



Zulfikar Ali Khimji Memorial Education Fund (ZAKMEF)

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THE
WORLD
FEDERATION

OF KHOJA SHIA ITHNA-ASHERI MUSLIM COMMUNITIES

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“Investing in the Human Resources by educating our young is a social, religious and cultural responsibility. Through Higher Education, we can tend towards better lives.”

The Federation of Khoja Shia Ithna Asheri Jamaats of Africa (AFed) has been promoting the Higher Education Loan Program (HELP) for a number of years.

In the year 2001, when the immediate past Chairman Marhum Alhaj Zulfikar Ali Khimji took office, he identified as TOP PRIORITY the need to give this portfolio more impetus. In this regards, the Higher Education Loan Program was redefined and with the participation on 50 – 50 basis from the respective Jamaats of Africa, this portfolio was to be the fastest growing portfolio for the next three years. From 51 Students enjoying under this Program up to 2001, the numbers steadily grew and in 2004 the Portfolio saw the students who had enjoyed the funding under this scheme rise to 149. In the year 2004, 42 new students were awarded loans and in the 2005 37 Students benefited from this program.

A Maximum of US\$ 7,500/- would be disbursed to each student. Some Jamaats like Daresalaam and Mombasa set the threshold to US\$ 5,000/- per student per year. The scheme was being supported by Donors who would be approached every year to fund this program. The Jamaat would have to bear 50% of the disbursement per student per year whilst the AFRICA FEDERATION would fund 50% of the requirement. There were occasions where AFRICA FEDERATION funded the full amount (including Jamaat's portion).

Under this scheme the students would be extended the funding over the period of their undergraduate course tenure. Disbursements would be made on a yearly basis depending on the results and advancement admission of the respective student. The vision of Marhum Alhaj Zulfikar Ali Khimji was taking shape and the portfolio to give the potential youth of our community an opportunity for higher education was getting bigger and bigger. Alas Marhum could only see the dream become a vision, but converting it into reality was left to his successors. In September 2004, at the Chalismo of Marhum, the new Chairman of the Africa Federation Launched the Fund to be known as the ZULFIKAR ALI MEMORIAL EDUCATION FUND. (ZAKMEF)

There was a need to find a lasting solution to the yearly requirement to fund this demand and what better way then to identify this fund with the man who provided the inertia but was unable to see it embed itself as a perpetual community priority. As his Manifesto Statement said: “Investing in the Human Resources by educating our young is a social, religious and cultural responsibility. Through Higher Education, we can tend towards better lives.” The Fund Raising Program was broken down into Chapters. This would enable the respective Heads to focus in their areas of jurisdiction and solicit for funding with clear targets set out. Under the guidance of the Chairman of the Africa Federation Alhaj Ramzan Nanji, and the logistic Support of the AFed Secretariat, Alhaj Dr. Asghar Moledina was to head the International Chapter, Alhaj Asghar Bharwani was to head the Tanzanian Chapter, Alhaj Manzooral Kanani heading the Nairobi Chapter and Alhaj Sajjad Rashid taking care of the Mombasa Chapter.

Under the existing system, a maximum of US\$ 7,500/- would be disbursed to each student. Some Jamaats like Daresalaam and Mombasa set the threshold to US\$ 5,000/- per student per year. This system saw the respective Jamaat bear



50% of the requirement whilst Afed would fund the Balance 50% of the Maximum award amount per student.

The current system was seen to be very fragile, as it revolved around soliciting funds on a year in year out basis from benevolent donors. As you can see we already have 124 students currently in the system already undergoing higher education under HELP, covering a cross section of courses being undertaken from Computer Studies to Neuro Science. These students are currently studying in various countries all over the world from

Tanzania – 39

India – 04

England – 30

South Africa - 03

Canada – 20

Uganda – 02

USA – 11

Australia - 01

Kenya - 07

Dubai - 01

Malaysia - 06

HELP boasts of awarding applicants from most of the Jamaats within the Afed Ambit. The Total monies disbursed stands at US\$ 2,263,643/- with repayments standing at just over US\$ 246,000/-. Whilst the aim is to assist as many potential students as possible, the amount being offered under HELP covers from between 20 percent to 40 percent of the total requirement of each student studying in the West. The Balance of the requirement is expected to be raised by the student from his or her own resources.

This has seen some pitfalls in a sense that in the students subsequent years, the independent sources of funding has dried up thereby leaving the student stranded. This would also put the investment of the institution funding into jeopardy. This situation has been deliberated and it has been resolved that Afed encourage new applicants to seek higher education at more affordable institutions and at the same time not compromise on the quality of education. In investigating this direction, it has been satisfactorily identified that there do exist institutions who offer internationally recognized accreditation at the fraction of the costs.

For example

A Course in Pharmacy would cost:

US\$ - 40,000/- in South Africa

US\$ - 124,000/- in UK

A Course in Actuarial Science would cost:

US\$ - 19,000/- in Kenya

US\$ - 84,000/- in USA

A Course in Law would cost:

US\$ 50,000/- in Malaysia (2 Years in Malaysia and 1 Year in the UK)

US\$ 82,000/- in UK

The degrees issued by the respective Higher Learning Institutions would be equally valued as any other in the west. In some instances, degrees issued at



Universities in these institutions are from recognized Universities in the UK. In this regards the Way forward has been established to be:

Effective 2006, loans will only be given to students who are pursuing their higher Education at more affordable learning institutions (includes East Africa, South Africa, Dubai, India, Malaysia)

To promote setting up of middle level colleges at our main Jamaats, with internationally recognized accreditation.

To promote Career Education in our schools and enhance this facility.

To set up a database of more affordable learning institutions.

AFed would fund 100% of the Loan. Upon Launching ZAKMEF, in conjunction with the World Federation the original idea was to involve a Financial Institution which would participate on a 50 – 50 Basis as far as pooling the funds was concerned. AFed would deposit 50% and the Financial Institution would top it up with an equal amount of funds. The Institution would then manage the scheme based on criterion set up by the AFed. The same Financial Institution would manage the recovery of the loans disbursed. This would ensure regular turn around of the funds. Unfortunately, this did not come to fruition as the laws governing would not allow for this.

In this regards A RETHINK WAS REQUIRED.

The Rethink was to Invest the funds raised into real estate which would be equally if not more secure and the income generated from this development would then fund the yearly requirement.

Afed already had property in East Africa which was being appraised with a view of how best these would be utilized for better returns. This included, if necessary the sale of the same for reinvestment.

One such property in Daresalaam, Tanzania was identified for development which would secure a regular income to fund HELP.

So why did Afed choose Tanzania as the place to develop real estate to fund the education portfolio. Apart from Tanzania being amongst the most promising developing economies in Africa, Afed would have a head start in a sense that Land was already available for development and the cost of purchasing land would be removed from the equation.

So why Tanzania

Tanzania is located on the East coast of Africa, bordering Kenya on the North, Indian Ocean on the East, Mozambique and Malawi on the South and Zambia, Zaire, Burundi & Rwanda on the West. It is populated by 29.0 million people, democratically led with a market economy as a policy to bring about rapid socio-economic development. The country is strategically located to act as a gateway to the East, Central and Southern African countries.

Since early 1986, The Government of Tanzania has launched a comprehensive economic reform and stabilization programme. Agricultural marketing has been liberalized, foreign exchange controls have been lifted, price deregulated, enhanced private sector involvement in the economy through privatization



programme and a new investment code offering competitive incentives has been put in place. These comprehensive economic reforms have resulted into improved competitiveness, lower tariffs, increasing levels of foreign investment and trade, improved key economic indicators and rapid integration into world markets.

As a result of the free market reforms and the significant donor support, Tanzania has become a premier investment destination in Africa and one of the flagship “models of recovery” for the Bretton Woods Institutions (the World Bank and IMF). These organizations are working closely with the government to build out infrastructure and support the establishment of a working commercial and legal system in the country.

Foreign Direct Investment into Tanzania has more than tripled between the 1990s and today. The reasons attracting investors into Tanzania are highlighted below:

1. Tanzania has a stable and peaceful socio-economic environment, free of ideological confrontation, ethnic strife and labour disputes.
2. Tanzania adheres to a free market economy and private-sector activity.
3. Government-owned companies are under privatization and reorganization.
4. Tanzania has a vast, under-explored and still largely untapped wealth of natural resources, as well as tremendous agricultural, mineral and energy opportunities.

Harvard University ranks Tanzania as the African country with the greatest degree of improvement. In a report titled “The Africa Competitiveness Report 2000/2001”, Tanzania ranks first followed by Morocco, Mozambique, Nigeria and Uganda.

In another measurement barometer, Optimism Index, Tanzania ranked second after Nigeria. Uganda was ranked eleventh and Kenya fourteenth.

Investors in Tanzania are highly optimistic of the future of the economy. Low inflation, a reasonably stable currency, a friendly Government and peaceful country are what most of the international company chiefs quoted as being the primary economic driving force.

5. In terms of human resources, Tanzania has a large, trained, friendly, economical and hard working labour force.
6. Tanzania has attracted a growing number of investors and entrepreneurs who are looking at the country with a light of its economic rebirth since the mid-1980's, embodied in its far-reaching macro-economic reform programs.
7. Tanzania has good communications with all parts of the world and enjoys a strategic location in terms of regional and international commerce. It is situated at the cross-roads of maritime trade traffic. Tanzania is accelerating its progress in the field of infrastructure, especially in transport, communication and energy.
9. Tanzania is a recipient of massive support and investment from major international financing institutions, such as the World Bank, IMF and other donor agencies.



10. Tanzania is a member of the Southern African Development Community (SADC), Preferential Trade Area (PTA), the recently revived East African Cooperation (EAC), signatory of the EEC/African Lome Convention as well as well as Multilateral Investment Guarantee Agency (MIGA) and International Center for Settlement of Investment Disputes (ICSID).

11. Tanzania has introduced favourable tax and regulatory treatment for all investors and has accelerated and streamlined the handling of investment proposals. Access to foreign exchange for repatriation of profits is guaranteed. Real Estate Investment

The United Nations Industrial Development Organisation (UNIDO) as well as other institutions promoting investment in Tanzania, have all recommended the opportunity of investing in real estate as one of the key sectors.

Particularly in the metropolitan areas, the Tanzanian Housing Corporation through its ownership of significant properties and tracts of land has created market inefficiencies that will reward real estate investment for a significant time to come. Demand for decent housing and commercial property has risen significantly with aspirations as the country has started getting wealthier. As a result of the mass ownership and inefficient distribution of property, supply however cannot keep up. This is having the effect of raising rental rates and significant capital appreciation based on fundamental demand and supply gaps. One can compare this broad macro environment favorably against other markets experiencing a real estate boom such as Dubai or certain cities in the United States. In these markets, growth is driven by a supply push and supported by unsustainable consumer expenditure and debt.

Tanzania pays for property in hard currency, providing a degree of protection against the devaluation of the local shilling.

In summary, the attractive macroeconomic factors in conjunction with the unique micro-factors for the real estate market support the thesis that a real estate investment in Tanzania would be profitable from both a yield and price appreciation perspective. It is the thesis of this paper that opportunities in real estate in this region should be considered as strong alternatives to effectively deploying capital. Having resolved that Tanzania was a good enough location to invest into real estate, a plan was drawn up of the development. The development would be located in the Up Market area of Upanga in the City of Daresalaam, and would comprise of:

A Nine Storey Ultra Modern Housing Complex comprising of
40 No. 3 Bedroomed Flats
10 No . Shops
62 Parking Spaces.

The Current Market rates are US\$ 1,000/- per month per flat in the immediate vicinity.

The current Market rates are US\$ 1,200/- per month per shop in the immediate vicinity.

The shops would be ideal to facilitate a shopping arcade for the 40 flats.



The workings of the income are based on a lower figure of US\$ 800/- per month for each flat and US\$ 1,000/- per month for each shop.

This would constitute an income of US\$ 504,000/- per year. Considering that the intention is to maintain the status of the development, a consideration of 10% towards maintenance and management is envisaged hence asserting an income of US\$ 453,600/- per year.

Considering that the development will cost US\$ 4,000,000/- this constitutes a net income of 11%. A more than acceptable rate of return by any standards. Having launched this program, we have received the following pledges from within Africa Federation

Daresalaam – US\$ - 850,000 / -

Mombasa – US\$ - 380,000/-

Nairobi – US\$ - 300,000/-

We already have in the kitty US\$ 650,000/- the larger donors being Kampala Jamaat – US\$ 150,000/- Hussein Alibhai of Karachi – US\$ 100,000/-

We have identified that we need to raise from the Community outside East Africa the amount of US\$ 2,000,000/-

Considering that our community in Europe and the Americas are originally from East Africa, we believe that this is one opportunity to respond to the call and help make this project a success. In the macro analysis we wish to present this equation for consideration. Each and every Jamaat identify the number of members and set a target of US\$ 170/- or GBP 100/- per person towards this scheme.

If we account for 20,000 members we can achieve this target if US\$ 2,000,000/- within the shortest possible time. Alternatively one can donate a flat at the cost of US\$ 100,000/- towards the isale sawab of their marhumeen. It is therefore my appeal to all you leaders and donors alike, to respond to this call by Africa and make ZAKMEF a success so that we can have this portfolio be one which will run itself for generations to come.

Africa Federation Bank Accounts:

UK:

Habibsons Bank

Bank Address: 55-56 Jame's Street,

London,

SW1A 1LA,

UK

Account Name: AFED

Account No(\$): 21073784

Account No (Stg): 21073776

Sort Code: 40-50-83

Tanzania:

Habib African Bank

Daresalaam—Main Branch

Account Name: Khoja Shia Ithna Asheri Supreme Council

Account No (TShs): 0000108001

Habib African Bank

Daresalaam—Main Branch

Account Name: Federation of K S I Jamaats of Africa