

## Additional ITFC commodities support for Egypt



EGYPT

By Dr Walid Hegazy

**This month, the International Islamic Trade Finance Corporation (ITFC), a subsidiary of the IsDB, concluded a US\$1.1 billion petroleum and logistical commodities deal. The deal represented a continuation of the IsDB's support for Egyptian spending on essential commodities in accordance with the US\$3 billion framework agreement signed between the ITFC and the Ministry of Investment and International Cooperation in 2018.**

This latest injection of capital, to assist Egypt in importing basic petroleum and logistics commodities for the year 2020, further augments the IsDB's portfolio in Egypt.

The initial impetus behind the ITFC's commodities support program was to compensate for Egypt's delayed payments following the 2016–17 currency crisis, during which the country's currency

experienced an almost 100% depreciation in value. The General Authority for Supply Commodities was unable to make timely payments on essential food and energy needs, a necessity in a jurisdiction where economic and political stability are so tightly linked.

Still, it would be a mistake to classify the ITFC's assistance as a mere subsidy program. The latest executive agreement involves the Ministry of Petroleum and Mineral Resources as well as the UN's Industrial Development Organization (UNIDO). All parties are committed to the execution of Egypt's economic reform program, which aims to increase the value of the national currency, promote local production and decrease Egypt's trade deficit.

The UNIDO will assist with the implementation of Egypt's strategic goals in the national cotton industry at all levels of the value chain. In the short term, the ITFC contribution will ensure the country's food security for the upcoming

fiscal year. From a long-term perspective, the ITFC is seeking to create and implement local solutions that will reduce the country's dependence on foreign aid.

While Egypt's currency has increased in value, from EGP18 to the dollar to EGP15.5, over the past two years, the government continues to require external assistance to meet the commodity and fuel needs for an exponentially growing population.

Regardless of the objectives that have been set, the fact that the ITFC had previously contributed US\$1.68 trillion over the 22-year period from 1985 to 2007 indicates that the economy could require decades to recover from the damage inflicted during the past turbulent political transitions. Ultimately, the key component of a successful recovery will be citizens' and creditors' patience. ☺

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## Charitable giving from the angle of tax efficiency



THE US

By Aliredha Walji

**According to a research study conducted by the Institute of Social Policy and Understanding, US Muslims are motivated to give to causes that not only impact fellow Muslims, but also humanity at large. This is due to both a sense of religious obligation as well as a feeling that those who are endowed with more should share with and help those who are less fortunate.**

Financially speaking, December is a great time to consider donating to one's favorite charities in a tax-efficient manner. For both donor advised funds (DAFs) and direct contributions to registered 501c3 non-profit organizations, the deadline falls on the 31<sup>st</sup> December. Those who have company stock can donate appreciated shares and save on capital gains taxes as well.

DAFs in particular provide a vehicle for obtaining an immediate tax deduction for money that is deposited into the DAF account. The beauty of this is that the

funds can be donated at any time in the future; for example, one may deposit money in December to benefit from the tax savings, and then wait to distribute it until the holy month of Ramadhan, when acts of charity are especially encouraged. In addition, money that is deposited into the DAF can be invested, thereby allowing the pool of funds to grow tax-free.

Muhi Khwaja of the American Muslim Fund, an organization that focuses on creating DAFs and building endowments for the Muslim community, states that this provides "...a convenient way to set up an ongoing charitable gift (Sadaqat Jariyah) as an endowment to benefit some of your favorite charities, or simply create a DAF in memory of a loved one or your family." As an added bonus, DAFs also allow for anonymous donations.

The 31<sup>st</sup> December is also the deadline for anyone who needs to take out a required minimum distribution (RMD) from their IRA accounts; this is usually a requirement for anyone 70½ years old or older. Since taking money out of your IRA means that it will be counted

as taxable income, this could push some individuals into higher income tax brackets.

Instead, another option would be to take out a qualified charitable distribution (QCD), which can be taken by individuals who are 70½ years old or older, to donate up to US\$100,000 total to one or more charities directly from a taxable IRA instead of taking their RMD, thus helping others while simultaneously lessening their own tax burden.

In conclusion, US Muslims can and do play a role in making this world a better place through their donations, and year-end is a wonderful time to do it. Whether organized through vehicles such as private foundations or through DAFs or even one's IRA account, giving can be done in a manner which allows the donor to help their favorite causes, remove administrative burden, and do good for oneself or in the name of friends or family... all while being tax efficient. ☺

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