Waqf for Poverty Alleviation: Challenges and Opportunities

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Abstract

This Study seeks to adapt the framework practiced by various MDBs particularly international Development Association (IDA) to the potential establishment of Gobal Waqf fund as this framework is proven to be effective. The framework revolves around the IDA operations with replenishments, allocation of funds by implementing specific formulas and the determination approach which is mainly to monitor effectiveness of the earlier processes. Apart from this framework, it is suggested that a good governance system also plays a vital role in the raising and managing of the global waqf funds. This research is purely qualitative in nature by studying the mechanisms used in IDA and other MDBs and drawing their examples and experiences. The lessons learnt are meant to complement further the fundamentals of Waqf. This study finally proposes indicators that integrate with the targets of an Islamic vision of development, which could facilitate the allocation of funds. The steps to raise funds for global waqf fund are also proposed with the objective of creating more effective approach for raising of funds for a global Waqf fund.

Keywords:
Waqf and Zakah, Islamic Microfinance, Regulatory systems

JEL Classification: A13, D64, G21, G23, I38, O10

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1. Introduction

a. Concept of Waqf and its importance

Waqf is defined literally as hold, confinement and prohibition. Technically, it is a sadaqah mechanism that is continuous in nature. Waqf assets must be used within a certain domain of usage according to the specification made by one who contributes the waqf. It cannot be disposed of outside of such purpose (Kahf, 2003; Abul Hassan and Shahid, 2010). Thus, it is understood that any property subject to waqf must not be perishable and they are meant to give constant benefits to the society.

Generally, waqf is divided into two kinds which are waqf 'amm (general) and waqf khas (specific). It can also be classified as public and private respectively as pointed out by Hassan (2010). The former refers to the dedication in waqf assets for the benefits of the society at large while the latter refers to the dedication of waqf assets for designated purposes or for the benefits to be enjoyed by certain beneficiaries named by the person who gives waqf.

Sabit and Hamid (2006) illustrated the attributes of waqf, which are irrevocability, perpetuity and inalienability. These characteristics indicate that the assets should be held for a long-time purpose and once it is declared as waqf assets, it cannot be revoked. It will belong to the society and usually, a third party will be appointed as the manager who will undertake the responsibility to manage and oversee the waqf assets. Interestingly, these characteristics require a higher degree of management so as to ensure the waqf assets could sustain for a longer period of time or it could be perpetual and assure that the benefits would withstand.

According to Mazrul Shahir (2012) waqf institutions play a pivotal role in enhancing social welfare. He asserts that the management for waqf institutions need to be improved and equipped with modern approaches in order to ensure better and efficient services are provided to the community. It is understood that public services for Muslims can be provided through waqf system. Waqf is seen as the medium for equal distribution and reduces inequity in the society.

It is agreed that waqf is the platform to support the above mentioned activities i.e religious and benevolence purposes. However, over the years, the scope has been expanded suitably to the current development and situation. Kahf (2007) proposed that the purpose of waqf should cover anything related to social welfare activities encompassing various sectors. It is to the extent that sectors which the government has a direct responsibility to administer such as national defence system, education system and health institutions.

It should be noted that waqf as the third sector departs from profit-driven goal theme held by other sectors such as the financial sector. Nevertheless, it does not mean such sector would not be able to contribute positively to the economic development of the nation specifically and to the larger mass around the world. In fact, as mentioned by Imtiaz Ali (2009), many scholars continue to advocate that waqf is able to alleviate poverty and eventually elevate the socio economics at large.

Kahf (1999) highlighted that waqf institutions are regarded as separate legal entities but require having a management to ensure that waqf can provide benefits for the society in an efficient manner and it could be viable concurrently. Hence, it is perceived that a good and effective
management is an essential element to substantiate the role of waqf in enhancing the socio economic society as a whole. It is maintained that the sustainability of waqf institutions greatly depends on robust and prudent management and administration. Consequently, the discharge of duties and responsibilities by waqf management is certainly crucial (Yaacob, et.al, 2012).

b. Poverty alleviation by ISFD

Poverty alleviation is one of the core objectives of IDB and was emphasized as the key strategic thrusts of its 1440H vision. Following the “Makkah Declaration” by the Third Extraordinary Session of the Islamic Summit of Dhul Qadah, 1426, the IDB established the Islamic Solidarity Fund for Development (ISFD) to enhance its poverty alleviation efforts. The ISFD, which has a target of $10 billions, shall operate as Waqf and income resulting from there to be used for financing projects aimed at reducing poverty in IDB member countries. The Fund formally started operation on 1st Muharram 1429H (10 January, 2008).

The resources of the ISFD will be supplemented by additional resources from other sources, including co-financing. The IDB itself will contribute to the ISFD, an amount of $1 billion over 10 years. As part of its strategies, the ISFD circulated ideas during the latest annual meeting of the Board of Governors in Jeddah and suggested changing the nature of the contributions to the Fund by linking it to any set of the following criterion: GDP, share in capital, exports or foreign reserves and hence, MCs (Member Countries) decided to further study these ideas before responding.

The IDB Vision 1440H detailed out the two main focus themes of ISFD namely, to promote and enhance the income of the poor, and to promote the development of human capital. Fundamentally, the key role of ISFD is to mobilize the resources through various strategies as mentioned earlier. It can be reflected further that from the key role that the functions of ISFD are inter alia, contributing more to food security in agricultural businesses, providing financial support training and establishing specialized Trust Funds to address specific poverty issues.

The operations and investment activities of ISFD are done in a Shariah-compliant manner particularly governed by the rulings and principles of Islamic Awqaf (Trusts).3 The operations financing are from two main sources of fund i.e the ISFD income and IDB Waqf Fund for ISFD Grant Assistance Operations. The fund must be on concessional terms to the member countries while preserving its long-term sustainability. As for the income, on the other hand, is consisted of ISFD Liquid Funds and its unutilized earnings whereby they were invested in the placements that are Shariah-compliant, for instance investments made based on the modus operandi of Commodity Murabahah or Tawarruq.

In spite of the achievements made by the ISFD as reflected in various approved project, it is believed that there are still lessons that can be learnt from the recent replenishment experiences of similar Multilateral Development Banks (MDBs) and this also includes making horizontal communication with IDB donors. Keeping open the channels of communication and interact with the well-connected multilateral network of senior officials will enable the bank to better understand the motives behind our donors aid allocation decisions. A recent study by David Dollar suggested poverty as a main driver behind our donors’ aid decisions and this may be considered by the ISFD in its mobilization approaches. In the following deliberation, experiences of other MDBs are drawn upon to explore the prospects of the Global Waqf Fund.

2. Recent experiences of Multilateral Development Banks (MDBs)

There are several funds established by MDBs to provide concessional financing loans and grants as they are primarily focusing to provide financial assistance to least developed nations. This section

3The concept of Waqf and its mechanism is explained in the preceding part of this section.
describes the recent experiences of three organizations that provide funds for concessional financing through soft loans or giving grants. These three are the International Development Association (IDA), Asian Development Fund (AsDF) and African Development Fund (AfDF). AsDF and AfDF share the similar functions and aspirations of the IDA but they are dedicated to specific regions. These three are the main development funds globally and they have thrived remarkably in materializing their main objectives which are to alleviate poverty in underdeveloped countries and to enhance their overall economic growth.

2.1 International Development Association (IDA)

IDA is a pioneer organization established under the auspices of World Bank. It is globally known as the World Bank’s “Fund for the Poorest” and as one of the largest provider for development financing to the world’s least developed countries (InterAction, n.d). IDA was inaugurated with the aim to alleviate poverty by boosting economic growth to enhance living conditions. Since its inception in 1960s, various projects approved and supported by the IDA were able to collect significant amount of commitments by member countries.

It is undeniable that IDA’s approach and operations have given a substantial impact in terms of global development; particularly in developing countries. Such impact is the proof of realizing the purpose of establishing IDA to eliminate poverty by leveraging US foreign assistance dollars by providing no interest bearing long-term loans (InterAction, n.d). The shares of committed funding were distributed and diversified to different regions and to a total of 82 nations. Moreover, commitments to funding were segregated according to various sectors including the Energy and Mining sector, Transportation, Water, Sanitation and Food protection sector and Information and Communications sector which altogether received the funds of SDR$ 6.1 billion. There are other sectors which also obtained the funds such as the agriculture and public administration law and justice.

It can be summarized from the report that the commitments and funds for IDA are consistently increasing according to the replenishments made. The increment is not only due to the IDA internal resources which include the principal repayments, charges and investment income but they were greatly influenced from the donors’ (IDA members) contributions. The donors’ contributions in the replenishment IDA 14 were SDR$ 18 billion raised to SDR$ 26.4 billion in the recent IDA 16 (fiscal year of 2012-2014). The IDA16 which was finalized in 2010 saw outstanding contributions made by the Donors as such contributions represent the largest share of funding accounting for almost 65% (IDA, 2013). The recent replenishment negotiations saw another substantial increment of commitments whereby, an agreement was reached that the IDA’s policy and operation funding is US$52 billion for the fiscal year 2014 until 2017. The funding has been increased from the total of US$50 billion in the IDA16.

2.2 Asian Development Fund (AsDF)

The AsDF was established in 1973 and since then it has become the major source and most important channel for concessional financing by the Asian Development Bank (ADB) (Gerd Droesse, 2011). The AsDF operates the same way as IDA in respect of its replenishments. The replenishment reports are referred as the ADF Donor’s Reports. The same positive growth of funds can be witnessed in the AsDF. The ADF has grown from SDR$ 770 million since its inception until SDR$ 11.3 billion under the recent ADF Donor’s Report (ADF XI) of fiscal years of 2009 until 2012.

The sectors focused by the AsDF include the private sector development, environment sustainability, gender mainstreaming and regional cooperation and integration. The ADF XI recorded the agreement made by the donors to replenish a total of SDR$ 7.93 billion. It is interesting to highlight that there were new donor contributions which account for about 37.5% of the total replenishment, indicating an increase of 11.6% from the previous amount as per ADF X. Internal
resources make up 58.6% of the total replenishment size in ADF XI in which 9.3% increase from the size in ADF X.

2.3 African Development Fund (AfDF)

The AfDF is part of the African Development Bank Group, in which the other entity by the name of African Development Bank (AfDB) gives the concessional financing through the AfDF. Overall, the AfDF also uses its resources to channel it for the purpose of enhancing social development and ensuring a sustainable economic growth in the African region (Akin-Olugbade and Flory, 2011). The AfDF was established in 1972 by virtue of the AfDF Agreement and it also states the AfDF functions and roles to assist the AfDB in many areas including to increase the international trade, to promote cooperation and to increase effective economic development.

The resources of the AfDF are primarily consists of contributions by the Bank and members which are herein referred to as the State Participants. It also consists of other resources received by the Fund. According to the recent AfDF Annual Report 2012, the cumulative subscriptions to ADF amounted to UA 22.50 billion at December 31, 2012. These, together with other resources received by the Fund, constitute the Fund’s primary development resources. The total resource envelope for ADF 12 amounts to UA 6.1 billion and includes an Advanced Commitment Capacity, or internally generated resources of UA 2.01 billion. As of December 31, 2012, State participants had subscribed a total amount of UA 3.57 billion, representing 95 percent of the ADF-12 pledged amounts. The Fund has sharpened its selectivity and focus in areas which it has become the lead donor (African Development Fund, 2009). It has been indicated in recent reports that the overall progress in the ADF has given confidence to the Fund shareholders for the AfDF to maintain its system and this eventually was able to reinforce the impact to the overall Fund, member countries and the African people in general (ADF-12, 2010).

The Prospects for a Global Waqf Fund

The IDBG President, had expressly made the call for establishing Global Waqf Fund in his acceptance speech for the conferment of honorary doctorate degree in Islamic finance in 2011, Malaysia. In his speech, he asserted that waqf funds have been acknowledged as a means to alleviate poverty but there is always a major challenge revolving waqf management in many countries and as such he suggested an enhancement to waqf management at a global level (Mohammad Ali, 2011).

Subsequently, in this section, contemplation of the prospects for establishing a Global Waqf fund is drawn from the experiences of IDB/ISFD and the examples of other MDBs. It is best to study the involvements and practices made by the IDB/ISFD prior to exploring the prospects.

Factors for IDB donors’ low response

Given the contributions identified in the other MDBs, three possible explanations for the low response of IDB donors are suggested, namely: donors’ fatigue and credibility and the fundraising approach. The following enumerates further the three factors.

(i) Donors’ fatigue and credibility

A potential explanation for the low response could be the over commitments since IDB major donors are well known to be generous and have one of the highest ODA/GNI in the world.\(^4\) It

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\(^4\) Net Official Development Assistance (ODA) is composed of grants and loans to developing nations and according to the definition given by the World Bank, it refers to the “disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients. It also includes loans with a grant element of at least 25 percent (calculated at a rate of discount of 10 percent).”
has been reported that some IDB members like Kuwait, Saudi Arabia and the United Arab Emirates have been among the most generous in the world in terms of its ODA. Interestingly, these countries have been five times more generous in its donations as compared to other DAC countries according to the average numbers reported between years 1975 to 2011 (Hussein et.al, 2013). The recent report extracted from the OECD Statistics also shows the higher rates of ODA/GNI of countries that are also IDB member countries. It also indicates the positive growth of donors comparable to other DAC counterparts. The details of ODA/GNI and its growth are as follows (OECD, 2014)⁵:

<table>
<thead>
<tr>
<th>Member Countries</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kuwait</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>0.35</td>
<td>0.16</td>
<td>0.22</td>
<td>0.27</td>
<td>1.25</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.11</td>
<td>0.13</td>
<td>0.16</td>
<td>0.32</td>
<td>0.42</td>
</tr>
</tbody>
</table>

Furthermore, one noticeable observation is that some of IDB major donors also contribute to these funds (for example; Turkey, Saudi Arabia, Kuwait and recently Egypt donated to IDA).

In spite of their generosity; IDB major donors’ aid flow is known to be given mainly on bilateral rather than multilateral basis and have a very small percentage delivered to sub-Saharan African member countries.

It is also reported that the ODA is still far below and every far from achieving the Millennium Development Goals (MDG). The bilateral aid fell from US$19.1 billion in 1990 to US$11.8 billion in 2011. ODA in Arab countries has not matched the overall population growth which has led the per capita levels substantially less in 2011 than in 1990. This demerit point has overcome the fact that donors from Arab nations are higher than the DAC-OECD members and this accounted for 65% of total non-DAC-OECD in 2011 (United Nations, 2013).

(ii) The fund raising approach

In realizing the Vision of IDB, the fund raising approach embodies features that are complying with the Islamic principles. The seven Guiding Principles are as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>PRINCIPLE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Differentiation</td>
<td>Recognition of each member country’s special needs.</td>
</tr>
<tr>
<td>2</td>
<td>Selectivity</td>
<td>The choice of countries, beneficiaries and vulnerable groups will be selected.</td>
</tr>
<tr>
<td>3</td>
<td>Community-based</td>
<td>Explore the possibility to deal with local, community and grass-root entities.</td>
</tr>
<tr>
<td>4</td>
<td>Islamic</td>
<td>Embrace Islamic characteristics in providing funds such as mobilization through zakat and waqf.</td>
</tr>
<tr>
<td>5</td>
<td>Actionable</td>
<td>Emphasize impact and effectiveness</td>
</tr>
</tbody>
</table>

On the other hand, Donors’ Gross National Income (GNI) is the sum of gross primary incomes receivables by resident institutional units and sectors.

⁵ https://stats.oecd.org/Index.aspx?DataSetCode=TABLE1
Rising Awareness
Support activities that aim to raise awareness of needs among vulnerable member countries.

Measuring Impact
Develop mechanisms to assess the impact of its poverty reduction activities.

Apart from that, the approach is to incorporate strategies that address at the country level by determining the countries eligibility, conducting poverty assessment, identifying eligible projects, agreeing on implementation agreements and reviewing impacts and benefits (IDB, 2007).

**The IDA’s fund raising approach**

Recently, several MDBs and its development fund entities including AsDF and AfDF became aligned with the approach adopted by IDA of the World Bank which among other things bring the donors together with borrowers and make them more involved in the process of fund raising and allocation. In this context, to escalate the commitment of development finance from major donors and, perhaps, increase it from all MCs, IDB may find it useful to study the IDA model. Every year, IDA resources are allocated according to principles agreed upon with donors during the replenishment discussions and the tables showing individual country allocations are prepared in advance of the fiscal year.

The principles that guide fund allocations include evidence of achieving successful results (which ISFD is trying to show through publicity campaign), addressing the needs of the poorest countries including countries where people earn less than one or two dollars a day, imposing a limit on creditworthy countries (because they have access to other sources of financing), providing exceptional allocations to post-conflict countries to meet their extraordinary reconstruction needs, in addition to topping up funds for regional projects with positive externalities. The total amount of the fund needed is rationalized on the basis of the above guidelines which are also reflected on an allocation formula agreed upon by IDA deputies.

In the course of deliberating further the models used by IDA, the following discussion is divided into different themes in order to comprehend the overall process of implementation and practices of the models. The first theme highlights how the IDA operates with the replenishment arrangements. Secondly, the allocation of funds for the IDA borrowers is examined and lastly, the penultimate stage on the determination of the approach that has given benefits to the borrowers is workable or not is discussed.

(i) **IDA operations with replenishments**

To understand how the replenishments work, governance structure in the overall process must be deduced. Every organs of the governance are responsible in the IDA operations to materialise the replenishments and channel the funds efficiently to the rightful borrowing nations.

Member Countries of IDA which could also be referred to as the shareholder countries are the entities that oversee the overall IDA operations. As at 2013, these members are 172 across the world and apart from being supervised by them, there is also Board of Governors. In respect to the daily operational side, it is managed by the World Bank, governments and agencies (IDA, 2013). In this regard, it is understood that two main pillars to oversee the operations are the Board of Governors whom represented by the total shareholding members and the Board of Executive Directors take the responsibility to conduct the operations of the IDA. The IDA has evolved in its voting right system in which recognition is given to the contributions or pledges made by the countries members and reserve the right for giving amongst others opinions and suggestions to the borrowing members (Bassini, 2011).

The Member countries can actively contribute and involve with the determination and the implementation of allocation of funds. This is done through meetings and negotiations for replenishments. The process of replenishments typically encompasses of four formal meetings which
are held in one year (IDA, 2013). The number of formal meetings may be varied and at times it can be five formal meetings. The number of meetings is largely determined by crucial factors that affect the terms arrived at one decision in the replenishments for instance; major policies need to be changed because of considerable differences of opinions amongst the members. The meetings are normally held in a different member country (African Development Fund, 2009).

The members to attend the meetings are donor governments. The Board of Governors appoint several IDA Deputies whom are the high-level representatives to negotiate the terms and total amount of replenishments (Bassini, 2011).

Generally, there are two phases comprised in the IDA replenishments. The first phase takes place where negotiations are made by the donors on the overall volume of the replenishment in 3-years period. The negotiations also extended to the amount of individual donor contributions and general policy considerations are also discussed. Afterwards, the second phase is the annual contributions are sought by respective countries members. It is mostly done through a legislative process in order to meet the IDA requirements (Martin A.Weiss, 2008). Ultimately, the replenishment report must be endorsed and signed by both the Executive Directors and the Board of Governors (Bassini, 2011).

Being the donors, member countries have to meet and negotiate the terms of a new round of IDA as it is a platform to enhance the policy. The replenishment is said to give primary opportunity for donor nations to influence World Bank policy making (Weiss, 2008). Other attendees in the replenishment meetings are the representatives from borrowing member nations. Their involvement in the said meetings is indeed a positive step to not only enhance the working policies but to ensure that such policies are able to meet the needs of each country.

The replenishment arrangements are remarked as a constructive movement because it renders active involvement of the members cum donors which eventually also enrich the role of the World Bank itself. By having periodic replenishments, the World Bank has to give more attention to the views and priorities of the parliamentary bodies. In other words, concerning the internal matters arise from the members are highly influential to the World Bank’s activities (World Bank, speech by Eugene R.Black, cited in Aid Architecture).

The replenishments meetings and negotiations are commonly done by other MDB’s development funds such as the AsDF and AfDF. These arrangements are averred to be effective as recorded in their respective annual reports. For instance, the ADF Reports stated that negotiations and agreements made by the AsDF members on modifying certain policies to enhance the channeling and utilization of the funds. The replenishments will always be reviewed in several years.

This section enlightens further how the IDA is being funded for the purpose of replenishments. It means the methods and ways the assistance rendered the IDA to provide and channel the funds to the borrowers accordingly. The IDA is highlighted to set up as a “revolving fund” (Bassini, 2011). It can also be known as the “rotating fund” due to the fact that new loans are financed by a combination of repayments of old loans and donor contributions (Geginat and Kraay, 2007). The fund is made with the IDA assistance through donors’ contributions and grants. It is submitted that the IDA assistance has grant element in which 60% of it can be found in most credits which implies that only 40 cents per dollar needs to be repaid in NPV terms. The other form of grant is found to be 100%. Bassini (2011) added that there are three ways how the IDA is funded, which can be pointed out in the following:

1) The periodic replenishments made by donors since the capital base is decreasing constantly.
2) Credit repayments (reflows) which complement donors’ resources. This can be done by the repayments finance quarterly of IDA’s disbursements and contributions of net income from other World Bank’s organizations such as International Bank for Reconstruction Development (IBRD).
3) Issuances of debt relief and grants. Debt reliefs are initiatives created by the World Bank to provide loans or can also make concessional assistance through programs such as Multilateral Debt Relief Initiative (MDRI) and Heavily Indebted Poor Countries (HIPC). As a result, the credit reflows can be reduced and could lower the IDA’s assets. Grants also are provided to countries at risk of debt distress could lower future credit reflows.

Having considered the points above, attention also must be given to the nature of concessional financing because such loans are given with long term maturities and the prevalent feature is that they are interest-free and could arguably be said to have less funding. Hence, there is a small service charge but could be proportional to the value of IDA credits extended. Service charges account to a large amount and thus the World Bank administer the IDA resources could have strong incentives to ensure the continuation regular donor contributions to IDA as well as reflows can be done regularly and can consequently can be re-lent (Geginat and Kraay, 2007).

It was criticised that IDA engaged in a defensive lending in which it refers to “the practice of rolling over the debts of non-creditworthy borrowers in order to prevent non-performing loans from showing up on creditors’ balance sheets” (Geginat and Kraay, 2007). However, it has been viewed that IDA has increasingly over time provided more amount of its assistance in grant methods (Weiss, 2008).

In securing the IDA funds to be intact and simultaneously attract more flows, it boils down to the donors’ contributions as the countries members are willing to provide new resources during each of IDA replenishments (Geginat and Kraay, 2007). Therefore, the willingness can be drawn only when they perceive that these resources are being used effectively and essentially well benefited by the borrowers. It is concurred that by having active participation by the donors in the replenishments can procure their commitments to give their pledges. The other incentive to influence the donors’ contributions is by having a sound and effective model to monitor and evaluate the performance on the channelling of funds to the borrowers countries. The models are elaborated in the next section which further describes how the IDA funds are being allocated.

(ii) Allocation of IDA funds

Presently there are 82 eligible countries for IDA contributions. The eligibility criteria must be met for the borrowers countries to entitle to the funds. The fundamental pre-requisite would be the nation’s poverty situation. The poverty is defined as Gross National Income (GNI) per capita below an established threshold and updated annually. Another criterion is lack of creditworthiness to borrow on market terms (IDA, 2013).

Consequently, it is left to the IDA to decide and determine the allocation of the funds as they are limited and insufficient to cater to all the 82 nations. The method of allocation which is done annually through a transparent formula named as the Performance Based Allocation (PBA). This formula also incorporate another index of measuring the individual country’s performance and this method is known as the Country Policy and Institutional Assessment (CPIA). These two formulas are correlated and thus being examined in the subsequent deliberation.

PBA could be a readily-observable indicator that influences the donors’ contributions. It is seen as the dominant factor as higher performance can increase IDA allocations exponentially (Weiss, 2008). The PBA formula has never been fixed since it was first introduced. This is because it evolved over time considering the analytical insights and priorities set by the donors. There are two main components to be considered namely:

- The potential benefits
- Needs and the performance (Global Environment Facility, 2013).

These two components are essential for comparison in simplifying the PBA formula and maintaining balance between the needs and performance (IDA, February 2007).

On the other hand, the CPIA assesses the quality of the current policy and institutional framework of a country. It consists of a set of criteria representing the different policies and
institutional frameworks to achieve an effective poverty alleviation and strong growth strategy (Operations Policy and Country Services (OPCS), 2006). Similar to the evolvement of the PBA formula, the set of criteria in CPIA also evolved as it was frequently revised in tandem with the development. The CPIA reflects the determinants of growth and poverty reduction. They are found to be positively associated with aid effectiveness. As of now, there is a set of 16 criteria.  

The present formula is where the CPIA underpins IDA’s Country Performance Rating (CPR) and Portfolio Performance Rating (PPR). The PPR reflects the quality of management of IDA’s projects and programs. The formula to see the performance factors is:

\[(0.24 \times \text{CPIA}_A - \text{C} + 0.68 \times \text{CPIA}_D + 0.08 \times \text{PPR})\]

This formula seems favourable at present since it was introduced as there are no recent changes made to it. The formula can be easily understood by policy makers in IDA countries and eventually able to enhance transparency and disclosure of the CPIA scores. In addition, the impact of incremental changes and portfolio ratings are more direct and clear (IDA, September 2007).

As stated earlier, the balance between performance and needs is important. The needs indicator is also included in the PBA formula. They are taken into account through population size and Gross Net Income (GNI) per capita. The formula is:

\[
\text{Population1} \times (\text{GNI/Capita} - 0.125)
\]

Whereas formula for the allocation of share is:

\[(0.24 \times \text{CPIA}_A - \text{C} + 0.68 \times \text{CPIA}_D + 0.08 \times \text{PPR}) \times \text{Population1} \times (\text{GNI/Capita} - 0.125)
\]

The responsive of PBA system to the changes in country performance determines the frequency of the allocation. It is to be noted that any increase in responsiveness must be weighed against the benefits of the predictability of funding provided by longer allocation periods. IDA is most active in the allocation of the funds as it occurs annually according to the replenishments period of three years. It is done by the country performance and grant eligibility being assessed every year. The firm or the agreed allocations are provided for the upcoming years whereas the normative allocations which are merely indicative to plan the amount (GEF, 2013).

(iii) The Ex-Post Process

After the application of the PBA system to determine the allocation of the funds, the monitoring of results during IDA replenishments is important. This is to measure and see the overall level of country outcomes and better assess the contribution of IDA programming. Therefore a specific framework was introduced and it is meant to track aggregate progress on the development outcomes. It is called Result Measurement System (RMS) and this system is to help enhance the IDA’s effectiveness and strengthen its activities in the future. It should be borne in mind that the system does not affect the determination on the allocation of the funds.

The notion of this system is driven by the main purpose of IDA to facilitate in poverty reduction (IDA, April 2003).

Lessons Learnt

In contemplation of the discussion above, the IDA approach to raise the funds could be said to be comprehensive as reflected from the initial stage up until the ex-post process. The overall replenishments must be effectively done and hence able to attract more donors.

The Donors have the proper avenue to address several issues and eventually to change and implement policy that would be beneficial to the receivers of the funds, AsDF and the AsDB as a

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6All 16 criteria is grouped into four equally weighted clusters namely the economic management, structural policies, policies for social inclusion and equity and lastly, public sector management and institutions.
whole. By these meetings, they were able to introduce and improve the internal governance, management systems and result frameworks. It is to be reiterated that the ADB is not a separate entity from the AsDF, thus the negotiations made could affect the ADB’s overall vision, function and policies (Droesse, 2011).

Notwithstanding the above, good and effective replenishments cannot be appraised entirely to the internal organs of governance or other relevant members. To ensure comprehensive governance principles and in due course of achieving the objective poverty reduction, disclosure to the public is highly practiced and encouraged. The replenishments need to be executed fairly and in accordance to the needs of the borrowing countries and thus public policies during the replenishment negotiations and the drafted replenishments are disclosed to the public. This is done to get responses and feedbacks before finalising the replenishments in the last replenishment meeting (IDA, 2013).

The efficiency of replenishment processes is also measured through the time lapse between the period of replenishments discussions being concluded and the planned entry being carried out. The time lapse is 6 months whereby the discussions ended in December and it takes effect in July next year because IDA follows a July 1 to June 30 fiscal year. The reasonable period of 6 months give ample time for IDA to determine the allocation of funds (African Development Fund, 2009). The allocation of funds is exercised by adopting the PBA model.

**Relevance to Waqf Fund**

The implementation of PBA system to attract more donors in contributing to the global *waqf* fund could be emulated and implemented in light of Maqasid shariah. As a holistic system, Islam provides various mechanisms in mobilising resources and channelling of funds in an equitable manner to all. Apart from zakat, institution of *waqf* plays an important role to elevate the overall economic and social development. Tracing back the role of *waqf* over the years, it has been a source of financing for various sectors such as administration of schools, mosques and more. It appears that this institution is highly relevant on the reinforcement to the alleviation of poverty as essentially the funds are augmented for charitable purposes for a longer period of time (infinity). Interestingly, to suit the contemporary context, there is still a lacuna to explore any tools that are able to increase the participation of donors to the funds that can utilize for *waqf* purpose.

It is to be noted that the strength of the PBA which incorporates the CPIA system could arguably be boiled down to the overall governance structures. The member countries play their roles actively to attain an effective allocation of resources of funds. The member countries of IDA and the main officers of IDA cooperate in meetings periodically by discussing and transpiring the issues and problems faced by the member countries. The performances of each country would be analysed and presented to the rest of other members. This will eventually determine the amount for an allocation of the funds. The effectiveness of such allocation is vital so that the funds can be accorded to various development programmes which ultimately serve the means to alleviate poverty. In fact, the IDB 1440H Vision can be projected through a proper governance system.

Notwithstanding that there are other push factors that would alleviate poverty such as enhance the overall health and education system, the importance of governance is essentially emphasised in the IDB Vision and that it could be an arbiter to lessen the poverty grievances in the underdeveloped nations and ultimately to materialise the IDB Vision. It is to be noted that the Vision is “By the year 1440H IDB shall have become a world-class development bank, inspired by Islamic principles, that has helped significantly transform the landscape of comprehensive human development in the Muslim world and helped restore its dignity.” The elements of effective corporate governance system are virtually reflective of the Shariah principles including morals and ethical guidelines. To achieve the IDB Vision, it is not left to IDB alone but the responsibility should be undertaken collectively as the main responsibility lies with the people including the Member countries and other counterparties such as the governments and private sectors (IDB, 2006).
It should be emphasised that good governance system plays a significant role to ensure an effective financed and development programs for the member countries that are in dire need. As such, the allocation of funds is to be done resourcefully. By having good governance, desirable social outcomes can be attained such as the improvement for education. The beauty of such outcomes is not dependable on governance system only but they in turn work in two dimensions whereby such outcomes would become the support system to reach good governance.

Therefore, projects formulation and implementation relying on several indicators is one of the means to treat good governance for the entire system for poverty reduction and enhance socio-economic being as a whole. In addition, poverty alleviation strategies can be well developed and efficiently available if they are assimilated with national development strategies. These aspirations signify that conventional framework or the mainstream practices in development strategies can be replicated. Thus, the IDA practices and its PBA system can be adapted because of the substantial strengths they hold to attract more donors and commitments to its fund. In the same vein, comprehensive policies and technical advices can be provided by IDB.

Poverty alleviation is an overall objective but it encompasses different sets of targets and strategies. It was identified years ago that IDB should focus on certain areas to give greater impacts on the overall system in order to alleviate poverty (Salih, 1999). The basic suggested focus areas are as follows:

1) Integrate the development programmes amongst the countries.
2) Emphasise on the measurement of effectiveness of the programmes by assessing the performances of country members. The measurement can be determined with appropriate indicators to evaluate the effects of such programmes. As such, these indicators should be promulgated within the ambit of IDB Vision.
3) In assessing the performances, there should be a dedicated programming tool to complement the development programs, called as the Country Assistance Strategy (CAS). This strategy must be comprehensive and cost-effective. The information gathered in the strategy should be clearly reflected in the development projects or programmes.
4) There must be a certain criteria that need to be fulfilled including the mechanism to target the poor and interestingly the proportion of the poor must be higher than their proportion in the overall population.
5) An in depth-information and detailed criteria must be provided on the different sectors for poverty reduction such as education, health, water and transportation.

The IDB Vision (as an existing model for an Islamic vision of comprehensive human development) identifies various strategic thrusts, including poverty alleviation, promoting health and enhancing education for people, the IDB Vision is fundamentally guided by the Islamic principles (Maqsid Shariah)

The IDB Islamic based framework for poverty alleviation and comprehensive human development can be used as a reference for the objectives of the suggested global Waqf fund. The table below outlines the thrusts of IDB Vision that integrates with its targets. Currently studies are taking place to identify Maqasid based index that can support policy. These studies will help identify indicators that can be used to measure achievements toward comprehensive human development targets. As the targets changes, the indicators will also follow.
<table>
<thead>
<tr>
<th>THRUSTS</th>
<th>TARGETS</th>
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<tbody>
<tr>
<td>Strategic Thrust 2: Alleviate Poverty</td>
<td>1. Reduce by three quarters the proportion of the population living on less than US$1 per day by 1440H.</td>
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<td>2. Halve the poverty rate of member countries whose poverty rate is presently above 40%</td>
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<td>3. Reduce by three quarters or more the poverty rate of member countries whose rate is presently below 40%</td>
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<tr>
<td>Strategic Thrust 3: Promote Health</td>
<td>1. Reduce by three quarters the under-five death rate by 1440H</td>
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<td>2. Reduce by 90% the maternal mortality rate</td>
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<td>3. Check and reverse on a sustainable basis the spread of HIV/AIDS and other diseases</td>
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<td>4. Reduce by two thirds the number of people without sustainable access to safe drinking water and sanitation</td>
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<td>Strategic Thrust 4: Universalise Education</td>
<td>Universalise both primary and secondary education in terms of quantity and quality</td>
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<td>Strategic Thrust 5: Prosper the people</td>
<td>1. Double, at least the GDP of all Member countries</td>
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<td></td>
<td>2. Halve, at least the number of LDMCs</td>
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<td></td>
<td>3. Promote, at least five Member Countries to be Developed Nations as recognised by the World Bank</td>
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<td></td>
<td>4. Halve, at least, income inequity in all member countries</td>
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<td>Strategic Thrust 6: Empower the sisters of Islam without breaching the tenets of Islam</td>
<td>Full gender parity without breaching the tenets of Islam in various sectors including education, political participation and work place</td>
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<td>Strategic Thrust 7: Expand the Islamic Financial Industry</td>
<td>Capable of providing financial services at competitive edge within the global scale</td>
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<tr>
<td>Strategic Thrust 8: Facilitate integration amongst Member Country Economies and with the World</td>
<td>Member countries should be fully engaged in a dynamic and productive network, not only in regional but also OIC as well as global economic cooperation by 1435H</td>
</tr>
<tr>
<td>Strategic Thrust 9: Improve the image of the Muslim World</td>
<td>Able to realise the IDB Vision and collectively done by all member countries, OIC and individual Muslims</td>
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**Proposed Steps for Fundraising and Resources Management**

Summary of the proposed steps for the fundraising and management of resources.

a) The work needed in case of Global Waqf fund will include working with MCs ministries of finance and make sure to contact the most senior (Bureaucrats) – due to their understandably significant role in drafting the planned contribution - get their feedback on the suggested fund operational framework and reflect it especially in the way fund will be allocated which will help to rally the support of their cross-country network behind the fund.

b) A proper governance structure with the enhanced roles for management entities manage the fund. These roles must be defined clearly. With clear responsibilities, the main body or Board of Directors can be appointed as the mutawalli who manage donation for waqf and waqf properties for the MCs members (recipients).
c) To include both donors and recipients in order for them to actively participate in agreements or negotiations. As such, the needs and performances of each recipient can be detailed out to achieve an effective management of resources of fund.

d) To make the donors understand the role of waqf management and their intention to donate is for the purpose of waqf. The donation made must be explicitly mentioned to be given in the light of waqf. Therefore, the funds must be used solely for waqf purposes.

e) Active participation would not only ensure an effective resources management, but it can also contribute to the fundraising of funds, coupled with a consistent meetings held by the members annually before the replenishments of the funds.

f) The formula implemented internationally i.e PBA and CPIA are adapted and integrated within Maqasid based index that can support policy to facilitate the fundraising.

Conclusion

Waqf management is proven to be one of the effective means guided by Islamic principles which could elevate socio-economic development as a whole. However, there is an inefficiency of its management that restrict the full realisation of its potentials. On the other hand, the idea of a Global Waqf fund made by IDB can be used revive the beauty of waqf as it would help to alleviate poverty encountered in Muslim countries. The proposed fund can be strengthened in many aspects drawing examples from the conventional development associations. Mechanisms and formulas implemented by various multinational developments associations i.e. PBA and CPIA that set a good example to emulate guided by Maqasid Shariah.

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