

**Policy Workshop on**  
**Challenges to Affordable Housing Finance**  
**in IDB Member Countries**

Islamic Development Bank's research and training arm, the Islamic Research and Training Institute (IRTI) on 15 September 2012, Saturday hosted a one day workshop which saw into the "Challenges to Affordable Housing Finance in IDB Member Countries" Chaired by Dr. Azmi Omar, Director General, IRTI, the event which also saw the launching of a book under the same title, reviewed different aspects to suitable and affordable accommodation in IDB Member Countries. "The book is a tangible example of policy studies where IDB Member Countries can practically take advantage of them and implement the recommendations therein in dealing with the issue of affordable housing finance through Islamic modes", stated Dr. Azmi Omar.

Housing experts and consultants from the World Bank, State Bank of Pakistan as well as professionals from the finance industry and IDB Group entities discussed the issue and the way forward during the workshop.

According to Dr. Nasim Shirazi (IRTI), a speaker at the event and a co-author of the book, the current population of IDB member countries amounts to nearly 1.6 billion (2011) while the rapid growth in population would set the figure to an expected 1.9 billion by the year 2020 and 2.7 billion by the year 2050. "As per UN Habitat estimates", said Dr. Shirazi, "IDB Member Countries need 8.2 million housing units per year or 22,421 units per day." Mr. Abdul Kadir Thomas of SHAPE Financial Inc., presented the result of the survey and SWOT analysis of various housing finance products that are available in Islamic and conventional finance. Mr. Ashraf Khan from State Bank of Pakistan discussed case study of affordable housing finance in Pakistan and the challenges faced there. Mr. Zaigham Mahmoud Rizvi, Consultant World Bank, provided insights on how other Multilateral Development Banks are trying to address the issues of housing and housing sector development.

The second session chaired by Dr. Ahmed Iskanderani, Director Research and Advisory Services Department, IRTI, focused on the possible role of IDB. Dr. Salman Syed Ali, a co-author and team leader for the project, discussed the roles that can be played by IDB and the member countries themselves to facilitate development of housing finance using Islamic modes. Mr. Sohail Mitha from Infrastructure Department of IDB and Mr. Saeed Ahmed from ICD informed about the work that IDB and ICD are already doing in housing finance and housing sector development. Since its inception IDB has financed 38 housing or housing related projects worth around US\$ 740.79 million.

The Workshop concluded that lack of required infrastructure, problems of establishing clear ownership, difficulties in registration and title transfer processes as well as inadequacy of long term housing finance make up part of the challenges and constraints to affordable housing in a number of IDB Member Countries. In order to develop housing sector three sets of actions are needed upfront by the member countries as well as by IDB: (1) settle on a suitable business model, (2) chose appropriate Islamic financial products, and (3) initiate reforms in legal and infrastructure institutions to facilitate these models and financial products. Efforts of the member countries together with IDB on the above lines can help make housing available on affordable terms.

The book launched at the event is a joint effort by IRTI and IDB's Economic Research and Policy Department (ERPD) in collaboration with SHAPE Financial Corp. It is available for downloading from publications tab on IRTI website ([www.irti.org](http://www.irti.org)).

### ***Zakāh* Management for Poverty Alleviation**

Managing *zakāh* for alleviation of poverty, however, involves many challenges. Institutions that rely on *zakāh* and *ṣadaqah* as their primary source of funding must address the issue of sustainability. This is possible only if they are perceived as highly credible institutions. A sustained flow of *zakāh* funds demands high degrees of integrity, transparency and professionalism in the management of funds. Related to this is the institutional need for adequately trained professionals and managers well-versed in the Shari'ah aspects of *zakāh* as well as in scientific techniques of management of charity-based and not-for-profit institutions.

Realizing that human resource development for the Islamic charity-based and not-for-profit organizations constitutes a major challenge to their survival and growth, the Islamic Research and Training Institute has embarked on an ambitious

activity to develop a series of training manuals intended for use by training organizations in this sector. The present manual on *Zakāh Management for Poverty Alleviation* is the first in this series. It has the following modest objectives: (i) to serve as core learning package for training in the field of *zakāh* management; (ii) to add to the supply of trained *zakāh* professionals; (iii) to provide respectability and professionalism to the profession of *Āmil Zakāh*; and (iv) to serve as a tool of advocacy with government policy makers and regulators, specifically in IsDB member countries for consideration of *zakāh* as a strategic poverty alleviation tool.

This manual on *Zakāh Management for Poverty Alleviation* is divided into seven stand-alone modules. Module One titled “What the Poor Need” provides the participants with an appreciation of the challenge of poverty and the role of financial and non-financial services in addressing this challenge. Module Two describes the Islamic Approach to Poverty Alleviation seeking to provide the participants with an understanding of why poverty alleviation is a key objective of Islamic Shari‘ah and how it is sought to be achieved. Module Three titled “how to estimate *zakāh* liability” seeks to strengthen the participants’ knowledge and skills in estimating *zakāh* liability of individuals and businesses, provide a thorough knowledge of fiqhi rules of *zakāh* and their implications for *zakāh* liability. Module Four titled “how to distribute *zakāh* aims to strengthen the participants’ knowledge of Shari‘ah rules regarding utilization of *zakāh*, the eligibility criteria of beneficiaries and related issues. Module Five deals with issues in how to expand outreach and the role of various stakeholders in the process, such as, the government, the Islamic networks, the Islamic charity organizations, the Islamic scholars and activists, the *zakāh* professionals, the Islamic banks & microfinance institutions, the *zakāh* payers and the *zakāh* beneficiaries. Module Six deals with the important issue of how *zakāh*-based institutions may enhance credibility through better accountability, transparency and governance. Finally, Module Seven discusses how to design, implement and evaluate performance of *zakāh*-financed economic empowerment programs involving micro-credit, micro-equity and micro-*takāful*.

The manual suggests that while lecture-discussions will be conducted by experts or resource persons to explain the concepts, principles and best practices in *zakāh* management, these need to be supplemented by Question and Answer (Q&A) sessions that will give the participants the opportunity to elaborate and clarify significant issues and concerns on the given topic. Sharing by participants of their experiences from their respective organizations or countries will enable cross-learning among the participants on the various methods and practices flourishing in different cultures and regions. The Group Assignments will be

conducted to give way for the participants to apply or express their internalized and assimilated knowledge during the lecture and discussion sessions. Finally, the manual prescribes field visits to *zakāh* organizations in the region to enrich learning from the lectures and workshops with the reality of actual field operations and the application of best practices, thus validating how these concepts are working. Evaluation of the sessions and other activities of the training will also form part of the program. Considering the broad coverage of *zakāh*, the concentration of the contents of the training package is mostly confined to practical issues in mobilization and utilization of *zakāh* from the stand point of not-for-profit organizations (NPOs) engaged in poverty alleviation initiatives.

This manual is intended for professionals, key officials, managers and training specialists involved in the implementation of *zakāh* collection and distribution programs. It provides the tools for the trainer to deliver the entire course in a way that stimulates adaptation and learning. It will also enable the trainee to gain an understanding of and enhance his/her skills in *zakāh* management. It is hoped that this publication would further contribute to the wealth of knowledge on *zakāh* management and form the basis of a more extensive text on management of Islamic charity.