

THE CONCEPT OF MASLAHAH AND DOCTRINE OF MAQASID (OBJECTIVES) AL-SHARI'AH IN PROJECT EVALUATION

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Abstract

The significances of the concept of *maṣlaḥah* and doctrine of *Maqāṣid* (objectives) *al-Sharī'ah* as put forward predominantly by Al-Ghazālī and Al-Shāṭibī have a great impact on the project evaluation procedure in an Islamic framework. The incorporation of this concept into the project evaluation framework will greatly distinguish the Islamic framework from the mainstream one. In carrying out this study, the researcher has followed the descriptive method to discuss the definition and classification of *maṣlaḥah* in the Islamic jurisprudence. The researcher has also applied both the inductive and deductive methods as well as the analytical method to thoroughly examine and analyse the literature of the Muslim scholars related to the topic. The study found that the concept of *maṣlaḥah* establishes a more detailed order of priorities amongst competing projects, rationalises choices under the light of the *Sharī'ah* and ensures the coherence of the selected project with the *Sharī'ah*'s objectives and the Islamic system as a whole. *Maslahah* analysis of project should be carried out prior to execution of the commercial and national profitability analysis of the project. The concept also represents one of the Islamic values that should be taken into consideration by the project analysts and decision makers in carrying out their judgments.

Keyword: *Maslahah*, *Sharī'ah* objectives, project evaluation

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1.0 Introduction

The framework for project evaluation offered today in mainstream economics, with its complexity and thoroughness, has been developed in isolation from Islamic input. With due acknowledgements to the contributions of mainstream economics towards the birth and development of the existing methodology and framework for project evaluation, the researcher insists on its deficiency and inability to serve the Muslim governments and individuals to opt for the most preferable project under the light of the *Sharī'ah*. This fact entails the accommodation of the *Sharī'ah* objectives and the concept of *maṣlaḥah*, as instigated by predominantly Al-Ghazālī and Al-Shāṭibī, into the project evaluation framework to determine an order of priority amongst competing alternatives¹. This study starts with a brief explanation of the concept of *maṣlaḥah* as the *Sharī'ah* objectives. Then, the classifications of project according to the *maṣlaḥah* concept into the categories of Necessities, Conveniences and Refinements are delineated. Following that are the rules governing the relationship amongst the three categories of *maṣlaḥah*. Next, the researcher explains what is beyond and beneath the *maṣlaḥah*. After that, the integration of the *maṣlaḥah* concept into project evaluation and its significance is expounded. This is followed by the discussion on the need for continuous judgment for defining the *maṣlaḥah*. This study ends with a conclusion summing up the discussions in brief. Towards the end of this study, it is hoped that the reader will be able to appreciate the significance of the incorporation of the *maṣlaḥah* concept into the framework of project evaluation.

2.0 The Concept of *Maṣlaḥah* and *Sharī'ah* Objectives

The concept of *maṣlaḥah* has been discussed at length by several jurists. However, the two most prominent of them, as cited in the literature, are Al-Ghazālī and Al-Shāṭibī. The former is considered as the one who first gave the original formulation of the concept from its rudimentary form, whilst the latter developed and refined the concept (Khan, 1997; Zarqa', 1984). Al-Shāṭibī is also considered as the first jurist to write on the subject as a new independent theory, particularly in his book “Al-

¹ Establishment of an order of priority amongst competing projects is one of the objectives for carrying out project evaluation study (Sang, 1995).

Muwāfaqāt Fī Uṣūl Al-Sharīʿah” (Shibīr, 2000). Other jurists who have discussed the same subject are, for examples, Al-Juwaynī, Al-ʿIzz Ibn ʿAbd Al-Salām, Ibn Khaldūn and Ibn Al-Qayyim Al-Jawziyyah (Al-Masri, 1999; Khan & Ghifari, 1992). The institution of *maṣlaḥah* is derived from the survey and scrutiny of all Islamic teachings and injunctions available in the *Qurʿan* and *Hadith* (Zarqaʿ, 1984). This means that the *Sharīʿah* in all its teaching aims at the attainment of good, welfare, advantage, benefits, etc., and the warding off of evil, injury, loss, etc., for creatures (Khan & Ghifari, 1992).

It is generally held that the *Sharīʿah* in all its parts aims at securing a benefit for the people or protecting them against corruption and evil in various degrees. The *wājib* (obligatory), *mandūb* (recommended) and *mubāḥ* (permissible) aim at realising the benefit and welfare and the *makrūh* (reprehensible) and *ḥarām* (forbidden) aim at preventing corruption and evil (Kamali, 1989). As a principle, each matter that increases the welfare of people from the *Sharīʿah* point of view is considered as *maṣlaḥah* or utility. Similarly, each matter that decreases the welfare of people from the *Sharīʿah* point of view is considered as *mafsadah* or disutility. This meaning is observed in Al-Ghazālī’s definition of *maṣlaḥah* i.e., “...*Preservation of Sharīʿah objectives, and the Sharīʿah objectives for the (welfare of) creation are five matters. They are preservation of the religion, life, mind, offspring and wealth. And everything that leads to the preservation of these five foundations is considered maṣlaḥah, and everything that leads to the disruption of these foundations is mafsadah, and its removal is maṣlaḥah,*” (Al-Masri, 1999; Hasān, 1993).

3.0 Classification of Projects according to the Concept of *Maṣlaḥah*

The classification of projects in an Islamic framework into either *ḥalāl* (lawful) or *ḥarām* (unlawful) is not enough to determine an order of priorities for the projects. Thus, bringing the concept of *maṣlaḥah* into the framework is necessary. The concept can determine the order of priorities in an Islamic framework and thus, entails ranking of projects into three main categories. They are:

1. Necessities (*Darūriyyāt*)

2. Conveniences (*Hājiyyāt*)
3. Refinements (*Taḥsīniyyāt*).

The classification of projects based on the concept of *maṣlaḥah* has been suggested by Zarqa' (1982) and °Afār (1992). However, °Afār(1992) suggests the division of projects into six categories to have a more detailed classification of projects. The divisions are:

1. Necessities
2. Complementarities (*Mukammilāt*) of Necessities
3. Conveniences
4. Complementarities (*Mukammilāt*) of Conveniences
5. Refinements
6. Complementarities (*Mukammilāt*) of Refinements

According to °Afar (1992), Complementarity projects can be defined as projects that will realise the lower level of *maṣlaḥah*, but simultaneously have importance for the higher level of *maṣlaḥah*². In dealing with the project evaluation topic, the researcher is in favour of categorising projects into the established three categories of *maṣlaḥah*. Hence, Complementarity projects of Necessities can be categorised under the Necessities category itself and so forth.

Based on the concept of *maṣlaḥah*, projects, additionally, could also be classified into five categories. These five categories are related to the protection, improvement and amelioration of Man's five basic elements namely, religion, life, mind, offspring and wealth (Al-Maṣrī, 1999). However, these five elements are not equal in importance. Some are more important than others, but each of them is essential. The elements, in order of priority according to the *Mālikiyyah* and the *Shāfi'īyyah*, are (Al-Zuḥaylī, 1998):

- i. Religion (*Dīn*)

² Al-Zuḥaylī (1998) states that complementarities (*mukammilāt*) of each category of *maṣlahah* are those matters which absence will not necessarily lead to the destruction of the objectives of the respective category.

- ii. Life (*Nafs*)
- iii. Mind ([°]*Aql*)
- iv. Offspring (*Nasab*)
- v. Wealth (*Māl*)

The prioritisation of these five elements by the *Hanafīyyah* is as follows (Al-Zuḥaylī, 1998):

- i. Religion (*Dīn*)
- ii. Life (*Nafs*)
- iii. Offspring (*Nasab*)
- iv. Mind ([°]*Aql*)
- v. Wealth (*Māl*)

°Afar (1992) describes the same order as the *Mālikīyyah* and the *Shāfi'īyyah* and classifies projects into one of these five essential elements. On the other hand, Zarqa' (1982) equates all the five elements in terms of importance as their maintenance and preservation are all compulsory in Islam. This is another important difference between both of them. It seems to the researcher that the *Sharf'ah* does assign different weight to these five elements. Al-Qardāwī (2000) provides a good explanation of the issue and he is of the opinion of the *Mālikīyyah* and the *Shāfi'īyyah*³.

3.1 Necessities (*Ḍarūriyyāt*)

Under this category are those projects that are required for bringing into existence and maintaining the very existence of man's five essential elements i.e., Religion, Life, Mind, Offspring and Wealth. This includes projects that are necessary for protecting these elements from destruction (Khan & Ghifari, 1992). It also includes projects that are necessary for the achievement of the maintenance and protection of

³ *Al-Shātibī* is one of the *Mālikīyyah* and *Al-Ghazālī* is one of the *Shāfi'īyyah*. They also describe the same order as the *Mālikīyyah* and the *Shāfi'īyyah* (Al-Mays, 1987).

these five elements. This is due to an established Islamic legal maxim: *Whatever is indispensable for the performance of an obligation is also obligatory* (Zarqa', 1984).

We could summarise the Necessities projects into nine main areas as identified by 'Afār(1992)⁴. The nine areas are:

1. *Provision of staple foods and what are necessary for their existence and continuity.* This includes production of fertilizer, basic agricultural instruments and machines and distribution services.
2. *Provision of clean water and basic public utilities.* This includes establishment of institutions and organisations responsible for this job.
3. *Basic education.* It is obligatory for the government and society to ensure that both knowledge of *farḍ al-ʿayn* (individual obligation) and *farḍ al-kifāyah* (social obligation) in each discipline is adequately provided. This will also entail the establishment of relevant institutions such as schools, mosques, universities and other educational centers.
4. *Production of basic apparel to protect Man's well-being.* This includes summer and winter clothes and costumes for specific work that ensure the safety of the workers.
5. *Accommodation* that are suitable for the local environment and provide protection and rest for the households (family institution). This also includes the production of basic home appliances and furniture.
6. *Basic transportation and communication means.* They are essential for the people to carry out their work and obligations towards themselves, their families and communities.

⁴ These nine areas are not exhaustive but 'Afār's (1992) explanation of this topic is very much more detailed compared to the works of Zarqa' (1982).

7. *Health services* to protect and preserve two essential elements of Man i.e., Life and Mind. The protection of the environment falls under this category.
8. *Institutions for maintaining and preserving Islamic laws, justice and order in the society*. Some of the examples are law councils, courts, police stations, and *zakāh* institutions.
9. *National safety and defence*. It is obligatory for Muslims to protect their very existence by making preparation in terms of military weapons and instruments. This should be done up to the level that they have the ability to ensure their sovereignty and furthermore, exercise their rights in Islam.

It is worth mentioning here that projects that fall under this category of *maṣlaḥah* are considered obligatory to be undertaken in Islam (°Afar, 1992; Zarqa', 1982).

3.2 Conveniences (*Ḥājiyyā*)

Projects that are not vital to the preservation of the five essential elements, but rather, are needed *to relieve or remove impediments and hardship* (facing the five elements) in life should fall under this category of *maṣlaḥah*. In the real world situation, most projects, crafts, industries and economic activities are included here (Meera, n.d.; Zarqa', 1984). The execution of such projects is strongly recommended in Islam up to the extent sufficient to remove difficulties or achieve conveniences in life (°Afar, 1992; Zarqa', 1982 & 1984).

As a general principle, projects that contribute to the advancement of the essential areas and make Man's activities easier and remove the difficulties facing them are Conveniences projects. Examples of such projects are numerous, but some of them are listed here for illustration (°Afar, 1992; Zarqa, 1984):

1. Promotion of physical education to strengthen the body and enhance one's health (Notice that protection of life and mind is a Necessity).

2. Production of quality foods and good clothes.
3. Comfortable houses and cars.
4. Improvement in transportation and communications.
5. Advancement in educational level, etc.

3.3 Refinements (*Taḥṣīniyyāt*)

Projects that do not remove or relieve difficulties but rather, those that adorn life and put comfort into it fall under the category of refinements. In other words, projects which go beyond the limits of Conveniences fall under this category - on condition that they are carried out moderately (Zarqa', 1984). Such projects should be given least priority, particularly if the first two categories have not been satisfied (Meera, n.d.). The discharge of projects under this category is either recommended or permissible in Islam (Zarqa', 1982). Examples of projects under this category are as follows:

1. Objects of enjoyment and ornamentation e.g., flower, perfumes, luxurious items and jewellery.
2. Building and house decorations.
3. Recreation centres.
4. Landscaping, etc.

4.0 The Rules Governing the Relationships amongst the Three Categories of *Maṣāḥah*

There are several rules governing the relationships amongst the three project categories i.e., Necessities, Conveniences and Refinements. Some of the main rules are (Meera, n.d.; Khan & Ghifari, 1992):

1. "Necessities" are fundamental to "Conveniences" and "Refinements". Thus, projects under "Necessities" should be preferred to those of

“Conveniences” and “Refinements”. Recommended and permissible projects could not be perceived as having precedence, in any situation, over obligatory projects.

2. Deficiency in “Necessities” causes deficiency in “Conveniences” and “Refinements” in an immutable manner.
3. Deficiency in “Conveniences” and “Refinements” does not necessarily affect “Necessities”.
4. An absolute deficiency in “Conveniences” and “Refinements” may cause deficiency to some extent to “Necessities”.
5. Society should keep up “Conveniences” and “Refinements” for the proper maintenance of “Necessities”.
6. “Refinements” are the complement of “Conveniences” whilst “Conveniences” are the complement of “Necessities”.
7. If “Refinements” are chosen over “Conveniences”, this practice may be *makrūh* (reprehensible) or *khilāf al-awlā* (opposite to what is better or greater)⁵. Nonetheless, “Conveniences” should be given more weight than “Refinements” for evaluation purposes.

5.0 Beyond the Maṣlaḥah: Al-Isrāf and Al-Tabdhīr

Another aspect of the significance of this concept (which is peculiar to mainstream practice) is that only projects that fall under the three categories of *maṣlaḥah* should be pursued in an Islamic framework. A project that is beyond the

⁵ Some of the *Shāfiʿiyyah* divide *makrūh* (reprehensible) value into two categories: (1) *makrūh*: If the evidence of prohibition is not decisive but specific to a particular matter and (2) *khilāf al-awlā*: If the evidence of prohibition is not decisive and not specific to any particular matter (Al-ʿIṭāh, 1989).

category of *maṣlahah* can be classified into two main categories which are unacceptable in the *Sharī'ah* (Afar, 1992). The categories are:

1. *Al-Isrāf*: This refers to the act of spending or investment in permissible (*ḥalāl*) activities but more than what is required. Self-indulgence (*al-taraf*) or living in great unnecessary luxury also falls under this category (Afar, 1992).
2. *Al-Tabdhīr*: This can be defined as any disbursement on unlawful (*ḥarām*) or unjustifiable activities. Similarly, the fulfillment of lower-level needs in the presence of higher-level needs that are not being satisfied is perceived as an act of *al-tabdhīr* (Afar, 1992).⁶

Projects that fall under these two categories can be either reprehensible (*makrūh*) or forbidden (*ḥarām*) from the Islamic point of view. Examples of projects under these two categories are those that involve forbidden activities such as the provision of *ribā'*, gambling, non-*ḥalāl* goods or services.

6.0 Beneath the Maṣlahah: Al-Taqtīr

If the government or individuals underutilise the available resources to fulfil the *maṣlahah* or they decide not to carry out projects whilst the *maṣlahah* or welfare of the people is deficient, this could be considered as an act of *al-taqtīr*. *Al-Taqtīr* is a sort of niggardliness (*bukhl*) which is condemned by the Prophet PBUH (Al-Maṣrī, 1999). Moreover, Islam requires Man to use these resources to the extent necessary for the production of individually or socially useful goods and services and employ the means that justify their use for the end product (Pomeranz, 1995; Ahmad, 1991). This requirement is observed, for example, in the *Qur'ānīc* verse 57: 7⁷. Additionally,

⁶ Al-Maṣrī (1999) gives a slightly different definition of *al-isrāf* and *al-tabdhīr*. According to him, *al-isrāf* is spending in *ḥarām* even in a small amount or spending in *ḥalāl* but excessive. *Al-tabdhīr* is a situation worse than *al-isrāf*, e.g., spending in *ḥarām* in a big amount.

⁷ "Believe in God and His Messenger, and spend (in charity) out of the (substance) whereof He has made you heirs. For, those of you who believe and spend (in charity), - for them is a great reward," (Alī, 2000).

Al-Ghazālī and Al-Shāṭibī assert that it is society's obligation to steer their system, capacity and resources towards the realisation of the *maṣlaḥah* (ʿAfar, 1992).

7.0 The Framework for Project Evaluation in Mainstream Economics

The structure (or approach) of project evaluation is somewhat different amongst the literature in mainstream economics. However, there are two aspects of a project's profitability which have been the focus in the evaluation of projects. The first aspect is the project's commercial profitability and the second one is the national profitability⁸ of the project. Whilst the former is the main concern of individuals, the latter has been emphasised in public project evaluation. The two aspects of the project's profitability mainly make up the objectives which a particular project is intended to satisfy⁹. Thus, the project evaluation framework necessarily examines the project's contribution to the attaining of commercial and national objectives. The basic framework for project evaluation in mainstream economics¹⁰ is depicted in Figure 1.

7.1 Commercial Profitability

Commercial profitability analysis is concerned with the feasibility of the project from the financial point of view. At this stage, the project's costs and benefits are calculated in pecuniary terms at the prevailing market prices (UNIDO & IDCAS, 1980). The cash flow (inflows and outflows) estimation is the basis for the commercial profitability analysis. Thus, constructing relevant cash flows is of great

⁸ The national profitability basically represents the social profitability of the project. The net social gains may usefully be called national profits, when the society is identified with the nation. This should include the economic and non-economic costs and benefits of a project that would affect national or social welfare (UNIDO, 1972).

⁹ Some authors suggest a more detailed division of project objectives. For example, Aḥmad (1999) gives four aspects of project objectives namely, economic, technological, social and political.

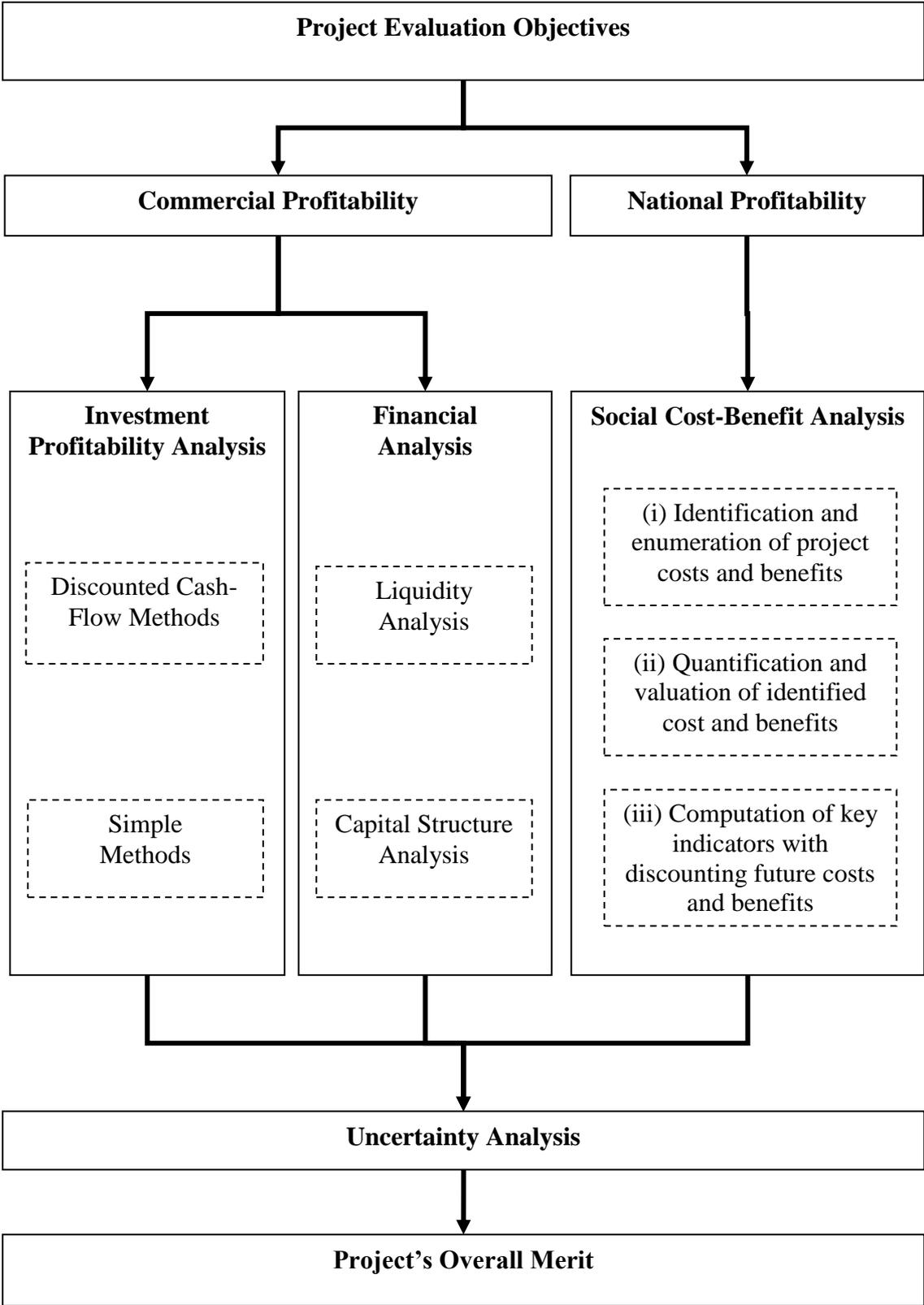
¹⁰ The main references the researcher refers to in constructing this framework are: UNIDO & IDCAS (1980), UNIDO (1972) and Sang (1995).

importance to assure reliable results from the analysis (Sell, 1991). The commercial profitability analysis is composed of:

- a) *Investment Profitability Analysis*
- b) *Financial Analysis*

Each type of analysis deals with different aspects of the project. Hence, they are not complementary and not substitutable (UNIDO & IDCAS, 1980).

Figure 1: The Framework for Project Evaluation in Mainstream Economics



7.1.1 Investment Profitability Analysis

Investment profitability analysis measures the return on the capital put into the projects regardless of the sources of the financing. In other words, it analyses the expected earning power of the resources committed to a project without taking into consideration the financial transactions which occur over the project's lifetime (UNIDO & IDCAS, 1980). The main methods for this analysis are divided into two groups:

- 1) *Discounted Cash-Flow Methods*
- 2) *Simple Methods*

Discounted cash-flow methods comprise the two most important and regularly used methods i.e. *Net Present Value (NPV)* and *Internal Rate of Return (IRR)*. These two methods are classified under this category as they take into consideration the economic life of the project as a whole by discounting future cash inflows and outflows to their present values. The NPV method determines the divergence between the present values of a project's cash inflows and outflows. The cash flows are discounted by an appropriate discount rate to determine their present value (Sang, 1995; UNIDO & IDCAS, 1980).

The IRR, by definition, is the rate of discount that equates the present value of its cash inflows to the present value of its costs (Brigham & Houston, 2001). In another sense, it is the rate that equates the NPV of the project to zero (Levy & Alderson, 1988; Sang, 1955; UNIDO & IDCAS, 1980). The IRR is then being compared to the cut-off rate (or hurdle rate) that represents the minimum acceptable rate at which the capital invested should be compounded. The project is acceptable if the IRR is bigger than the cut-off rate. It seems that the IRR has a somewhat a "breakeven" feature that makes it really useful in project evaluation. This method is helpful if the project analysts find it difficult to attain the appropriate discount rate for calculating the NPV of the project (Brigham & Houston, 2001; UNIDO & IDCAS, 1980).

The *simple methods* consist of two simple and straightforward methods. The methods do not take into account the present value of the project's future cash flows or the whole life span of the project. They rely on one model period, usually one year.

The methods are the *simple rate of return* and *payback period*. The *simple rate of return* is the ratio of the project's net profit to the total investment – both fixed and working capital (Sang, 1995; UNIDO & IDCAS, 1980). The *pay-back period* method calculates the expected number of years required to recover the original investment. The result of this method will then be compared to the cut-off payback period set by the decision-makers to decide on its acceptance or rejection (Brigham & Houston, 2001; Irvin, 1978).

7.1.2 Financial Analysis

Financial analysis consists of *liquidity* and *capital structure analysis*. *Liquidity analysis* checks the possibilities of cash deficiency in the years of a project's life (Sang, 1995). It concerns the financial transactions affecting a project's cash balance which are not highlighted in the investment profitability analysis. It is done on a year-by-year basis and, hence, the cash flows are calculated at their nominal values (UNIDO & IDCAS, 1980).

The question of capital sufficiency is analysed in the *capital structure analysis*. It is performed to ensure that each type of investment (fixed or working capital) is covered by a suitable type of finance. The most commonly used as the indicator of an enterprise's capital structure is the *debt equity ratio*. It is simply the ratio of long-term loans to equity capital. There is no specific favourable debt equity ratio. It depends upon the earnings of the project, the nature of the enterprise and the uncertainties of the future. However, a low debt equity ratio reflects a lower risk of solvency or heavy financial obligations and vice-versa (Sang, 1995; UNIDO & IDCAS, 1980).

7.2 National Profitability

The *national profitability analysis* is seen necessary due to several limitations of commercial profitability analysis. For example, the use of market price in commercial profitability analysis could be misleading and it is not a good guide to social gains. Additionally, a project may have effects outside the market which have not been treated in commercial profitability analysis (UNIDO, 1972). Thus, international

agencies such as UNIDO, the OECD and the World Bank have repeatedly emphasised the need for SCBA, particularly for public projects, in their various publications to account for the national profitability of a project (Anand, 1993). The methodology of SCBA, its conceptual foundations, valuation and measurement issues are massive topics and they are not within the scope of the study. However, the researcher describes here its main framework. The framework of SCBA is worthy of explanation as “*various techniques have been developed for project studies within the framework of cost-benefit analysis*” (Sang, 1995).

7.2.1 Social Cost-Benefit Analysis

The basic framework of SCBA can be summarised in the following points (Sang, 1995; Boardman *et al*, 2001):

1) Identification and enumeration of project costs and benefits

The relevant costs and benefits are defined by type, region, recipient or other criteria. This includes the effects of the project in the realm of production and distribution, positive and negative, direct and indirect, internal and external, measurable and immeasurable effects.

2) Quantification and valuation of identified costs and benefits

In order to determine precisely the net balance between the project’s costs and benefits, the individual items have to be quantified and valued. The project analysts should quantify as many items as possible and attach a value or a degree of significance to each of the remaining items so that the overall merit or demerit of the project can be determined.

3) Computation of key indicators with discounting future costs and benefits

Selected indicators are computed on the basis of available data and valuations. The most commonly applied indicators for public project are the NPV and IRR. Next, these indicators will undergo uncertainty analysis and then, the advantages and disadvantages of the project are weighed against each other to arrive at the project’s overall merit.

7.3 Uncertainty Analysis

The previous stages of the framework are carried out under the assumption of certainty of the future. In reality, there is always uncertainty about the future, and with uncertainty, there is likely a conflict between what is theoretically correct and practically feasible (Bierman & Smidt, 1993). The outcome of the project may turn out to be slightly or considerably different from the initial expectations. Managers in a firm might tend to be optimistic in their forecasts as they have to compete for internally rationed funds (Meera, n.d.). Unfortunately, reality seems to prove that an underestimation of cost is more usual than vice-versa. In other words, it is always the case that the analysts seem to overestimate the benefit and the potential danger is underestimated (Sell, 1991).

Therefore, it is obvious that the uncertainty analysis is indispensable and it has been discussed, in short or great detail, by almost all the literature pertaining to project evaluation. Each variable needed for uncertainty analysis could be a source of uncertainty that affects the outcome of the project. Some of the common variables are the size of investment, operating costs and sales revenue - cash flow estimation (UNIDO & IDCAS, 1980). The uncertainties might also be caused by inadequate data, insufficient money and time and poor performance by the project analysts. Uncertainties are either internal or external. Internal uncertainties are related to the project itself that constitute the elements and structure of the project. On the other hand, external uncertainties relate to the surrounding environment of the project in which it operates such as political, social and economic changes during the lifetime of project¹¹ (Sang, 1995; UNIDO & IDCAS, 1980).

There are several methods for project analysts to carry out uncertainty analysis. The simplest one is the *break-even analysis*. A more systematic approach for uncertainty analysis is the *sensitivity analysis*. *Sensitivity analysis* shows how the value of the crucial indicators (the NPV, IRR or any other criteria) changes with a

¹¹ Some examples of external uncertainties are (1) civil wars might occur; (2) national economy falls into recession; (3) governments change their policies and priorities; and (4) new laws are imposed.

given change in an input variable, sometimes more than one variable, with other things held constant. This technique is used to determine how sensitive the results of project evaluation would be in relation to changes in crucial variables or key parameters. Where there are great uncertainties in the future or each variable has a significant chance of occurrence, *probability analysis* is recommended. This method identifies the possible range of each key variable, if not all, and does not restrict the judgment to a single optimistic, pessimistic or realistic estimation (Brigham & Houston, 2001; UNIDO & IDCAS, 1980).

7.4 Project's Overall Merit

Based on the uncertainty analysis results, the project's overall attractiveness from the commercial and national points of view is presented. This framework for project evaluation is basically a quantitative analysis of a project to arrive at the present attractiveness of the project. The analytical quantitative methods and criteria described here are not exhaustive; rather it is a list of main examples for each stage of the analysis. The choice of methods and criteria depends on the objectives of project evaluation, the decision makers, the economic environment, and the availability of relevant data (Sang, 1995; UNIDO & IDCAS, 1980).

8.0 The Incorporation of the *Maṣlaḥah* Concept into the Project Evaluation

The incorporation of the concept of *maṣlaḥah* will greatly distinguish an Islamic framework for project evaluation from the conventional one. The purpose of incorporating this concept into the framework is to ensure the adherence of the selected project to the *Shari'ah*'s objectives and the Islamic system as a whole. From the foregoing discussions, the researcher has proposed Table 1 and Table 2 to illustrate the priority and values of projects according to the concept of *maṣlaḥah*. Each number represents the rank of the project from the *Shari'ah* point of view.

Projects that receive the highest priority in an Islamic framework are those which have the Religion element of the Necessities category.

Figure 2 illustrates the framework for the *maṣlaḥah* analysis of projects in an Islamic framework. The *maṣlaḥah* analysis could serve as the qualitative analysis in an Islamic framework for project evaluation. The *maṣlaḥah* analysis will reject projects that involve forbidden activities such as the provision of *ribā'*, gambling, non-*ḥalal* goods or services e.g. liquor, pork etc. Hence, unlawful (*ḥarām*) projects will have no place for consideration in an Islamic framework for project evaluation. The *maṣlaḥah* analysis will also include the spiritual and moral effects of the project which are ignored in the mainstream project evaluation process. A disco project might be attractive commercially, but its contradiction with the *Sharī'ah* objectives and immoral effects make it rejected in the *maṣlaḥah* analysis. Similarly, projects that involve caring for others e.g. looking after orphans, widows, needy persons, old parents or even animals, or building facilities for pilgrims or wayfarers, or expanding *awqāf* institutions may not be attractive commercially, yet they are favourable according to *maṣlaḥah* analysis.

Table 1: Classification and Priority of Projects According to the Concept of *Maṣlaḥah*

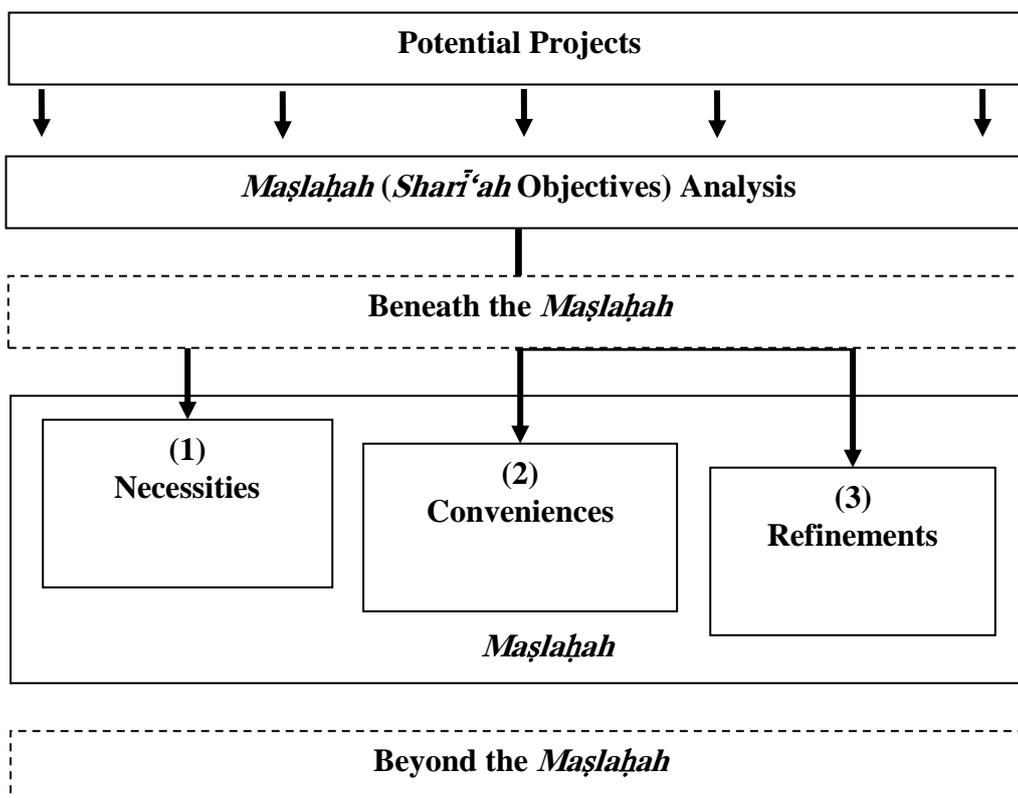
Main Categories Essential Elements of Man	Beneath the <i>Maṣlaḥah</i>	Necessities	Conveniences	Refinements	Beyond the <i>Maṣlaḥah</i>
		Religion	1 st	6 th	11 th
Life	2 nd	7 th	12 th		
Mind	3 rd	8 th	13 th		
Offspring	4 th	9 th	14 th		
Wealth	5 th	10 th	15 th		

Table 2: Project's Category, Status and Value According to the Concept of *Maṣlaḥah*

PROJECT			
NO.	CATEGORY	STATUS	VALUE
1	Beneath the <i>Maṣlaḥah</i>	Prohibited & Unacceptable	<i>Makrūh</i> or <i>Ḥarām</i>
2	Necessities	Required & Acceptable	<i>Wājib</i>
3	Conveniences		<i>Mandūb</i>
4	Refinements		<i>Mubāḥ</i>
5	Beyond the <i>Maṣlaḥah</i>	Prohibited & Unacceptable	<i>Makrūh</i> or <i>Ḥarām</i>

Another important impact of integrating *maṣlaḥah* analysis into the framework is that it would mitigate the conflicts between individual (private) and government (public) preferences. The concept of *maṣlaḥah* would put the individual *maṣlaḥah* in line with the social *maṣlaḥah*. This is because the promotion of the five basic elements is desirable from both the individual and social points of view (Khan & Ghifari, 1992). Last but not least, *maṣlaḥah* analysis will facilitate the subsequent procedures in the framework. In terms of quantification and valuation, a project that falls under the category of Necessities should be given more weight than Conveniences and Refinements projects. The hurdle rate for Necessities projects should also be made to be lower than the hurdle rate for Conveniences and Refinements projects. This adjustment of the hurdle rate, as suggested by Meera (n.d.), could make socially favourable projects commercially attractive. In carrying out *maṣlaḥah* analysis, the analysts should also determine the scale of beneficiaries or losers from the benefits or losses caused by the project. This is imperative to distinguish between public (*‘āmmah*) and individual (*khāṣṣah*) interest generated by the project. If there is a conflict between public and private interest, the public interest should be given priority over the private one. There is an Islamic legal maxim that states, “*Individual loss (or damage) is tolerated to ward off public loss (or damage)*,” (Al-Maṣrī, 1999). In such a case, the individual interest should be duly compensated and should not be ignored (Mannan, 1978).

Figure 2: The Integration of *Maṣlaḥah* Analysis into the Project Evaluation



9.0 The Need for Continuous Judgement

The interpretation of what is a Necessity or Convenience or Refinement in certain areas is somewhat subjective as the situation becomes more sophisticated with differences in time period, lifestyle, standard of living and level of technological development between countries and states or between urban and rural areas. This is not peculiar in Islam, as difference in opinions is very much welcomed as proven in the differences between the schools of *fiqh* in Islamic jurisprudence. Different opinions would lead to different rulings between states or countries as the Islamic scholars always take into consideration local customary practices (*‘urf*) and public interest in carrying out their judgements. There is a well-known Islamic legal maxim which states that “*Rulings could change according to changes in time.*” This is evidence of the flexibility of the concept of *maṣlaḥah* in Islam.

Continuous change in Man's life may move certain activities or things from one category of *maṣlaḥah* into another (Zarqa', 1984). What is a Refinement in one place may appear to be a Convenience in another. What fell under the category of Convenience one decade ago might be considered as a Necessity nowadays. Some of the examples are (Zarqa', 1984):

1. Sewerage and sanitation were considered Conveniences or Refinements in rural communities where the population was dispersed some years ago. However, in heavily populated urban communities, they become Necessities for without them significant difficulties and perils, including health hazards, are faced.
2. Public transportation in small communities in small areas is a Refinement although it may be perceived as a Convenience for them simultaneously for the purpose of travel amongst such communities. On the other hand, people in urban centres extending over a relatively large area will definitely see public transportation as a Convenience.

Thus, there is a real need for continuous judgment and interpretations to define a clear-cut line between all these three categories. What falls beyond and beneath the *maṣlaḥah* should also be defined. Authorities could set up a committee which comprises economists, academicians, professionals, Islamic scholars and practitioners of every single discipline to continuously carrying out judgement on this particular issue. This committee could draw the guidelines for this purpose and it is possible from the researcher's point of view to have different guidelines for different areas to really respond to the social needs and public interest of each area.

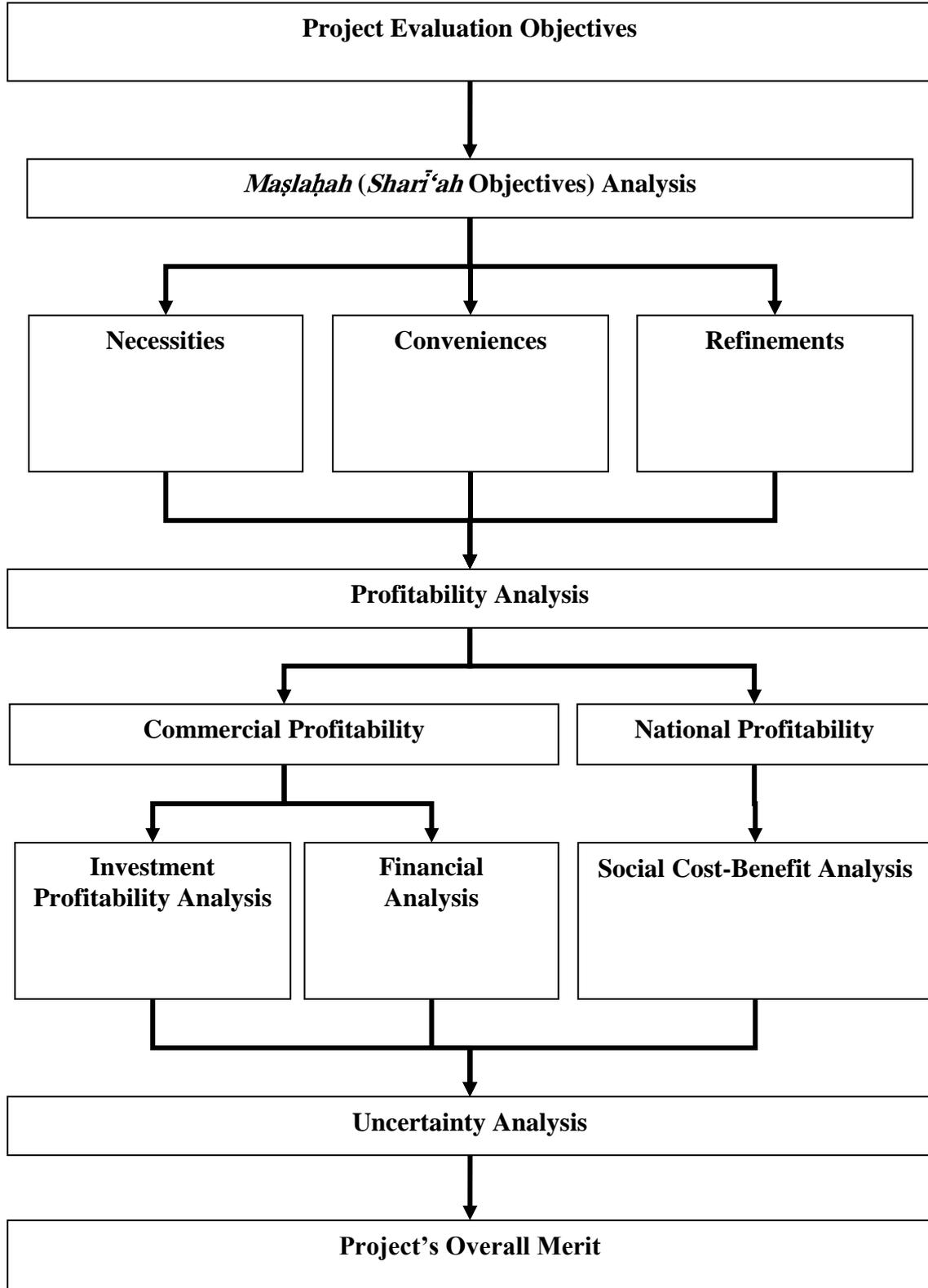
10.0 Conclusion

It is observed that the concept of *maṣlaḥah* or *Sharī'ah* objectives has a significant impact on an Islamic framework for project evaluation and would greatly distinguish the Islamic framework from the mainstream one. It could determine an order of priorities in an Islamic framework. *Maṣlaḥah* analysis of project is imperative to

ensure the coherence of the selected project with the *Shari'ah*'s objectives and the Islamic system as a whole. Furthermore, the *maṣlaḥah* concept could rationalise the choice of a project in an Islamic framework even though the selected project seems to be irrational from the mainstream economics point of view. The *maṣlaḥah* concept should also represent one of the Islamic values that should be considered by the project analysts and decision makers in carrying out their judgments. This is imperative to ensure that decisions made will not contradict the established values in Islam. From the researcher's point of view, *maṣlaḥah* analysis should be carried out prior to performing the commercial and national profitability analysis of the project.

Having discussed the framework for project evaluation and the significance of the concept of *maṣlaḥah* in project evaluation, the researcher suggests an integrative Islamic framework for project evaluation as illustrated in Figure 3. The suggested framework simply integrates the best elements of both Islamic and mainstream economics. It is hoped that the international Islamic organisations such as the Islamic Development Bank (IDB) and the Islamic *Fiqh* Academy could collaborate and provide detailed guidelines for project evaluation from the Islamic perspective that are theoretically Islamic and practically viable as they have the expertise, data and experience to perform such a task. Cooperation between Islamic countries at the international level is also needed to accelerate the initiative of the preparation of the guidelines and such cooperation would give birth to a detailed Islamic framework for project evaluation.

Figure 3: An Integrative Islamic Framework for Project Evaluation



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