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Exploring Potentials of Philanthropic Islamic Financial Instruments in Providing Healthcare Services for Underprivileged

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Abstract: Philanthropic financial instruments utilize donated funds or assets in order to deliver social services for society. NGOs may not be able to operate the social services efficiently in the absence of such funds. Lately, there are plenty of organizations that have taken initiatives to render social services for targeted populations in order to curb social problems such as poverty, hunger, crimes, etc., through the use of some forms of philanthropic instruments including Islamic social finance, ethical finance, and others. Today, however, philanthropic financial instruments such as socially responsible investment (SRI), social impact bonds (SIB), and even Waqf are issued by financial institutions rather than socially driven institutions. As such, they have been treated as commercial financial instruments rather than socially driven mechanisms. This paper aims to elucidate the potentials of selected modern financial philanthropic instruments that deal with the healthcare sector. The strengths and weaknesses of the selected instruments will be assessed to explore their potentials in serving the healthcare services sector particularly for the underprivileged. The healthcare sector is highlighted as the focus of this study due to its relevance to the present challenge of the Covid-19 pandemic. This is an exploratory study that adopts the qualitative method whereby a rigorous review of the relevant literature is conducted to examine the potential that philanthropic Islamic financial instruments can offer in providing healthcare services to the underprivileged. The findings elaborate on three important models of philanthropic instruments, namely social impact bonds (SIB), development impact bonds (DIB), and takaful-waqf models. It was also found that these philanthropic instruments have varied strengths and weaknesses that require rectification in the future.

Keywords: Philanthropy, Islamic Finance, Socially Responsible, Healthcare, Underprivileged

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Introduction

Philanthropy is a concept highly regarded and embraced by people around the world regardless of religion, and race. It is a shining light for a community as this instrument is a part of one's contribution of wealth for charitable purposes. As the modernization of the world has taken place in our time, more organized structures of the instruments are established to attract and allure more people to contribute their wealth for good causes. Some developed countries have even established their own philanthropic institutions to ensure the efficiency of their operations (Ranjit Ajit, 2014).

The biggest and wealthiest charitable foundation in the 21st century is Bill & Melinda Gates Foundation. It aims to make an impact in the fields of global health, and global development and education (Ranjit Ajit, 2014). As at 25 April 2017, the size of the Bill & Melinda Gates Foundation was US$42.3 billion (Chepkemoi, 2017). The second largest philanthropic foundation is Stichting INGKA Foundation. Its endowment is valued at US$34.6 billion. This foundation is focusing on helping refugees and children in developing countries (Chepkemoi, 2017). Because of their role in social welfare and the spirit of charity manifesting in them, these foundations are inherently Shariah-compliant.

The modern philanthropic instruments such as social impact bonds (SIB), development impact bonds (DIB), Takaful Waqf, and many others are worthy of mention in this context. These instruments are utilised for humanitarian aid purposes including healthcare purposes, which has become a serious concern globally especially during the global outbreak of novel Covid-19. The pandemic outbreak has affected the livelihood of many people and has caused major chaos and adverse effects on the health and wellbeing of people globally. This public health situation coupled with other lingering financial problems will attract and necessitate philanthropic efforts. This is partially because wealth and health have an interrelationship that is hard to separate. Since health is paramount in the wellbeing of individuals and societies, it is important to target some efforts towards the underprivileged segments of the population such as the B40 and M40 groups to ease the burden on them.

Due to the lack of research in this particular area of model development, this study aims to analyse the strengths and weaknesses of the respective models/instruments.

This paper is structured as follows. Section 2 discusses the literature review. Section 3 discusses the issues and challenges of underprivileged segments in accessing healthcare in Malaysia, followed by philanthropic financial instruments for

healthcare services in Section 4. Section 5 presents the strengths and weaknesses of every chosen modern financial philanthropic instrument that deal with the healthcare sector. Section 6 concludes the paper.

Literature Review

Islamic philanthropy comprises of *zakat, infaq, sadaqah* and *waqf*. All of these instruments have been used widely from the beginning of Islamic civilization for the benefit of society in many aspects (Norajila, 2014). The legacy of Islamic philanthropy has inspired modern philanthropists to design modern instruments in order to address some social issues such as healthcare problems that have become an important highlight across the globe especially in this Covid-19 era.

The Healthcare sector is becoming a focus area for philanthropists due to the recent increase in medical expenditure to address Covi-19 pandemic health emergencies which aggravated the existing inflation of medical expenses (World Islamic Economic Forum, 2019). Plenty of philanthropic instruments have been devised in the past few years and they were set up to cater, among others, to the healthcare issues in the society especially among the underprivileged segments. The outbreak of the pandemic brought these issues that were off the radar of the media into the spotlight again.

The establishment of modern philanthropic instruments is believed to have assisted the healthcare industries. These instruments although promising, will need a thorough analysis of their strengths and weaknesses. The selected instruments are to be examined for further improvement in relation to their effectiveness in dealing with healthcare issues.

Issues and Challenges for Underprivileged Segments in Accessing to Healthcare in Malaysia

Malaysia is a country that consists of a dual-tiered healthcare system which is a public-private healthcare services system. Since independence in 1957, there were significant amounts of thriving private healthcare institutions that emerged side by side with government-led and funded public services enterprises. Although there is a development of hospitals and clinics in Malaysia, the country has yet to come to realize the harmonized system that can cater to the healthcare need of every citizen, especially the poor segments of the society.

The healthcare industry in Malaysia is currently experiencing an unpleasant scenario that is hard to avoid. The cost of medical expenses has been skyrocketing tremendously due to medical inflation that occurred in recent decades. A survey found that the global medical inflation rate in 2018 was 8.4% while Malaysia experienced an even worse medical inflation rate which was at 15.3% in 2018. Another period of agony experienced by the citizen was between 1997 to 2006, where data has revealed that healthcare expenditure had increased more than 100%. In 1997, the total health expenditure was RM8,604 million, whereas, in 2006, the expenditure value had increased to RM22,144 million. In addition, 2016 was a year that recorded a rapid escalation of total health expenditure in which it doubled to a boggling RM51,742 million (World Islamic Economic Forum, 2019).

Epidemic or pandemic health emergencies would also be among the contributing factors that lead to enormous expenditures by the healthcare industry. This phenomenon is currently being witnessed by the masses since 2020. The unprecedented catastrophe caused by Covid-19 has affected millions of lives across the globe including Malaysia. This trepidation has set off an alarm that creates panic within nations. Great numbers of people flooded hospitals and clinics which cause congestion at those places which had limited amounts of medical facilities to treat the patients. The hospitals are desperately in need of medical appliances such as breathing machines to support the lives of the patient in ICUs. This grievous event has impeded the people, especially the poor and middle-income segments, from being able to get treatment at hospitals and clinics.

The World Islamic Economic Forum (2019) reports that, for the past 20 years, the total expenses incurred by the government of Malaysia on healthcare amounting to 56% of healthcare expenditure. Meanwhile, individuals spent around 33% of their own household expenditure on healthcare. Insurance companies and other groups spend around 6% and 5% on healthcare expenditure respectively for the sector. Below is the summary of how much people have spent on their own medical bills within three decades;

Table 1.
Expenditure of Medical Bills by People in Three Decades

Years	Total Expendıture (İn Rm Million)
1997	3,166
2007	7,145
2016	19,570

Sources; Adapted from World Islamic Economic Forum, 2019

Based on the data above, the increasing medical cost in Malaysia can not be attributed to the population growth alone (World Islamic Economic Forum, 2019). Based on the Department of Statistics Malaysia (2019), the population of Malaysia was estimated to be around 32.6 million in 2019, which was an increase from 32.4 million in 2018. In 2020, it is expected that Malaysia's population will reach 33.8 million. The following table simplifies the estimation of percentage population by age group in 2018 and 2019:

Table 2.
Estimation of Percentage Population by Age Group in 2018 and 2019

Years/ Age	0-14 years	15-64 years	65+ years
2019	23.3%	70%	6.7%
2018	23.8%	69.7%	6.5%

Source: Department of Statistics Malaysia, 2019

As shown in Table 2, it can be inferred that the total population of senior citizens aged above 65+ has increased from 6.5% in 2018 to 6.7% in 2019. World Islamic Economic Forum (2019) states that the aging population is the segment that contributes to the escalation of healthcare prices in Malaysia. Based on the trend in the data presented, it is reasonable to predict that the cost of the healthcare sector may continue to rise rapidly as the years pass by due to the increase in the age of the population. It is a well-known fact that elderly people are more vulnerable to diseases since their immune system is no longer capable of withstanding the environment in which people live today. Senior citizens in Malaysia are more likely to face heart attacks, strokes, cataracts, cancer, and kidney failure (World Islamic Economic Forum, 2019). The recent Covid-19 pandemic has also proven that older people can suffer from the disease. The majority of affected patients by the disease are elderly people (World Health Organization, 2020).

New medical technology is also a contributing factor to the high cost of medical healthcare in Malaysia. Research has shown that different technologies can cause different impacts on medical costs. For instance, low-technology such as laboratory tests and x-rays influence the healthcare cost at a reasonable pace. In contrast, the high technology of medical instruments such as new treatment modalities for coronary bypass can cause the healthcare cost to rise significantly. Scientists should come up with new and more advanced medical technology due to consumer demand to have better healthcare services that are capable of treating patients more efficiently (World Islamic Economic Forum, 2019). On those grounds, it can

be inferred that insurance premiums would be more likely to increase in order to provide better medical services to people.

M40 and B40 are among the vulnerable groups that can be severely impacted by the high cost of medical treatment in Malaysia. B40 and M40 are classifications of household income in Malaysia. According to the Department of Statistics Malaysia (2020), B40 refers to the group that earns less than RM4,850 in monthly household income, whereas M40 refers to the group of people that earns income between RM4,851 and RM10,970 monthly household income. Shahar, Lau and Puteh, (2019) mentioned that the low-income groups in Malaysia are struggling to gain access to health equality. Concerning the B40 group, the Tenth Malaysia Plan (10MP 2011-2015) announced that there are about 2.4 million households in the B40 segment, which comprises 73% locals (bumiputera) and 27% of non-locals (non-bumiputera). Meanwhile, the Eleventh Malaysia Plan (11MP 2016-2020) declared that B40 segments consists of 2.7 million households, which comprises 68% locals (bumiputera) and 32% non-locals (non-bumiputera).

Therefore, great care and attention by community leaders, policymakers, politicians, corporations, and researchers towards the B40 and M40 groups should be taken for the betterment of society's livelihood. Extensive care is vital to ensure the survival of people, especially when facing economic and health crises, like the Covid-19.

Philanthropic Financial Instruments for Healthcare Services

Social Impact Bond (SIB) / Health Impact Bond (HIB)

Unpredictability and instability of the economy have had consequences on the public finances of some countries and their healthcare systems. SIB is a philanthropic instrument that can be a savior for healthcare systems. It supports financially the healthcare sector and other social programs, and makes it capable of generating profits for investors and allowing for governments to save (Care and Ferraro, 2019). SIB is basically an open gate for the social investor to participate in a noble and charitable cause by becoming a new player in the NGOs (Wong, Ortmann, Motta & Zhang, 2017). The idea of SIB came into existence due to the problem commonly faced by the social service sector which is the lack of capital to provide social services. Although SIB may not be the best solution to the problem for the social services sector, it can provide remarkable advantages in improving the social welfare of society by redesigning social programs. The social programs would be executed through market-based solutions, allow transparency and evaluation of government

expenditures. SIB is a model in which the burdens of finance, service delivery, and risk are alleviated from the public sector i.e government to the private sector (Care & Ferraro, 2019). SIB is a term that is widely used in the United Kingdom and Canada, while in the US, it is known as a "pay for success bond" (Syed Azman & Engku Ali, 2016). Meanwhile, a health impact bond (HIB) is basically a scheme that resembles a SIB but that is confined to dealing with healthcare programs.

According to Syed Azman and Engku Ali (2016), SIB is a pay-for-performance contract model where the government will only pay if there is an improvement in social outcomes. Hence, SIB has the potential to conserve government budgets (Jagelewski, 2013; Syed Azman & Engku Ali, 2016). Through this model, social service intervention programs will be implemented to tackle the root cause of the social problem, instead of treating it remedially. Syed Azman and Engku Ali (2016) state that the capital of the organized program will be collected from a pool of socially motivated investors. If the output of the program reaches the desired target, or the key performance indicator (KPI), the investors will recover their capital together with some profits depending on the degree of success of the outcome. On the other hand, if the schedule outcome is not achieved, the investors will not recover their capital.

According to Syed Azman and Engku Ali (2016), and So and Jagelewski (2013), there are five main stakeholders or parties involved in the SIB model:

a) The service providers: this party is responsible for prevention-based intervention for a targeted group of society.

b) The investors: they are capital providers for the projects and will shoulder the financial risk.

c) The government/commissioner: this authority will pay back the principal amount to the investors together with the profit depending on the level of success.

d) The SIB delivery organization: this body will act as an intermediary for all the parties involved and is responsible for sourcing capital, lading deal construction, observing the performance of the SIB project, and identifying and selecting service providers.

e) The evaluator: is an external third party who will undertake an independent evaluation of the programmes' outcomes.

The modus operandi of SIB can be explained as follows;

1. The government and other parties involved will conduct negotiations in order for the government to agree to the payment of social outcomes.

2. After the negotiations have taken place, the SIB delivery organization will collect funds from investors for the social service intervention.

3. After sufficient funds have been collected, the service provider will receive the funds and implement the planned service to curb the social ill(s) by targeting a specific group of people.

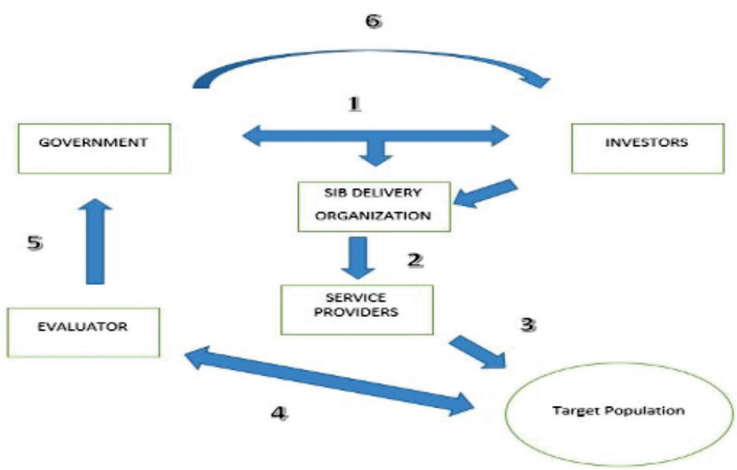
4. A third-party evaluator will handle the evaluation process of the end result.

5. The evaluator will submit the evaluation report to the government.

6. If the targets are achieved as agreed, the government will repay the principal advanced by the investors plus the profits depending on the degree of success of the projects.

Figure 1.

Modus Oprendi of SIB



Source: Adapted from Jagelewski (2013)

In 2010, SIB was first introduced in the United Kingdom where the SIB program tackled the issue of recidivism in which ex-convicts return to crime at UK's Peterborough Prison (Syed Azman and Engku Ali, 2016). The author also reports that the outcomes of SIB display positive results and are an effective way to attain a better society. For the past few years, the number of SIB that have been promoted and established across the globe that deal with health issues. Among the countries that launched Health Impact Bond (HIB) are: 1) New Zealand, 2) Canada, 3) United States, 4) United Kingdom (Care & Ferraro, 2019).

The HIB is an important instrument in the healthcare and social well-being of people. HIB has the capability to generate cash flow in order to reduce the upcom-

ing commitment in healthcare and welfare services. Through the incentive of this intervention program, social services and healthcare are packaged together into health impact bonds. This innovative intervention program has sparked an opportunity for the government to make immediate future savings by sharing financial risk with private investors (Rowe & Stephenson, 2016). Rowe and Stephenson (2016) mentioned that, throughout the period of implementation of HIB, the evaluation process for the successfulness of the programs depends on various complicated factors. Among them are sophisticated knowledge of population health, techniques to determine the risk profile of every segment in the targeted population, and methods for forecasting impacts. It can be concluded that the implementation of HIB is surrounded by risk factors.

As mentioned earlier, HIB which has been launched in some countries has been well accepted by the investors. The following table displays the examples of programs launched under HIB in some developed countries which are New Zealand, Canada, the United States, and the United Kingdom:

Table 3.
List of Programs Launched in Developed Countries

SIB NAME	Country	Target Population	Launch Date	Capital raised	Investors
Mental Health and Employment Social Impact Bond	New Zealand	1,700 people with a diagnosed mental health condition	February 2017	N$1.5 million	1) APM Workcare 2) Janssen
Community Hypertension Prevention Initiative	Canada	7,000 prehypertensive older adults (60+) in Toronto and Vancouver	October 2016	C$2 M	Foundations, high-net-worth individuals, and companies
South Carolina Nurse-Family Partnership Pay for Success Project	United States	3,200 first-time, low-income mothers over four years	February 2016	$30 M	1) The Duke Endowment 2) BlueCross BlueShield of South Carolina Foundation
Healthier Devon	United Kingdom	Prediabetic adults with a focus on 40% most deprived population	June 2018	N.A	Bridges Fund Management

Sources; Adapted from Care and Ferraro, 2019

Based on the above, it can be concluded that the participating countries are non-Muslim countries. It is an inspiration for the Muslim countries to pay attention to the positive results of the HIB that may be implemented in the Muslim countries in the future. It is proven by some researchers that HIB has successfully collected significant amounts of money to be channelled to the social service sector that can deal with societal problems relating to health. There is no doubt that the funds could reduce the burden of the low-income segments in getting access to healthcare services by virtue of the existence of HIBs.

Development Impact Bonds (DIB)

As mentioned before, numerous countries have participated in the SIB program since its establishment in 2010. Investors have taken countless initiatives to involve in the SIB in order to mitigate the impact of social problems. This eventually could support the social service providers financially and reduce government's spending. As the years passed by, due to the uniqueness of SIB, an innovative structure that is almost similar to SIB has emerged namely Development Impact Bonds (DIB).

As a start, DIB is an adaptation from SIB to finance public services. DIB is a model that grants external financing to social services in low and middle-income countries. The structure of DIB is more or less the same as SIB, where socially motivated investors participate in supporting social services. Nevertheless, the primary difference between DIB and SIB is that DIB involves foreign funding, while SIB only involves domestic funding (Clarke, Chalkidou & Nemzoff, 2018).

Clarke, Chalkidou and Nemzoff (2018) state that the main groups that participate in DIB are service providers, outcome funders, and private investors. Usually, the service providers and outcome funders will determine and propose the target group of social service and present it to the private investors. Upon acquiring consent from the investors, payout of profits will be made to them provided that the programs achieve their target. Otherwise, investors will gain no payment or profit from the program and the capital provided by the investors will be considered gratuitous.

In relation to the modus operandi, service providers will usually arrive at a consensus with the outcome funders (normally a government) to verify the target population plan for this intervention program. After that, the service providers will execute the plan for the designed social program for the target population. Then, the first step is taken, as presented in the diagram below (Clarke, Chalkidou & Nemzoff, 2018):

1) The investors will sign a contract with the outcome funders and social service providers.

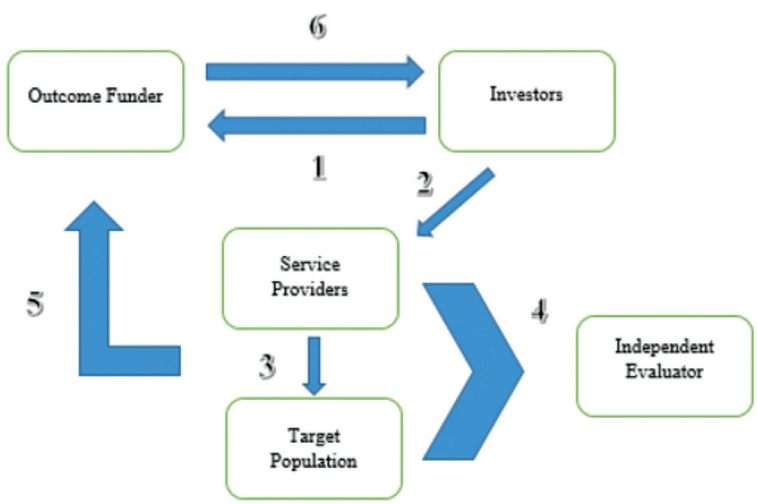
2) Upon the fulfillment of the contract, the investors will provide upfront funds for the service providers for the implementation of intervention programs. Investment is initiated at this stage of the process.

3) The proceeds collected by the service providers then will be utilized for the target population as agreed by all parties.

4) After that, an independent evaluator will evaluate the achievement of the program and whether it achieves the goal or not.

5) The evaluation by the independent evaluator will be submitted to the outcome funders to decide on the repayment to the investors.

6) If the target or the KPI is achieved through the program intervention, the outcome funders will repay the investors their initial investment plus some interest payment. On the other hand, if the social outcome does not reach its desired target, the investors will not be entitled to the principal investment and its interest payment.



Adapted from: Oroxom, Glassman and McDonald (2018)

It is interesting to note that DIB has the ability to influence private capital to deal with market failures which the traditional funders such as the government are not able to do so due to political, financial, or operational constraints. Furthermore, DIB plays an incentive role for the investors to participate in the projects

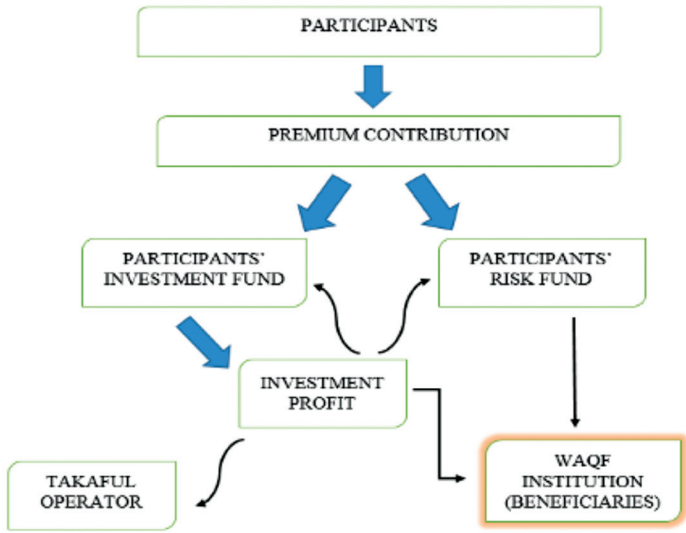
because this project is subject to the performance of the project's outcome. In addition, DIB has the potential to support the implemented project for around five to ten years (Clarke, Chalkidou & Nemzoff, 2018).

DIB has diversified its outcome services in the area of health where it involves the quality improvement for child and maternal healthcare, regaining physical mobility, and receipt of good quality cataract surgeries. One of the prominent DIB intervention programs that have been launched is Humanitarian Impact Bond which emerged in September 2017. It focuses on improving physical mobility outcomes. This program is supported by five years of funding to assist the outcome achievement. For instance, the International Committee of the Red Cross (ICRC) is the service provider that involves in the Physical Rehabilitation Program which provides physiotherapy and access to mobility devices. Humanitarian Impact Bond is expected to expand its operations in Mali, Nigeria, and the Democratic Republic of Congo (DRC).

Takaful-Waqf

Takaful-*waqf* is an integration of *waqf* with *takaful* products. More than a decade ago, a pioneer *takaful* company in Malaysia called Syarikat Takaful Malaysia Berhad (Takaful Malaysia) had introduced Takaful-*waqf* scheme and made it publicly available in 2002. This product had given opportunities to the participant to participate, not only for their continuous savings but also for contribution to appointed beneficiaries as a *waqf* endowment. In this plan, Takaful Malaysia is the trustee for the fund which will be channeled to and utilized by beneficiaries, determined by Takaful Malaysia. The beneficiaries were orphanages, religious schools, mosques, education, Yayasan Pembangunan Ekonomi Islam Malaysia (YPEIM) for Muslims' economic development, and Tabung Kebajikan Jemaah Haji for assisting Muslims in pilgrimage. However, it was unfortunate that Takaful Malaysia had to stop the plan in 2009, after 7 years of its operation (Rahman & Ahmad, 2011).

The takaful waqf plan was executed under the concept of *mudarabah-waqf* model. The plan had influenced people from all walks of life to be part of the charity and contribution. The plan promotes the opportunities for the participants to accumulate a certain amount of funds to be given as *waqf* endowment, in the case that the *waqf* plan matures or the participant dies unexpectedly. The plan implemented by Takaful Malaysia has two types of accounts, namely: 1) Participants' Investment Fund (PIF) / Participant Account, 2) Participants' Risk Fund (PRF) / Special Participant Account.



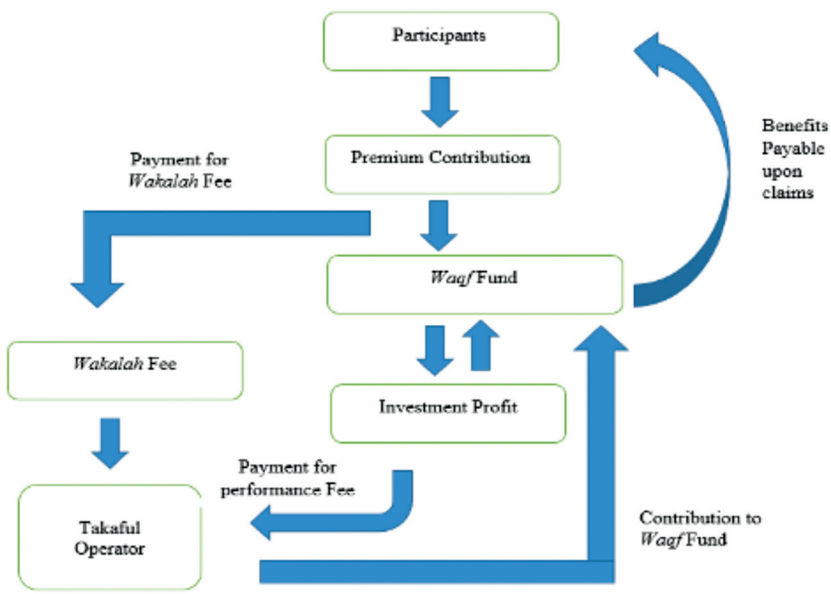
Source: Malaysian Institute of Accountant, 2020

Under this model, the premium contribution that is channeled to PIF will be utilized for investment purposes under the principle of *mudharabah*. The investment will be performed by the *takaful* operator. Following the concept of *mudharabah,* the profits generated from the investment will be divided proportionately between the *takaful* operator and the participants, based on a pre-agreed profit-sharing ratio. However, the profits that are the entitlement of the participants will be credited back to PIF and PRF, based on the desired amount. The amount credited to both fund accounts is regarded as participants' contributions. This accumulated contribution will be used for several purposes, subject to circumstances, which are as follows:

1) Once the *waqf* plan has reached its maturity, the balances remaining in the PIF and PRF will be channeled directly to the *waqf* beneficiary, determined by Takaful Malaysia.

2) However, if the participant dies before the maturity of the *waqf* plan, the beneficiary will be paid; firstly, from *takaful* benefits of PIF and secondly, from PRF that is based on the concept of *tabarru'*. The participants who enroll in this plan will contribute *waqf* fund based on the concept. The PRF account is created for financial assurance to participants who die prior to the maturity of the plan. This method enables the deceased participants to fulfill their intention to contribute to *waqf*, even after the death of the participant.

Another concept that exists in Takaful-*waqf* is the implementation of the takaful plan by embedding the principle of *wakalah*. It is known as *wakalah-waqf* model. The diagram below depicts that the participants and the shareholders of the *takaful* operators contribute to the *waqf* fund. The *takaful* operator in this *takaful* plan will become an agent/trustee appointed by the participants to manage the investments of the funds. Therefore, following the principle of *wakalah*, *wakalah* fee will be charged to the participant's contribution and be given to the *takaful* operator that acts as the agent/trustee. The premium contribution collected will be invested in *Shariah*-compliant investments to generate profits. The profits will then be credited into the *waqf* fund where a portion of it will be given to *takaful* operators as a performance incentive if they exceed the performance target in managing the investment. Concurrently, the *waqf* fund will be utilized for the purpose of payment of claims made by participants and also be contributed to the charitable bodies.



Source: Malaysian Institute of Accountant, 2020

Strengths and Weaknesses of the Chosen Modern Financial Philanthropic Instruments

Social Impact Bond and Development Impact Bond

SIB and DIB are unique forms of tools that deal with humanitarian issues. In relation to DIB, there are some of the DIB programs that are still in progress and yet to display the program's result to show its effectiveness because DIB is relatively new. DIB is a potential instrument that lends assistance for humanitarian needs particularly in low and middle income ("LMI") countries such as Peru, India, Kenya, Nigeria, Mali, Congo, and the Democratic Republic of Congo. These countries face a state of need for high-quality healthcare and education.

In order to have such quality, funds are required to support the healthcare system in those countries. Hence, DIB and SIB are among the best channels that can attract plenty of angel investors to contribute to those philanthropic endeavours whilst making a profit, depending on the outcome. Healthcare is one of the sectors that DIB and SIB have opted to focus on due to the fact that health is crucial to a country's well-being. In this modern world, disregarding healthcare is not an option and it must be supported by all nations without any exception. The Covid-19 pandemic is the best example to emphasise the importance of robust and resilient healthcare systems.

Despite the unique features of DIB and SIB, there are some drawbacks to their implementation. DIB and SIB are still in the infancy stage starting as recently as 2018 and 2010 respectively. Due to this fact, their effectiveness is more assumed or predicted rather than empirically proven. An infancy stage instrument may also have many loopholes that need to be refined in the future. Furthermore, since DIB and SIB are in a preliminary stage of implementation, it only operates in few countries across the world. There is also no publicly available information for DIB concerning the program's impact on society and whether the investment is valuable for money invested or not.

On top of that, these instruments being new, have fragile investor confidence and any adverse event will erode investor confidence quickly. As of at December 2018, Clarke, Chalkidou and Nemzoff reported that US$55 million have been accumulated for the DIB's program services in the seven countries. The program that dealt with health, commonly named "Health DIB" had gathered US$26 million in upfront investment. If the investment of the program does not achieve its target, there might be a high possibility that the potential investors would not want to participate in the future program. This may happen due to the drop in investors'

confidence level, where it is a crucial component in order to attract them to contribute funds because the power to make the investment is in their hands. Therefore, the DIB and SIB service providers may have to face this type of risk if there is frustration among investors due to the bad performance of the program. The trustworthiness and "dignity" of DIB and SIB may also be challenged by the investors if there is a lack of excellent outcome performance from this program.

It is pertinent to note that not all potential investors would want to participate in an investment without certainty of profit. Although some of them may participate, maybe only a small fraction of them are motivated to involve in socially responsible projects as compared to normal investments. This is because the project definitely involves large amounts of funds to be given away by the investors. Therefore, the investors may want some guarantee of returns as a result of their sacrifices. As mentioned before, one of the unique features of DIB is that it involves foreign investors. It would be unfortunate for DIB management process if any political or economic issues arise, either in the investor's country or the locality where the DIB's social program is taking place. These problems could make investors lose interest in such a program. For instance, if the economy of the investor's country is in a recession, the investors will definitely refrain from outflowing their funds to other countries since it is better for them to opt for the circulation of funds inside of the country.

Considering this fact, DIB may lose some of its potential foreign investors. Needless to say that any humanitarian program is required to have the continuous support of funds. This could be worse if the world is confronting a global pandemic such as Covid-19 where it affects the global economic system. Perhaps almost all, or the majority of investors are unwilling to sacrifice their money to invest outside their countries.Furthermore, another encumbrance of the implementation of DIB and SIB is that the social program is already pre-determined by the service providers of the program. This could be one of the factors that hinder the potential investors from participating. For instance, every company would have their own Corporate Social Responsibility (CSR) program that they desire. If there are outsiders (the third party), which is DIB and SIB organizers, who would want to determine company's social service, this would lead to non-involvement from the corporate side. It would take a longer period of time for the service provider and the government in DIB and SIB procedure to convince such potential corporate investors. Undeniably, this would involve more costs even before the program is initiated just to get consent from the investors who are not certain about participating in the social service program.Health DIB only focuses on dealing with

certain types of problems such as physical rehabilitation services, maternal and newborn care services, and eye surgery services. The world today is facing many new emerging diseases and sometimes it is very unpredictable by the scientist. For instance, Covid-19 has now spread to many countries without restrictions and warnings. Hospitals are flooded and congested with many people worrying about their state of health. The disease may spread between patients while they are waiting for their turn to be examined by the doctors. A limited number of doctors and limited spaces in hospitals are among the reasons why congestion occurs in the hospitals. Hence, the funds accumulated for health-related matters must also cover other aspects, especially in upgrading the existing healthcare centres where the population is large in number.

Among other drawbacks of the implementation of DIB and SIB is that these instruments only give opportunities to angel investors (investors that have lots of money) to participate in a philanthropic program. It does not open the opportunity to other classes of citizens that may want to be part of the philanthropic program. Due to this nature, the DIB and SIB might not be able to attract many people as compared to other philanthropic instruments such as *waqf* which is open for all humanity to become donors to the philanthropic program.

Takaful-Waqf

Takaful-*Waqf* was one of the initiatives initiated by Takaful Malaysia to empower the *waqf* sector in Malaysia. Its establishment was to assist young Muslims to have the opportunity to establish *waqf* for continuous savings. However, the initiative had come to an end due to several issues that had risen when it was implemented back in 2002.

One of the main impediments to this type of takaful plan was the administration of *waqf*. According to the Federal Constitution of Malaysia, the law has explicitly mentioned that religious matters, which includes the *waqf,* are governed by their respective state. List II (State List), Ninth Schedule of Federal Constitution states as follows;

> *".....Wakafs and the definition and regulation of charitable and religious trusts, the appointment of trustees and the incorporation of persons in respect of Islamic religious and charitable endowments, institutions, trusts, charities and charitable institutions operating wholly within the State;....."*

According to the law, Majlis Agama Islam Negeri (State Religious Islamic Council) or SRIC is the only organization that is entitled to handle *waqf* matters.

Non-compliance to the above law would constitute a violation of the law. If the special fund for *waqf* is created by the *takaful* operator, the SRIC is more entitled to represent as the *nazir* or sole trustee to handle the *waqf* fund (Roseli and Johari, 2016). If a private organization would want to deal with the *waqf*-related matter, consent is required from SRIC, as exemplified by one of the prominent corporate entities in Malaysia which is Johor Corporation (JCorp) administration. JCorp has made an agreement with its SRIC to deal with *waqf* matters in its corporation. In contrast, the Takaful-*Waqf* that was implemented more than a decade ago was silent on this matter.

Takaful-*Waqf,* as one of the philanthropic instruments in Malaysia, is less flexible as compared to normal *waqf*. Since the intention of the establishment of Takaful-*Waqf* is to provide an opportunity for the participant to donate for *waqf*, the company operator confined the donors or participants to a certain group of people. As Rahman and Ahmad (2011) stated that the *takaful* plan was only offered for individuals between the age of 18 to 70 years. *Waqf* matters are less advisable to be confined to a certain group of participants when it comes to the donation of funds. Otherwise, it may not give higher chance to people to endow their funds. There is no doubt that there are older people that have a surplus of wealth, yet due to the nature of *takaful* which only accepts certain groups of people, they would not be able to become *waqf* donors. Hence, the excluded group of people may incline to make *waqf* donations through other means to support *waqf* instead of Takaful-*Waqf*. Despite the confinement of the group of people in the *takaful* plan, not everybody is willing to participate in such a plan due to the mixture of objectives between achieving God's pleasure and worldly benefit, which will be explained in the following paragraph. On top of that, the endowment funds require the donor to contribute at least RM10 whereas, it is viewed that Takaful-*Waqf* will become less attractive to the donor since *waqf* is considered a charitable act. The charitable act must co-exist with the element of the willingness of the donor to pay any amount at any time. It is wrong to limit the minimum amount to donate for *waqf,* and it will be less effective in attracting people to participate.

It can be submitted that *takaful* and *waqf* are less favourable when associated with each other. The main reason is *waqf* is related more to achieving God's pleasure and the rewards will be felt in the hereafter (Rahman & Ahmad, 2011). However, Muslims that engaged with this type of *takaful* plan expect not only the reward, but also worldly financial cover that is commonly associated with a *takaful* plan. In the concept of *mudharabah* that is used by the *takaful* operator, the surplus of the investment is not allowed to be given back to the donor since it is a *waqf*

fund. Instead, it will be channelled back to the Participant Account and Special Participant Account. It is expected that not all participants that were involved in this *takaful* plan would want to submit intention solely for *waqf* purposes since the participant's intention is to get coverage protection from *takaful* agency. In addition, some might be refraining from taking this type of *takaful* plan and search for another better offer of *takaful* or insurance coverage. It must be emphasized that people would usually participate in *takaful* solely to get medical coverage and worldly benefit for themselves and their family members. Rahman and Ahmad (2011) also support that only a small fraction of Muslims would want to participate for a hereafter-oriented plan. This is one of the reasons that has caused the demise of the plan.

The Takaful-*waqf* implemented by the *takaful* operator is less favourable because it does not allow the family of the participants to become part of the beneficiaries of the plan. Even though that this kind of plan is not wrong, but it might be more attractive to participants if they were allowed to include their family members as beneficiaries. Even the companions of the Prophet (PBUH), when making endowment of *waqf*, included themselves and their family members as beneficiaries. A famous example is the story of Uthman Ibn Affan who bought the well from the Jewish man and endowed it to all the Muslims to drink from it for free. Uthman also included himself as one of the beneficiaries. In contrast, the *takaful* operator in the Takaful-*waqf* plan has pre-determined groups of people that will receive the benefits from the plan. Among the groups are mosque funds, orphanage centres, educational funds, economic development of Muslims, and pilgrimage funds to help Muslims. It must be noted that orphanage centres and mosque funds are common targets by NGOs in Malaysia. Other sectors such as the healthcare sector can be a subject of greater focus. There was an absence of healthcare-related matters in the beneficiaries list. Lately, the world has witnessed that healthcare is far more important a subject of concern. The absence of health will impede the economic development of a country. This can be witnessed in the outbreak of Covid-19 from which Malaysia was not excluded.

To summarize the discussion above, the strengths and weaknesses of the philanthropic instruments can be presented in Table 4 which as follows:

Table 4.
Strengths and Weaknesses of the Philanthropic Instruments

	Social Impact Bond	Development Impact Bond	Takaful-Waqf
Strengths	Support the healthcare sector and other social programs		Its establishment was to assist young Muslims to have the opportunity to establish *waqf* for the continuous savings
	Best channel that can attract plenty of angel investors to contribute to those philanthropic endeavors		Promotes the opportunities for the participants to accumulate a certain amount of funds to be given as *waqf* endowment, in the case that the *waqf* plan matures or the participant dies unexpectedly.
	Lends assistance for humanitarian needs particularly in low and middle income ("LMI") countries		
Weaknesses	Relatively new to the investors' world		The administration of Takaful-*waqf* is against the Federal Constitution
	No publicly available information for DIB concerning the program's impact on society and whether the investment is valuable for the money invested or not		Less flexible as compared to normal *waqf* or corporate *waqf*.
	It would be unfortunate for DIB management process if any political or economic issues arise, either in the investor's country or where the DIB's social program is taking place since DIB involves foreign investors.		*Takaful* and *waqf* are less favourable when associated with each other
	Health DIB only focuses on dealing with certain types of problems such as physical rehabilitation services, maternal and newborn care services, and eye surgery services		It does not allow the family of the participants to become part of the beneficiaries of the plan.
	A newly invented instrument will affect the confidence level of the investors towards the program's performance		
	Not all potential investors would want to participate in an investment without certainty of profit		
	An infant stage instrument may have many loopholes that shall be refined in the future		
	The social program is already pre-determined by the service providers of the program		
	These instruments only give opportunities to angel investors (investors that have lots of money) to participate in a philanthropic program		

Conclusion

To conclude, three important models of philanthropic instruments have been elaborated, namely SIB, DIB, and takaful-waqf models. These philanthropic instruments have their own strengths and weaknesses that may need to be rectified in the future. The implementation of such instruments must go through trial and error in order to rectify its flaws. Although there are some weaknesses in the instruments, it does not necessarily mean that the instruments do not have the potential to continue in the future. In fact, the instruments presented may have the potential to be implemented in Malaysia in the future, with certain modifications and reconditioning to suit them to the situation in our country. If the risks of the instruments are not being limited and mitigated, the fruits of the philanthropic instruments will cease to exist (Clarke, Chalkidou & Nemzoff, 2018). A more rigorous and feasible method of philanthropic instruments is a key challenge for the related parties to provide a better approach in delivering welfare services to the community (Care & Ferraro, 2019).

Since philanthropic instruments are crucial for the development of a country in terms of its social and economic benefit, there are recommendations to improve the effectiveness of the philanthropic instruments: (1) embedding the element of waqf into the current SIB and DIB, (2) publishing and organising plans and evaluating with the experts and scholars in the philanthropic area; and (3) allocate strong financial support to evaluate the consequences of modified philanthropic instruments.

In the absence of understanding the advantages and pitfalls of the instruments discussed, philanthropic instruments will remain a use of money that is interesting, but not necessarily effective (Clarke, Chalkidou & Nemzoff, 2018).

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