

## **Nasim Shah Shirazi**

Professor, College of Islamic Studies, Hamad Bin Khalifa University,  
Doha, Qatar, e-mail: nshirazi@hbku.edu.qa

### **AWQAF AND ITS IMPORTANCE IN A MODERN ECONOMIC SYSTEM**

The paper traced the essential functions and role of awqaf that it played in the past and still providing socio-economic services for the society. The paper provides explicitly the experiences of a few organizations, which play a significant role in this direction and made some recommendations for the improvement of the sector in the present circumstances. Islamic history is full of instances that the individuals and the ruling classes have donated their valuables for the religious, social and other public goods as well. Waqf institutions are working for the welfare of the community through the provision of education, health, training, and capacity building, providing finance and opportunity of employment, food and other basic needs, and help and support in natural disasters. However, these services can be provided at a larger scale as well, which depends mainly on the size of the waqf and flow of resources. Although governments are providing essential services to their societies, however, available resources bind their hand tight, and always there is a need for additional resources to serve the left out people. Waqf is a third sector, which can be utilized for the additional resources for the provision of basic needs and safety nets for the poor. Studies have shown that if saqaqat and waqf have been explored and appropriately utilized, then enough resources can be made available for poverty eradication. The tragedy is that the outcome of the present awqaf is not enough to even manage the mosques properly. However, for revitalizing and effectively utilizing waqf resources, serious efforts are needed. Governments may provide the proper environment and legal framework for the creation, investment and development of waqf. It may recover lost waqf and give space to the civil society and private sector by incentivizing them for the establishment of waqf.

**Key words:** waqf, Donations, Role of Institutions, Poverty alleviation, waqf, and economic implications.

## **Насим Шах Ширази**

профессор, Исламдық зерттеулер колледжі, Хамад бин Халифа университеті,  
Доха, Катар, e-mail: nshirazi@hbku.edu.qa

### **Вакф және оның қазіргі экономикалық жүйедегі маңызы**

Мақалада вакфтың негізгі функциялары мен рөлі сипатталған, ол бұрын да, қазір де қоғамға әлеуметтік-экономикалық қызметтер ұсынады. Зерттеу барысында осы бағыттағы маңызды рөл атқаратын бірнеше ұйымның тәжірибесі баяндалды және қазіргі жағдайдағы секторды жетілдіруге қатысты кейбір ұсынымдар жасалды. Ислам тарихында адамдар мен басқарушы сыныптардың өз құнды заттарын діни, әлеуметтік және басқа да қоғамдық мүдделерге сыйға тартқан мысалдарға толы. Вакф мекемелері білім беру, денсаулық сақтау, кадрларды даярлау және әлеуетті арттыру, қаржылық және жұмысқа орналасу, тамақтану және басқа да негізгі қажеттіліктер, сондай-ақ табиғи апаттар жағдайында көмек және қолдау көрсету арқылы қоғамның пайдасына жұмыс істейді. Дегенмен, бұл қызметтер одан да үлкен көлемде көрсетілуі мүмкін, бұл вакфтың көлеміне және ресурстардың ағынына тәуелді. Үкімет халыққа қажетті қызметтерді ұсынса да, бақытсыздыққа ұшыраған адамдарға қызмет көрсету үшін қосымша ресурстар қажет. Вакф – кедейлерге арналған негізгі қажеттіліктер мен қауіпсіздік жүйелерін қамтамасыз ету үшін қосымша ресурстар ұсынатын үшінші сектор. Зерттеулер көрсеткендей, егер сақат пен вакфтер зерттеліп, дұрыс пайдаланылса, кедейлікті жою үшін жеткілікті ресурстар болуы мүмкін. Алайда, мәселе мынада, қазіргі вакф ағыны тіпті мешіттерді дұрыс ұстау үшін

жеткіліксіз. Дегенмен, ресурстарды жандандыру және тиімді пайдалану үшін вақф мекемелерін күшейту қажет. Үкіметтер вақфты құру, инвестициялау және дамыту үшін тиісті жағдайлар мен құқықтық негіздерді қамтамасыз ете алады, сондай-ақ бұрынғы вақфты қайтара алады және азаматтық қоғам мен жеке сектор үшін вақф құруға кеңістікті қамтамасыз ете алады.

**Түйін сөздер:** вақф, қайырымдылық, мекемелердің рөлі, кедейлікті азайту, вақф және экономикалық салдары.

Насим Шах Ширази

профессор, Колледж исламских исследований, Университет Хамада бин Халифа,  
Доха, г. Катар, e-mail: nshirazi@hbku.edu.qa

### **Вақф и его значение в современной экономической системе**

В статье описаны основные функции и роль вақф, которую он играл в прошлом, и его деятельность по оказанию социально-экономических услуг обществу. В исследовании подробно изложен опыт нескольких организаций, которые играют важную роль в этом направлении, и были сформированы некоторые рекомендации по улучшению сектора в нынешних условиях. Исламская история полна примеров, когда отдельные лица и правящие классы жертвовали свои ценные вещи для религиозных, социальных и других общественных благ. Учреждения вақф работают на благо общества посредством предоставления услуг в области образования, здравоохранения, обучения и наращивания потенциала, обеспечения финансов и возможностей трудоустройства, питания и других основных потребностей, а также помощи и поддержки в случае стихийных бедствий. Однако эти услуги также могут быть предоставлены в более широком масштабе, которые зависят главным образом от размера вақфа и потока ресурсов. Хотя правительства предоставляют необходимые услуги обществу, всегда есть необходимость в дополнительных ресурсах для помощи обездоленным людям. Вақф является третьим сектором, который может использоваться для дополнительных ресурсов для обеспечения основных потребностей и сетей социальной защиты для бедных. Исследования показали, что если бы сакакат и вақф были изучены и надлежащим образом использованы, то для искоренения нищеты можно выделить достаточно ресурсов. Проблема заключается в том, что приток нынешнего вақфа недостаточен даже для надлежащего содержания мечетей. Однако для оживления и эффективного использования ресурсов вақфам необходимо приложить серьезные усилия. Правительства могут обеспечить надлежащие условия и правовые рамки для создания, инвестирования и развития вақфа, также может вернуть утраченный вақф и предоставить пространство гражданскому обществу и частному сектору, стимулируя их к созданию вақфа.

**Ключевые слова:** вақф, пожертвования, роль институтов, борьба с бедностью, вақф и экономические последствия.

### **Introduction**

Islam has provided the ways and means to human beings for their success in this world and the hereafter. It has given clear instructions, guidelines, and universal principles, for the creation of an Islamic welfare state, and where institutions have been established for the welfare of humanity. Waqf is one of the institutions that have been created for the protection of the needy, the poor, the family and the society at large. Personal assets or any other belonging can be endowed (waqf) for educational, health, public goods or any other benevolent purpose under specific terms and conditions. Islamic history is full of instances that the individuals and the ruling classes have donated (waqf) their valuables for social welfare and the other public goods as well. The paper deals with the overview of the history of the waqf, and the historical influence of the waqf

institutions. How waqf evolved and developed, and the role played by waqf associations and other philanthropic organizations in Muslim societies, by collaboration, cooperation, assistance, and other means. After a brief introduction, the paper is decomposed into four sections. Section 2 provides the short history and the purpose of creation waqf; section 3 discusses the revival of waqf, section 4 highlights the role of some selected organization and institutions that play a crucial role for the welfare of the societies. The last part (5) is devoted to the conclusion.

### **Purpose and History of Waqf**

The beginning of waqf dates back to the pre-Islamic period. The basic concept of waqf- giving away the ownership of the property or asset (in kind or cash) for the benefits of individuals or society in

general under specific terms and conditions- can be found in other religions as well. In the pre-Islamic period, Persians, Turks, Egyptians, Jews, Byzantines, Romans, and others – had developed similar structures. In general, the concept of waqf in other civilizations is close to the idea of Waqf in the Islamic system. However, the specific terms and conditions, principles, its objectives and the organization of the waqf in Islamic civilization make it different from the awqaf (known as non-profit trusts and foundations) established by other religions.

Just like the trade, leasing and some other contracts, the concept of waqf in its various forms was available in the pre-Islamic period. Prophet Abraham is regarded as the founder of the first waqf in establishing endowed Kaaba in Makkah, which was the place of worship (doing *Tawaf* and performing *Haj on their ways*) for all tribes of Arab (Barnes 1987 referred in Benthall and Jourdan, 2009). However, after the conquest of Makkah, the Prophet Muhammad (PBUH) restricted the Non-Muslims' entry in the Kaaba. Now, this is the place of worship of the Muslims only. Similarly, the Al-Quds Mosque was present in the time of prophet Suleiman. The well of *ZAM ZAM* and other wells have been dug for the welfare of the general public as well. Kahf (1992) reported that all societies reserved certain lots of land and buildings, as places of worship. For ages, temples, churches and other forms of constructions are built and dedicated to religious practices.

Similarly, Aazmi (2010) stated that in the pre-Islamic period, Arab used to devote animals to their gods (idols). These animals were respected and were not used for riding or using their milk. They believed that this act would lead them to the closer of God.

In the Islamic period, Awqaf have been established for religious, social and family purposes as well. The first waqf for the sacred purpose was the construction of the Quba mosque followed by the Mosque of the prophet (PBUH). These mosques have been open for worship. Later, as recommended by the prophet (PBUH) other Waqf were established for the social purpose, such as the purchase of water well (*Bi'r Rumah*) by Uthman and made it free for everyone in Madinah. Another example is that of the land of Khyber endowed by Umar, and the fruit was then distributed to poor, free slaves, to provide for guest and wayfarer and some reasonable quantity to its custodian. The prophet (PBUH) himself made waqf in his life period. A man called Mukhairiq

made his will that his seven orchards in Madinah be given after his death to Muhammad (PBUH). The man died, and the Prophet took hold of the farms and made them waqf for the benefit of the poor and needy.

The prophet (PBUH) persuaded companions to do waqf as this will reward you even after death. Abu Hurairah reported Allah's messenger as saying:

Abu Hurairah (Allah be pleased with him) narrated that: Allah's Messenger (Peace be upon him) said: «When a man dies, his deeds come to an end except for three: a continuous charity (*Sadaqatun Jariyatun*); knowledge by which people derive benefit; and pious son who prays for him» (Sahih Muslim, Hadith 14, Bab 3).

We can trace the awqaf by the companions of Prophet including Abu Talha orchard (waqf for the relatives), Saad bin Abadah garden for the reward for his mother, Ali's waqf of land for the poor, needy and travelers and so forth. Zaid bin Thabit waqf of two houses (Aazmi, 2010).

We can also trace the family waqf from the history of the companions of the prophet (PBUH). Abu Bakr Siddiq made waqf of his house for his children. Sa'ad bin Abi Wiqas made waqf of his house in Medina and Egypt for the benefit of his children. Umar bin A'as made waqf of his house for his children. (Aazmi, 2010). Similar awqaf were created by Umar, Usman, Ali, Abdullah bin Zubair and Abdullah bin Umru and Arqam in whose house the Prophet (S.A.W.) resided for some time (Rashid, 2011).

So early Islamic history provides us the evidence for the religious, social and family waqfs. The theological category of waqf include mosques and real estates confined for giving revenues to spend on mosques' maintenance and running expenses. The second category is the Philanthropic (social) waqf created for the poor and other extensive activities, which are important for the general society including libraries, scientific research, education, health services, care of animals and environment, lending to small businesses, parks, roads, bridges, dams, and so forth. The third kind of waqf is for one's own family and descendants (Kahf, 1992).

The awqaf have been continued over centuries, which have been benefiting the society across the religions. Kuran (2001) writes that both the civilizations – Islamic and non-Islamic-inspired from each other. He expresses that ancient people – Persians, Egyptians, Turks, Jews, Byzantines, Roman, and others- had developed similar structures and the Muslim jurists benefitted from the models

already existed in shaping regulations. He further says that in turn, the waqf became a source of cross civilization emulation. The west greatly benefitted from the model of an Islamic Waqf, where the institutions of trust began only in the 13<sup>th</sup> century, a half millennium after it struck roots in the Islamic Middle East. Çizakça (2015), while referring to Gaudiosi (1988) states that an excellent example is Merton College of Oxford University established in 1264. It is generally believed that Merton College represents a threshold in the evolution of European universities. The Merton Foundation became a respected model in England and was emulated by the founding of Peterhouse, Cambridge University. He further writes that in the USA also, the top universities are structured as waqfs (trusts), or they all have their university endowments.

The awqaf were not created by the individuals only, but these were established by the rulers for the general welfare of the society as well. Micheal & Amalia, (2004) for instance noted that upon registration of the waqf of Janābek b. ‘Abdullāh al-Nāsīr of the Mamluk dynasty in 1454, he donated the revenue of two villages as waqf, ordering the administrator (Nadhir) to spend part of these revenues in the maintenance of the waqf and part on the poor residents of the two Holy cities (Makkah and Madina). The Al- Nidhamiyyah School established by Abbasid Caliph Nizam al-Mulk which survives until recent times, catered for the educational needs of the general public. Among his waqf also included public baths and farms which were later subsumed by the Nidhamiyyah School (Mahamood et al., 2015).

Mention can also be made of Al-Azhar University established by Al-Mu’izz li-Din Allah of the Fatimid Dynasty in the year 972 which is regarded in contemporary times as the most prominent knowledge hub for Sunni Islam. Al-Hakim bi-Amr Allah also of the Fatimid dynasty established Dar al-Hikmah in Cairo Egypt which is still ongoing till date. According to Al-Heety (2002), as cited in Mahamood & Rahman (2015), this vast library which was a waqf had underlining revenue-generating awqaf in the form of houses and shops that cater for the upkeep as well as other financial needs of this library.

Hoexter (1998) admits that the contribution of such endowments for the general good as well as their effect on the beneficiaries is beyond any doubt. However, he is of the view that waqf established by rulers, governors and other senior officials were used as a tool of public policy, for

gaining their influence and prestige with the public, promote their connections in remote provinces and strengthen the hold of the state on the beneficiary population. Although researchers differ on motives - the political, cultural, pious or private motivations - behind the creation of large awqaf. However, Hoexter expresses that in many cases the founders of the Awqaf and members of their families or staff gained from these endowments, as managers or beneficiaries in one way or another.

The imperial waqfs played a redistributive role by collecting their rural income from different regions and injecting the revenue into the town economy. They were provided food and purchased material for the fulfillment of charitable services and the maintenance of waqf buildings and paying the salaries of their employees. This waqf created ample employment opportunities for both skilled and unskilled workers. For instance, the large waqf complex of Süleymaniye in Istanbul employed more than 700 persons in various offices of employment. The families of thousands of people depended on the waqf of Süleymaniye.

Years after years, awqaf have been created and developed. The purpose may be the religious, philanthropic (social) or as a tool of public policy, but the ultimate objective was to help the poor and provide public goods for the ordinary people of the society. It is a proven fact that awqaf have been the vital pillar in the religious, social, cultural, scientific, economic and political life of Islamic society to the extent that for every conceivable enterprise of social benefit there was a *Waqf, such as* for mosques, universities, schools, hospitals, orphanages, houses for the poor, food for the poor, the blind, battered/abused women, soup kitchens, wells, aqueducts, fountains, public baths, watchtowers, bridges, cemeteries, salaries, pensions, guest houses, libraries, books and animal welfare. In Othman period the society left the financing of health, education and welfare entirely to the waqf system (See Ali, 2009; Rashid, 2011; Habib Ahmed, 2004).

The literature shows that during the Ottoman periods, thousands of people, without expecting any personal interest, founded thousands of institutions with their property and money. These include in the sector of infrastructure building such as road, bridges, irrigation system, welfare services; educational services such as opening school library, university, etc, and allocated some or all of his private properties such as farms, houses, enterprises, and savings as revenue sources to these institutions to ensure their continuous running. We can find some

essential illustrations of Waqf institutions in history. For example, three – quarters ( $\frac{3}{4}$ ) of all Arab land in the former Ottoman Empire belonged to waqf. In Algeria, under French occupation, waqf comprises half ( $\frac{1}{2}$ ) of the areas of the country in the middle of the nineteenth century, during the same time in Tunisia waqf represented  $\frac{1}{3}$  of land in Tunisia. In Egypt in 1949, about  $\frac{1}{8}$  of the agricultural land belonged to this category (Boudjellal 2005 cited in Achmad Tohirin, 2010).

Furthermore, the total budget of Waqf reached one-third of the state budget in Ottoman State wherein each of some three hundred administrative units called sanjak; there were around a thousand Waqfs (Yediyildiz, 1996). More importantly, waqf went beyond the need for fulfillment of the poor to empower them in society. The empowerment was achieved through the development and continuous assistance in education and health to build productive capacity, improve their access to finance to innovate and research to assist them better.

The squeezing and decline of waqf started during the 19<sup>th</sup> and 20<sup>th</sup> centuries. The Sultan Mahmud II began to centralizing the Ottoman waqf by establishing a ministry for Imperial *Evkaf* in 1826 that assumed full control of the religious foundations and supervision of the familial landed estates. However, in 1924, the Grand National Assembly in Ankara established a new ministry to administer all aspects of the Islamic faith including the waqfs (Benthall et al., 2009). Similarly, other countries including Syria, Egypt and Algeria nationalized waqf and policy of suppressing and controlling waqf was common in the whole Arab world, rather than a unique feature of European colonialism (Decobert, 1984 referred in Benthall and Jerome, 2009). Furthermore, In 1894, the British judiciary decided the family waqf as invalid in India. The decision may be based on the English notion of charity and the concept of non-charitable trust in favor of children and other relatives. Furthermore, in countries, like India, Pakistan, Bangladesh, Myanmar, Malaysia, Indonesia, Sri Lanka and Singapore, so also in Kenya, South Africa, etc., though family waqf is still allowed yet these are subjected to the same disqualifications with which, under English common law, private trusts suffer (Rashid, 2011).

No doubt history tells the rich experience of the role of waqf in social development and the poverty alleviation, but today's revenues of Waqf are not even sufficient to pay for the general maintenance of the Mosque. The decay in the waqf institution is mainly due to the changes that occurred in its

management system. «With colonialism came misery to awqaf. Thousands were abolished or put to other uses and governed by alien rules» (Rashid, 2011).

### Revival of Waqf

In many countries, waqf institutions have been providing education, healthcare, water resources, and support for the poor, and other public goods. Even in the present days, waqf can contribute a lot to sharing prosperity. Some of the countries started a revival of the awqaf as in the late 20<sup>th</sup> centuries, while some other countries have started efforts for its restoration recently. In Turkey since 1967, the law has facilitated the founding of new waqfs. The example is the creation of Koc Foundation in 1969, by the late Vebhi Koc, about \$ 20 million worth in 1988, focusing on building medical, educational and cultural facilities (Benthall and Jerome, 2009). The waqf law helped in the creation of many awqaf. ÇZAKÇA referring many studies explores that during 44 years from 1923 to 1967, when the new rule was promulgated, a mere 73 new waqfs had been established, whereas during 18 years from 1967 until 1985, 1877 new waqfs were created. From 1986 to 1996 more than one hundred waqfs were created annually with the trend rising until it reached 439 new waqfs in 1996, a maximum. He further shows that another significant contribution of the 1967 Law was in the sector of education. By 1998, altogether 16 waqf universities had been established, which enjoy the high reputation in the country.

Other countries including, Lebanon, Algeria, and Jordan, have enacted new laws of awqaf that helped in recovering, preserving and developing the property of Awqaf and encouraging people for creating new awqaf (Kahf, 2003). In Indonesia, Indonesia Waqif board (IWB), an independent institution, has been established a few years ago to promote the economic benefit of Waqif asset for the sake of religious interest and people empowerment. There are an estimated 358710 Waqf lands in Indonesia which totals 1, 538.198.586 l sq. Meters (Indonesia Waqf Board). This Waqf asset can be part of the potential solution for helping the poor. Also, Cash Waqf has recently grown fast in Indonesia mainly because of its flexibility and potential to benefit poor anywhere (Shirazi, 2014).

In the majority of the Muslim countries, there is a ministry of Awqaf and religious affairs, or there is a particular department dealing with the

awqaf matters. For example, in Pakistan awqaf is provincial matter but under the overall ministry of religious affairs. Similarly, in Malaysia, each state has its own awqaf management under state Islamic religious council(s). In Muslim minorities countries, efforts are made to revive the waqf. India has a vast waqf infrastructure under its Ministry of Minority affairs but with significant autonomy to waqf boards constituted at the provincial or state levels. The Muslim community in Singapore and South Africa are performing well during recent times. One of their missions is to revive Waqf and put this Islamic institution at the heart of poverty alleviation in their respective countries.

Similarly, many trusts and foundations are established by Muslim minorities in Europe and North America. For instance, The Islamic relief worldwide Waqf program whose aim is to provide a sustainable solution for a better future has been successful in many parts of the globe and covered all aspect of development. In 2011 alone the institution has implemented eight significant programs which affected the lives of thousands of family in the field of emergency supplies, water sanitation, education, sustainable livelihood. Over the past 15 years, the return on investment from Islamic Relief Waqf has funded 118 humanitarian relief and development programs around the world (Islamic Relief, Waqf annual Report, 2016).

### **Role Played by Waqf Associations and Philanthropic Organizations in Islamic Economies and Muslim Societies, by Collaboration, Cooperation, Assistance, and Other Means.**

The history of waqf is full of the instances for providing religious services, social services, and support to humanity and especially for the poor and needy. It offered the public goods including the construction of infrastructure as well.

The services mentioned above can be provided with waqf in the contemporary period as well, which depends mainly on the size of the waqf and flow of resources out of created awqaf. This section provides some of the experiences of a few organizations and institutions which serve humanity in the current period. However, before citing the experience of such few institutions, let us give some important writing of the Wall Street Journal, which shows how the rich of the society can help the poor and the middle class.

Cem Nizamoglu referring to the comments on the «Occupy Wall Street» protest by Charles Landow

and Courtney Lobel in Wall Street Journal (WSJ): how Billionaires Can Build Bridges to the Middle Class (October 17, 2011), is of the view that the current income inequality in New York, USA can be resolved in part by the charitable organizations (waqf), which were used effectively in the time of Ottomans. The article says that the co-founder of the major private equity firm Carlyle is asking the public «how to use \$1 billion of his \$2.7 billion fortune to create jobs.» As an answer to Mr. Conway and other billionaires, the WSJ replied: «Build a bridge!» The WSJ explanation was based on the successful experience of funding the infrastructure by the Waqf institutions of the Ottoman era. WSJ writes «There is a precedent: Ottoman-era Turkey lacked a budget for the provision of basic services. To fill the void, more than 35,000 private foundations, known as vakif in Turkish, funded public-works projects and municipal services, from water systems and schools to hospitals, bridges, and roads. Many modern Turkish foundations have continued to supply traditional infrastructure—the Sabanci Foundation, for example, has built more than 120 schools, hospitals, libraries, orphanages, and other facilities. These assets are then transferred to state ministries, which run them.» The precedent suggests that the rich of the private sector may come forward and help the public sector in providing public goods, which will support in providing the social and public goods to the humanity and especially to the weak segment of the society. They will earn a name in this world and reward in the hereafter.

Poverty is a grave problem in most of the countries. For any poverty reduction program, income is needed. Waqf can be a good source of fund for the beneficiaries, provided it is appropriately and efficiently managed. However, unfortunately, the estimates of waqf are not available in most of the countries. Nevertheless, in case of India, some estimates are available, by which it is concluded that if the waqf properties are put to efficient and marketable use, they can generate at least a minimum return of 10 percent which is about Rs. 12,000 crores (Rs. 120 billion, about US\$ 2.4 billion) per annum. According to an estimate, the Muslim poor require about 0.30111 percent of the GDP to bring each one who is below the poverty line to the level of non-poor. The awqāf properties can generate income of about 0.325 percent of the GDP, which is higher than the required amount for poverty reduction. Therefore, the only awqāf can alleviate the poverty of the Indian Muslim poor (Shirazi, 2014).

In Europe and USA, Trusts play a significant role in employment creation. Çizakça (2015) reported that the non-profit sector contributed to an average of 13% of the net jobs added between 1980-1990 in France, Germany and the United States. In the U.S., the non-profit sector accounts for 6.9% of total employment.

The experience of a few institutions, which provide various services for the welfare of the society, especially the underserved people, is provided in the following section.

#### *Role of Islamic Development Bank (IDB) in Developing Awqaf Properties*

The Islamic Development Bank (IDB) with the collaboration of other institutions has established Awqaf Properties Investment Fund (APIF) in February 2001 to develop and invest in Awqaf real estate properties that are social, economically, and financially viable, in member countries of IDB and Islamic communities in non-member countries. The Fund priority areas of investment include residential, commercial, retail and industrial facilities. The Fund gives investment priority to the APIF's participatory states followed by the IDB member countries and the rest of the world. The IDB is the manager of APIF and focusing her efforts on the success of the Fund for benefiting all stakeholders including contributors, *nazers*, unitholders, beneficiaries and the public at large. About US \$ 72 million paid-up capital is funded by the institutions of the participatory countries. However, subscription to APIF's capital, in addition to Islamic banks and financial institutions, is open to Awqaf ministries, directorates, and institutions. The IDB has provided a line of financing of US\$ 100 million to the Fund and has approved SU\$ 200,000 for developing feasibility studies. The APIF has financed more than 40 projects worth US\$ 876 million in 18 countries with its contribution of US\$ 338 million.

#### *The Fa'el Khair Program*

Waqf can be used for the urgent needs of the poor, destitute and the victims. It can also contribute to the success of Islamic microfinance experiments to improve the economic conditions of the poor. Fa'el Khair waqf of the IDB is another successful experiment for helping such people.

The Fa'el Khair Program of the IDB was inspired by the urgent need to help the victims of the Sidr cyclone, which devastated the southwestern coast of Bangladesh in November 2007, resulting in loss of life and damages in 30 districts of the country. Since hurricanes are a recurring phenomenon in the country, long-term rehabilitation solutions

were needed, as well as an immediate emergency response. The Program has two main components:

1. The Fa'el Khair Project, initially funded at \$ 110 million, supports the construction of several hundred schools that also serve as cyclone shelters in the coastal belt of Bangladesh.

2. The Fa'el Khair microfinance Program, initially funded at \$20 million, provides urgent relief and support steps to restore the livelihoods of affected farmers, fishermen, and small businesses. It was registered as the Fa'el Khair waqf under the provisions of waqf Ordinance 1962.

The second component initially aimed at providing urgent relief to the victims of the Sidr cyclone in the form of agricultural inputs and support for small businesses. To implement the program, the Islamic Development Bank signed a three-year (extendable) agreements with several nongovernmental organizations (NGOs). The microfinance intervention provides interest-free (*qard*) microloans, as well as training to the cyclone victims to help them recover their losses and regain their livelihoods. When the agreement period of three years is over, NGOs are to return the funds by depositing them into the Fa'el Khair *Waqf* account. The Committee of *Mutawallis* will then decide whether to renew agreements with the partner NGOs.

The NGOs together recruited and trained some 774 staff and are operating through 80 field offices in the areas most impacted by the cyclone. As of January 2014, *qard* amounting to Tk8 billion (roughly \$105 million) has been disbursed to 192,821 beneficiaries. However, the original funding (amounting to \$20 million) has been leveraged more than five times. The *qard* repayment rate was as high as 99.75 percent. Also, 196,710 beneficiaries were trained through 6,338 training courses on agriculture, cattle rearing, and fishing and fish farming.

In 2012, the NGOs were instructed to start implementing their exit plan by returning one-third of the Program funds to the Fa'el Khair *Waqf*. It was then up to the Committee of *Mutawallis* to decide how to use the funds that were returned. They have been placed in Islamic investments that have generated returns in the range of 10 percent a year. These proceeds are being used to cover the administrative costs of the Fa'el Khair Program.

The Fa'el Khair project provides an excellent example of how a generous cash donation can be used to engineer a *waqf*. It is also a rare example of how the high administrative costs of a poverty alleviation program (with finance as well as skill

enhancement inputs) may be absorbed by returns generated by a *waqf* dedicated to poverty alleviation.

#### *Islamic Relief: Worldwide Waqf*

Islamic Relief is an International NGO, which was established in 1984 in the UK that works for humanitarian relief, provide development and advocacy programs worldwide irrespective of race, gender or belief. It aims at providing emergency relief & disaster readiness, sustainable Livelihoods, education, health & nutrition, orphans and child welfare, water sanitation & hygiene, integrated development, campaigning for change. During 2016, Islamic Relief allocated 5 percent of its charitable expenditure for supporting education, 1.0 campaigning for change, 11.0 percent for sustainable livelihood, 19.0 percent for caring orphans and children, 47.0 percent protecting life and dignity. All this is possible through the increase in its donations and other receipts. However, uncertainty always remains for the flow of income and resources.

Islamic Relief established its Waqf programme in 2000, as a source of sustainable funding for humanitarian projects. A waqf (endowment) board has been found to frame alternative investment initiatives to raise income. The Islamic relief waqf program whose aim is to provide a sustainable solution for a better future has been successful in many parts of the globe and covered all aspect of development. In 2011 alone the institution has implemented eight significant programs which affected the lives of thousands of family in the field of emergency supplies, water sanitation, education, sustainable livelihood. Over the past 15 years, the return on investment from Islamic Relief Waqf has funded 118 humanitarian relief and development programs around the world (Islamic Relief, Waqf annual Report, 2016).

#### *Donations as a Basis for Sustainable Microfinance: Experience of Akhuwat, Pakistan*

Akhuwat Microfinance was established in 2001 to support and empowers the needy families through interest-free loans (*qard hasan*). The generosity and empathy of donors enabled Akhuwat to assist over 2.7 million low-income families in Pakistan through interest-free microfinance. Akhuwat has been expanding and now has 789 branches in Pakistan. Akhuwat has about PKRs 15.47 billion in outstanding loans as of July 12, 2018. Its total disbursement stands at about PKRs 65.35 billion with a recovery rate of 99.67 percent.

#### *Charity-Funded Credit Pool*

The financing process at Akhuwat involves the establishment of a credit pool and making small

loans (*qard al hasan*) to the poor from this pool. The pool itself is created through donations and the spirit of brotherhood. It is like a revolving fund from which is continuously depleted with disbursal of loans and replenished and enhanced with their recovery and new donations. In July 2018, the cumulative disbursement was PKR 65.35 billion.

#### *Cost of Loan*

In the initial years of operation, Akhuwat charged 5 percent of the loan amount to recover the actual cost, which was termed an administrative fee. Further, tiny loans (amount less than PKR 4,000) were to be entirely cost-less as these were targeted at the ultra-poor with least affordability. The sustained growth in donations and the donations from the graduated borrowers enabled Akhuwat to provide interest-free loans at zero cost in 2010.

The core administrative tasks relating to loan management are carried out from the places of worship that result in substantial savings in administrative costs. Furthermore, the CEO and the top management and about one-third of Akhuwat staff work voluntarily without any remuneration. The organization has made minimal investments in office assets. It owns no vehicles. Its team sits on the floor as its clients do. It has found a way to do business with the poor keeping costs to a bare minimum. Consequently, its operational expenses fell to 5 percent in 2015.

#### *Johor Corporation's Waqaf al-Noor, Malaysia*

In 1968, Johor Corporation (JCorp) was established as a state investment corporation, in the state of Johor, Malaysia. Its core businesses are palm oils, foods, and quick service restaurants, specialist healthcare services, hospitality, property, and logistic services. Johor Corporation has to date developed a total of 24 Waqaf An-Nur Clinics (KWAN) throughout Malaysia and one Waqaf An-Nur Hospital in Johor. It provides the healthcare services to the poor and destitute irrespective of ethnicity. The outpatient treatment in KWAN is offered at all levels of the society with a minimum fee of only RM5. In 2017, a total of about 1.45 million were benefitted through KWANs, which also includes 116,859 non-Muslims beneficiaries. Furthermore, KWANs are equipped with 66 dialysis machines, through which, 307 kidney patients were helped so far.

We have mentioned a few examples of organizations and institutions that provide significant support to the underserved and the people in need due to natural circumstances. These institutions have set the path for others to go on it. There is a need to



replicate such practices elsewhere. The following section is devoted to the purpose implications of such awqaf in the contemporary world.

### **Awqaf Implication on Modern Economic System**

Majority of the countries on the globe fall into the low or lower-middle-income category. It has been observed that countries with low income accommodate more poor, with high-income inequality, unemployment, and hunger. They are spending less on their health and the progress in education is slow as well. They have low access to finance. All these factors reinforce each other, and consequently, these countries are not getting out of poverty.

In most of the developing countries private and public sector resources have been committed to economic growth and ensuring macroeconomic performance. Furthermore, each state has at least one social assistance program. The social assistance programs of these countries focus on reducing poverty and income inequality, risk and vulnerability. However, Social assistance does not cover about two-thirds of the population of most of the countries. No doubt countries are providing resources for education, health, and other essential services, but this is for all people and general purpose. Poor people cannot take benefits of such allocations due to user fees. Furthermore, a needy segment of society is socially and financially excluded. Experience has shown that the countries are covering a more substantial portion of the poor and transferring sufficient amounts, at least equal to the poverty gap, and having high targeting efficiency was able to reduce poverty and income inequality significantly.

Countries raise revenue from both the internal and external sources. These resources of the developing countries are committed to the general growth of the economies. So serious efforts are needed to raise revenue for the poor and vulnerable people outside the government budgetary sources. The Awqaf and other sadaqat are the third sectors which require the attention of the governments and the civil societies to ensure the flow of resources for the plight of these people.

In the light of the above few cases that we have cited, give enough evidence that different institutions and organizations work for the poor. They provide education, health, offer finance and skill and help in microenterprises, offer employment opportunities,

provide food and shelter to vulnerable and victims of natural calamities. However, these are on a small scale and need resources and efforts to carry it on a large scale. For this purpose, consolidated efforts and synergy are required.

Studies have shown that if saqaqat and waqf have been explored and appropriately utilized, then these can provide enough sources for poverty eradication. These resources may be combined with the public funds for providing social assistance to all such people, which can create a big dent on poverty.

For an operational side, we suggest that the extremely poor and the poor may be identified and these funds may be earmarked for the poor. They may be provided with free education and health services. They may not be charged user fees, or there may be cash (conditional or non-conditional), or in-kind transfers. These social services will prepare them for the future and increase their earning capabilities, which will become a source of smoothing aggregate demand and growth in the economies. Furthermore, Akhuwat model can be replicated for the Low-cost Microcredit with Şadaqāt for capacity building and providing employment opportunities.

For their immediate needs and the unexpected events, a system of permanent safety nets for the extremely poor and the poor may be designed within their poverty reduction program. There should be direct cash transfers to the extremely poor, which is more effective in the case of the extremely poor, and conditional cash transfer to the lowest quintile, which is more effective in this case.

For raising revenue through waqf, we suggest that world awareness of the benefit of Waqf is needed. Studies report that in some Muslim countries, general knowledge regarding waqf is low. Mobilization of resources is possible through facilitating the creation of new waqf by creating a legal framework, a proper environment, incentivizing (tax relaxation), recovery of lost waqf, investment, and development of waqf.

### **Conclusion**

The history of waqf is full of the instances for providing religious services for the society, social services, and support to humanity and especially for the poor and needy. It offered the public goods including the construction of infrastructure as well. Establishment of waqf can be traced back to the pre-Islamic period. However, in the early Islamic period, awqaf were created in organized and well-managed ways to provide religious, social and public goods.

Awqaf were also established for the family and relatives as well. The Waqf has been developed and progressed over the years. Somehow, squeezing and decline of waqf started during 19<sup>th</sup> and 20<sup>th</sup>. However, waqf saw its revival in the mid and late 20<sup>th</sup> century.

In the paper, we traced the essential functions and role of awqaf that it played in the past for the societies. In some of the countries, waqf institutions are working for the welfare of the community through the provision of education, health, training, and capacity building, providing finance and opportunity of employment, food and other basic needs, and help and support in natural disasters. However, these services are provided at a limited scale that needs to be expanded at a broad level.

The services mentioned above can be provided with the waqf in the contemporary period at a large scale as well, which depends mainly on the size of the waqf and flow of resources. Although governments are providing essential services including education, health, and other public goods to their societies, available resources bind their hand tight, and always there is a need for additional resources to serve the

left out people. Even the developing countries are struggling for the left out people in their capacity. Every country has at least one social safety net program for underserved, but these programs hardly cover one-third of the people. So states need additional sources for the purpose. Awqaf is a third sector, which can be utilized for the additional resources for the provision of basic needs and safety nets to the underserved. Studies have shown that if saqaat and waqf have been explored and utilized in its true spirit, then these can provide enough sources for poverty eradication. The tragedy is that the outcome of the present awqaf is not enough to even manage the mosques properly.

However, for revitalizing and effectively utilizing waqf resources for the underserved a serious efforts are needed. Governments may provide the proper environment and legal framework for the creation, investment and development of waqf. It may recover lost waqf and give space to the civil society and private sector by incentivizing them for the establishment of waqf. The legal framework may provide the space for creating family waqf and the waqf by every citizen instead by the Muslims only.

### References

- Aazmi Khalil Ahmad (2010) *Islam ka Nizam-e-Awqaf: Tareekhi Ahmeeat and Ahkam, Idare-e-Islamiat*, Karachi.
- Ahmed Habib (2004) *Role of Zakah and Awqaf in Poverty Alleviation*. Islamic Research and Training Institute, Islamic Development Bank, Occasional Paper, no. 8,
- Ali Imtiaz B (2009) *Waqf: A Sustainable Development Institution for Muslim Communities*, Takaful T&T Friendly Society, P.O. Bag 1066, Valsayn, Trinidad and Tobago.
- Barnes J.R. (1987) *An Introduction to Religious Foundations in the Ottoman Empires*. Leiden: Brill.
- Benthall J., Bellion-Jourdan J. (2009) *The Charitable Crescent: Politics of Aid in Mulsim World*. London, I.B. Tauris & Co. Ltd
- Cem Nizamoglu. *The Institution of Waqf as a Solution to the Economic Crisis*. Available at <http://www.muslimheritage.com/article/institution-waqf-solution-economic-crisis>.
- Çizakça Murat (2015) *The Waqf, Its Basic Operational Structure, Development and Contribution*. WIEF-UiTM Occasional Papers, 2<sup>nd</sup> edition.
- Çzakça Murat (nd) *A History of Philanthropic Foundations: The Islamic World from the Seventh Century to the Present* (eighth draft). Available at file:///E:/A\_History\_Of\_Philanthropic\_Foundations%20by%20Murat%20.pdf.
- Decobert C. (1984) *L'aumone et l'ecrit*. *Annuaire de l'Afrique du Nord*, XXIII, 109-27.
- Gaudiosi M. (1988) *The Influence of the Islamic Law of Waqf on the Development of the Trust in England: The Case of Merton College*. *University of Pennsylvania Law Review*, vol. 136, no. 4, pp. 231-261.
- Hoexter M. (1998) *Waqf Studies in the Twentieth Century: The State of the Art*. *Journal of the Economic and Social History of the Orient*, vol. 41, no. 4, pp. 474-495.
- Islamic Relief, *Waqf annual Report*, 2016.
- Kahf M. (1992) *Waqf and its sociopolitical aspects*. Islamic Research and Training Institute (IRTI), IDB.
- Kahf M. (2003) *The Role of Waqf in Improving the Ummah Welfare*. Available at [http://monzer.kahf.com/papers/english/Role\\_of\\_Waqf\\_in\\_the\\_Welfare\\_of\\_the\\_Umah.Pdf](http://monzer.kahf.com/papers/english/Role_of_Waqf_in_the_Welfare_of_the_Umah.Pdf).
- Khaleeqzaman M., Nasim Shah Shirazi (2012) *Islamic Microfinance – An Inclusive Approach with Special Reference to Poverty Eradication in Pakistan*, *IJUM Journal of Economics and Management*, vol. 20, no. 1, pp. 19-49.
- Khan M. Fahim (2007) *Integrating Faith-based Institutions (Zakah and Awqaf) in Poverty Reductions Strategies (PRS)*. Islamic Research and Training Institute, IDB,
- Kuran T. (2001) *The Provision of Public Goods Under Islamic Law: Origins, Impact, and Limitation of the Waqf System*. *Law & Society Review*, vol. 35, no 4.

Mahamood S.M., Ab Rahman A. (2015) Financing universities through waqf, pious endowment: is it Possible? *Humanomics*, vol. 31, issue 4, pp. 430-453.

Micheal W., Amalia L. (2004) *The Mamluks in Egyptian and Syrian Politics and Society*. Leiden-Boston: Brill.

Obaidullah Mohammed, Nasim Shah Shirazi (2015) *Islamic Social Finance Report*. IRTI, IDB.

Obaidullah Mohammed, Nasim Shah Shirazi, Dadang S., Izhar H. (2014) *Islamic Social Finance Report*. Thomson Reuters.

Orbay Kayhan (nd) *Waqf Institutions (Charitable Endowments)*. Available at <http://www.turkishculture.org/lifestyles/institution-967.htm>.

Rashid Syed Khalid (2011) *Certain Legal and Administrative Measures for the Revival and better management of Awqaf*. IRTI working paper series (WP#1432-02), Islamic Research and Training Institute (IRTI), IDB.

Shirazi Nasim Shah (2014) *Integrating Zakāt and Waqf into the Poverty Reduction Strategy of the IDB Member Countries*. *Islamic Economic Studies*, vol. 22, no. 1, pp. 79-108.

Shirazi Nasim Shah, Salman Syed Ali, Mohammed Obaidullah (2017) *Practical Means of Integrating Zakāt And Waqf into the Poverty Reduction Agenda of OIC Member Countries*. IRTI, IDB.

Tohirin A. (2010) *The Cash Waqf for Empowering the Small Businesses*. Available at <http://www.ukm.my/hadhari/sites/default/files/prosiding/p24.pdf>.

White Andrew (2006) *The Role of the Islam Waqf in Strengthening South Asian Civil Society: Pakistan a Case Study*. *International Journal of Civil Society Law*, volume 4, issue 2.

Yedyildiz B. (1996) *Place of Waqf in the Turkish Cultural System*. Available at <http://yunus.hacettepe.edu.tr/~yyildiz/placeoftheWaqf.htm>.