



**THE ROLE OF ISLAMIC SOCIAL FINANCING
IN ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS DIALOGUE
SEMINAR DISCUSSIONS**

Topic	The Awqaf Properties Investment Fund (APIF): A Model for Sustainable Development
Seminar Lead/Support	Islamic Development Bank
Language	English with Arabic translation
Summary	<p><i>Awqaf</i> (singular <i>waqf</i>, Islamic charitable endowments) are considered a form of Islamic social finance. They have played a critical role in Islamic civilization and provide a powerful tool to fill the SDGs financing gap, especially given their strong resource mobilization potential.</p> <p>Towards this end, the Islamic Development Bank (IsDB)'s Awqaf Properties Investment Fund (APIF) was established in 2001 to promote the role of awqaf as a tool of development, via using modes of Islamic finance to support the development, renovation and purchase of properties to be used as awqaf.</p> <p>APIF is an impact investment fund providing both financial and social-impact returns to investors. Through APIF, IsDB has succeeded in operationalizing Awqaf financing. It has succeeded in taking the endowments model (practiced both in the traditional Muslim World as well as in the modern West – e.g. in universities) and transforming this model into a tool of development policy.</p> <p>In this way, IsDB has positioned Awqaf financing at the frontier of development practice. The aim of the current seminar is to introduce APIF specifically and the awqaf model more generally, including the major benefits and challenges of awqaf as a development model as well as relevant case studies.</p>
Participants	A diverse audience of individuals relevant to the Global Sustainable Development Agenda is targeted, including senior government officials, potential investors and beneficiaries, development partners, international and national civil society organizations/NGOs, private sector, philanthropists, foundations, think tanks and academia.
Objectives	<ul style="list-style-type: none"> ● To share the impact of APIF specifically and awqaf financing more generally as a model for sustainable development ● To deliberate challenges, opportunities, experience, lessons learned, best practices and provide practical recommendations for effective management of Awqaf organizations ● To highlight transformative and innovative financing tools, ideas and case studies in this sector



1. Background Information

Awqaf (singular *waqf*, Islamic charitable endowments) are considered a form of Islamic social finance. They have played a critical role in Islamic civilization and provide a powerful tool to fill the SDGs financing gap, especially given their strong resource mobilization potential. Towards this end, the Islamic Development Bank (IsDB)'s Awqaf Properties Investment Fund (APIF) was established to promote the role of *awqaf* as a tool of development.

1.1 Context

The Awqaf Properties Investment Fund (APIF) was established by the Islamic Development Bank ("IsDB" or the "Bank" herein) and commenced its operations in the year 2001 with the mandate of developing real estate Waqf (Islamic Endowment) properties (herein "Waqf Properties") all over the world. The real estate properties can include raw land as well as existing properties requiring renewal or rehabilitation.

APIF is managed by the IsDB as a Mudarib (fund manager) and provides long-term commercial financing for the development of Waqf Properties. It is a self-regulated fund, governed by the regulations of IsDB.

The purpose of the Fund is to provide financing to the entities owning or managing Waqf Properties in accordance with the principles of Shariah. This funding is used to develop Waqf Properties projects that will generate stable revenues and social returns, following the best practices in the endowment industry.

APIF started its operations with a capital of US\$ 50 million. As of October 2020, the capital of APIF stands at US\$ 87.7 million with 16 fund participants.

IsDB is the main participant in APIF with an amount of US\$ 29.50 million. In addition, IsDB has provided a line of financing of US\$ 100 million to jointly finance Waqf Properties with APIF. In February 2020, the IsDB's Board of Executive Directors approved an increase in the authorized capital of APIF from US\$ 100 million to US\$ 500 million.

APIF provides its participants or "shareholders" an opportunity to generate financial returns from property development as well as social returns in the form of helping Waqf Property owners to develop properties whose income is used for developmental and charitable goals.

The Fund participates in the financing of Waqf Properties, with the aim of enhancing their value or returns, which ultimately serves the charitable activities of the Waqf (that owns the Waqf Properties being developed). The key sub-sectors of the targeted Waqf Properties include residential, commercial, retail and mixed-use facilities. There is also the possibility of purchasing an existing building and converting it into a Waqf property, subject to a limitation on APIF financing of a maximum of 75% of the purchase price.

APIF has approved a cumulative 55 projects (excluding cancellations) for an aggregate property or project value of US\$ 1.2 billion in 29 countries.

Over the years, APIF has financed projects to help generate additional income for diverse beneficiaries such as governments, Awqaf Institutions (Islamic endowments), research centers, endowment funds, charitable NGOs, orphanages and universities. In addition to APIF, IsDB was working for the last two years on the establishment of a similar Fund dedicated to the host country Saudi Arabia.

1.2 Rationale



The institution of Awqaf is commonly accepted as an important form of Islamic social finance – part of the broader Islamic financial sector. Although this concept is by no means new, repositioning Awqaf as a development tool is a novel approach, spearheaded by IsDB and institutionalized via APIF.

Through APIF, IsDB has succeeded in operationalizing Awqaf financing. It has succeeded in taking the endowments model (practiced both in the traditional Muslim World as well as in the modern West – e.g. in universities) and transforming this model into a tool of development policy. In this way, IsDB has positioned Awqaf financing at the frontier of development practice.

Indeed, this concept is pushing the boundaries of current development policy. Whereas most development theory and practice/finance focuses on direct-use projects (such as schools and hospitals), APIF's model of financing revenue generating projects to ensure financial sustainability for social institutions is unique. It embodies a distinct idea that challenges traditional development practice, pushing its boundaries.

As the only development fund focused on financing endowments, APIF is thus a unique fund among MDBs. APIF finances projects to generate additional income for diverse beneficiaries, empowering local development partners and ensuring their financial sustainability. This is aligned with the IsDB's 10-Year Strategy (10YS), the President's 5-Year Plan (P5P), as well as broader global agendas, including the 2030 Global Agenda as well as that of the G20.

The areas of development impact achieved by the Fund are numerous, directly addressing multiple SDGs according to the sectors in which the beneficiaries work. Nevertheless, most of these areas relate to providing social infrastructure services, such as education (31 percent of APIF projects support education).

APIF is structured as an impact investment fund, mobilizing resources from the private, public and third sectors. Its financing supports social infrastructure services in a profitable and sustainable (albeit indirect) manner, as these services themselves may not be profitable, thereby failing to attract private-sector investors. This additional layer of adding revenue generating assets between investors and beneficiaries is another unique aspect of APIF at the frontier of development, with great potential for filling the SDGs financing gap.

1.3 Issues to be Addressed

The issues to be addressed include:

- Awqaf sector is a forgotten sector despite the great potential and impact it can realize
- Fostering social and economic development and providing new ways and tools to support sustainable development
- Provide innovative solutions that are critical to building economic resilience for NGOs and charitable organizations
- Practical and successful case studies of non-profit organizations financed by APIF and the impact of their activities on the Ground.

1.4 Expected Outcomes

The Seminar is expected to achieve the following outcomes:

- Creating interest in APIF as a model for sustainable development, including among interested donors and investors
- Deliberating and discussing challenges, opportunities, experiences, lessons learned best practices in financing Awqaf for non-profit organizations
- Sharing what works and what does not work in financing Awqaf projects and successful case studies on supporting non-profit organizations



- Highlighting the role of the innovative financing mechanisms provided by APIF to mobilize off balance sheet resources
- Providing practical recommendations to help countries develop the Awqaf sector and provide a new way for the Social development
- Raising awareness regarding the Awqaf model in general and APIF achievement in particular

1.5 Targeted Audience

A diverse audience is targeted, including senior government officials, representatives from APIF investors and beneficiaries, development partners, international and national civil society organizations/NGOs, private sector, philanthropists, foundations, think tanks and academia.

2. Agenda/Format

Moderator TBD

90min

		Speaker
1min	Welcome	<i>Moderator</i>
5min	Background	<i>Dr. Ahmed Al Meraikhi, Special Adviser to the UN Secretary-General</i>
Theory		
12min	Background on Awqaf from a Historical and Legal Perspective	<i>Dr. Al-Ayachi Sadeq Faddad, Islamic Development Bank OR Representative of the Awqaf Public Foundation, Kuwait</i>
12min	Awqaf from an Economic Perspective	<i>Dr. Mohammed Obaidullah, Islamic Development Bank</i>
Awqaf Financing in Practice		
15min	The Awqaf Properties Investment Fund (APIF)	<i>Dr. Mohamed Ali Chatti, Islamic Development Bank</i>
Discussion		
40min	Lead by the moderator	
5min	Closing	<i>Dr. Ahmed Al Meraikhi, Special Adviser to the UN Secretary-General</i>

3. Additional Information

- We should aim to achieve representation of the world geographically. Also, make sure youth and women are well represented.
- Shedding light on the live feedback received from the attendees through social media. This is to be carried out by the moderator of the session.



DIALOGUE ON
**ISLAMIC SOCIAL
FINANCING**
AND THE SDGS

