

GUIDE N°1

**Cash Waqf Investment Accounts meeting
Sustainable Development Goals**

Implementation methodology
in 5 steps

May 2020

INTRODUCTION

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ
الْحَمْدُ لِلَّهِ رَبِّ الْعَالَمِينَ
وَالصَّلَاةُ وَالسَّلَامُ عَلَى رَسُولِنَا الْكَرِيمِ
وَعَلَى آلِهِ وَصَحْبِهِ أَجْمَعِينَ



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Human societies are facing social and environmental challenges with a growing complexity. Governments and NGOs are becoming more and more incapable to tackle them all using the same tools and instruments. Therefore, profit oriented organizations are expected to contribute effectively in finding new approaches and implementing new methods and solutions to have a significant impact on Human societies.

From the Islamic finance perspective, Islamic banks should be part of this momentum and contribute to bringing the positive impact to societies through new innovative approaches and strong commitments.

This guide presents a five step methodology to implement Investment accounts based on Cash Waqf formula meeting Sustainable Development Goals as defined by the United Nations.

At Al Maali Group, we are committed to support Islamic financial institutions in their efforts of innovation and differentiation and we believe strongly in FinTech and Sustainability as a way to achieve these objectives.

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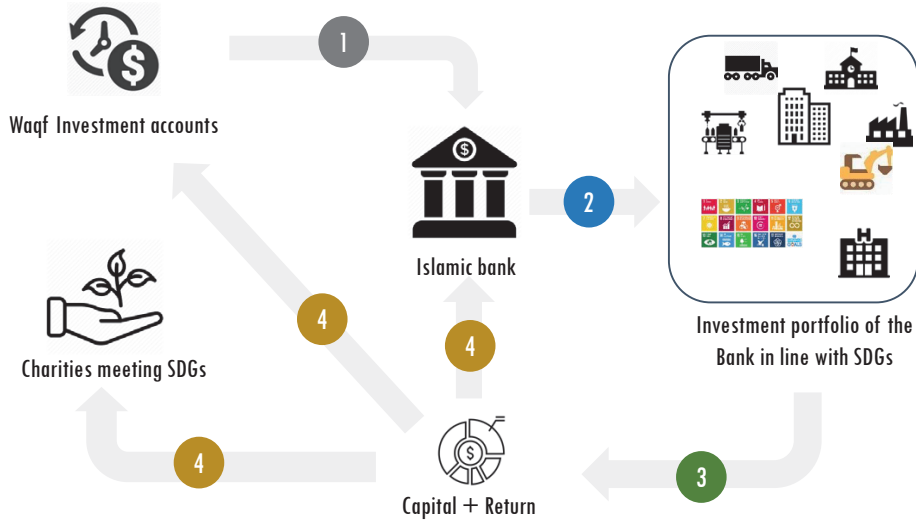
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GENERAL STRUCTURE

The General structure of Cash Waqf investment accounts meeting Sustainable Development goals is as follows:



- 1 The Islamic bank invests funds collected through Cash Waqf Investment Accounts
- 2 The Islamic bank allocates the funds to its investment portfolio in line with SDGs
- 3 On a periodic basis, the Investment Portfolio generates a return
- 4 The return generated is shared between the Islamic bank, the Charities selected and the WIAH (if decided so)

Cash Waqf Investment accounts would serve to provide adequate financing to economic and social sectors in line with one of the Sustainability Development Goals. A share of the profit generated would be paid to charities contributing in the efforts of sustainability development goals targeted by the bank.

(*) Return could be positive (profit) or negative (loss)

(**) Capital of Waqf investment accounts can be temporary (then paid back to the Waqf investment account holder) or permanent (then kept invested in the portfolio of the bank)

IMPLEMENTATION METHODOLOGY

1 Identify the Sustainable Development Goal to target



Among the 17 Sustainable development goals, the Islamic bank shall identify its targets and commitments towards the community.

For example, an Islamic bank can target SDG 4 'Quality Education'

2 Identify the SDG financial products and services to launch



The Islamic bank shall identify the way it can contribute to achieve the targets fixed in terms of SDG through financing products.

For example, the Islamic bank can grant financing to inclusive schools and universities offering high quality education with a lower cost or to social business interested in education.

3 Identify the Investment accounts' allocation



The Islamic bank can allocate Cash Waqf investment accounts to a dedicated investment portfolio in education or to a portfolio that is investing partially in line with the SDG.

For example, the Islamic bank can create a dedicated investment portfolio for education and all the Cash Waqf investment accounts will be allocated to this portfolio.

4 Identify the Investment accounts' categories



The Islamic bank can define the categories of Investment accounts in terms of maturity and profit sharing ratio.

For example, the Islamic bank can apply higher profit sharing ratio to the long term investment accounts with an automatic share of profit paid to charities..

5 Identify the SDG Charities



The Islamic bank can identify charities that serve the same SDGs targeted by the Bank

For example, the Islamic bank can select associations and non-profit organizations that are working in the education field.

1- Identify the Sustainability Development Goal(s) to target



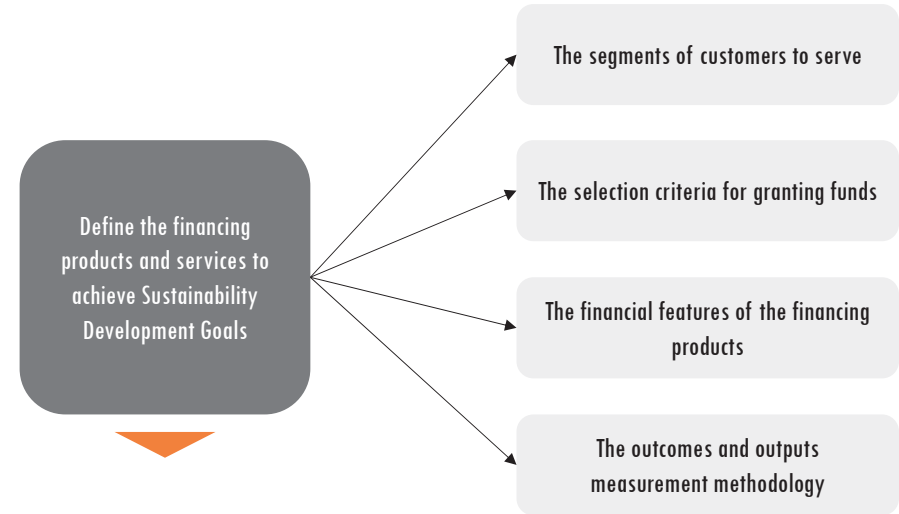
The Islamic bank shall select one (or more) of the Sustainable development goals based on the following criteria :

- 1- the strategic alignment of the SDG selected compared the strategic positioning of the Bank.
- 2- the expertise of the Islamic bank to achieve the SDG.
- 3- the expected impact on the community that the Islamic bank serves and targets
- 4- Any other relevant criterion for the Islamic bank

Examples of SDGs and targets to achieve

Sustainable Development Goals	Targets to achieve
Quality Education	Provide adequate instruments to finance the education sector and enhance the quality as well as the access to education.
Sustainable cities and communities	Ensure access, for all, to adequate, safe and affordable housing that provides basic services and contributes in upgrading slums.
No poverty	Play an important role to achieve this target through dedicating a part of their resources to grant adequate financing to the poor and vulnerable to access to different forms of ownership (land, buildings, technology, etc.)

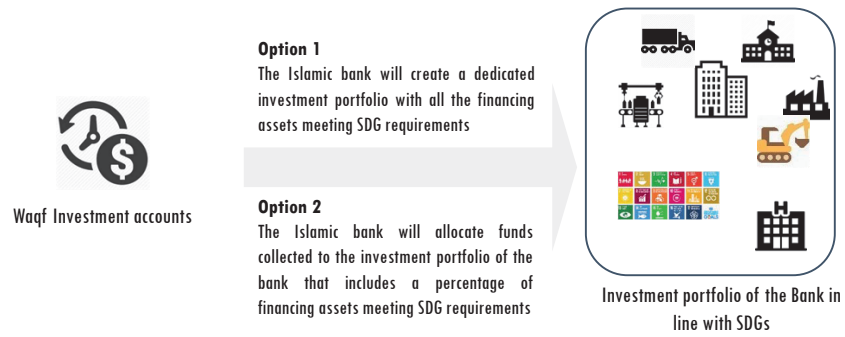
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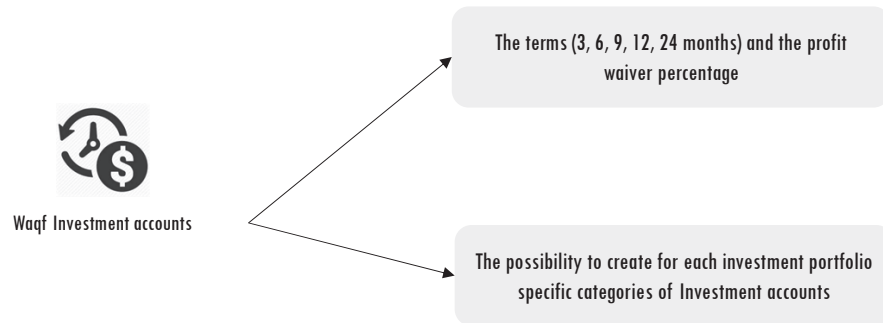
Examples of SDGs and targets to achieve

Sustainable Development Goals	Segments to serve
Quality Education	<ul style="list-style-type: none"> • Financing products for schools with impactful programs • Financing products for universities
Sustainable cities and communities	<ul style="list-style-type: none"> • Granting financing for low income people to access adequate housing • Granting financing for real estate investors with high impact standards
No poverty	<ul style="list-style-type: none"> • Granting financing for SMEs and startups • Granting financing for women

3- Define the investment accounts' allocation



4- Define the investment accounts' categories



5- Select charities meeting SDGs



- The Islamic bank should select a number of charities meeting SDGs:
- Associations and non-profit organizations
 - Non-profit oriented social businesses
 - Waqf institutions



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