

**SPEECH BY TREVOR A MANUEL, MP, MINISTER OF FINANCE
AT THE OFFICIAL OPENING OF THE
INTERNATIONAL WAQF CONFERENCE, Southern Africa,
Cape Town. 17 August 2007**

**(Jointly Organised by: The National Awqaf
Foundation of South Africa (AWQAF SA),
Islamic Research and Training Institute (IRTI), a
member of the Islamic Development Bank
Group (IDB), and Kuwait *Awqaf* Public
Foundation (KAPF))**



Distinguished Chairperson

Your Worship, Mayor Helen Zille

Your Excellencies, High Commissioners and Ambassadors

Distinguished Delegates

Ladies and Gentlemen

My Brothers and Sisters all

As salam ualaikum

I want to thank the organiser's [*ie the National Awqaf Foundation of South Africa, the Islamic Development Bank, the Islamic Research & Training Institute, and the Kuwait Awqaf Public Foundation*] for inviting me to speak at this conference. I do so because I am aware of the good social objects that underlie WAQF, but I also express my deepest appreciation for the opportunity to publicly align with the objectives of WAQF.

Savings and investment is the foundation of sustained economic growth for our country and our continent. Savings allow us to defer spending, keeping money aside for a rainy day, smooth our consumption over our lifetimes and keep something aside for family emergencies or for study or travel opportunities. But the values a society eschews lie not in the statistics or the amount of money we accumulate. Civilisation is about much more than just the accumulation of income and wealth- Civilisation is about how we use our income, our wealth to advance our communities, improve the lot of the poorest element of our society and contribute towards human development.

Our Budget Speech in February this year emphasised the principle of social

solidarity, where we can act in the interests of all people, and benefit as individuals. WAQF embodies this principle of social solidarity through recognising that true wealth creation is about ensuring that everyone benefits from the fruits of success, that opportunity is broadened to those who have been disadvantaged.

The Millennium Development Goals commit all countries to halve the level of poverty (at 1990 levels) by 2015. In adopting these goals, the world recognised that the levels of poverty are a scar on the face of the world, an injustice that will not end without clear, concerted action by all citizens of the world, acting together. Meeting

the Millennium Development Goals in Africa was always going to be the biggest challenge facing the global development community. Over the past decade, Africa has made significant strides to harness resources, reform systems of governance and invest in public services.

The past decade has been characterised, by steady improvement in the political and economic environment in most African countries. Despite these valiant efforts, in many countries, we are still coming up short. We still lack the wherewithal to make poverty history. In many countries on our continent, we will not meet the goal of halving poverty by 2015. For example, on the income poverty reduction objective, we remain in 2005 where we were in 1990 at 44 percent living in poverty. There has been some progress in improving gross primary school enrolments in Africa from 71.5 percent in 1991 to 92.5 percent in 2004 and in the prevention and treatment of malaria and HIV/AIDS, but the big challenges remain. We will only begin to reduce poverty on our continent if we have more investment and jobs.

The challenges of building social solidarity

The challenge that we face on our continent is that such investments are best funded through higher savings, as this will reduce our vulnerability to more volatile short-term capital flows. Now we all know that one of the big problems we have is that in many countries, saving rates are very low. So I want to start with the point that WAQF and similar initiatives can play a big role by filling this gap between savings and investment, by promoting the culture of saving, and by also focusing on long-term investments. In this way, you will be contributing to the broader growth and development objectives both locally and in the rest of the continent. Waqf provides an alternative means of savings and financing that can help meet some of our

broader developmental objectives.

Against this backdrop, the Waqf approach is embedded in the concept of charitable work, lending itself to the spirit of Islamic principles, a bringing together of the community, an endowment that yields long-term benefits for the poor, the ill and those in need. This, combined with responsible savings and investment, makes for what many term an "ethical investment". This spirit encourages voluntary giving and establishes a positive environment that will facilitate nation-building and community upliftment.

Waqf as an institution has a long history. During the days of the Ottoman Empire waqf provided for the health systems of many cities and indeed in Fez, the capital of Morocco, the entire sewage system was built and maintained on the back of endowments (source Wikipedia). Waqf has made significant contributions in South Africa already. The maintenance of schools, mosques, clinics and many other charitable endeavours is recognised. This contributes to reducing the incidence of poverty and simultaneously strengthens our social and cultural bonds.

It is also extremely encouraging to note that there are numerous examples of successful South African entities managed in accordance with the objectives of the waqf. The Equal Opportunity Foundation is a case in point. Founded by one of our Nobel Prize Winners, Archbishop Tutu, it has established two portfolios, the Equal Opportunity Education Foundation and Equal Opportunity Development Foundation. For both of these portfolios, they employed a leading global Shari'ah investment manager based in South Africa to manage its assets. The Education Foundation had an asset base of R15 million. Over the last 6 ½ years this fund has made charitable donations of R17 million and despite these withdrawals the capital in the fund has now grown to R22 million, which allows it to make numerous significant charitable donations for many years to come. This is a good example of showing the importance of building capital within the waqf so that it can sustain its commitment to sustainable giving.

As Salaam in Kwa-Zulu Natal is another excellent example, using their funds to great effect in an impoverished and HIV stricken area. Initially it was an orphanage, and it gradually added further services which it provided to the community. A junior school was established, and then a high school, and now technical training is being

provided, giving disadvantaged youths an opportunity to acquire skills that will allow them to build a productive career for themselves.

There is another example close to home here in Cape Town. The Crossroads community was torn apart in the mid-1980s by violence. As a result the Mustadafin Foundation was established to provide a range of support activities - food and clothing, medical support and education. This continues to this day, some 20 years later. These are wonderful models to follow, promoting development in a sustainable manner.

SA has some 350 000-400 000 Muslim households creating a potential savings and investment market of R1.8bn a year. Islamic banking is one of the fastest growing sectors with estimated global assets at US\$230bn and an asset base that is growing at an average annual rate of 15%. Sharia compliant funds are believed to be about 170 globally and of which 4 are in SA. A number of our retail banks are also offering Sharia compliant products. Although small in terms of the total global assets managed by financial intermediaries, the growth rate is impressive by any standards. If the principles of WAQF are used, it is entirely feasible for the appeal of these products to transcend religious boundaries. The group of people who seek ethical investment vehicles that benefit the community at large is much wider than we imagine.

In South Africa, we appreciate the good work that such institutions are able to provide, and are committed to developing our financial framework to assist the building of Sharia development funds. We already have in place laws that allow this, as for example the law allowing charitable entities to register as Public Benefit Organisations, which will then allow them to qualify for preferred treatment when it comes to income tax, capital gains tax, donations tax, estate duties, transfer duties, stamp duties, and skills development levies.

Islam is the largest religion in Africa, with about 45% of Africans being Muslim, compared to 40% Christian. North Africa is the region with the highest concentration of Muslims (89%), followed by West Africa (at least 50%). More particularly, though lower in the Central and Southern Africa, a number of SADC countries have substantial Muslim populations - 35% in Tanzania, 20% in Malawi and Mozambique and 10% in the DRC.

Whilst most aid from the Middle East goes to the Muslim world, and many Middle East countries share of aid routinely exceeds the 0.7% of GNP target, it is difficult to obtain more accurate data on the extent of aid to Africa from the Muslim world. Furthermore, it is worrying that such aid appears to be declining as a proportion of total global ODA since the 1980s. Such aid has the benefit of being untied and without conditionality (unlike that of many Western donors), and is provided in the form of project finance or loan (Islamic banking) form, rather than grant financing.

International perceptions of Islamic funds

I also wish to comment on the prejudices that we see towards Islamic financing, where many like to paint Islam with terrorism, and view WAQF and other forms of religious-inspired savings as a source for funding terrorism. We know from our own history that there are many countries that seek to paint struggles for liberation and freedom with the brush of terrorism, and we must do all in our power- not to fall prey to such pressures from very powerful countries who often act in this way to protect powerful lobbies within their own countries.

In the battle to win hearts and minds, it is important that we emphasize the important role that Sharia funds can make towards promoting development and fighting poverty. In this respect, it would help if we can also be more transparent and accountable in the management of such funds, and where we show zero-tolerance for those seeking to hide their criminal acts behind a religious cover.

Our government has always placed a high premium on the integrity, efficiency and credibility of our financial system as a vehicle to deliver the services upon which a modern thriving economy is based. Such a system not only instils confidence among the investment public and encourages savings which funds investment, but more importantly also promotes a safe, secure and democratic culture of human rights. The South African government has, as a democracy, the right to protect its people from any potential abuse and misuse, aside from its international obligations, given the war on terror. Like any other conventional banking product, Sharia products have the potential to be abused and misused by criminals. SA has taken a strong stance

on abuse of consumers and on protecting the integrity of the system. There is a well developed international framework for regulation that can be utilised to encourage further development of waqf in South Africa. It is important that the collection of assets is prudently performed and subject to the stringent checks that are international best practice when identifying the source of funds.

Conclusion

I want to end by emphasizing that it is my view that Sharia compliant and waqf funds have an important role to play in development, and in helping the world alleviate poverty. Our progress must always be judged not by the speed of the fastest and fittest, but by the pace at which the vulnerable, the poor and the marginalised are progressing. WAQF emphasises the value of social solidarity in a financial services context that is innovative and almost unique in our environment. At the same time, those promoting and managing such funds must do so in an accountable and transparent way, and ensure that they do not fall prey to money laundering and other criminal motives that undermine the very spirit of Islam.

Shukran