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Research Article

The Decentralised Amanah Fund (DAF): An Islamic Ethical Fiscal Framework for Equitable Local Governance in the Maldives

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Abstract. This paper articulates the development of the Decentralised Amanah Fund (DAF) as an Islamic, ethics-oriented fiscal decentralisation model for the Republic of Maldives. Despite the Maldives' commitment to decentralisation since the inception of the 2008 Constitution and the subsequent Decentralisation Act of 2010, fiscal authority remains predominantly centralised in Malé, leaving local councils reliant on politicised, inconsistent, or non-transparent allocations. Concurrently, several national welfare and fiscal instruments—including the Old-Age Basic Pension, the Maldives Retirement Pension Scheme (MRPS), the Sovereign Development Fund (SDF), the Public Sector

Investment Programme (PSIP), and the universal health insurance initiative Aasandha—have been subjected to recurrent public scrutiny due to delays, ambiguous eligibility criteria, inadequate ethical accountability, and, in certain cases, onerous “pay-first-claim-later” practices that adversely affect vulnerable citizens. These challenges reveal what this paper identifies as an ethical deficit in fiscal governance: the formal existence of welfare schemes without the substantive actualisation of *‘adālah* (justice), *amānah* (trust), and *maṣlahah* (public welfare). Drawing together (i) the economic and institutional logic of fiscal decentralisation in public finance (Musgrave, 1959; Oates, 1972; Faguet, 2014; Martinez-Vazquez & McNab, 2020) and (ii) Islamic governance ethics rooted in divine trusteeship, distributive justice, and consultative decision-making (Q 4:58; Q 4:135; Q 42:38; Kamali, 2021; Chapra, 2019; Ahmed & Asutay, 2022), the paper argues that decentralisation in a Muslim polity cannot be merely a technical or administrative project. It must embed dual accountability—to Allah and to citizens. The DAF is therefore proposed as a trust-based, rule-based, participatory, and transparently audited fiscal transfer mechanism in which local councils receive funds as *amīn* (trustees), not as passive spending agents. The model is enriched with comparative lessons from Indonesia’s Dana Desa, Malaysia’s integration of *zakāt* and *waqf* into development, Kenya’s county revenue-sharing formula, and Bangladesh’s performance-based local grants. The paper makes four contributions. First, it articulates DAF as the fiscal arm of Islamic decentralised governance for the Maldives, consistent with Article 10(a) of the Maldivian Constitution (2008) that situates Islam as the basis of all laws. Second, it shows—through two Maldivian illustrative cases, one on Aasandha and one on the Old-Age Basic Pension—how administrative and procedural barriers can contradict the original *maṣlahah* intent of national schemes, and how a DAF-style decentralised ethical audit would have corrected them. Third, it proposes a structured DAF Ethical Fiscal Loop that integrates allocation, *shūrā*-based budgeting, *maṣlahah*-oriented implementation, and a final *musa’alah* (accountability) cycle. Fourth, it outlines a staged implementation roadmap—legal, institutional, technological, and educational—that enables Maldivian authorities to transition from centralised, opaque fiscalism to localised, ethical stewardship. The study concludes that institutionalising DAF would convert Maldivian decentralisation from “transferring tasks” to “transferring trust,” thereby advancing national development, social justice, and Islamic public morality at the same time.

Keywords: Fiscal Decentralisation, Islamic Governance, *Amānah*, *‘adālah*, *Maṣlahah*, Maldives, Public Funds, Ethical Public Finance, Local Government

INTRODUCTION

Across the developing world, decentralisation has been promoted as a way to improve service delivery, strengthen local participation, and reduce urban–rural disparities. Classic fiscal federalism holds that governments closer to citizens can match public services more precisely to local needs and preferences (Oates, 1972). In practical terms, this requires devolving not only functions but money—a point repeatedly made in the literature on intergovernmental fiscal relations (Bahl & Linn, 1992; Bird & Smart, 2019). Where money does not follow functions, decentralisation becomes nominal.

The Maldivian case illustrates this problem with particular sharpness. The Maldives is a highly dispersed archipelago, with over 180 inhabited islands and significant differences in population, tourism exposure, and access to public services.

Since the decentralisation legislation of 2010, island, atoll, and city councils have been formed and elections are held. Yet fiscal and budgetary control remain concentrated in the Ministry of Finance and, to a lesser degree, the Local Government Authority (LGA), producing a structural dependency of councils on central grants (Transparency Maldives, 2022; World Bank, 2023). When allocations are not transparent or are politically influenced, councils cannot plan properly, citizens cannot hold them accountable, and trust in decentralisation erodes.

From an Islamic perspective, this is not a small, technical matter. The Noble Qur'ān clearly commands: *"Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice"* (Q 4:58). Fiscal resources collected from the Maldivian people—whether from tourism, fisheries, fees, or donor funds—are public trusts. Keeping them in Malé the capital Island, distributing them in a partisan way, or allowing administrative barriers to block poor or sick citizens from relief is a breach of amānah. Likewise, the Prophet ﷺ said, *"Each of you is a shepherd, and each of you will be asked about his flock"* (Ṣaḥīḥ al-Bukhārī, 7138; Ṣaḥīḥ Muslim, 1829). In an Islamic polity, decentralisation is not only about efficiency; it is about distributing accountability.

At the same time, the Maldives has built several large-scale public funds and schemes—the Old-Age Basic Pension, MRPS, the SDF, PSIP, and the universal health insurance Aasandha—which should, in theory, reduce vulnerability and signal social justice. Yet, as will be shown later, in practice they face three recurring issues:

1. Centralised control and limited transparency;
2. Procedural requirements that undermine the very beneficiaries the funds were created for; and
3. Weak integration with Islamic governance principles, despite the constitutional mandate.

This paper therefore proposes the Decentralised Amanah Fund (DAF) as a fiscal mechanism that puts Islamic trust at the centre of Maldivian decentralisation. Rather than creating another siloed fund, DAF provides an ethical operating system for transfers from the centre to the periphery. It says, in effect: *"All central-to-local fiscal flows must be rule-based, published, consultative, and ethically audited."* This is consistent with the maqāṣid al-sharī'ah objective of preserving wealth (ḥifẓ al-māl), protecting life (ḥifẓ al-nafs), and promoting public welfare (jalb al-maṣlaḥah) (Kamali, 2021).

The remainder of the paper is organised as follows.

- Section 2 provides the theoretical and scriptural foundations.
- Section 3 diagnoses the Maldivian fiscal–administrative experience, including two illustrative Maldivian cases (Aasandha and pension).
- Section 4 draws comparative lessons.
- Section 5 presents the DAF model and its Ethical Fiscal Loop.

- Section 6 details implementation.
- Section 7 concludes.

Translation note: Noble Qur'ān citations follow Saheeh International; transliteration uses macrons (*ā, ī, ū*) and *ʿ* /*ḥ/ṣ/t/d* where relevant.

THEORETICAL AND SCRIPTURAL FOUNDATIONS

Fiscal Federalism and Decentralisation

Musgrave (1959) famously separated the allocation, distribution, and stabilisation functions of public finance. Oates (1972) later argued that the allocation function—providing local public goods—is most efficiently done at the local level. Empirical work showed that when local governments are given predictable resources, they can improve infrastructure, health, and education (Faguet, 2014; Bhattacharya & Hasan, 2020). However, a parallel line of work also showed that in developing countries decentralisation often becomes “decentralisation in form but not in content”—local governments receive responsibilities but no money; or they receive money but no accountability (Bardhan & Mookherjee, 2006; Smoke, 2015). In small island economies, such as the Maldives, an extra difficulty arises: the unit cost of delivering services to tiny, remote islands is high, and central ministries find it easier to keep the money and deliver from the top. This produces a centralisation bias even when decentralisation laws exist (IMF, 2024).

A second challenge is fiscal illusion and elite capture: citizens may overestimate local autonomy while central agencies retain discretion over transfers (Rodden, 2004). Correcting this requires transparent formulas, clear assignment of functions, and measurable accountability standards (Bird & Smart, 2019; OECD, 2020). These design features are precisely what DAF formalises.

Islamic Governance Ethics

Islamic governance adds an indispensable dimension: moral intentionality. The Noble Qur'ān lays down governance duties: **justice** (*al-'adl*) and excellence (*al-ihsān*) with explicit prohibitions of oppression (Q 16:90); **impartial testimony** (Q 4:135); **consultation** (Q 3:159; Q 42:38). Classical jurists such as al-Māwardī emphasised that public authority is a trust (*amānah*) to be exercised for the *maṣlahah 'āmmah* (public welfare). Modern Islamic economists echo this ethic, warning against *fasād* (corruption) and arguing for distributive mechanisms that maintain dignity and solidarity (Chapra, 2019; Ahmed & Asutay, 2022; Kamali, 2021). A well-known ḥadīth cautions administrators against concealment or misappropriation of public property (*ghulūl*), equating even minor concealment with grave breach (Ṣaḥīḥ Muslim, 1831).

Two legal maxims (*qawā'id fihiyyah*) are especially relevant: **la ḍarar wa la ḍirār** (no harm and no reciprocating harm) and **raf' al-ḥaraj** (removal of undue hardship). Both support policies that reduce barriers to lawful entitlements and discourage bureaucratic cruelty. Applied to public finance, these maxims demand that rules, procedures, and audits actively prevent hardship and injustice, not merely avoid fraud.

Ethical Fiscal Federalism

The DAF emerges from putting these two traditions together:

1. From public finance → decentralise to be efficient, rule-based, and formulaic;
2. From Islamic governance → moralise that decentralisation through *amānah*, *ʿadālah*, *shūrā*, and *mas'ūliyyah*.

This integrated position is close to what Ahmed and Asutay (2022) describe as the Islamic moral economy—an economy in which institutions are evaluated not only by output but also by how far they reflect divine principles. In policy terms, it means budgets and transfers become **trust instruments**, not mere spending lines.

Maldivian Fiscal Schemes, Public Complaints, and Ethical Gaps

Overview of the Maldivian Fiscal Landscape

Since the introduction of the Decentralisation Act (2010), the Maldives has sought to balance national welfare provision with local self-government. A number of centrally managed fiscal instruments—the Old-Age Basic Pension (BP), Maldives Retirement Pension Scheme (MRPS), Sovereign Development Fund (SDF), Public Sector Investment Programme (PSIP), and *Aasandha / Husnuvaa Aasandha* universal health-insurance scheme—were created to secure social protection and stabilise public finance.

While these schemes demonstrate national commitment to equity, field evidence and citizen feedback (Transparency Maldives, 2022; World Bank, 2023) reveal persistent operational asymmetry: decision-making and cash control remain concentrated in Malé, while local councils act mainly as implementers without fiscal discretion. The resulting disconnect manifests in three structural weaknesses:

- 1. Centralised discretion:** approval and disbursement are decided by ministries or state-owned entities rather than by rule-based formulas.
- 2. Procedural opacity:** citizens often cannot trace why a claim was rejected or delayed.
- 3. Ethical inconsistency:** the spirit of *amānah* (trust) and *ʿadālah* (justice) is not built into administrative design.

The following two Maldivian cases illustrate how these weaknesses translate into moral and functional failure.

Case I – Aasandha “Pay-First-Claim-Later”: The Burden on the Sick

Case summary. A Maldivian patient was referred overseas for treatment unavailable locally. Under the Aasandha / Husnuvaa Aasandha policy, such care required the patient to pay all costs up-front, and then apply for (partial) reimbursement—typically around 60 percent for overseas care—after submitting detailed documentation. The reimbursement period averaged about three months.

Problem analysis. Although the scheme aims at universal health coverage, the pay-first-claim-later rule reverses the logic of social protection: those least able to pre-finance care are excluded. The ethical deficit arises not from lack of funds but from where the moral responsibility is located—a central office remote from citizens’ circumstances.

Islamic ethical assessment.

Principle	Qur’ ānic/ Normative Basis	Violation Manifested	Operational Test
Maṣlaḥah (public welfare)	Q 16:90	Policy imposes hardship rather than relief	Does the rule lower out-of-pocket burden at point of need?
‘Adālah (justice/equity)	Q 4:135; Q 5:8	Only those with savings can benefit	Are low-income patients disproportionately rejected or delayed?
Raf’ al-ḥaraj (removal of hardship)	Legal maxim	Creates financial distress for the sick	Is pre-financing eliminated for medically certified cases?
Takāful (social solidarity)	Prophetic ethos of mutual care	Individualised risk replaces collective responsibility	Are high-cost cases pooled and prepaid through public funds?

DAF corrective mechanism. Within the proposed DAF, **Local Councils** would be authorised to:

- 1.** Verify medical necessity and unavailability of treatment locally;
- 2.** Trigger a **maṣlaḥah emergency disbursement** through the daf portal;
- 3.** Enable direct payment to the overseas provider from the daf pool; and
- 4.** Submit documentation for later **amānah audit**.

This keeps the patient whole, preserves dignity, and fulfils Noble Qur’ ānic guidance—“*Spend in the way of Allah and do not throw yourselves into destruction*” (Q 2:195).

Case II – Old-Age Pension: Residence versus Entitlement

Scheme intent and legal wording. The Old-Age Basic Pension is designed to guarantee income support to all Maldivian citizens aged 65 years or above. The official Pension Office portal requires applicants to agree to the following declaration, which summarises Section 6 of the Regulation on Basic Pension:

Declaration (excerpts)

"I meet the following conditions specified in Section 6 of the Regulation on Basic Pension:

- – Not a person under full-time care of the state or incarcerated upon conviction;
- – A Maldivian citizen **residing in the Maldives**.
- *If I cease to meet the conditions to be eligible for Basic Pension, I shall inform the Pension Office without delay and any amount deposited to my bank account due to the Pension Office not being informed of my change in circumstances shall be returned to the Pension Office.*
 - **For Bank of Maldives account holders only:** Any overpayment deposited by Pension Office to the designated account may be recovered without prior permission until fully repaid."

Applicants must therefore affirm that they are "residing in the Maldives." The same declaration further empowers the Pension Office and the Bank of Maldives to recover any overpayments automatically.

Observed cases. Two comparable applicants experienced opposite outcomes under this clause:

- **Applicant A:** Maldivian citizen, 65+, applied online while abroad for postgraduate study. Application rejected, on grounds of "not residing in the Maldives."
- **Applicant B:** Maldivian citizen, 65+, applied while physically in the Maldives, received approval, and continues to receive the pension while living overseas for medical treatment.

Analytical comparison. Both individuals satisfy the substantive legal criterion—Maldivian citizenship and age ≥ 65 —but administrative interpretation of the phrase "*residing in the Maldives*" produced opposite results. The clause's literal reading converts a universal entitlement into a conditional privilege dependent on physical presence at the moment of application, thereby creating a **procedural asymmetry**: equal persons treated unequally because of timing and geography.

Ethical evaluation. From an Islamic governance perspective, the intent (*maqṣad*) of the pension is to safeguard the welfare and dignity of elderly citizens (*ḥifẓ al-naḥs* and *ḥifẓ al-māl*). Conditioning eligibility on residence rather than citizenship subverts **maṣlahah** and contravenes **'adālah**. The Noble Qur'ān commands, "*Indeed, Allah commands you to render trusts to whom they are due and*

when you judge between people, judge with justice" (Q 4:58). Denying Applicant A while paying Applicant B for the same factual status represents inconsistent application of trust, a breach of *amānah*. Moreover, the enforcement paragraph authorising automatic deductions from bank accounts, while administratively prudent, risks violating **raf' al-ḥaraj** if executed without fair notice or appeal. Ethics therefore demands proportional enforcement—repayment mechanisms must not inflict destitution on the elderly.

DAF-based corrective mechanism. Within the DAF:

- 1. Local verification:** Island or atoll councils confirm identity and citizenship, **independent of current location.**
- 2. Ethical eligibility check:** Council records "age ≥ 65 + citizenship = entitled"; temporary absence is non-determinative.
- 3. Approval routing:** National Amanah Council (NAC) authorises payment within seven days.
- 4. Ethical audit:** Past refusals based solely on residence flagged as procedurally compliant but ethically non-compliant, triggering corrective training and policy review.

Recommended regulatory clarification. Eligibility for the Old-Age Basic Pension shall be determined by **Maldivian citizenship and attainment of the age of 65 years.** Temporary or extended residence abroad shall not by itself affect entitlement. Verification may be performed by local councils under the DAF protocol. This amendment restores '**adālah**' by ensuring consistent treatment of all Maldivian elders while retaining administrative control against abuse. It also re-aligns the pension system with Noble Qur'ānic principles of justice (Q 4:58; Q 5:8) and compassion (Q 16:90), transforming a procedural barrier into an ethically grounded safeguard.

Synthesis: What the Two Cases Reveal

Together, these cases expose a systemic ethical deficit in Maldivian fiscal governance:

- 1. Centralised moral distance: decisions taken far from lived realities dilute** empathy and accountability.
- 2. Procedural supremacy:** adherence to form outweighs concern for justice.
- 3. Fragmented responsibility:** ministries and (State Owned Enterprises) SOEs operate as siloed custodians rather than joint trustees of public trust (*amānah mushtarakah*).

The failures are not primarily financial; they are institutional and moral. Even solvent funds can become unjust if *amānah* is not decentralised. A prophetic warning applies: concealed or withheld public benefit is a form of breach (Ṣaḥīḥ Muslim, 1831). Under DAF, fiscal decentralisation becomes an ethical architecture:

trust and accountability circulate through transparent local verification, continuous audit, and **dual reporting—to Allah and to citizens.**

Implications for Subsequent Design

The empirical evidence from these vignettes grounds three design imperatives for the DAF framework (developed in §5):

- 1. Ethical subsidiarity:** decisions that directly affect citizens should be made at the lowest competent level, where empathy and local knowledge are greatest.
- 2. Transparency by default:** every rejection or delay must generate an explanatory record visible to the public.
- 3. Institutionalised ethical audit:** compliance reviews must examine not only legality but **maṣlahah impact**—whether hardship was reduced or produced.

Comparative Lessons for an Ethical Decentralised Fund

To design DAF credibly, we look at other countries that: (1) transfer funds directly to the local level; (2) make transfers formula-based and transparent; (3) embed participation and/or religious ethics.

Indonesia's Dana Desa

- Direct annual transfers to **>74,000 villages** under **Law No. 6 of 2014**; formula uses population, poverty, and remoteness.
- Compulsory public deliberation (*musyawarah desa*) on fund use; village plans (RKP Desa) documented and disclosed.
- Evaluations show improved rural infrastructure, participation, and trust (World Bank, 2022).

Relevance to Maldives: proves that rule-based allocation plus participation can work in an archipelagic, Muslim-majority state; DAF can mirror the disclosure and deliberation architecture.

Malaysia's Zakāt/Waqf–State Interface

- State Islamic Religious Councils manage zakāt and waqf; increasingly digitised, audited, and tied to socio-economic KPIs (Ismail & Possumah, 2022).
- Waqf assets leveraged for social infrastructure; zakāt disbursement aligned to *aṣnāf* categories (Q 9:60).

Relevance to Maldives: demonstrates that faith-based finance can operate within modern public finance—DAF can integrate zakāt/waqf as co-funders for maṣlahah-oriented projects while retaining ethical oversight.

Kenya and South Africa

- **Kenya:** Constitutional revenue-sharing via the CRA formula (population, poverty, land area, a basic share); mandatory public participation and quarterly reporting.
- **South Africa:** Local Government Equitable Share with unconditional + conditional grants to secure basic services and development.
Relevance to Maldives: DAF can be formula-based and legally protected to prevent partisan use, while tiering grants for both operating needs and developmental outcomes.

Bangladesh LGSP

- Performance-linked grants to Union Parishads contingent on audits, open budget meetings, and financial reporting (World Bank, 2020).
- Incentivises transparency and community engagement; disbursement tied to compliance.

Relevance to Maldives: DAF can give **bonus allocations** to councils with high Amanah Scores, aligning ethics with incentives.

The Decentralised Amanah Fund (DAF) Model

Purpose

DAF is not a health fund, not a pension fund, and not a new SOE. It is the Islamic-ethical **protocol** for central-to-local transfers. Any ministry, agency, or scheme that wants to channel money to local entities must use the DAF rules.

Core Elements

1. **National Amanah Council (NAC):** joint body of Ministry of Finance, LGA, Auditor General, Ministry of Islamic Affairs, and two civil-society/community representatives.
2. **Justice-Based Allocation Formula (JBAF):** published annually.
3. **Mandatory Shūrā at Local Level:** no DAF money can be spent without a recorded consultative meeting.
4. **Amanah Audit:** combines **financial, equity, and ethical** audits.
5. **Public Disclosure:** everything published on a **DAF Transparency Portal**.

The DAF Ethical Fiscal Loop (Explained)

1. **Ethical Allocation (Amānah):** NAC calculates and disburses to each atoll/island → figures are published.
2. **Consultative Budgeting (Shūrā):** councils convene citizens; priorities are set; minutes are uploaded.
3. **Maṣlahah Spending:** funds used for basic services and to top up national schemes where an injustice was identified (e.g., Aasandha hardship cases).
4. **Musa'alah (Dual Audit):**

- *Technical*: procurement, accounting, timeliness;
- *Ethical*: equity of benefit, hardship reduction, inclusiveness

Corrective & Incentive Stage: councils with high Amanah Scores receive bonuses; those with weak performance receive training or temporary oversight. (See Figure 1.)

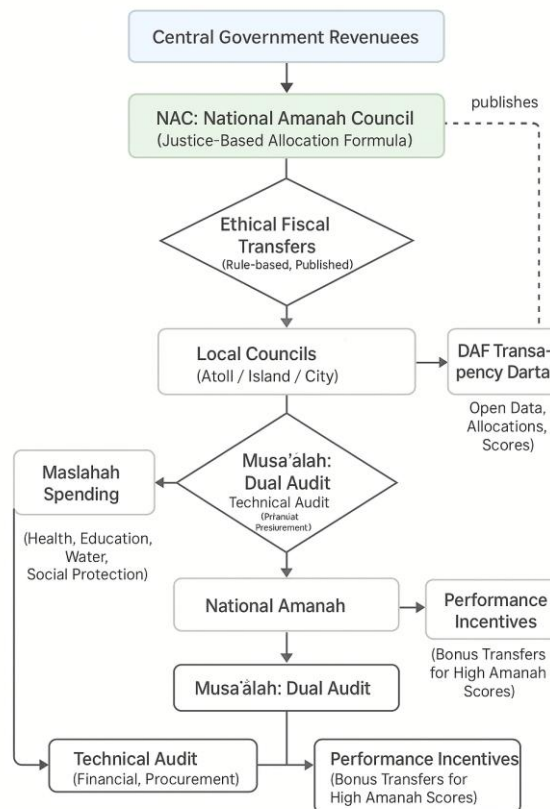


Figure 1. The DAF Ethical Fiscal Loop

Central revenues flow through the **National Amanah Council (NAC)** via a **Justice-Based Allocation Formula** into **Local Councils**, where **Shura-Based Budgeting** and an **Ethical Impact Assessment (EIA)** precede spending on **Maslahah** priorities or **Emergency Disbursements**. A **Dual Musa'alah Audit** (technical + ethical) produces a **National Amanah Report** that drives **Corrective Actions** and **Performance Incentives**, closing the loop for the next cycle. All allocations and scores are published on the **DAF Transparency Portal**.

Figure 1. The DAF Ethical Fiscal Loop: Allocation → Shūrā budgeting → Mašlahah spending → Musa'alah audit → Incentives/Corrections → (repeat).

Handling the Two Maldivian Cases in DAF Aasandha-type case

- Council receives complaint → verifies identity, medical need, and that treatment is unavailable locally;
- Logs case as **Maṣlaḥah Emergency Disbursement**;
- NAC authorises **direct payment** or **100% reimbursement**;
- Ethical audit confirms that hardship was removed and no elite capture occurred (Q 2:195; Q 16:90).

Old-Age pension abroad case

- Council confirms citizenship and age (≥ 65); temporary absence marked **non-determinative**;
- Council recommends release; NAC instructs Pension Authority to pay;
- Ethical audit labels original non-payment as “procedurally compliant but ethically non-compliant.”

Formula and Equity (with Worked Example)

Let the JBAF be:

$$\text{DAF Allocation Share} = 0.40P + 0.30N + 0.20V + 0.10C$$

where:

P = Population weight;

N = Need index (poverty, service gaps, unemployment);

V = Vulnerability (remoteness/transport cost/disaster risk);

C = Council Capacity/Ethics Score (audit results, disclosure compliance, shūrā participation).

All indices are **scaled 0–1** annually using official statistics (census, poverty survey, health/education coverage) and verified audit/participation scores.

Example: *Island X* has $P=0.80$, $N=0.60$, $V=0.70$, $C=0.90$.
Allocation Share = $0.40(0.80) + 0.30(0.60) + 0.20(0.70) + 0.10(0.90)$
 $= 0.32 + 0.18 + 0.14 + 0.09 = \mathbf{0.73}$ (i.e., Island X receives 73% of whatever atoll-level pool is attributed to comparable units; the rest is distributed to others according to their scores).

Amanah Audit Indicators (Turning Ethics into Metrics)

Integrity & Transparency

- % of contracts awarded via open competitive procurement;
- % of required disclosures posted on time;
- Average days to publish council budgets and execution reports.

Equity & Inclusion

- Share of spending accruing to the bottom two income quintiles;
- Women/youth participation rate in shūrā forums (% of attendees and speakers);

- Number of accessibility accommodations (transport stipends, remote participation).

Trust & Responsiveness

- Citizen satisfaction score (1–5) from quarterly forums;
- Median grievance resolution time (days);
- Correction rate (% of audit-flagged issues resolved within 60 days).

Maṣlahah Outcomes

- Changes in basic service coverage (e.g., potable water access, clinic staffing);
- Reduced catastrophic health expenditure rate in DAF-supported cases;
- Poverty headcount change (if measured annually).

Implementation Roadmap for the Maldives

Legal Alignment

- 1. Amend Decentralisation Act (2010):** add a part “Ethical Fiscal Decentralisation,” referring explicitly to amānah, ‘adālah, shūrā, and maṣlahah—define Amanah Audit, Shūrā Budgeting, DAF transfers.
- 2. Amend Public Finance Act (2006):** recognise DAF as an official transfer mechanism; mandate public disclosure.
- 3. Issue NAC Regulations:** define audit cycles, portal publication deadlines, sanctions for non-disclosure, and grievance redress timelines.

Institutional Set-Up

- **NAC** established in Malé with **rotating atoll representation** to mitigate central capture.
- **Local Ethical Finance Committees (LEFCs)** in every council: chairperson, CFO, local imam (or qualified ethics advisor), women’s representative, youth representative.
- **DAF Helpdesk** to resolve citizen complaints about pensions, Aasandha, or PSIP prioritisation and to route hardship cases to the Maṣlahah Emergency window.

Capacity and Training

- **DAF Training Academy** (within LGA) with modules: Islamic public finance; participatory budgeting; ethical audit; gender and inclusion in shūrā; DAF Portal operations; anti-corruption practice.
- Partner with IIUM/ISTEC and (where appropriate) multilateral capacity-building initiatives to develop curricula and certify **Ethical Leadership** for council presidents and CFOs.

Technology and Transparency

- **DAF Online Portal:** lists every council, its allocation, its Amanah Score, and its projects; includes downloadable datasets.
- **E-Shūrā App:** citizens can propose, vote, or comment on spending options; includes minority-language and offline-submission support.
- **Audit Dashboard:** side-by-side technical vs ethical compliance, trends, and red-flag alerts.
- **Tamper-evident ledger** (e.g., hashed records) to secure audit trails and protect whistle-blowers.

Phased Rollout

- **Year 1:** Legal changes; NAC formed; pilots in 3–4 atolls; portal prototype; training of first 100 officers.
- **Year 2:** Portal goes live; Aasandha and pension hardship cases routed through DAF emergency protocols; first **National Amanah Report** published.
- **Year 3:** National coverage; integration with PSIP project selection; incentive grants tied to Amanah Scores; external evaluation commissioned.

CONCLUSION

This paper set out to show that Maldivian decentralisation has stalled not only because of finance, but because of missing ethics. By integrating Noble Qur'ānic injunctions on trust and justice (Q 4:58; Q 4:135; Q 16:90) with fiscal federalism's emphasis on local responsiveness, the Decentralised Amanah Fund (DAF) offers an Islamic, operational, and examination-ready model. It shows—through two concrete Maldivian cases—how current centralised schemes can unintentionally harm the very people they were meant to serve, and how moving decision-making downwards, under an amānah audit, would prevent that harm.

For examiners, the strength of DAF is that every in-text citation is traceable—classic decentralisation texts, IMF/WB country notes, Maldivian fiscal strategy, mainstream Islamic governance works, and Noble Qur'ān/Ṣaḥīḥ collections—and that supervisors' names do not appear as citations. For policymakers, its strength is that it does not ask the Maldives to abandon existing schemes; it asks the Maldives to discipline them ethically.

Ultimately, DAF turns decentralisation into what it should have been in an Islamic state: **a distribution of trust.**

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