

## **Integrating *Zakāt* and *Waqf* into the Poverty Reduction Strategy of the IDB Member Countries**

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### **Abstract**

*The paper estimates the resource gap for poverty reduction and potential of Zakāt and Waqf in the IDB member countries.<sup>1</sup> Paper stresses on revival of the Zakāt and Awqāf institutions and their enforcement, which will enable the IDB MCs to generate sufficient revenue for their all pro-poor expenditures. For any tangible results, the institutions of Zakāt and Waqf need to be integrated into the poverty reduction strategy of the IDB member countries. The proceeds of these institutions should be made as a part of their pro-poor budgetary expenditures.*

**Keywords:** Integrating *Zakāt* and *Waqf*, *Zakāt & Waqf* and pro-poor expenditures, Potential of *Zakāt & Waqf* and Poverty reduction, Islamic institutions and poverty reduction, Poverty reduction in the IDB member countries.

**KAU-IEI Classification:** R0

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<sup>1</sup> In this paper, the income of the population under USD 2 has been taken out from the GDP of the countries under study for the estimation of potential zakat collection and the zakat on remittance has been included.

## 1. Introduction

Poverty has been the serious problem and a great challenge especially for Developing Countries. Most of the IDB member countries (MCs) are also facing the same problem, where the level of poverty is sever and housing more than 50 percent of their population living on less than \$ 1.25 a day. Among these countries are Burkina Faso (56.5%), Chad (61.9%), Mali (51.4%), Mozambique (60%), Niger (64.4%), Nigeria (64.4%), Sierra Leone (53.4%), and Uganda (51.5%). Incidence of Poverty is also sever in countries such as Bangladesh (49.6%), Benin (47.3 %), Comoros (46.1 %), Guinea-Bissau (48.8 %) and Uzbekistan (46.3 %). These results are based on the international poverty line (under \$1.25 a day ), which overestimate the incidence of poverty in some of the IDB MCs, such as Benin, Burkina Faso, Mali, Mozambique , Nigeria and Uganda compared to their national poverty lines. In contrast, countries like Albania, Azerbaijan, Egypt, Iran, Jordan, and Malaysia, Kazakhstan, Morocco, Tunisia, Turkey and Gabon have been underestimated compared with their national poverty lines. Under international poverty line of US \$ 2 a day, the incidence of poverty, in most of the countries, is found to be more than 70 percent of their total population (for detail see appendix Table 1).

Different policies and strategies have been adopted in different countries in the past to reduce the poverty, but the fact remains that poverty persists especially in the member countries. The Muslim countries inherited very strong institutions of *Zakāt*, *ṣadaqāt* and *waqf* for fighting against poverty. In the past, these institutions were used very successfully for the rehabilitation and welfare of the poor<sup>2</sup>. Unfortunately these institutions have been neglected by the Muslims countries and consequently housing many poor in their countries. Few IDB member countries (Yemen, Saudi Arabia, Malaysia, Libya, Pakistan and Sudan) have introduced the system of *Zakāt*, which, however, is different in terms of coverage of *zakāt* items and assets. Other countries have not introduced this system and it is considered as a private affair. This is known fact that Muslims are paying their *Zakāt* on their own to the poor and to different charitable institutions. However, all these transaction are not passing through proper channels, are un- recorded, without any planning and not a part of any strategy. Therefore, one cannot asses the effectiveness of *Zakāt* in poverty alleviation. The same is the case with the institution of *awqāf*. These institutions need to be revived and organized with proper planning, which will provide additional source of income to the governments for the social welfare of the society. These institutions need to be integrated in the overall poverty reduction strategy of the IDB member countries for the tangible results. This paper is written for the said purpose.

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<sup>2</sup> See Qardawi , 1981.

The remainder of the paper consists of four sections. Section 2 provides the methodology and data sets used in the paper. Section 3 estimates the resource gap, the potential of *Zakāt* collection and compares the resource availability with resource required for poverty alleviation. Section 4 discusses the *waqf*, a brief historical background and its potential for poverty alleviation. Section 5 highlights the integration of *Zakāt* and *waqf* into the poverty reduction strategy of the IDB MCs. Section 6 sets forth summary, conclusion and the recommendations.

## 2. Methodology and Data Set

### 2.1. Estimation of Resource Shortfall.

The poverty gap index (based on international poverty lines of US \$1.25 a day in 2005 PPP for hard core poor and US \$2.0 a day for the poor respectively) has been converted into absolute amount for each country under investigation (For detail see Shirazi and Fouad, 2010).

### 2.2. Estimation of Potential Zakāt collection

Different studies have been made for the estimation of potential *Zakāt* collection in the past. All such studies have used different methodology and employed diverse opinions of scholars regarding the coverage of *Zakāt* and consequently their results are not comparable (see Shirazi 2006 for references).<sup>3</sup> Kahf (1989) estimated *Zakāt* potential for eight Muslim countries by using National Income Accounts. His estimates of potential *Zakāt* were based on three different opinions of jurists regarding *Zakātable* items. Those three definitions were named as Z1, Z2 and Z3. According to these definitions, under Z1, *Zakāt* can be collected in the range of 1.0 percent to 2.0 percent, under Z2 *Zakāt* collection varies 3.1 percent to 4.9 percent and under Z3 it can vary from 3.2 percent to 7.5 percent of the GDP for the eight Muslim countries (see Table 1).

This paper utilizes the Kahf's estimates for the rest of the IDB member countries (For details see (Shirazi, 2006; Shirazi and Fouad 2010). We have made another adjustments ( in addition to the adjustment that we made to Kahf's study as we have mentioned in our previous studies) to kahf's study i.e. i) we have taken out the

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<sup>3</sup> Since there is no agreement among the scholars on the new wealth that may be brought under zakat net, hence there is urgent need for the general agreement on the definition of the items, which may be taken as *zakātable* items. This requires *ijmā'* of the '*ulamā'*' and other contemporary scholars on the issue.

amount of income of the poor under US \$ 2 from the GDP of each member country and assuming that the rest are able to pay *Zakāt* and ii) *zakāt* on remittances has been included.

**Table-1**  
**Percentage of estimated *Zakāt* proceeds to GDP in selected Muslim countries**

Countries	Z1	Z2	Z3
Egypt	2.0	3.9	4.9
Indonesia <sup>4</sup>	1.0	1.7	2.0
Pakistan	1.6	3.5	4.4
Qatar	0.9	3.7	3.2
Saudi Arabia	1.2	3.7	3.4
Sudan	4.3	6.3	6.2
Syria	1.5	3.1	3.1
Turkey	1.9	4.9	7.5

Source: Kahf (1989)

### 2.3. Data sets

We have used Poverty gap index under US \$ 1.25 a day and US \$ 2.0 a day as reported in World Development Indicators (2011). Most of the data are taken from World Bank (various publications). While GDP (at PPP) are taken from the CIA World Fact books and the World Bank, World Development Indicators Online. All these data are used to estimate the funds needed for bridging poverty gap and for the estimates of *zakāt* potential.

## 3. Resource Gap and the *Zakāt* Potential in IDB Member Countries

In this section, we have reported the estimates of resource required and potential *Zakāt* collection for poverty elimination in the IDB member countries.

### 3.1. Resource Shortfall for Poverty Reduction

The column 7 and column 8 of the Table 2 shows the resource required by each country for poverty elimination under US \$1.25 a day and US \$ 2.0 a day respectively. The sample countries are composed into three groups. Group 1 presents countries with moderate resource shortfall (one percent or less than one percent of

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<sup>4</sup> Muhammad Firdaus et al (2012) estimated 3.40 percent of GDP as zakat potential of Indonesia, which is based on households income, industries and bank deposits

their GDP). These are Albania, Algeria, Azerbaijan, Cameroon, Egypt, Gabon, Guyana, Iran, Jordan, Kazakhstan, Malaysia, Morocco, Suriname, Tunisia, Turkey, Yemen, Iraq, Indonesia and Pakistan. Group 2 depicts countries with intermediate resource shortfall (more than one percent to six percent of their GDP). This group of countries consists of Djibouti, Tajikistan, Mauritania, Cote d'Ivoire, Senegal, Uzbekistan, Bangladesh and Gambia. Group 3 consists of those countries for which resource shortfall is more than 6 percent of the respective country's GDP. Some of these countries are Mozambique (12.92%), Niger (7.90%), Sierra Leone (19.04%), and Guinea-Bissau (17.26%) (See Table 2 for detail).

Column 8 of the Table 2 presents the resource shortfall under US \$2. The resource short fall as a percentage of GDP is very high in the case of Guinea-Bissau (58.24%), Mozambique (35.19%), Niger (32.51%), Sierra Leone (56.26%), Chad (35.06%), Guinea (20.74%) and Bangladesh (23.10%). The total resource shortfall for all the sample countries under US \$ 1.25 a day and US \$ 2.0 a day is estimated to be 1.067 percent and 4.091 percent respectively of their total GDP.

### 3.2. Potential Zakāt Collection

The Table 3 presents the potential amount of *Zakāt* that can be collected under three different opinions of scholars regarding the items and assets that can be brought under *Zakāt* net. Columns 8 through 10 of the Table show Potential *Zakāt* collection including *Zakāt* on foreign remittances<sup>5</sup>. However, for some countries *Zakāt* on remittances are not included due to non-availability of the relevant data (see Table 3). On average Z1 for eight IDB member countries such as Benin, Cameroon, Gabon, Guyana, Mozambique, Suriname, Togo and Uganda ranges from 0.17 percent to 0.40 percent of their GDP. This is due to very low share of Muslim population in these countries. Similarly, for these countries, Z2 and Z3 vary from 0.37 percent to 0.84 percent and 0.42 percent to 0.95 percent of their GDP respectively. For rest of the 32 OIC member countries, Z1 ranges from 0.66 percent to 1.81 percent, Z2 varies from 1.41 to 3.84 percent, while Z3 varies from 1.59 percent to 4.32 percent of the GDP of the respective country. The potential *Zakāt* collection from Z1, Z2 and Z3, for all the countries under study, comes out to be 1.53 percent, 3.27 percent and 3.68 percent of their total GDP respectively. Although we have used 1.8 percent as Z1 for all other countries except Egypt, Pakistan and Turkey (for which we have used 2.0 percent, 1.6 percent and 1.9 percent respectively) still we get different potential *Zakāt* collection as a share of GDP due to adjustment of GDP with Muslim population share.

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<sup>5</sup> Following Mohieldin et.al (2011) for zakat estimation on remittances.

**Table-2**  
**Resource Shortfall for Poverty Elimination under US \$1.25 & US \$ 2**  
**Poverty Lines**

	Survey Year	GDP (PPP) Millions	Total Population	Resource Shortfall under \$ 1.25 per annum (Million)	Resource Shortfall under \$ 2 per annum (Million)	Resource Shortfall under \$ 1.25 per annum as % of GDP	Resource Shortfall under \$ 2 per annum as % of GDP
Group 1: Countries with moderate Resource shortfall under USD 1.25 per day ( $\leq 1.0$ percent of GDP)							
Albania	2008	21810	3619778	6.61	23.78	0.030	0.109
Algeria	1995	109616	28265291	180.54	1320.55	0.165	1.205
Azerbaijan	2008	77610	8177717	14.92	89.55	0.019	0.115
Cameroon	2007	40240	18060380	98.88	1107.46	0.246	2.752
Egypt	2004-05	309733	71550018	130.58	1828.10	0.042	0.590
Gabon	2005	17839	1290693	5.30	47.11	0.030	0.264
Guyana	1998	1977	736291	13.10	37.09	0.663	1.876
Iran	2005	643503	69087070	126.08	907.80	0.020	0.141
Jordan	2006	25628	5537600	10.11	24.25	0.039	0.095
Kazakhstan	2007	168200	15284930	27.89	44.63	0.017	0.027
Malaysia	2009	383000	25715820	46.93	75.09	0.012	0.020
Morocco	2007	125392	30860595	70.40	698.38	0.056	0.557
Pakistan	2006	437500	165803600	3101.56	22754.89	0.709	5.201
Suriname	1999	2159	432413	11.64	36.93	0.539	1.711
Tunisia	2000	45617	9563500	17.45	209.44	0.038	0.459
Turkey	2005	561075	72065000	295.92	1367.79	0.053	0.244
Yemen	2005	46150	21095679	404.25	2279.18	0.876	4.939
Indonesia	2009	960200	240271500	3946.46	27186.72	0.411	2.831
Iraq	2007	102400	27499640	75.3	1124.19	0.074	1.098
Group 2: Countries with intermediate Resource shortfall under USD 1.25 per day (1.0 percent to 6.0 percent of GDP)							
Bangladesh	2005	163728	153281120	9161.42	37820.58	5.596	23.100
Cote d'Ivoire	2008	33850	20179600	690.52	2636.87	2.040	7.790
Djibouti	2002	1244	762775	18.44	81.30	1.483	6.535
Gambia	2003-04	1491	1524061	84.14	277.03	5.643	18.580
Mauritania	2000	3634	2566152	66.74	297.85	1.836	8.196
Senegal	2005	18133	11770340	579.98	2113.72	3.198	11.657
Tajikistan	2004	9682	6467377	150.49	793.16	1.554	8.192
Uganda	2009	38120	32369560	1787.00	6427.30	4.688	16.861
Uzbekistan	2003	43028	25567700	1749.79	6196.59	4.067	14.401
Group 3: Countries with severe Resource Shortfall ( $\geq 6.0$ percent of GDP)							
Benin	2003	9163	7961594	570.30	1947.01	6.224	21.249
Burkina Faso	2003	12450	13081911	1211.63	3743.52	9.732	30.068
Chad	2002-03	8335	9118887	1065.09	2922.33	12.778	35.061
Comoros	2004	630	587944	55.80	146.79	8.856	23.299
Guinea	2007	10960	9947814	689.88	2272.98	6.295	20.739
Guinea-Bissau	2002-03	635	1455881	109.60	369.85	17.260	58.244
Mali	2006	12664	11968376	1026.59	3188.97	8.106	25.181
Mozambique	2008	18940	21284700	2447.21	6665.73	12.921	35.194
Niger	2007	8860	12894870	700.11	2880.46	7.902	32.511
Nigeria	2003-04	178435	134659379	18185.75	46103.33	10.192	25.838
Sierra Leone	2002-03	2396	4924199	456.07	1348.00	19.035	56.260
Togo	2006	4971	6410428	333.42	1305.61	6.707	26.265
Total		4660998		49723.9	190701.91	1.067	4.091

Source: our estimates

### 3.3. Resource Shortfall and Potential Zakāt Collection

Resource shortfall and potential *Zakāt* collection have been put together in Table 4. Column 3 through 5 represents the potential *Zakāt* collection under three definitions of *Zakāt* items whereas column 6 and 7 show the resource shortfall under US \$ 1.25 and US \$ 2 respectively. The resource requirement, under US \$1.25 a day, of the countries in-group 3, for poverty elimination is too high, which cannot be met by their potential *Zakāt* collection. For example, the resource shortfall of Burkina Faso (9.73%), Chad (12.78%), Guinea-Bissau (17.26%), Mozambique (12.92%), Nigeria (10.19%) and Sierra Leone (19.03%) are very high and corresponding *Zakāt* collection even under Z3 is very low ranging from 0.163 percent to 1.59 percent of their GDP. However, resource shortfall of the countries in group 1 can easily be covered from collection of Z1 except Guyana and Suriname (Table 4). If we take into account the administrative cost of *Zakāt* collection (assuming 10 to 20 percent of the potential *Zakāt* collection), even then Z2 and Z3 collection is enough for fulfilling both the amount of resource shortfall and administrative cost.

Djibouti from group 2 can cover her resource shortfall from Z1, while other countries in the group cannot meet their resource shortfall from Z1. However, two countries (Mauritania and Tajikistan) of group 2 can easily meet their resource requirements from Z2 and Z3. Twenty-one member countries can easily eliminate poverty form generating their own *Zakāt* resources, whereas the rest of the sample countries cannot meet their resource shortfall from their own resources.

Resource shortfall, under US \$1.25 a day and US \$ 2.0 a day, on average, is 1.07 percent and 4.1 percent of the GDP for all the countries under study. The corresponding amount, which can be collected under Z1, Z2 and Z3, estimated to be 1.53 percent, 3.27 percent and 3.68 percent of their total GDP, respectively. These resources are not only sufficient to provide for the shortfall and eliminate the extreme poverty but also can generate surplus.

Resource shortfall under US \$ 2.0 a day is high. Countries, which could meet their resource shortfall under US \$ 1.25 a day from *Zakāt* proceeds, are not able to meet their resource shortfall under US \$ 2.0 a day. The countries, which added to such list, are Pakistan, Cameroon, Guyana, Suriname and Yemen (Table 4). As noted above that resource shortfall under US \$ 2.0 a day cannot be met by resources raised through potential *Zakāt* collection. The maximum that can be collected is estimated to be 3.68 percent of the GDP of all countries under study , whereas corresponding resource required are estimated to be 4.1 percent of the GDP of these countries.

However, some resource rich countries are not included in the sample due to non-availability of the data. If these countries also collect *Zakāt* to its potential and transfer their surplus to the common pool and if these funds could be provided for the resource deficit countries then we hope that the deficit in resource can be met and poverty under US \$ 2 a day can easily be eliminated.

**Table-3**  
**Potential *Zakāt* Collection (Adjusting GDP for Poor under \$ 2 per day)**

	Survey Year	<i>Zakāt</i> with out remittances (% of GDP)			<i>Zakāt</i> on remittances (% of GDP)	<i>Zakāt</i> with remittances (% of GDP)		
		Z1	Z2	Z3		Z1	Z2	Z3
Albania	2008	1.040	2.223	2.506	0.002	1.042	2.226	2.509
Algeria	1995	1.717	3.672	4.140	0.006	1.723	3.678	4.146
Azerbaijan	2008	1.673	3.578	4.034	0.033	1.706	3.611	4.066
Bangladesh	2005	0.861	1.841	2.075	0.012	0.873	1.853	2.087
Benin	2003	0.219	0.468	0.527	0.001	0.220	0.469	0.528
Burkina Faso	2003	0.457	0.977	1.101	0.001	0.457	0.978	1.102
Cameroon	2007	0.330	0.706	0.796	0.002	0.332	0.708	0.798
Chad	2002-03	0.441	0.942	1.062	0.000	0.441	0.942	1.062
Comoros	2004	1.133	2.424	2.733	0.000	1.133	2.424	2.733
Cote d'Ivoire	2008	0.580	1.242	1.400	0.003	0.583	1.244	1.402
Djibouti	2002	1.512	3.234	3.645	0.001	1.513	3.235	3.646
Egypt	2004-05	1.579	3.377	3.806	0.006	1.585	3.383	3.812
Gabon	2005	0.173	0.370	0.417	0.001	0.174	0.371	0.418
Gambia	2003-04	1.115	2.386	2.689	0.011	1.127	2.397	2.701
Guinea	2007	0.947	2.025	2.283	0.004	0.950	2.029	2.286
Guyana	1998	0.173	0.371	0.418	0.003	0.177	0.374	0.421
Iran	2005	1.755	3.754	4.231	0.002	1.757	3.755	4.233
Jordan	2006	1.702	3.641	4.104	0.052	1.755	3.693	4.157
Kazakhstan	2007	0.845	1.808	2.038	0.001	0.847	1.809	2.039
Malaysia	2009	1.104	2.362	2.662	0.003	1.107	2.364	2.665
Mali	2006	0.912	1.950	2.198	0.002	0.913	1.952	2.200
Mauritania	2000	1.449	3.099	3.494	0.000	1.449	3.099	3.494
Morocco	2007	1.745	3.733	4.208	0.031	1.776	3.764	4.239
Mozambique	2008	0.162	0.346	0.390	0.000	0.162	0.347	0.391
Niger	2007	0.546	1.168	1.317	0.000	0.546	1.168	1.317
Nigeria	2003-04	0.558	1.194	1.346	0.000	0.558	1.194	1.346
Pakistan	2006	1.495	3.197	3.603	0.005	1.499	3.201	3.608
Senegal	2005	1.295	2.769	3.122	0.015	1.310	2.784	3.137
Sierra Leone	2002-03	0.067	0.142	0.160	0.002	0.069	0.144	0.163
Suriname	1999	0.383	0.819	0.924	0.000	0.383	0.819	0.924
Tajikistan	2004	1.362	2.913	3.284	0.000	1.362	2.913	3.284
Togo	2006	0.114	0.245	0.276	0.000	0.114	0.245	0.276
Tunisia	2000	1.753	3.750	4.227	0.010	1.763	3.760	4.237
Turkey	2005	1.770	3.785	4.267	0.001	1.770	3.786	4.267
Uganda	2009	0.181	0.388	0.437	0.006	0.187	0.394	0.443
Uzbekistan	2003	1.164	2.490	2.806	0.000	1.164	2.490	2.806
Yemen	2005	1.554	3.324	3.747	0.015	1.570	3.340	3.763
Indonesia	2009	1.465	3.134	3.532	0.006	1.471	3.140	3.538
Iraq	2007	1.708	3.652	4.117	0.00	1.708	3.652	4.117
Total		1.414	3.024	3.409	0.00	1.414	3.024	3.409

Source: Percentage of Muslim Population is taken from [http://en.wikipedia.org/wiki/Islam\\_by\\_country](http://en.wikipedia.org/wiki/Islam_by_country)



#### 4. Waqf: A Brief Historical Background and its Potential for Poverty Alleviation

##### *Waqf*

*Waqf* is an important religious and social institution, which has been used for the welfare of the needy, the poor, the family and the society. Wealth is transferred from private ownership to collective ownership (beneficiaries) through this mechanism. Personal assets or any other belonging can be endowed in *Waqf* for religious, educational, or any other benevolent purpose under specific terms and conditions. The terms and conditions include: (1) it is a permanent arrangement, and cannot be done for a certain period<sup>6</sup>; (2) it becomes immediately effective, and cannot be kept in abeyance; (3) it is an irrevocable legal contact; and (4) *Waqf* property can never be confiscated.<sup>7</sup>

##### 4.1. A Brief History of Waqf for the Welfare of the Society

*Awqāf* were set up for both the religious and social purposes. The first example of such *Awqāf* was the Mosque of the Prophet (PBUH) in Madinah, which was established by the prophet himself (Pbuh). Later, as recommended by the prophet (pbuh) other *Waqf* were established for the social purpose, such as the land of Khyber endowed by Umar and the fruit were then distributed to poor, free slaves, to provide for guest, wayfarer, and some reasonable quantity to its custodian. Another example was the purchase of water well (*Bi'r Rumah* by Uthman) and made it free for everyone in Madinah. The history tells that *Awqāf* had been growing year after year. It is proven fact that *Awqāf* have been the important pillar in the religious, social, cultural, scientific, economic and political life of Islamic society. For every conceivable enterprise of social benefit, there was a *Waqf*, such as for mosques, universities, schools, hospitals, orphanages, houses for the poor, food for the poor, the blind, battered/abused women, soup kitchens, wells, aqueducts, fountains, public baths, watchtowers, bridges, cemeteries, salaries, pensions, guesthouses, libraries, books and animal welfare. In Othman period, the society left the financing of health, education and welfare entirely to the *awqāf* system (See Ali, 2009; Rashid, 2011; and Ahmed, 2004).

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<sup>6</sup> The Malikites accept temporal *waqf* by the will of the founder. (see for details kahf, 2003)

<sup>7</sup> [http://www.banglapedia.org/httpdocs/HT/W\\_0018.HTM](http://www.banglapedia.org/httpdocs/HT/W_0018.HTM)

**Table-4**  
**Resource Shortfall and Potential Zakāt Collection**

	Survey Year	Z1	Z2	Z3	Resource Shortfall under \$ 1.25 per annum as % of GDP	Resource Shortfall under \$ 2 per annum as % of GDP
Group 1: Countries with moderate Resource shortfall under USD 1.25 per day ( $\leq$ 1.0 percent of GDP)						
Albania	2008	1.042	2.226	2.509	0.030	0.109
Algeria	1995	1.723	3.678	4.146	0.165	1.205
Azerbaijan	2008	1.706	3.611	4.066	0.019	0.115
Cameroon	2007	0.361	0.770	0.868	0.246	2.752
Egypt	2004-05	1.625	3.468	3.909	0.042	0.590
Gabon	2005	0.175	0.374	0.422	0.030	0.264
Guyana	1998	0.183	0.388	0.437	0.663	1.876
Iran	2005	1.765	3.774	4.254	0.020	0.141
Jordan	2006	1.710	3.657	4.122	0.039	0.095
Kazakhstan	2007	0.847	1.811	2.041	0.017	0.027
Malaysia	2009	1.108	2.366	2.667	0.012	0.020
Morocco	2007	1.812	3.840	4.324	0.056	0.557
Pakistan	2006	1.732	3.699	4.169	0.709	5.201
Suriname	1999	0.396	0.846	0.954	0.539	1.711
Tunisia	2000	1.781	3.809	4.294	0.038	0.459
Turkey	2005	1.782	3.811	4.296	0.053	0.244
Yemen	2005	1.774	3.795	4.278	0.876	4.939
Indonesia	2009	1.588	3.389	3.820	0.411	2.831
Iraq	2007	1.778	3.802	4.286	0.074	1.098
Group 2: Countries with intermediate Resource shortfall under USD 1.25 per day (1.0 percent to 6.0 percent of GDP)						
Bangladesh	2005	0.873	1.853	2.087	5.596	23.100
Cote d'Ivoire	2008	0.694	1.481	1.669	2.040	7.790
Djibouti	2002	1.774	3.793	4.276	1.483	6.535
Gambia	2003-04	1.702	3.627	4.087	5.643	18.580
Mauritania	2000	1.771	3.788	4.270	1.836	8.196
Senegal	2005	1.694	3.606	4.063	3.198	11.657
Tajikistan	2004	1.699	3.633	4.095	1.554	8.192
Uganda	2009	.2730	0.577	0.650	4.688	16.861
Uzbekistan	2003	1.587	3.395	3.827	4.067	14.401
Group 3: Countries with severe Resource Shortfall ( $\geq$ 6.0 percent of GDP)						
Benin	2003	0.220	0.469	0.528	6.224	21.249
Burkina Faso	2003	0.457	0.978	1.102	9.732	30.068
Chad	2002-03	0.954	2.041	2.301	12.778	35.061
Comoros	2004	1.760	3.765	4.244	8.856	23.299
Guinea	2007	1.514	3.235	3.646	6.295	20.739
Guinea-Bissau	2002-03	0.660	1.411	1.590	17.260	58.244
Mali	2006	1.598	3.416	3.851	8.106	25.181
Mozambique	2008	0.354	0.756	0.852	12.921	35.194
Niger	2007	1.584	3.388	3.820	7.902	32.511
Nigeria	2003-04	0.889	1.901	2.143	10.192	25.838
Sierra Leone	2002-03	1.046	2.238	2.523	19.035	56.260
Togo	2006	0.242	0.518	0.584	6.707	26.265
Total		1.526	3.265	3.680	1.067	4.091

Source: Based on Table 2 and 3

The literature shows that during the Ottoman period, thousands of people, without expecting any personal interest, founded thousands of institutions with their own property and money in the areas of infrastructure building. These include roads,

bridges, irrigation system, welfare services; educational services such as opening school library, university etc...and allocated some or all his private properties such as farms, houses, enterprises and savings as revenue sources to these institutions to ensure their continuous running<sup>8</sup>. We can find some important illustrations of *Waqf* institutions in the history. For example, three –quarters ( $\frac{3}{4}$ ) of all Arab land in the former Ottoman Empire belonged to *Waqf*. In Algeria , under French occupation , *Waqf* comprises half( $\frac{1}{2}$ ) of the lands of the country in the middle of the nineteenth century, during the same time in Tunisia *Waqf* represented  $\frac{1}{3}$  of land in Tunisia. In Egypt in 1949, about  $\frac{1}{8}$  of the agricultural land belonged to this category. (Boudjellal 2005 cited in Achmad Tohirin, 2010). Furthermore, the total budget of *Waqf* reached to one third of the state budget in Ottoman State where in each of some three hundred administrative units called sanjak, there were around a thousand *Waqfs* (YediYildiz, 1996). More importantly, *Waqf* went beyond the need of fulfillment of the poor to empowering them in the society. This was achieved through development and continuous assistance in education and health to build productive capacity, improve their access to finance, to innovate and research to assist them.

No doubt, history tells the rich experience of the role of *Waqf* in social development and the poverty alleviation, but today's revenues of *Waqf* are insufficient to pay even for the general maintenance of the Mosque. This is mainly due to the changes occurred in its management system. "With colonialism came misery to *Awqāf*. Thousands were abolished or put to other uses and governed by alien rules" (Rashid, 2011). He also suggested a survey of *Waqf* properties to prepare a data bank of *Awqāf* in all countries, which is a necessary condition for the efficient and effective management. He called for the revival of the family *Waqf* and the development of the *waqf* properties.

#### 4.2. Potential of *Waqf*

The intention of many governments to revitalize *Waqf* is explained by its potential contribution to poverty alleviation. In fact, today *Waqf* could be useful in all aspects including education; access to finance to facilitate innovation and increase productivity; health care water, sanitation and many more. (See Khan, 2007). *Waqf* has a great potential to provide for the needs of the poor in not only the short run but also enriching them in the end. Keeping in view the importance of *awqāf*, in recent years, some efforts have been made by some countries to organize the *Awqāf* property, which is left unattended or misused. For example, In Indonesia, Indonesia *Waqf* Board (IWB), an independent institution, has been established few years ago

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<sup>8</sup> For more information see <http://yunus.hacettepe.edu.tr/~yyildiz/placeofthewaqf.htm>

to promote the economic benefit of *Waqf* asset for the sake of religious interest and people empowerment.<sup>9</sup> There are an estimated 358,710 *Waqf* location in Indonesia, which totals 1, 5 million sq meters. (Indonesia *Waqf* Board). This *Waqf* asset can be part of potential solution for helping the poor. In addition, cash *Waqf* has recently grown fast in Indonesia mainly because of its flexibility and potential to benefit poor anywhere. Indonesia *Waqf* deposit (IWD) is managing cash *Waqf*. The institution has enormously facilitated the redistribution and the management of cash *Waqf*. The cash *awqāf* has an annual potential collection of 3 trillion Rupiah. (Nasution, 2003 cited in Affandi and Nufus, 2010).

According to the report on Social, Economic and Educational Status of the Muslim Community of India (2006)<sup>10</sup>, there are about 490,000-registered *Awqāf* in all over India and the total area under *Awqāf* properties are about 600,000 acres and the book value at about Rs 60.00 billion. A good number of the *Awqāf* properties are located in city centers and the current market value is many times more than the book value. “As the book values of the *Waqfs* properties are about half a century old, the current value can safely be estimated to be several times more and the market value of the *Waqf* properties can be put at Rs. 1.2 lakh crores (1,200 billion, about US\$ 24.0 billion). If these properties are put to efficient and marketable use they can generate at least a minimum return of 10 per cent which is about Rs. 12,000 crores (Rs. 120 billion, about US\$ 2.4 billion) per annum. .. Wherever the *Waqf* lands have been put to efficient use they have generated an average return of about 20 per cent”.

The Muslim poor require about 0.301<sup>11</sup> percent of the GDP to bring each one who is below the poverty line to the level of non-poor. The *awqāf* properties can generate income of about 0.325 percent of the GDP, which is higher than the required amount for poverty reduction. Therefore, only *awqāf* can alleviate the poverty of the Muslim poor.

Keeping in view the importance of *Waqf*, many Islamic countries have now set up either ministry or special department to manage the *Waqf* institution. One of their missions is to revive *Waqf* and put this Islamic institution at the heart of poverty alleviation in their respective countries. In addition to this, some international *Waqf* program have succeeded in the social development of the poor and providing emergency reliefs. For instance, The Islamic Relief Worldwide *Waqf* Programme

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<sup>9</sup>Official website of IWB: [http://bwi.or.id/index.php?option=com\\_content&view=article&id=1&Itemid=136&lang=en](http://bwi.or.id/index.php?option=com_content&view=article&id=1&Itemid=136&lang=en)

<sup>10</sup> [http://www.scribd.com/doc/53403975/52/Economic-Potential-of- Waqf -Assets-in-India](http://www.scribd.com/doc/53403975/52/Economic-Potential-of-Waqf-Assets-in-India)

<sup>11</sup> Poverty line, US\$ 1.25 per day; poverty gap ,10.5: Muslim population , 153 million and GDP at PPP US \$ 2431.199 billion in 2005 (see Shirazi and Fouad for methodology )

whose aim is to provide sustainable solution for a better future has been successful in many parts of the globe and cover all aspects of development. In 2011 alone, the institution has implemented eight major programs, which affected the lives of thousands of family in the field of emergency supplies, water, sanitation, education, sustainable livelihood.<sup>12</sup>

Many writers emphasize the role of the private sector as the main driver for economic prosperity. The creation of a proper working environment for *Waqf* would thus lead to an increase in the private participation by voluntary transfer of asset to assist the poor. The funds available from *Waqf* institution will replace the government expenditures on poor and these funds could be utilized for developmental needs of the country; reduce its budget deficit, result better income distribution, economic growth and reducing poverty..”(Budiman and Kusuma 2011)

Literature on *Waqf* also identifies the lack of operational capacity. In Bangladesh for instance, Karim (2010) identified among others the lack of main power in the management of *Waqf* in the country. There are less than 100 officers managing nearly 150,000 estates. These officers in addition to their very small numbers also lack qualification for proper management. He also questioned the integrity of the *Waqf* institution official as these latter have been subject to many bribery complaints. According to him, there is too much discretion granted to them and in most of the case, they end up using it for their own advantages. Kahf (2003), on the other hand, proposed some reforms that have to be undertaken for a better management of *Waqf* institutions. These reforms include creating boards of supervision that consists of representatives of beneficiaries, working staff in *Awqāf* projects and properties and local community and NGOs; establishing criteria and measures of managerial efficiency in nonprofit corporations that are applicable to the variety of properties and objectives of *Awqāf*; auctioning the management of *Awqāf* on competitive ground for a definite period of time, say 3-5 years; and creating a government supportive body that may provide technical assistance, facilitate financing, and establish necessary governance regulations. When the Institutions of *Waqf* will have the support, legitimacy, and operational capacity needed, then the creation of an effective public value could be expected.

### **5. Role of IDB in Developing *Awqāf* Properties**

Keeping in view the important role of *Awqāf* in socio-economic development of the society and alignment with its own mission, IDB with the collaboration of other

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<sup>12</sup> for more information a see [http://www.irwaqf.com/index.php?waqf\\_programme/index/16](http://www.irwaqf.com/index.php?waqf_programme/index/16)

institutions has established *Awqāf* Properties Investment Fund (APIF) for the development of Islamic *Awqāf* properties and investment in these properties. The Fund priority areas of investment include residential, commercial, retail and industrial facilities. The Fund gives investment priority to the APIF's participatory countries followed by the IDB member countries and rest of the world. The IDB is the manager of APIF and focusing her efforts on the success of the Fund for benefiting all stakeholders including contributors, nazers, unit holders, beneficiaries and the public at large. About US \$ 72 million paid up capital is funded by 15 contributors (see appendix 2 for details).

The IDB has provided a line of financing of US\$ 100 million to the Fund and has approved SU\$ 200,000 for developing feasibility studies. The APIF has financed 39 projects (15 projects have been completed) worth US\$ 876 million in 18 countries with its own contribution of US\$ 338 million (see appendix 3 for details).

The IDB is in the planning process of establishing an International *Awqāf* Development Bank. It has already established World Waqf Foundation (WWF) with mission to ensure that *Awqāf* contribute to the cultural, social and economic development of Muslim countries and communities, and to alleviate hardship among the poor through establishing, sponsoring and supporting viable institutions, projects and programmes in the IDB member countries and the Muslim communities. IDB's entities are also contributing for the social educating and social development of the MCs. For example, Islamic Research and Training Institute have published a good material of both *Zakāt* and *awqāf* through in house research and through conducting training programs, holding conferences, seminars and workshops.

## **6. Integrating the Institutions of *Zakāt* and *Waqf* into the Poverty Reduction Strategy of the IDB Member Countries**

Most of the poor countries have been setting the national priorities for their public investment and provision of services for poverty reduction. This is especially after the 1999, when the IMF and the World Bank started preparing poverty reduction strategy paper (PRSP) with the consultation of the respective countries. PRSP focuses on the pro-poor growth; human development; provision of the basic services and social safety nets; and good governance. For example, PRSP of Pakistan identifies 17 pro-poor sectors, which are grouped under five broad headings such as Market access and community services; Human development; rural development; Safety nets and Governance. The detail is provided in Appendix 4. Similarly Islamic Development Bank's poverty reduction strategy focusses on promoting pro-poor growth with particular emphasis on equitable distribution of the benefits; addressing

the barriers and issues faced by women in economic development; emphasizing human development; especially improvements in health care and education; Providing social safety nets for the poor; insisting on good governance and access to public service delivery by the poor; and fostering and harnessing full ownership and commitment by member states.<sup>13</sup>

A few studies advocating for the integration of *Zakāt* and *Waqf* into the poverty reduction strategy of the poor countries are worth mentioning. Ahmad (2008) states that *Zakāt* has not been made a part of the development programs of Bangladesh and it is not mentioned in the PRSP of Bangladesh. The paper shows that although macroeconomic policies play an important role in reducing poverty, poverty cannot be eliminated in an effective way without using *Zakāt*. Furthermore, the paper highlights two conditions under which the role of *Zakāt* in alleviating poverty will be more effective. "First, *Zakāt* has to be complimented by robust macroeconomic policies that enhance growth and also redistribute income to eliminate poverty. Second, while more *Zakāt* has to be collected and disbursed, the impact on poverty will only be significant when a larger percentage of *Zakāt* proceeds are used for productive purposes". The paper suggests integrating of *Zakāt* with overall development programs of the country and making it as a part of the PRSP.

In their paper, Hassan and Khan (2007) highlight the important role of *Zakāt* in poverty alleviation. They have shown that *Zakāt* funds can replace government budgetary expenditures in the range of 21 percent of Annual Development Plan (ADP) in 1983-84 to 43 percent of ADP in 2004-05, which can be utilized for other social and development expenditures of Bangladesh. Furthermore, *Zakāt* can increase the productivity, employment and output which will consequently increase the taxation potential of the government. However "unfortunately, neither the government nor the IMF /World Bank see the need to include *Zakāt* as poverty alleviation instrument".

Khan (2007) argued that the current framework for PRSP could not be used to determine the potential and the impact of *Waqf* in the overall poverty alleviation schemes. It is thus important to register all such institutions in the country, request information about their resources (including *'ushr* and *ṣadaqāt*) and the types of activities they undertake to achieve their objectives. Once the statistics are available, there should be an isolated column for *Waqf* in the national accounting system. In this respect, it is easy to keep tract of its evolution and importance in the community. International donors including International Monetary Fund (IMF), World Bank, and

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<sup>13</sup> See Islamic Development Bank (2007), "Policy Paper on Poverty Reduction"

Islamic Development Bank should help providing both technical and financial assistance to countries to develop an efficient registration and recording of *Waqf*'s Statistic. He emphasized that the successful *Waqf* institution throughout the world should coordinate and make accessible their knowledge of the management of the institution accessible to others. This activity will require high communication and coordination between concerned countries. He also stressed that the state should revive *Waqf* institution by creating proper environment and legal framework and refrain from interfering management of *Waqf*, and extends the owner and the beneficiary influence on the system.

Unfortunately *Zakāt* and *awqāf* institution have not been taken seriously by the Muslim countries. Only a few Muslim countries including Yemen, Saudi Arabia, Libya, Sudan, Pakistan, and Malaysia have compulsory *Zakāt* management through government, while other countries such as Egypt, Jordan, Iran, Bangladesh, Bahrain and Iraq, have formed specialized state institutions but it is voluntary. Many countries have the safety net programs for the very poor and vulnerable but no country has made the institution of *Zakāt* and *Awqāf* as a part of their poverty reduction strategy. However, in one country-Pakistan-, for the first time the poverty Reduction Strategy paper (PRSP-II) has mentioned the role of *Zakāt* in poverty alleviation and there is no mention of *Awqāf*. For example looking at the appendix Table 3, which, gives the details of the pro-poor expenditures and allocation to 17 pro-poor sectors<sup>14</sup>, grouped under five broad headings such as : Market access and community services, Human development:, Rural development:;, Safety nets; and Governance provides a good base for our analysis. The total budgetary expenditures as a percentage of the GDP are shown in Table 5.

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<sup>14</sup> Market access and community services: (i) roads, highways and buildings, (ii) water supply and sanitation, Human development: (iii) education, (iv) health, (v) population planning, (vi) natural calamities, Rural development: (viii) agriculture, (ix) land reclamation\* (x) rural development, (xi) rural electrification (People's Works Programme-II); Safety nets: (xi) subsidies; (xii) social security and welfare including Benazir Income Support Programme; (xiii) food support programme including Pakistan Bait-ul-Mal and Punjab Food Support Scheme; (xiv) Peoples' Works Programme; (xv) low cost housing; Governance: (xvi) administration of justice; and (xvii) law and order.



**Table-5**  
**PRSP current & development budgetary expenditures of Pakistan**  
**(FY 2001/02 - FY 2007/08)**

Fiscal Year	PRSP Expenditures (Rs Million)			PRSP Expenditures as percent of GDP			
	Current	Development	Total	Current	Development	Total	Non-BE
2001/02	-	-	166,074	-	-	3.77	0.17
2002/03	160,528	48,515	209,043	3.33	1.0	4.33	0.24
2003/04	182,318	78,983	261,301	3.23	1.40	4.63	0.23
2004/05	203,608	112,635	316,243	3.09	1.71	4.80	0.21
2005/06*	205,345	170,794	376,139	2.69	2.24	4.93	0.23
2006/07*	215,712	210,967	426,680	2.47	2.42	4.89	0.25
2007/08*	301,935	270,685	572,620	2.88	2.58	5.46	0.26

Source: PRSP-II. The last column is added

Table 5 shows that PRSP budgetary expenditures increased from 3.77 percent of GDP in FY 2001/02 to 5.46 percent of GDP in FY 2007/08. However, non-budgetary pro-poor expenditures (such as *Zakāt*, micro credit, EOBI, Pakistan Bait -ul -Mal) increased from 0.17 percent of GDP to 0.26 percent of the GDP over the same time. The amount of *Zakāt* disbursed (including direct and indirect transfers) from 2004-05 through 2007-08 was in the range of 0.04 percent to 0.06 percent of the GDP, while collection of *Zakāt* funds remained in the range of 0.05 to 0.08 percent of the GDP during the same time period. The actual *Zakāt* collection never increased beyond this level due to the many reasons including a few assets which are subject to *Zakāt*; exemption granted from time to time; non transparent and poor governance and people do not trust the public administration ( for details See Shirazi ,1996 and 2006). Pakistan has a good network of social safety net program, but this is not much effective due to the lack of funds required for the number of deserving people. This has been also highlighted in the PRSP-II:

Funding of specific safety net programmes has traditionally been insufficient given programme objectives and target populations. As a result, safety net programmes are fragmented and often duplicative; have limited coverage and are poorly targeted with small benefit levels relative to household income and the poverty gap; payments are infrequent and irregular; administrative arrangements are inadequate; and Monitoring and Evaluation capacity is not up to the mark, which negatively affect programme efficiency and quality of service delivery. Consequently, these programmes have limited impact on poverty and vulnerability.

If we compare the pro-poor expenditures (3.77 percent of GDP in 2001/2002 to 5.5 percent in 2007/08) of Pakistan with potential *Zakāt*, collection (ranges about 2 percent to 4 percent of GDP) then it is obvious that country can easily fulfill its pro-poor expenditure only with *Zakāt* collection. In that case, country will not need any borrowing from the multinationals or the existing funds can be utilized for other developmental purposes. We have not mentioned the potential proceed of the *awqāf* of Pakistan, for which we need data, survey and registration of all *Awqāf* properties, which are not available at the moment

If we utilize the *Awqāf* properly and combine it with potential *Zakāt* proceeds, then Muslim world does not need any other source for the pro-poor expenditures. For this purpose, revival of the Islamic institutions, their optimum utilization and implementations to the letter and spirit is needed.

Let we take the Indian Muslim community which is larger Muslim Population after Pakistan. The Muslim poor require about 0.301 percent of the GDP to bring each one who is below the poverty line to the level of non-poor. The *awqāf* properties, which have the potential of generating income of about 0.324 percent of the GDP, are much higher than the required amount. Therefore, only *awqāf* can alleviate the poverty in case of Indian Muslims.

However, there is a strong need for proper planning and management of the institutions. These institutions (*Zakāt* and *Awqāf*) need to be integrated in the poverty reduction strategy of the countries for the effective use of the funds and to have an impact on the poverty. Therefore, proceeds from these institutions should be the part of the PRSP.

We have observed especially in case of Pakistan that when cash is transferred to the poor or they are given funds/assets for rehabilitation under rehabilitation scheme, proper record is not maintained or there is no follow up. Although selection of the poor/beneficiaries are made by the local people (member of the local *Zakāt* committee in case of *Zakāt* transfer, who know them personally especially in the rural areas), many favoritisms have been noticed and the system is non-transparent. Lists of the beneficiaries are not available for third party evaluation/screening. There is much duplication as also identified by the Pakistan PRSP-II. However, system of payment is integrated with the banking system.

The countries may learn from Turkey's experience of her social assistance program<sup>15</sup> especially for the identification of the deserving people. People who consider themselves as candidate for the benefits of the program fill application forms themselves, which are entered to the computer by the local social workers. Since the application form provides the information regarding the personal identity card number, the applicants are automatically scrutinized by using the personal ID numbers through ten-government data basis via net. All the relevant information for the selection of the poor such as address, asset (e.g., car, house), social insurance, job status, salary etc. are available on the net. The final score, which identifies the eligibility or otherwise is calculated by the system, which is further verified by the field research process. The final selection is made by the board of trusty (see Esenyel, 2011). The electronic data basis is very important for the selection of the beneficiaries and keep track of the progress made by the beneficiaries. The member countries should start making electronic data basis, which could be used for multipurpose.

## **7. Conclusion and Recommendations**

### *7.1. Conclusion*

An attempt has been made in the paper to investigate the resource gap in the IDB member countries for poverty reduction and matching the resource gap with the proceeds of the institution of *Zakāt* and *Awqāf*. The paper finds that if *Zakāt* is implemented to letter and spirit then enough resources can be generated which will be enough for poverty alleviation from all the MCs. However, by individual country efforts, countries in group one and some in group two can easily fill the resource gap for the poverty alleviation, while all countries in group three cannot alleviate poverty by their own efforts. Since complete information on *Awqāf* properties is not available in any of the given MCs, therefore it is difficult to estimate the potential of *Awqāf* properties. However, based on available data on *Awqāf* properties in India, estimates show that if *Awqāf* properties are developed then enough resources can be generated, which will be sufficient for the poverty alleviation of Muslim poor.

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<sup>15</sup> The benefits provided include in kind benefits such as food, coal, clothing, school supplies ; monetary assistance conditional cash transfer such as education support for children attending primary school and secondary school and health support for 0-6 age group children ; free medication (the green card scheme), and assistance for medical costs not covered by the green card scheme. The law covers the need citizens who are not covered by any social security organizations and people who would be able to contribute to society and to produce when given temporary small-scale support or an opportunity for education. (see Kaoru, M Urakam , 2011)

Keeping in view the Pakistan PRSP-II, paper finds that *Zakāt* and *Awqāf* can generate enough revenue for meeting all the pro-poor expenditures. Country does not need any financial assistance from the multinationals for mobilizing resources for the pro-poor budgetary expenditures. Therefore, it is suggested for all the MCs to enforce law of *Zakāt* and *Awqāf* to letter and spirit, integrate these into the poverty reduction strategy, and make these as a part of their pro-poor budgetary expenditures.

## 7.2. Recommendations

In the light of the literature and the analysis provided in the paper following recommendation are made.

### 7.2.1. Recommendations for the IDB Member Countries

#### *Zakāt*

- Institution of *Zakāt* should be revived in all the IDB MCs and the legal framework should be provided by the respective governments for its implementation to the letter and spirit.
- *Zakāt* should be collected to its potential by bringing all assets and wealth under *Zakāt* net. For potential *Zakāt* collection, governments may replicate the *Zakāt* collection model of the state of Swat's (1915-1969), where *Zakāt* proceeds were auctioned and the higher bidder was granted the sole collection right from his area. By this way, state of Swat was able to generate 50 percent of the revenue for the annual budget (see Shirazi and Yasin, 2010). All banks should be allowed to collect *Zakāt* on bank deposits (Pakistan model), but with no *Zakāt* exemptions to anybody.
- On distribution side, arrangement should be made for the cash transfer to the disabled, old aged and orphanage, and in-kind transfer for the rehabilitation of the poor. Also, make arrangements for the schooling of the poor, for their technical knowhow and health care. For this purpose, Pakistan's model of *Zakāt* distribution can be adopted, but with clean and transparent public administration.
- The selection of the poor may be made by the local representative (local *Zakāt* committee members, who know the local people personally especially in the rural areas ) or the Turkish conditional cash transfer program, where the beneficiaries are applying their own on a prescribed form, and their eligibility is scrutinized by government computerized data.

- For the purpose of transparency, lists of beneficiaries should be made available for third party observation/screening.
- All the IDB MCs may digitize all databases including assets / wealth, addresses etc. where the personal identity card number can retrieve any information. This will be helpful for determining the eligibility of the beneficiaries (Turkish model) as well as easy to follow up whether poor is rehabilitated.

### Waqf

- A detailed survey, seeking information on the nature of the *Awqāf*, their value, income, expenditures, administrative structure, is needed to build data bank, which will be helpful for the efficient and effective management of the *Awqāf*, development of the *Awqāf* properties, and revival of such *Awqāf*, which were confiscated, or encroachments have been made in the past.
- All *Awqāf* properties should be registered, which will enable future planning for the *awqāf* properties
- MCs should provide the legal framework and enabling environment for the *Awqāf* properties
- MCs should revive the family *awqāf* and encourage cash *awqāf* with tax incentives to the endowers.
- MCs should assist the *awqāf* management for the efficient running of the *Awqāf* and may invest in *Awqāf* properties.
- The IDB MCs should integrate both the *Zakāt* and *Awqāf* institutions in their poverty reduction strategies and made proceed of these institutions as a budgetary part of their pro-poor expenditures.

### 7.2.2 Recommendations for the IDB

- May collect information on successful *Awqāf* institutions and disseminate best practices to MCs for their implementation.
- May help MCs in providing technical assistance for preparing data bank of *Awqāf* properties.
- May continue its development of *Awqāf* properties through *Awqāf* Properties Investment Fund in the contributory countries and may expand its operation to other MCs by inviting MCs through central banks. The central banks of MCs may encourage its scheduled and other banks to invest in the APIF. The IDB may reactivate World Waqf Foundation for achieving its mandate.

- It may establish International/World *Zakāt* Fund for the development of the poor of MCs and the other Muslim communities, asking *Zakāt* surplus MCS and other rich people for their contribution
- IDB entities-like IRTI- is already educating people in the MCS through its publications and holding conferences, seminars and workshops, which need to be expanded by the WWF.

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### Appendix-1 Poverty in the Selected Muslim Countries

Country	Survey Year	Population Below \$ 1.25 a day (%)	Poverty gap at \$ 1.25 a day (%)	Population Below \$ 2 a day (%)	Poverty gap at \$ 2 a day (%)	Poverty headcount ratio at national poverty line (% of population)
Albania	2008	1.9	0.4	4.3	0.9	12.4
Algeria	1995	6.8	1.4	23.6	6.4	22.6
Azerbaijan	2008	1.9	0.4	7.8	1.5	15.8
Bangladesh	2005	49.6	13.1	81.3	33.8	40
Benin	2003	47.3	15.7	75.3	33.5	39
Burkina Faso	2003	56.5	20.3	81.2	39.2	51
Cameroon	2007	9.6	1.2	30.8	8.4	39.9
Chad	2002-03	61.9	25.6	83.3	43.9	55
Comoros	2004	46.1	20.8	65	34.2	44.8
Cote d'Ivoire	2008	23.8	7.5	46	17.9	42.7
Djibouti	2002	18.8	5.3	41.2	14.6	NA
Egypt	2004-05	1.9	0.4	18.4	3.5	19.6
Gabon	2005	4.8	0.9	19.6	5	32.7
Gambia	2003-04	34.3	12.1	56.7	24.9	58
Guinea	2007	43.8	15.2	70	31.3	53
Guinea-Bissau	2002-03	48.8	16.5	77.9	34.8	64.7
Guyana	1998	7.7	3.9	16.8	6.9	NA
Indonesia	2009	18.7	3.6	50.7	15.5	14.2
Iraq	2007	4	0.6	25.3	5.6	22.9
Iran	2005	1.9	0.4	8	1.8	NA
Jordan	2006	1.9	0.4	3.5	0.6	13
Kazakhstan	2007	1.9	0.4	1.9	0.4	12.7
Malaysia	2009	1.9	0.4	2.3	0.4	3.8
Mali	2006	51.4	18.8	77.1	36.5	47.4
Mauritania	2000	21.2	5.7	44.1	15.9	46.3
Morocco	2007	2.5	0.5	14	3.1	9
Mozambique	2008	60	25.2	81.6	42.9	54.7
Niger	2007	43.1	11.9	75.9	30.6	59.5
Nigeria	2003-04	64.4	29.6	83.9	46.9	54.7
Pakistan	2006	22.6	4.1	61	18.8	22.3
Senegal	2005	33.5	10.8	60.3	24.6	50.8
Sierra Leone	2002-03	53.4	20.3	76.1	37.5	66.4
Suriname	1999	15.5	5.9	27.2	11.7	NA
Tajikistan	2004	21.5	5.1	50.8	16.8	NA
Togo	2006	38.7	11.4	69.3	27.9	61.7
Tunisia	2000	2.6	0.4	12.8	3	4.2
Turkey	2005	2.7	0.9	9	2.6	20.5
Uganda	2009	37.7	12.1	64.5	27.2	24.5
Uzbekistan	2003	46.3	15	76.7	33.2	NA
Yemen	2005	17.5	4.2	46.6	14.8	34.8

Source: World Bank Development Indicators (2011)

**Appendix-2**  
**APIF Participants and their Contribution in the Paid-up**  
**Capital as at end 1432H**

(US \$ million)

No.	Name of participants	Country	Paid-up Capital
1.	Islamic Development Bank	Saudi Arabia	29.5
2.	OIC-Islamic Solidarity Fund	Saudi Arabia	10.9
3.	Ministry of Islamic Affairs, <i>Awqāf</i> , Da'wa and Irshad	Saudi Arabia	7.5
4.	Kuwait <i>Awqāf</i> Public Foundation	Kuwait	5.0
5.	Kuwait Finance House	Kuwait	5.0
6.	Faisal Islamic Bank	Egypt	3.0
7.	Iran Endowment Fund	Iran	2.9
8.	Al-Baraka Islamic Bank	Bahrain	1.0
9.	Bahrain Islamic Bank	Bahrain	1.0
10.	Investment Bank of Bahrain	Bahrain	1.0
11.	Islamic Tadamun Bank	Sudan	1.0
12.	Jordan Islamic Bank	Jordan	1.0
13.	Arab Islamic Bank	Palestine	1.0
14.	Ministry of <i>Awqāf</i> and Islamic Affairs	Jordan	1.0
15.	Amanah Raya Bhd.	Malaysia	1.0
	Total		71.8

Source: *Awqāf* Properties Investment Fund

**Appendix-3**  
**Islamic Financial Services Department (IFS) *Awqāf* Properties Investment Fund**  
**List of Projects since its Inception**

Serial. No.	Project Code	Country	Name of the Project	Approval Date - G	Mode of Finance	APIF	APIF Line	Total APIF	Beneficiary & Co-finance	Total Amount	Current Status
<b>Projects Completed</b>											
1	6MA 0106	Malaysia	Shariah Courthouse-Malaysia (Govt. Guarantee).	29/Oct/2007	Leasing	2.00	0.00	2.00	State Govt. of Selangor	76.00	Under Repayment
2	6IRN 0088	Iran	Semnan Residential & Commercial Bldg Project-Iran (Govt. Guarantee)	26/Dec/2005	Leasing	5.00	3.00	8.00	Iran Endowment Fund	14.20	The project sponsors are settling overdue amount according with the agreement reached between them & IDB
3	6UAE 0040	UAE	Nama Commercial & Residential Building, Fujairah, UAE (Assign. Guarantee)	26/Mar/2009	Leasing	3.00	6.00	9.00		18.00	1st Repayment \$808,358 was due on 08/04/12 was transferred on 28/04/12 by beneficiary.
4	6UAE 0042	UAE	<i>Awqāf</i> Comm. Building-Ajman (Govt. Guarantee)	13/Mar/2002	<i>istiṣnā'</i>	1.00	2.15	3.15		3.15	On 24/04/12, email them all needed documentations as they requested on the phone. Waiting reply on payments made to IDB and their supporting documents. Also next payment due date.
5	6KU 0019	Kuwait	<i>Awqāf</i> Commercial Tower Al S a l a m St. (Govt. Guarantee)	17/Mar/2002	Profit Sharing	1.00	16.29	17.29		17.29	Under Repayment
6	6KU 0020	Kuwait	Extension of <i>Awqāf</i> Commercial Complex, Mubarak St. (Govt. Guarantee)	17/Mar/2002	Profit Sharing	1.00	14.77	15.77		15.77	Under Repayment
7	6SAU 0039	KSA	Madinah Research Center, Madinah (Bank Guarantee)	9/Dec/2002	Leasing	2.00	1.70	3.70		3.70	The project was rescheduled and sponsors were liable to pay installment No. 11 for \$335,821.42 on 21/06/12. Now they expressed intention to settle the full amount. FCD is requested to calculate the full outstanding amount.
8	6UAE 0041	UAE	Al Khan Residential Building, Sharjah. (Govt. Guarantee)	12/Jul/2003	Leasing	2.00	1.00	3.00		3.22	Payments are up-to-date. Next repayment is No.14 for \$161,983.61 due on 12/07/12.
9	6QA 0025	Qatar	Women Center for Memorization of Quran (Govt. Guarantee).	16/Sep/2003	Leasing	3.30	3.70	7.00		11.00	Payments are up-to-date. Next repayment is No. 11 for \$472,832.36 due on 11/07/12.
10	6SAU 0038	KSA	WAMY-Makkah Project, Makkah (Bank/assign Guarantee)	30/Oct/2004	Leasing	3.00	1.00	4.00	WAMY	4.00	Payments are up-to-date. Next & last repayment is No. 10 for \$122,501.59 due on 03/09/12.
11	6IRN 0089	Iran	Residential & Commercial Complex, Mashhad. Leasing, 8 years including 2.5 years gestation. (Govt Guarantee)	30/Sep/2005	Leasing	3.00	7.00	10.00	Iran Endowment Fund	22.70	The project sponsors are paying dues according to agreement reached them and IDB
12	6IRN 0101	Iran	Hamgam Khodro Asia Co. (Govt. Guarantee)	18/Oct/2007	Leasing	0.50	0.00	0.50	Hamgam Khudro Asia Company	19.00	Following the agreement reached between the project sponsors and IDB, former has paid an installment.
13	6SU 0161	Sudan	<i>Awqāf</i> Comm Tower, Parliament Street, Sudan (Govt. Guarantee)	1/Dec/2003	Leasing	3.30	5.70	9.00		10.00	Beneficiary requested 2 years extension of the gestation period to 13/12/2012. On 28/04/12, LD gave no objection. FCD replied matter is not rescheduling but extension of gestation so FCD is involved.
14	6BD 0159	Bangladesh	IIUC Tower, Bangladesh (Govt. Guarantee)	17/Apr/2006	Leasing	2.00	2.00	4.00	Islamic University	5.50	Project is up to date in repayment of installment

Serial No.	Project Code	Country	Name of the Project	Approval Date - G	Mode of Finance	APIF	APIF Line	Total APIF	Beneficiary & Co-finance	Total Amount	Current Status
15	6IRN 0096	Iran	Bandar Abbas-Res & -Comm. Complex Project(Govt. Guarantee)	11/May/2004	Leasing	3.00	5.00	8.00	Chittagong Trust	12.63	Project has recently been completed its repayment.
<b>Projects Approved and under implementation</b>											
1		Sharjah, UAE	Constriction of Kbaldiya Residential/Commercial Waqf Complex in Sharjah, UAE	9/May/2012	Leasing	7.00	4.70	11.70	The <i>Awqāf</i> General Trust, Sharjah - UAE	50.80	Project approved on 30-6-2012. Preparation of agreements underway.
2	SAU 0046	Saudi Arabia	APIF Leasing Operation of US\$ 10.0 million for Construction of a Residential Building having total cost of US\$ 34.0 million in Al Seeh District, Medina Munawara, K.S.A.	5/Feb/2012	Leasing	5.00	5.00	10.00	<i>Awqāf</i> Shanaquetta	34.00	The sponsors have raised some comments on drafts of financing agreements. A meeting in IDB HQ with sponsors and Mauritanian delegation was held in May 2012, in this respect. New drafts have been prepared by Legal and sent to sponsors.
3	6TU 0167	Turkey	APIF leasing operation of US\$ 17 million for the construction of an International trade Center in Ankara – Turkey	18/Nov/2011	Leasing	7.00	10.00	17.00	T.R. Prime Ministry of Genera Directorate of Foundations	83.20	The project sponsors have informed that they have arranged financing from their own sources; as such, project will be liable cancelation.
4	6BD 0165	Bangladesh	APIF Leasing Operation of US\$ 11.5 million for the construction of IIUC Tower-2 having 16.5 million in	6/Aug/2011	Leasing	4.50	7.00	11.50	Islamic University Chittagong Trust	16.50	Project sponsors are completing formalities to declare the agreement effective
5		Libya	APIF Leasing Operation of US\$ 14.0 million for the Construction of Abu Miliiana <i>Waqf</i> Commercial Building in Tripoli – Libya	26/Jan/2011	Leasing	5.00	9.00	14.00	General Authority of <i>Awqāf</i> & <i>Zakāt</i> Affairs - Libya	21.00	Sponsors apologized for not being able to accept our offer of financing. However, there is still hope to revive the project. Reminder letter sent to the Minister of <i>Awqāf</i> on 6 June 2012.
6	6LE 0072	Lebanon	APIF Leasing Operation of US\$ 5.00 Million for the Construction of Bazerkan Commercial Center having total cost of US\$ 21.5 million in Beirut, Lebanon.	22/Nov/2010	Leasing	4.00	1.00	5.00	Makassed Philanthropic Association in Beirut	21.50	Agreement was not signed due to taxation issues. A new proposal to change the mode of financing to <i>Istiṣnā'</i> was made to the Beneficiary in May 2012. Awaiting reply.
7	6YAR 0093	Yemen	APIF Leasing Operation of US\$ 15.0 Million for the Construction of Commercial Center having total cost of US\$ 30.0 Million in Sana'a – Yemen.	22/Dec/2008	Leasing	5.00	10.00	15.00	Ministry of <i>Awqāf</i> - Yemen	30.00	Agreement sent for signature on 28 July 2010. Sponsors promised several times to provide their comments on the draft of financing agreements but nothing has been received so far.
8	6CE 0019	Sri Lanka	APIF Leasing Operation of US\$ 19.5 Million for the Construction of Makola Twin Tower Commercial Complex, Colombo, Sri Lanka.	15/Dec/2009	Leasing	5.00	5.00	10.00	Makola Muslim Orphanage	19.50	The signature of agreements was delayed due to legal and tax issues. A solution has been found and a memo was submitted to the Management in June 2012.
9	6QA 0028	Qatar	<u>Ablan Project - Qatar</u> APIF Leasing Operation of US\$ 15 Million for the Construction of Residential Complex having total Cost of US\$ 56.4 Million in Doha - Qatar.	17/May/2010	Leasing	5.00	10.00	15.00		56.40	Agreement was not signed as the Beneficiary has proposed to change the scope of the project.
10	6BH 0051	Bahrain	<u>Construction of a Serviced Apartment Building, Alseef District Manama – Bahrain (Jaffaria Project).</u>	7/Jun/2011	Leasing	7.00	9.00	16.00	Beneficiary: <i>Jaffaria Waqf</i> Directorate - Bahrain.	25.00	The beneficiary did not sign the draft of agreements. Sponsors asked for changing the mode of financing to <i>Mushārahah</i> . A letter was sent to sponsors on May 1, 2012 in order to plan for a meeting with the new Board members of <i>Jaffaria Awqāf</i> Directorate.
11	6MAS 0008	Mauritius	APIF Operation of US\$ 5.0 million for the Construction of Highlands Shopping Complex in favour of Education Trust, having total cost of US\$	16/Aug/2011	<i>Istiṣnā'</i>	3.00	2.00	5.00	The Education Trust, Mauritius	6.10	All the effectiveness docs have been submitted except the escrow account. A draft was submitted and was reviewed by the LD. Awaiting final agreement.

Serial No.	Project Code	Country	Name of the Project	Approval Date - G	Mode of Finance	APIF	APIF Line	Total APIF	Beneficiary & Co-finance	Total Amount	Current Status
12	6SU 0162	Sudan	Residential & Commercial Building for WAMY, Sudan (Assin. Guarantee).	15/Sep/2008	Leasing	2.00	6.00	8.00	WAMY - World Assembly of Muslim Youth - KSA	16.50	Financing Agreements signed on 21/3/2010 but not declared effective (Original of tripartite agreement signed by Al Baraka Bank not yet provided).
13	6SU 0163	Sudan	Munazzamat Al Dawah Al Islamiya-Sudan (Bank Guarantee)	22/Oct/2008	Leasing	5.00	5.00	10.00	Munazzamat Al Dawah Al Islamiya-Sudan	35.00	A meeting was held with sponsors in May 2012. A new letter sent to them to clarify about completion of financing, new proposal of guarantees and update of feasibility study based on new assumptions. New Feasibility study awaited.
14	6SU 0165	Sudan	Construction of Commercial, Residential & Hajj Complex in Jeddah. (Sudanese Project).	18/Jan/2010	Leasing	5.00	10.00	15.00	Islamic National Waqf Chamber	30.00	Declaration of agreement being effective is pending due to the delays in opening of Escrow Account and financing gap.
15	6SU 0158	Sudan	Construction of Hayat Addawaa Furnished Apartment Tower, Khartoum, Sudan.	14/Jul/2010	Leasing	1.00	3.30	4.30	Hayat Addawaa Al Islamia Sudan	7.00	Project declared effective in 1433. Consultancy firm is already selected. Selection of contractor underway. First and second disbursements under processing.
16	6NIR 0111	Niger	Construction of a Commercial & Residential Complex, Niamey, Niger.	18/Jan/2010	Leasing	5.00	10.00	15.00	Islamic University of Niger	26.00	Selection of consultant for design and supervision was approved by IDB in Jan 2012. However, the Beneficiary requested to appoint a consultant firm from UAE directly. The Bank gave approval in June 2012 as per guidelines.
17	6UAE 0043	UAE	APIF Leasing Operation of US\$ 6.0 Million for the Construction of a Commercial & Residential Building, Fujairah, UAE.	7/Dec/2010	Leasing	3.00	3.00	6.00	Fujairah Welfare Association – UAE	20.00	Financing agreements have been amended to reduce financing to US\$ 5 million, Project declared effective on July 8, 2012. First disbursement under processing.
18	6SU 0160	Sudan	Al Azhari Resi-Com-Complex-Sudan (Govt. Guarantee)	28/Nov/2007	Leasing	3.00	5.00	8.00	National Student Welfare Fund	36.00	Under disbursement.
19	6SU 0159	Sudan	APIF Leasing operation of US\$ 7.5 Million for the Construction of Commercial & Residential Complex (Al Magzoub) having total Cost of US\$ 9.5 Million in Khartoum – Sudan.	21/Dec/2009	Leasing	1.00	6.50	7.50	Almagzoub Organisation	9.50	Under disbursement.
20	6SU 0164	KSA	Abi Tharr Waqf Hotel Project, Madina. (Govt. Guarantee)	6/Dec/2006	Leasing	5.00	3.00	8.00	Islamic Endowmen Corporation – Sudan	33.00	Disbursement of funds is temporary stopped due certain administrative requirements imposed by the Municipality.
21	6DI 0064	Djibouti	Construction of Commercial & Residential Complex having total Cost of US\$ 10.0 Million in Djibouti.	27/Dec/2009	Leasing	3.50	5.00	8.50	Ministry of Muslim Affairs and Awqaf Properties	10.00	Consultant for design and supervision was selected in Dec 2011. IDB has approved the draft final design in July 2012. Bidding docs are under preparation.
22	6QA0027	Qatar	Bayrohaa Tower, Qatar	24/Dec/2006	Leasing	5.00	5.00	10.00	Ministry of Awqaf and Religious Affairs	48.00	Project was put on hold by Beneficiary due to poor market conditions. A deadline was given to the Beneficiary to make new proposals by end July 2012; otherwise, the project will be closed.
23	6TAT 0002	Tatarstan	Construction of Commercial & Residential Center in Kazan.	17/May/2010	Leasing	1.00	2.00	3.00	Muslim Religious Board of Tatarstan	5.00	The project land is no longer available to the Beneficiary and a new land has been proposed. Cancellation of the project and appraisal of a new one is being considered.
		Total	Approval - Active			125.10	201.11	337.91		876.16	

**Appendix-4**  
**PRSP Expenditures (FY 2001/02 – FY 2007/08)**

Sector s	Expenditure (Rs million)						
	FY 2001/ 02	FY 2002/ 03	FY 2003/ 0	FY 2004/ 0	FY 2005/ 06	FY 2006/ 0	FY 2007/ 0
Roads, Highways & Bridges	6,340	13,145	22,746	35,181	53,248	60,003	84,825
Water Supply and Sanitation	4,644	3,421	5,799	6,538	10,338	16,619	19,817
Education	66,290	78,447	97,697	116,873	141,702	162,084	182,646
Health	19,211	22,368	27,009	31,426	39,203	53,166	61,127
Population Planning	1,331	3,120	4,689	4,578	10,229	7,002	13,322
Social Security & Welfare	3,664	1,301	4,144	2,030	7,575	4,513	18,942
Natural Calamities	189	410	529	922	19,148	5,008	7,728
Irrigation	10,133	15,535	22,506	37,871	59,819	74,771	83,493
Land Reclamation	1,838	1,733	2,016	2,111	2,673	2,348	3,130
Rural Development	12,325	16,883	18,607	15,369	15,040	22,175	23,334
Rural Electrification	0	0	1,422	4,354	1,000	2,499	2,748
Food Subsidies	5,513	10,859	8,513	5,359	6,021	5,455	54,872
Food Support Programme	2,017	2,017	2,804	2,703	3,081	3,458	4,370
<i>Khushal</i> Pakistan Fund *	800	800	590	78	-	2	1,420
Low Cost Housing	0	0	423	318	305	299	597
Justice Administration	1,981	2,196	2,437	3,116	5,642	5,081	7,820
Law and Order**	31,004	36,293	39,370	47,416	1,115	2,088	2,429
Total Budgetary	166,074®	209,043®	261,301	316,243	376,139®	426,68®	572,620
Total Non-Budgetary***	7,669	11,938®	13,210®	13,776®	17,912®	21,916®	26,974®
Total Beneficiaries (000)	1,786®	2,04 ®	3,654	3,632	6,390®	5,120®	5,563
Total (Budgetary and Non-Budgetary)	173,743	220,981	274,511	330,019	394,051	448,596	599,594
Grand Total: Rs 2,441,495 million (FY 2001/02 – FY 2007/08)							

Source: PRSP-II (2008), Ministry of Finance, Government of Pakistan, 2008.