.

The HAW will be required to publish on a yearly basis their audited financial statements and report of activities and share them with external stakeholders. These documents would detail the achievements made regarding the development of the Daras Schools, helping to maintain full project transparency.

7. Sustainability

The Daras Waqf Project as mentioned earlier is the continuity of the PROMOD project that was initiated in 2011 and represents the long-term financial sustainability component of the overall project. In fact, the objective of this component is to help set up a reliable mechanism by which to ensure the sustainability of the modern Daras system, preserving the short-term wins achieved from the IsDB engagement.

8. Lessons Learnt

The Daras Waqf Project showcases a unique case where macro-level policy impact materialized before the actual construction of the Waqf asset.

The project triggered the process for the implementation of a Waqf regulatory framework and is considered as a pilot for the entire region of SSA. The broader lesson from this is the potential macro-level relevance of apparently micro-level interventions, especially where influencing and promoting beneficial government policies is involved.



ANNEXES

ANNEX 01

Current Investors in APIF

1. APIF Participants and their Contribution in the Paid-up Capital as of 31/12/2018

No.	Name of Participant	Country	Paid-up Capital (US\$ Million)	Percentage
1	Islamic Development Bank	Saudi Arabia	29.50	36.91%
2	OIC – Islamic Solidarity Fund	Saudi Arabia	15.51	19.41%
3	General Authority for Awqaf	Saudi Arabia	7.50	9.38%
4	Faisal Islamic Bank	Egypt	5.76	7.21%
5	Kuwait Awqaf Public Foundation	Kuwait	5.00	6.26%
6	Kuwait Finance House	Kuwait	5.00	6.26%
7	Iran Endowment Fund	Iran	2.90	3.63%
8	Social Islami Bank Bangladesh	Bangladesh	1.75	2.19%
9	Al-Baraka Islamic Bank	Bahrain	1.00	1.25%
10	Bahrain Islamic Bank	Bahrain	1.00	1.25%
11	Tadamon Islamic Bank	Sudan	1.00	1.25%
12	Jordan Islamic Bank	Jordan	1.00	1.25%
13	Ministry of Awqaf and Islamic Affairs	Jordan	1.00	1.25%
14	Arab Islamic Bank	Palestine	1.00	1.25%
15	Amanah Raya Bhd	Malaysia	1.00	1.25%
Total			79.92	100%

2. Brief Profile of the Investors in APIF besides IsDB

OIC – Islamic Solidarity Fund²⁸



The Islamic Solidarity Fund, a subsidiary organ of the OIC was established in pursuance of a resolution of the Second Islamic Summit Conference, held in Lahore, in Safar, 1394H (February 1974). The Fund is located at the General Secretariat of the OIC in Jeddah, Kingdom of Saudi Arabia. It has the following objectives: to take all possible steps to raise the intellectual and moral levels of the Muslims in the world; to provide required material relief in case of emergencies such as natural catastrophes and man-made disasters, that may befall the Islamic States; and to grant assistance to Muslim minorities and communities so as to improve their religious, social and cultural standards.

General Authority for Awqaf²⁹



The General Authority for Awqaf in Saudi Arabia is a public body with legal personality enjoying financial and administrative independence, linked to the Prime Minister based in Riyadh. The General Authority was established in 1431 and its regulations were issued in 1437. The Authority aims at organizing, maintaining, and developing Awqaf in a manner that achieves the requirements of the Waqf, and enhances its role in economic and social development and social solidarity, in accordance with the purposes of Islamic Sharia and regulations.

Faisal Islamic Bank³⁰



Faisal Islamic Bank of Egypt (FIBE) is the first Egyptian Islamic and commercial bank. The Bank officially started its operations on 5/7/1979. The goal of the founders was to establish a bank in Egypt operating in accordance with the Islamic Sharia to serve as a model for Islamic banking all over the world. His Royal Highness Prince Mohammed Al-Faisal Al-Saud - Chairman of the board of directors - presented the idea before a number of Egyptian figures and officials. The Bank was incorporated under Law No. 48 of 1977 which was then endorsed by the Parliament and the Bank was licensed as an economic and social institution taking the form of an

Egyptian joint-stock company operating in compliance with the rulings of Islamic Shari'ah. There was a great demand for the bank's shares, resulting in successive increases in the Bank's capital till it reached \$ 500 million as an authorized capital against \$ 367 million as an issued and fully paid-up capital. The Bank manages about 2 million accounts. Total assets of the Bank reached EGP 90 billion. Today, His Royal Highness Prince Amr Al-Faisal is the Chairman of the Board of Directors as a successor to the late His Royal Highness Prince Mohammed Al-Faisal Al Saud.

Kuwait Awqaf Public Foundation³¹



The Kuwait Awqaf Public Foundation was established by virtue of the Emiri Decree of 13 November 1993, which stipulated that the Foundation would exercise the mandated powers of the Ministry of Awqaf and Islamic Affairs in the field of Awqaf to oversee the affairs of Awqaf at home and abroad. The General Secretariat of Awqaf is specialized in promoting Waqf and supporting all aspects related to its affairs, including the management of its funds and investment and disbursement of its proceeds within the conditions of the Waqf. It aims to achieve the legitimate purposes of the Awqaf and to support the development of society culturally and socially as well as to alleviate the burden on the needy in society.

Kuwait Finance House (KFH)³²



Kuwait Finance House (KFH) is considered a pioneer in the banking phenomenon known as Islamic Finance or Shari'a Compliant Banking. KFH is the first Islamic bank established in 1977 in the State of Kuwait and today it is one of the foremost Islamic financial institutions in the World and one of the biggest lenders in both the local and regional markets. KFH (KSE: KFIN) is a publically listed company on the Kuwait Stock Exchange (KSE). Its largest shareholders include: Kuwait Investment Authority (Direct), Kuwait Awqaf Public Foundation (Direct), Public Authority for Minors' Affairs (Direct), The Public Institution for Social Security (Indirect), as of 31-December-2014. KFH provides a wide range of banking Shari'a compliant products and services, covering real estate, trade finance, investment portfolios, commercial, retail and corporate banking and is available in Kuwait, Kingdom of Bahrain, Kingdom of Saudi Arabia, United Arab Emirates, Turkey, Malaysia, and Germany.

28 Source: https://www.oic-oci.org/page/?p_id=64&p_ref=33&lan=en

29 Source: <http://careers.awqaf.gov.sa/EN/content.php?ulid=272128-about-awqaf>

30 Source: <http://www.faisalbank.com.eg/FIB/english/about-us/incorporation-history.html>

31 Source: <http://www.awqaf.org.kw/EN/Pages/Establishment.aspx>

32 Source: <https://www.kfh.com/en/home/Personal/aboutus/story.html>

Iran Endowment Fund³³

The Iran Endowment Fund (IEF) is the investment and operating arm of the Waqf and Charity Organisation (WCO) in Iran. WCO was established in 1984 as the official body under the Ministry of Culture and Islamic Guidance to oversee, promote, manage and carry out activities and projects that are founded as Awqaf. IEF's objectives are to develop, revive, expand, reconstruct and rehabilitate Awqaf properties, and provide social assistance as directed by the Waqf and Charity Organisation.

Social Islami Bank Bangladesh³⁴



Social Islami Bank Ltd.

The SOCIAL ISLAMI BANK LTD (SIBL) is a second-generation commercial bank, operating since 22nd November, 1995 based on Sharia Principles. Today, it has 155 branches spread over Bangladesh with two subsidiary companies - SIBL Securities Ltd. & SIBL Investment Ltd. Targeting poverty, SOCIAL ISLAMI BANK LTD, is indeed a concept of 21st century participatory three-sector banking model in one. In the formal sector, it works as an Islamic participatory commercial bank with a human-face approach to credit and banking on a profit and loss sharing basis. It has a Non-formal banking sector as well with informal finance and investment packages that empower and humanize very poor families and create local income opportunities and discourage internal migration. The Bank has another sector to monetize the voluntary sector and management of Waqf, Mosque properties and it has introduced a cash Waqf system for the first time in the history of banking. In the formal corporate sector, this Bank offers the most up-to-date banking services based on a participatory, Sharia-compliant approach.

Al-Baraka Islamic Bank³⁵



As a leading financial institution, Al Baraka Islamic Bank (AIB) has helped to build the infrastructure and reputation of the Islamic finance industry since its establishment in 1984, via its innovative and Sharia-compliant products. Al Baraka Islamic Bank is a retail Islamic bank, licensed by the Central Bank of Bahrain and registered with Bahrain's Ministry of Industry, Commerce, and Tourism, under Commercial Registration No. 14400. It has an authorized capital of 600 million USD, and an issued and paid-up

capital of 122.5 million USD. AIB is a banking unit of Al Baraka Group (ABG), a joint stock company listed on the Bahrain stock exchange and NASDAQ Dubai. ABG offers treasury services, as well as retail, corporate, and investment banking, all in accordance with Islamic Shari'a. The authorised capital of ABG is 2.5 billion USD, and total equity amounts to around 2.5 billion USD. ABG's geographical presence is wide, in the form of subsidiary banking units and representative offices in 16 countries, with all 675 branches providing Shari'a-compliant banking products and services.

Bahrain Islamic Bank³⁶



Bahrain Islamic Bank (BisB) was incorporated in 1979 as the first Islamic bank in the Kingdom of Bahrain, and the fourth in the GCC. It has played a pivotal role in the development of the Islamic banking industry and the Kingdom's economy, as it continues to lead innovation. The Bank operates under an Islamic Retail Bank license from the Central Bank of Bahrain and is listed on the Bahrain Bourse. Guided by Islamic principles, BisB has established itself as a pioneer of the Islamic industry and the leading provider of Sharia-compliant integrated financial solutions in the Kingdom of Bahrain. BisB continues to elevate the standards of Islamic banking within the Kingdom, bettering the lives of society as a result.

Tadamon Islamic Bank³⁷



The first meeting of the founders of the Tadamon Islamic Bank was held on the 24th of Jumada II 1401H - 28 April 1981 and appointed a preliminary board of directors from among the members who supervised the early stages of the establishment. The final approval of the Bank to be operational as the second Islamic bank in Sudan came in 1983, headquartered in Parliament Street and ceremonially opened by former President Gaafar el-Nimeiri. The Bank was established as a private sector institution without being part of any group, but it succeeded in strengthening its links with other banks. The Bank has provided a practical model for an Islamic bank that performs all banking activities such as investment operations and other services in a Sharia-compliant manner. Furthermore, the Bank established a Fatwa and Research Department as a unique approach to rooting the banking business in fatwas and research. The Bank's contribution to the Islamic banking business has been to contribute to the development of Islamic banking and the formulation of alternatives in this field, including investment forms and so on.

33 Source: <http://www.icrjournal.org/icr/index.php/icr/article/download/106/102>

34 Source: <https://www.siblb.com/home/profile>

35 Source: <https://albaraka.bh/en-gb/our-story/>

36 Source: <https://www.bisb.com/en/about-bisb>

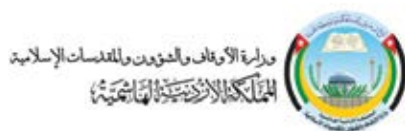
37 Source: <http://tadamonbank-sd.com/index.php/ar/pages/details/8>

Jordan Islamic Bank³⁸



Jordan Islamic Bank was established in 1978, as a public shareholding limited company to carry out all kinds of banking, financing and investment business operations in compliance with Sharia' and in accordance with the provisions of Jordan Islamic Bank's Special Law, which was superseded by one chapter on Islamic banks in the Banks' Law which was in effect as of 2nd August, 2000. The Bank's first branch commenced its business on 22/9/1979, with a paid up capital of about JD (2) million from its authorized capital that reached JD (4) million. The Bank's capital increased to JD(200) million. In 2010, the Bank launched its new corporate identity in order to be unified with the subsidiaries of AlBaraka banking group. The Bank offers its banking, financing and investment services through its (78) branches and (29) cash offices in the different locations in the country, as well as through the Bonded office. The Bank was able to grow rapidly and enhance its position among Jordanian banks, given its focus on Sharia-compliant products.

Jordanian Ministry of Awqaf Islamic Affairs and Holy Places³⁹



The Ministry of Awqaf and Islamic Affairs and Holy Places in the Hashemite Kingdom of Jordan was established as a ministry in current form by the temporary law No. (23) for the year 1970. This became permanent under the law No. (28) for the year 1972 after being approved by the National Assembly. The definition of "Awqaf, Islamic affairs and holy places" has been established in these laws by stating that this term means the Islamic Awqaf in the Kingdom, mosques, schools, religious institutes, orphanages and legal colleges that are supported by the budget of the Ministry, Islamic cemeteries, the affairs of Hajj and Issuing Fatwas, as well as mosques that are not supported by the budget of endowments

Arab Islamic Bank (Palestine)⁴⁰



The Arab Islamic Bank was established as the first Islamic banking company to operate in Palestine in 1995. It is a public shareholding company. It started its banking activities in early 1996. It is engaged in banking and investment activities in accordance with the provisions of Islamic Sharia, through its head office in Al-Bireh and its twenty-two branches in Palestine. There are no branches outside Palestine, and the Bank does not have any subsidiaries as of 31/12/2017. The vision of the Bank includes the following: to consolidate and deepen the Islamic banking system as a first option; to play an active role in the advancement of the Palestinian economy and to achieve the principle of solidarity and taking into account Islamic social goals; and to provide high quality and competitive Islamic banking solutions and services.

Amanah Raya Bhd (Malaysia)⁴¹



Amanah Raya Berhad is Malaysia's premier trustee company wholly owned by the Government of Malaysia. Established in 1921 as the Department of Public Trustee and Official Administrator, the company was corporatized via the Public Trust Corporation Act of 1995. By introducing innovative products and services, it has consistently maintained its position as the market leader due to its ability to provide a range of specialized Will, Trust and Estate services to all Malaysians through its fully integrated network of 18 branches nationwide. Amanah Raya Berhad leverages on its well-established and expanding network with various government agencies and strategic collaborators that include financial institutions to offer a holistic approach to Legacy Management.

38 Source: <https://www.jordanislamicbank.com/en/content/bank-establishment>

39 Source: <http://www.awqaf.gov.jo/Pages/viewpage.aspx?pageID=147>












40 Source: <http://aib.ps/aboutus/vision>

41 Source: <https://www.amanahraya.my/profile/>

3. Members of the Participants Committee of APIF as of 31 December 2018

Mr. Abdulhamid Abu Mousa Governor, Faisal Islamic Bank of Egypt	Chairman
Dr. Bandar M.H. Hajjar President , Islamic Development Bank Group, Saudi Arabia	Member
H.E. .Dr. ABDEL NASER MOUSA A. Abu ELBASAI Minister of Awqaf, Islamic Affairs and Holy Places, Jordan	Member
H.E. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi Chairman of the Council of the OIC-Islamic Solidarity Fund	Member
Mr. Nader Alamri Chief Operating & Real Estate Investment Officer The General Authority for Awqaf, KSA	Member
Mr. Raed Khalid Abdullah AlKharafi Deputy Secretary General, Kuwait Awqaf Public Foundation, Kuwait	Member
Mr. Meshal Abdulaziz Al Nassar Assistant Vice President, Real Estate Investment, Kuwait Finance House, Kuwait	Member
Mr. Musa Abdel Aziz Shihadeh Chairman of the Board of Directors and Director General, Jordan Islamic Bank, Jordan	Member
Mr. Hassan Amin Jarrar Chief Executive Officer, Bahrain Islamic Bank	Member
Mr. Mohamed Issa Al Mutaweh Chief Executive Officer and Board Member, Al Baraka Islamic Bank, Bahrain	Member
Mr. Abbas Abdulla Abbas General Manager, Tadamon Islamic Bank, Sudan	Member
Dr. Atef Alewneh Chairman, Board of Directors, Arab Islamic Bank, Ramallah, Palestine	Member
Mr. Ahmed Zarif Jalalians Managing Director, Iran Endowments Reclamation Development Institute, Tehran, Iran	Member
Mr. Adenan Mohamad Yusof Group Managing Director, Amanah Raya Berhad, Malaysia	Member
Mr. Quazi Osman Ali Managing Director & CEO, Social Islami Bank, Bangladesh	Member

4. Members of the Supervisory Committee of APIF as of 31 December 2018

	H.E. Dr. Bandar M.H. Hajjar President, IsDB Group, Islamic Development Bank	Chairman		Mr. Nadir Alamri Chief Operating & Real Estate Investment Officer , The General Authority of Awqaf, Saudi Arabia.	Member
	Hon. Fauzia Ziaaboul Executive Director, Islamic Development Bank	Member		Mr. Abdulhamid Abu Mousa Governor, Faisal Islamic Bank of Egypt, Egypt	Member
	Hon. Mohammed Gambo Shuaibu Executive Director, Islamic Development Bank	Member		Mr. Raed Khalid Abdullah AlKharafi Deputy Secretary General Kuwait Awqaf Public Foundation, Kuwait	Member
	Hon. Abdolrahman Nadimi Boushehri Executive Director, Islamic Development Bank	Member		Mr. Meshal Abdulaziz Al-Nassar Assistant Vice President, Real Estate Investment, Kuwait Finance House, Kuwait	Member
	H.E. Ambassador Nasser Bin Abdallah Hamdan Al-Zaabi Chairman of the Council of the OIC-Islamic Solidarity Fund	Member		Mr. Abdallah S. A. Daajeh Under Secretary Ministry of Awqaf, Islamic Affairs and Holy Places, Jordan	Member
	Mr. Ibrahim Abdullah Al- Khuzayem Executive Director OIC-Islamic Solidarity Fund	Member			

ANNEX 02

Information for APIF Investors

The following information is useful for potential investors:

Nature & Legal Form	<p>APIF is established as a U.S. Dollar denominated fund managed by the Islamic Development Bank in accordance with the Islamic concept of Mudarabah and the Regulations of APIF. The IsDB undertakes the role of Mudarib acting as Manager and Custodian of APIF. As such, APIF benefits from the high-quality support functions provided by IsDB (e.g. procurement, legal and KYC, and financial control) as well as the general Islamic-finance-based development ecosystem provided by IsDB.</p> <p>The Islamic Development Bank (IsDB), the Mudarib (fund Manager) is a multilateral development financing institution headquartered in Jeddah, Saudi Arabia. It was founded in 1973 as a specialized institution of the Organization of Islamic Cooperation (OIC). It has 57 shareholding Member Countries.</p>
Shareholders (Participants)	<p>Subscription to APIF's capital is open to Awqaf ministries, directorates, and institutions in addition to Islamic banks and financial institutions as well as individual investors.</p>
Organization Structure	<p>APIF has a Participants Committee, which oversees implementation of the Regulations and the Guidelines for Investment of APIFs financial resources, in addition to looking into the Annual Report and Final Accounts of APIF after their approval by IsDB's Board of Executive Directors.</p> <p>APIF has a Supervisory Committee (a subcommittee of IsDB's Board of Executive Directors) which is responsible for examining the quarterly accounts of APIF and for proposing polices and guidelines to the BED. It is also responsible for the periodic review of APIFs performance and submission of related reports to the Participants Committee and IsDB's Board of Executive Directors.</p> <p>As per APIF regulations, representation on APIF committees is as follows:</p> <ul style="list-style-type: none">• All the shareholders investing more than US\$1 million (the minimum investment amount) may attend the Participants Committee Meeting of APIF;• The shareholders investing between US\$ 5 million (the minimum investment amount) and US\$ 10 million have one representative in the Supervisory Committee; and• The shareholders investing more than US\$ 10 million have two representatives in the Supervisory Committee.

Capital Structure and Resources	<p>The authorized capital of APIF is US\$100 million divided into 10,000 "A" Certificates with a par value of US\$10,000 each.</p> <p>The Mudarib may mobilize additional resources for APIF for investing in specific projects, through syndication, co-financing, or issuing of "B" Certificates that can take the form of Muqarada Certificates, Ijara (Leasing) certificates, etc. The Participants may purchase "B" certificates.</p> <p>To augment the resources of APIF, the IsDB has extended a US\$100 million line of financing for APIF to be utilized for the financing of APIF's projects.</p>										
Profitability	<p>Notwithstanding the noble cause for which APIF was established, its operations are market oriented to secure a reasonable return for its investors. The overriding consideration, however, is to ensure continuity of APIF by aiming at building a strong General Reserve to the tune of 50 percent of paid-up capital before ensuring high dividend payout ratios to investors.</p>										
Profit Distribution	<p>Up to 20 percent of any year's net income can be transferred by the Mudarib to the General Reserve. The total scheme of profit appropriations is, therefore, as follows:</p> <table> <tr> <th>Particulars</th><th>Percent of Total</th></tr> <tr> <td>Mudarib (Management) Fees</td><td>10%</td></tr> <tr> <td>General Reserve</td><td>0% - 20%</td></tr> <tr> <td>Distributable Dividends</td><td>70% - 90%</td></tr> <tr> <td>Total</td><td>100%</td></tr> </table>	Particulars	Percent of Total	Mudarib (Management) Fees	10%	General Reserve	0% - 20%	Distributable Dividends	70% - 90%	Total	100%
Particulars	Percent of Total										
Mudarib (Management) Fees	10%										
General Reserve	0% - 20%										
Distributable Dividends	70% - 90%										
Total	100%										
Exit Mechanism	<p>The IsDB undertakes, from the fourth financial year of APIF, to purchase from holders of "A" Certificates not more than 50 percent of the certificates held by each of them provided that such purchase shall not result in the holder being a holder of certificates the aggregate par value of which is less than one million U.S. Dollars.</p>										
Security	<p>The Mudarib (the IsDB) applies very prudent measures for extending financing out of APIF's resources. These measures include, among others, the requirement of Government guarantees, first class bank guarantees, mortgage or insurance cover of renowned credit insurance companies.</p> <p>To guard against concentration of risk, APIF strives to diversify its financing portfolio by setting ceilings for countries and beneficiaries within one country.</p>										
External Auditors	<p>APIF is audited by an internationally reputed audit firm that provides a review and audit of APIF's financial statements.</p>										

ANNEX 03

Information for APIF Beneficiaries

The following clarifies how to benefit from APIF financing:

Scope	APIF Interventions: <ul style="list-style-type: none">• New construction• Existing property enhancement• Existing property purchase Including projects in the following sectors: <ul style="list-style-type: none">• Residential,• Commercial,• Retail, and• Mixed-use facilities.
Eligible for APIF Financing	<ul style="list-style-type: none">• Awqaf Ministries/Institutions• Charitable Organization/Trusts operating in accordance with Waqf principles in IsDB Member Countries and Non-Member Countries• Beneficiary contribution:<ul style="list-style-type: none">o Minimum 25 percent of financing; oro Project land
Main Condition of Financing	At the end of the financing period, the project will be registered as a Waqf where possible or otherwise as an equivalent legal status (e.g. trust).
Mode of Financing	<ul style="list-style-type: none">• Leasing,• Murabaha, or• Any other Sharia-compliant mode of financing
Project Value	Above US\$5.0 million (Including land value)
Terms of Financing	The maximum tenor is 15 years including gestation period not exceeding 3 years
Collateral Security	Depends on the nature of the project (Sovereign guarantee, bank guarantee, mortgage, etc.)
Pricing/Mark-up	On a case-by-case basis
Currency of Financing	US Dollars
Documents Required to Apply	<ul style="list-style-type: none">• Financing request (letter) including objective of the Waqf, project brief, estimated cost and income.• Registration of the Organization and its By-laws.• Organization Brief (objectives & activities of the organization and its board members).• Land Deed Document (up to date deed with permanent ownership or long-term lease).• Financial statements of the organization for the last 3 years.



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