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# **WAQF AND SUSTAINABLE HUMANITARIAN FINANCING**

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# Waqf and Sustainable Humanitarian Financing

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## Abstract

As an endowment instrument in Islam, waqf has been acknowledged as one of the greatest Muslim charitable traditions to provide finance for sustainable humanitarian initiatives. However, researchers have historically given little consideration to that potency. This study documents various case studies on how Islamic humanitarian NGOs across the globe optimise waqf funds to support their activities in conducting sustainable humanitarian programmes. It begins by outlining the relevance of waqf before examining its potential scale, in addition to ways in which waqf is managed to improve the lives of beneficiaries. The study also highlights relevant issues regarding the promotion of waqf to realise its full potential and provides some suggestions for further research. Desk-based research was used to obtain most of the information presented in this paper, based on documentary analysis of public sources.

**Keywords:** Waqf, Humanitarian financing, Islamic philanthropy, Islamic social finance

## 1. Introduction

Muslim countries have been more severely impacted by the unprecedented rise in humanitarian crises (disasters) than any other part of the world. Indeed, 71% of the people (circa 89 million) in need of global humanitarian assistance reside in Organisation of Islamic Cooperation (OIC) countries (SESRIC, 2017). According to UNISDR (2009 p.9), a disaster can be defined as ‘a serious disruption of the functioning of a community or a society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources’. In general, disasters can be classified as natural (earthquakes, tsunamis, volcanic eruptions, famine, deforestation, epidemic, etc.) or man-made (pollution, fires, wars, armed aggression, etc.) (Abdallah & Burnham, 2000). Disasters frequently result in unfavourable impacts, such as the escalation of poverty, for the communities they affect. Alarmingly, five OIC member countries account for over half a billion of the world’s poor with incomes below the World Bank’s international poverty line (USD1.90 a day – as updated in 2017). Many Muslim countries have also been reliant on humanitarian aid for longer than 10 years and are unable to elevate themselves out of the traps of poverty and other humanitarian crises (WIEF Foundation, 2018). The United Nations

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(UN) has predicted that climate change will prompt a further rise in the frequency and severity of future disasters (UN, 2016a). The situation is even more frightening when considering the impact of the global Covid-19 pandemic, whereby governments worldwide acted to protect their own citizens by introducing travel restrictions, advancing anti-migrant agendas and prioritising economic stimuli over global humanitarian responses (The Lancet, 2020).

Faced with the above challenges, there has been exponential growth in the need for humanitarian financing. The UN reports that the world is currently spending more than ever – approximately USD25 billion – on life-saving efforts for 125 million people who are suffering as a result of humanitarian crises. However, there has been an over-reliance on a small group of donors whose generosity has been insufficient to meet the rising demand, with an estimated gap of USD15 billion. Yet while this gap is challenging, it represents only around 0.02% of the global annual GDP of USD78 trillion (UN, 2016b). UNOCHA (2021) notes that while the COVID-19 Global Humanitarian Response Plan will cost US\$9.5 billion, only 39.9% has hitherto been funded. However, it is possible to attain this amount if there is globally shared responsibility.

In terms of the global gap in humanitarian financing, the UN has called for solutions from fresh financing sources, including Islamic social finance instruments (UN, 2016b). Such instruments also offer great potential for Muslim countries, notably to reduce their vulnerability and build resilience to various crises through revitalising the use of zakat, waqf and other Islamic social finance instruments that are embedded within their identity.

Researchers and research institutions have begun to observe the potential of zakat to close the humanitarian financing gap (e.g., Stirk, 2015; UN, 2016b). Zakat, the third pillar of Islam, is mandatory alms for all Muslims once their wealth has reached a certain threshold (nisaab). The beneficiaries of zakat are specified in the Qur'an (among others, the poor and needy). However, while zakat can be seen as a powerful tool for alleviating poverty, redistributing wealth and providing emergency assistance during crises, it does not match waqf (Islamic endowment funds) when considering the more enduring benefits (Islamic Relief Academy, 2015). Most humanitarian crises today are protracted in nature, with over 90% of humanitarian appeals lasting for between three and seven years (UNOCHA, 2015). There is thus growing demand for more sustainable financing, such as waqf, to complement zakat and other Islamic social finance instruments in improving the overall effectiveness of humanitarian initiatives.

We note that researchers have given little consideration to examining the potency of waqf as a powerful humanitarian financing instrument. Meanwhile, a report by SESRIC (2017) suggested the urgent need to demonstrate how waqf could pave the way to sustainable humanitarian financing. In an attempt to answer the above call and inspire humanitarian workers to explore waqf as an additional

source of financing, this study documents various case studies on managing waqf to address humanitarian crises and its alignment with the Sustainable Development Goals (SDGs), particularly through the initiatives of Islamic humanitarian NGOs (IHNGOs) across the globe.

## 2. Literature Review

### 2.1 Waqf: Its Root and Concepts

Long before the concept of SDGs was introduced, waqf was pivotal in satisfying public necessities or developing the Muslim ummah. It is a unique form of Islamic philanthropy, with a long history. In Islam, waqf is categorised as a perpetual charity (shadaqah jariyah) that benefits donors as they will receive an eternal reward from Allah the Most Exalted for the afterlife. This is based on the hadith narrated by Abu Hurairah ؓ. He stated that the Messenger of Allah ﷺ said,

*‘When a man dies, his acts come to an end, but three, recurring charity, or knowledge (by which people) benefit, or a pious son, who prays for him (for the deceased).’* (Hadith narrated by Muslim no. 1631)

Imam Ash-Shan'ani (d. 1182 H or 1768 AD), a renowned hadith scholar, explained, ‘the scholars interpret the recurring charity with waqf. [...] The Muhajirun (those who perform hijrah (migration from Makkah to Madinah)) said, “The first waqf in Islam is the waqf from Umar”’ (Ash-Shan’ani, 2011, 5: 226 in Tuasikal, 2015).

In general, waqf means protecting the original form (of the waqf asset) and using it in the cause of Allah (fi sabilillah) as a form of worship to Allah The Almighty (Al-Fauzan, 2011, 7:5 in Tuasikal, 2016). The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) explains in its Sharia Standard No. 33, concerning waqf, that in the ‘Arabic language the word waqf or habs means preventing something from movement. In sharia terminology, waqf refers to making a property invulnerable to any disposition that leads to transfer of ownership, and donating the usufruct of that property to beneficiaries’ (AAOIFI, 2017).

Waqf is an act of worship related to wealth that has been pioneered by Muslims since the time of the Prophet ﷺ and his companions ؓ. Prominent waqf models have included waqf of the well of Rumah by Uthman ibn Affan, waqf of a piece of land in Khaibar by ‘Umar ibn Khattab<sup>3</sup> ؓ, and waqf of Bairuha garden that Abu Talha ؓ really loved. It should also be noted that Jabir bin Abdillah ؓ, another companion of the Prophet ﷺ, said, ‘There is no single companion of the Prophet ﷺ who has the ability (to donate their assets), except they made it as waqf’ (Al-Albani, 1985, 6/29 in Baits, 2016).

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<sup>3</sup> Though ‘Umar informed the Prophet ﷺ that he never had such a high-priced land, he still endowed the land as waqf.

Imam as-Shafii (may Allah have mercy on him) also said, ‘The people of Jahiliyah (pre-Islamic time of ignorance) have never performed waqf. Those who perform waqf are only Muslims.’ This statement implies that all forms of charity undertaken by the people of Jahiliyah were disposable and not endless (Baits, 2016). The concept of waqf is explained further in a hadith narrated by Ibn Umar κ:

*‘Umar acquired a land at Khaibar. He came to Allah’s Apostle ﷺ and sought his advice in regard to it. He said: Allah’s Messenger, I have acquired land in Khaibar. I have never acquired property more valuable for me than this, so what do you command me to do with it? Thereupon he (Allah’s Apostle) said: If you like, you may keep the corpus intact and give its produce as Sadaqa. So ‘Umar gave it as Sadaqa declaring that property must not be sold or inherited or given away as a gift. And Umar devoted it to the poor, to the nearest kin, and to the emancipation of slaves, aired in the way of Allah and guests. There is no sin for one, who administers it if he eats something from it in a reasonable manner, or if he feeds his friends and does not hoard up goods (for himself).’ (Hadith narrated by Bukhari, no. 2772 and Muslim, no. 1632).*

The hadith indicates that the initial principal of waqf endowed by a waqif (the donor of a waqf asset) should be carefully managed by a competent and accountable nadzir (waqf administrator) so that its benefits remain intact. If the waqf asset does not generate sustainable benefits and the nadzir is unable to improve its performance, then the nadzir can sell it, to be replaced with a more useful asset.<sup>4</sup> The following sections briefly discuss waqf asset management and distribution of waqf benefits.

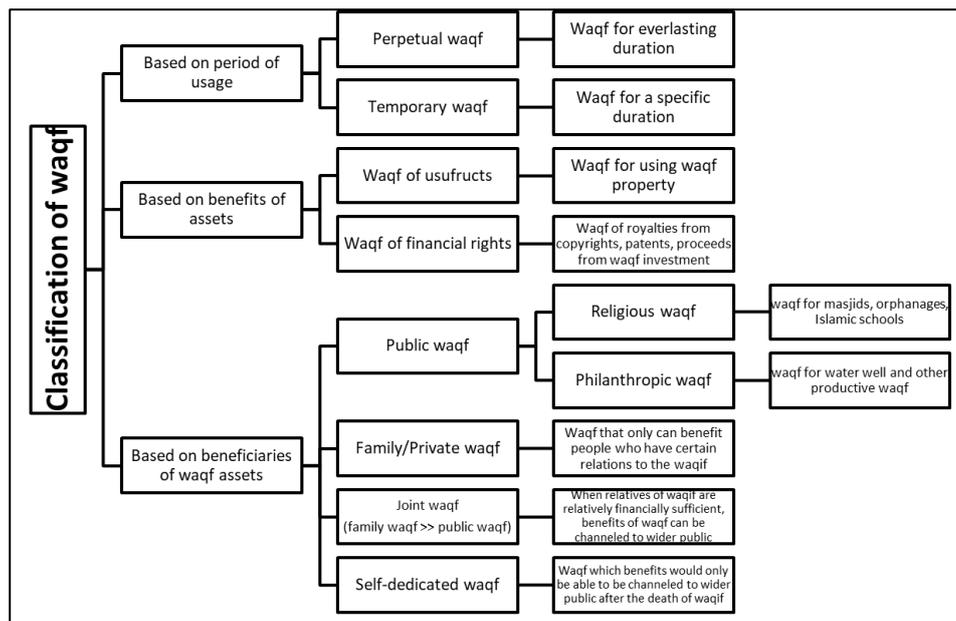
## 2.2 Waqf Asset Management

Scholars have established various classifications related to waqf assets. Figure 1 illustrates the waqf classifications available in the literature. With such classifications, waqf as monetary assets can generally be invested in Islamic financial institutions, the microfinance sector or real-sector investments. The waqf institution can also use its cash waqf to build real-estate properties in the form of economic assets such as apartments, malls and hotels that can be managed to generate financial benefits, or social/philanthropic assets such as masjids, schools and hospitals. This type of investment is managed in the same way as immovable waqf assets. If a waqf institution has insufficient funds to build such assets, Bakar (2007) recommends it enters into a build-operate-transfer contract with reliable real-estate developers. However, if the waqf institution does possess the assets then it may incorporate Islamic financing mechanisms to make it easier to harness the full potential of waqf to create maximum benefits.

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<sup>4</sup> Islamic scholars have differed on whether waqf assets can be sold in exchange for better ones. Imam Malik and Imam Shafi’i τ argued that this should not be the case, while Imam Abu Hanifah and Imam Ahmad τ allowed it as the opinion of Umar bin Khattab η. Syaikhul Islam Ibn Taymiyyah ρ was of the view that waqf assets may be sold provided the sale results in the waqf becoming more beneficial (Ibn Taymiyyah, 2011, 31: 219, 229 in Al-Fauzan, 7: 19-23, in Tuasikal, 2016).

**Figure 1. Waqf Classification**



Source: Ayub (2007), AAOIFI (2017), Kahf (2003)

### 2.3 Distribution of Waqf Benefits

As a form of voluntary religious charity, the management of waqf benefits tends to be more flexible than that of zakat, as explained below. In the best waqf, the benefits are distributed to a larger number of beneficiaries; here, the selection of eligible beneficiaries is paramount for the effective and efficient distribution of the benefits. AAOIFI (2017) explains that waqf benefits can be distributed for any purpose. It does not even have to be a charitable purpose provided it is not prohibited under shariah. The rich may be among the beneficiaries, while AAOIFI's shariah standard stipulates that non-Muslims can also benefit from waqf, provided that the cause to be served does not involve sin. This was also the opinion of Ibn Qayyim  $\rho$ . He believed that Muslim waqf for non-Muslims is valid for things such as alms for the poor and needy, road repairs and other public benefits. A waqif may include non-Muslim relatives among their waqf beneficiaries even though these individuals are non-believers; however, it is better if they convert to Islam. It is not permitted to allocate waqf to the churches, places of worship or places of disbelief of non-believers in Islam, where symbols of disbelief are upheld. This action is even inappropriate for Muslims as it supports them associating partners with Allah, which directly contradicts the teaching of Islam (Ibn Qayyim, 1997).

Moreover, though the waqf beneficiaries are generally stated upfront, AAOIFI's shariah standard states that they do not need to be present at the time the waqf is declared. However, if the waqf beneficiaries no longer exist, the benefits should be allocated to a charitable purpose. If, from the outset, the waqif has stated that waqf should be allocated to a specific masjid(s), any income generated from

that waqf must be spent in line with the masjid's own interest. However, it is permissible to transfer any surplus, unspent income to other masjids that have insufficient funds to cover their expenses or maintenance and renovation costs.

While waqf is considered to be not-for-profit, it should be highlighted that to remain sustainable, waqf is also not-for-loss (Dafterdar, 2011). Beyond that, the waqf institution as the nadzir is responsible for managing the assets in accordance with the shariah rules. Simultaneously, the nadzir must fulfil his accountability to the waqif by executing his wishes. Likewise, the waqf institution is expected to ensure that the waqf will contribute to the betterment of Muslim society (Ihsan & Ibrahim, 2011). This is because the waqf institution is deemed to be both an economic and a social-religious enterprise at the same time (Shaikh, Ismail, & Shafiai, 2017).

Professional and sound management of waqf assets is critical to achieving all of these objectives. Regrettably, however, in some Muslim countries, many waqf assets are abused and allowed to dwindle during times of economic and political decline. In certain Muslim countries, the operation of waqf by governments has resulted in the addition of waqf assets to government properties through confiscation or nationalisation. This becomes more unfavourable where Islamic activists and the governments of their respective countries do not share a peaceful coexistence. To overcome these problems, waqf assets need to be managed by professional, non-governmental institutions that have a proper vision, updated education, sophisticated waqf management tools, proper checks and balances and that are subjected to proper government supervision and regulation (Rahman, 2007).

### **3. Research Method**

To achieve our main objective of exploring the potential of waqf in addressing humanitarian crises and its alignment with the SDGs, we conducted a qualitative documentary analysis. This involves screening and coding the content of written documents (for example, reports, websites and even official social media pages) for further analysis (Prior, 2016). Although usually employed to support other more mainstream research methods, such as surveys and in-depth interviews, documentary analysis is also sufficiently rigorous to be considered a principal research method (Mogalakwe, 2006). Scott (1991) proposed the following four criteria for ensuring the thoroughness and reliability of documents as sources of data: authenticity (genuine and obtained from reliable sources); credibility (bias-free and interpreted objectively by researchers); representativeness (in accordance with and verifiable against any other relevant documents); and meaning (comprehensive and clear to understand). Moreover, Bryman (2012) identifies four types of documents that support most research: personal documents, official documents, mass-media output and virtual documents. Considering their relevance to this study, which is exploratory in nature, we employed the latter three types of documents and preferred to analyse

only publicly available documents as the primary source of data. These included annual reports and archived articles from the websites of various IHNGOs. We used a thematic approach in analysing the documents by focusing on ‘identifying, analysing and reporting patterns (themes) within data’ (Braun & Clarke, 2006, p. 79).

**Table 1: List of Islamic Humanitarian NGOs with Programmes of an International Scope**

No.	Organization	Origin	Availability of Explicitly Mentioned Waqf Programs	Website
1.	Global Wakaf (GW) of Aksi Cepat Tanggap (ACT)	Indonesia	Available	globalwakaf.com
2.	Al Ihsan Charity Association	UAE	Available	alihsan.ae
3.	Deniz Feneri Association	Turkey	Unavailable	denizfeneri.org.tr
4.	Dompot Dhuafa (DD)	Indonesia	Available	tabungwakaf.com
5.	Human Concern International	Canada	Unavailable	umanconcern.org
6.	IHH Humanitarian Relief Foundation	Turkey	Unavailable	ihh.org.tr
7.	International Islamic Charity Organization (IICO)	Kuwait	Available	iico.org
8.	Islamic Charity Center Society	Jordan	Unavailable	islamicc.org
9.	Islamic Foundation of Maldives	Maldives	Unavailable	islamicfoundation.mv
10.	Islamic Relief Waqf	UK	Available	irwaqf.org
11.	Kuwait Red Crescent Society	Kuwait	Unavailable	krccs.org.kw
12.	LIFE for Relief and Development	USA	Unavailable	lifeusa.org
13.	Misr El Kheir Foundation	Egypt	Unavailable	misrelkheir.org
14.	Muslim Aid	UK	Unavailable	muslimaid.org
15.	Muslim Hands	UK	Available	muslimhands.org.uk
16.	Qatar Charity	Qatar	Unavailable	qcharity.org
17.	Zamzam Foundation	Somalia	Unavailable	zamzamsom.org
18.	Zakat House	Kuwait	Unavailable	zakathouse.org.kw

In determining the IHNGOs to analyse, we attempted to find official documents containing lists of IHNGOs worldwide. However, this proved unsuccessful, with the exception of several journals, books and websites containing the names of reputable IHNGOs that have run programmes internationally. We thus turned to search engines using keywords such as ‘Islamic humanitarian NGO, Muslim NGO, Islamic charities’, to which we added various country names (including those with a Muslim majority population) and other relevant keywords. We included IHNGOs that accept public donations and excluded those that are mainly patronised by certain individuals (e.g. the Hassanal Bolkiah Charity Foundation (Brunei Darussalam), King Faisal Foundation (Saudi Arabia), Mohammad bin Rashid Al Maktoum Foundation (UAE) and Zayed bin Sultan al Nahayan Charitable and Humanitarian Foundation (UAE)), as well as branches of IHNGOs (such as those of Islamic Relief and Muslim Aid present in several countries in Africa and Asia). We then searched the annual reports, financial reports and websites (presented in English or Bahasa Indonesia) of the listed IHNGOs using the terms ‘waqf’, ‘waqf’, ‘wakaf’ and ‘endowment’ to determine which organisations to explore further. While some of the IHNGOs (such as IHH, Zamzam Foundation, Qatar Charity, etc.) gather funds to

finance waqf-type programmes, such as water wells, schools or hospitals, we excluded them as they did not explicitly mention ‘waqf’. The results of the screening process are presented in Table 1.

#### 4. Case Study of Waqf Programmes by IHNGO

Table 2 elaborates several case studies on waqf programmes managed by the six case IHNGOs with waqf programmes as highlighted in Table 1. The cases reveal that most of the waqf programmes carried out by the six IHNGOs are aligned with the SDGs (Abdullah, 2018). Of the 17 existing SDGs, most IHNGOs focus on Goals 4 (quality education), 6 (clean water and sanitation) and 16 (peace, justice and strong institutions). Meanwhile, there is greater variation in the waqf programmes designed to achieve Goal 1 (no poverty) compared with the other goals. Based on the classification of the beneficiaries of waqf assets (see Figure 1), most waqf is public waqf intended to fulfil religious and philanthropic purposes.

**Table 2: Waqf Managed by the Case IHNGOs<sup>5</sup>**

Types of Waqf Assets	Mode of Waqf Benefits Distribution	IHNGOs
<b>Goal 1 – No Poverty</b>		
Abstinent families waqf	Direct benefit for debt repayment and provision of financial assistance to needy families who refrain from asking	IICO Kuwait
Waqf for livelihood support	Proceeds from the investment of the waqf principal are used to finance any waqf programmes according to the intention of the waqif	Islamic Relief UK; Muslim Hands UK
Food waqf, agricultural land waqf	Any profits from the cultivation and sale of crops from agricultural land waqf are used to fund humanitarian programmes	GW-ACT Indonesia, DD Indonesia; Muslim Hands UK
Economic waqf	Any profits generated from the waqf assets are used to fund humanitarian programmes	GW-ACT Indonesia (livestock waqf, property waqf, retail waqf, shares waqf)
Institute for Family Development	The direct benefit from the use of the institute	Al Ihsan Charity Association UAE
Waqf for small entrepreneurs	Provision of interest-free loans to micro-entrepreneurs	IICO Kuwait

<sup>5</sup> It should be noted that the cases presented here are not intended to serve as endorsements, sources of primary data or illustrations of effective or ineffective waqf management. While their programmes may inspire some readers, consultation with sharia scholars is required prior to their reapplication.

<b>Goal 2 – Zero Hunger</b>		
Qurbani waqf	Proceeds from the invested waqf funds are used to conduct Qurbani projects on behalf of the waqif	IICO Kuwait, Islamic Relief UK
Food waqf, agricultural land waqf	Any profits from the cultivation and sale of crops from agricultural land waqf are used to fund humanitarian programmes	GW-ACT Indonesia, DD Indonesia; Muslim Hands UK
Waqf for Ifthar (breaking the Fast)	Any returns from the waqf investment are used to provide ifthar for needy people	IICO Kuwait
<b>Goal 3 – Good Health and Well-being</b>		
Healthcare waqf (ambulance/hospital)	Direct benefit from the use of healthcare facilities	GW-ACT Indonesia; DD Indonesia; Islamic Relief UK
<b>Goal 4 – Quality Education</b>		
Educational waqf (school waqf)	Direct benefit from the use of schools	GW-ACT Indonesia; DD Indonesia; IICO Kuwait; Muslim Hands UK
Permanent charity exhibition (e.g. charity shop)	Proceeds from the sale of second-hand items are used to fund humanitarian projects and the sponsorship of orphans	Al Ihsan Charity Association UAE
<b>Goal 5 – Gender Equality</b>		
Institute for Family Development	Direct benefit from the use of the institute	Al Ihsan Charity Association UAE
<b>Goal 6: Clean Water and Sanitation</b>		
Water well waqf	Direct use of the water well	GW-ACT Indonesia; IICO Kuwait; Muslim Hands UK
<b>Goal 16 - Peace, Justice and Strong Institutions</b>		
Masjid building project	Direct benefit from the use of the masjid	Al Ihsan Charity Association UAE; DD Indonesia; IICO Kuwait
Preachers waqf	Used to build masjids, schools and places for teaching the Qur'an and hadith to new Muslims and Muslim minorities	IICO Kuwait
Waqf of the holy Qur'an	Direct benefit from the use of the Qur'an and Qur'an education	IICO Kuwait
Waqf for orphan sponsorship	Direct benefit for orphans	IICO Kuwait; Islamic Relief UK; Muslim Hands UK
Al Aqsha Masjid Waqf	Proceeds from the waqf principal are used to support various projects related to Masjid Al Aqsha and the people of the city of Jerusalem	IICO Kuwait

## 5. Discussion

Waqf is conceptually fit and relevant to provide additional and more sustainable resources for IHNGOs to carry out their humanitarian missions. The waqf programmes run by the case IHNGOs listed above also show that waqf contributes to reducing the humanitarian funding gap. Though global data on sector-based humanitarian funding requirements was not examined, country-level data available at [Humanitarian Response](#) shows that health, food security, nutrition and WASH (water, sanitation and hygiene needs – more prevalent with the Covid-19 pandemic) are the sectors that require the most funding assistance. Although waqf has played a reasonable role in these sectors, our desk research identified further scope for improvement:

1. The waqf assets should be carefully managed by a competent and accountable nadzir so that it can generate long-term returns to provide sustainable funding for long-term projects (Abdullah, 2018). In addition, to enable the more effective tracing of the role of waqf as a source of

sustainable humanitarian financing, nadzir should report the performance of their waqf programmes (calculated based on the [UN's SDG Indicators Metadata](#)) to the national SDG secretariats in their respective countries.<sup>6</sup>

2. Limited use of ‘waqf’ terminology by IHNGOs.

Our study finds that only six of the 18 IHNGOs identified (as presented in Table 1) use the term ‘waqf’ in raising funds to support their strategic programmes. It is acknowledged that some IHNGOs manage programmes with characteristics similar to those discussed in the case studies (e.g. provision of water wells, schools, hospitals). However, it is essential that the term ‘waqf’ is used in relation to these programmes to inspire existing and potential donors to continue donating, both supporting the IHNGOs’ projects and enabling investment for their lasting benefits.

There is a need for strategic public socialisation, among other measures, through low-cost channels such as social media (see Rahmawati, Dewi, and Ferdian (2019) for further discussion on the role of social media, particularly Instagram, in disseminating organisation objectives). The information may include how waqf is considered as a perpetual charity; how it is one of the habits of the companions of the Prophet ﷺ; it was practised by the Prophet ﷺ and his companions long before endowment by Oxford, Harvard and Yale Universities, and other relevant themes. It is expected that such an initiative will help to inspire those who have not yet understood, while those who do understand will become more enthusiastic in making waqf contributions to IHNGOs.

**Figure 2: Waqf Socialisation through Social Media**



Figure 2 contains some examples of waqf socialisation initiatives carried out by GW-ACT and DD of Indonesia. The left-hand panel invites the public to make waqf contributions

<sup>6</sup> Nadzir of Indonesian waqf institutions can report their waqf programmes based on the [indicators metadata](#) to [SDGs Secretariat](#) of the Ministry of National Development Planning.

to GW-ACT's water well project by asking 'Are you the next Utsman in 'Affan?'. While the right-hand panel informs the public that by contributing waqf for the masjid, they can obtain a 'visa' to Paradise. 'Amr bin 'Abasah η narrated that the Prophet ﷺ said: 'Whoever builds a Masjid in which Allah is remembered, Allah (the Mighty and Sublime) will build for him a house in Paradise' (Hadith narrated by An-Nasa'i: 688).

### 3. Potential Sharia-compliance issues.

Our desk research found limited waqf-related disclosure within the financial reports of the case IHNGOs. While some claim to invest a portion of their generated waqf funds in so-called shariah-compliant instruments, questions may be asked as to what types of instruments these are. When IHNGOs invest the funds in an Islamic banking savings account or time deposit, caution must be exercised regarding the contracts used on the products. If the Islamic bank uses mudharabah (a profit/loss sharing contract), then it can channel the funds in the form of financing to sound businesses that it selects. The IHNGO, as an investor, is entitled to receive a share of the profit, according to the agreement. However, the bank cannot guarantee to protect the waqf funds since, according to the mudharabah contract, both the bank and its customers must bear the risk if the business suffers losses that are beyond the bank's control. If the bank guarantees to protect the invested funds, then the contract is converted from a mudharabah to a qardh (debt) contract. However, if the waqf funds are invested under a wadiah (safekeeping) contract, then, as the custodian of the deposit, the Islamic bank is entrusted with its safeguarding and thus cannot utilise the funds. If the bank uses the deposit, then it violates the IHNGO's mandate at the same time as converting the contract from wadiah to qardh. It should thus be strongly highlighted that in line with Islamic finance principles, any benefits attached to qardh may resemble riba. This is in accordance with the saying of the Prophet ﷺ's companion Fudhlah Ibn Ubaid η that 'any receivables that are profitable, then (the profit) is riba' (Baits, 2018; Tarmizi, 2015).

In order to reap the blessings of the waqf fund management, IHNGOs should take any necessary steps to ensure that the investment of its waqf funds always complies with Islamic finance principles. As a proposed solution to the above issues, IHNGOs may focus on investing their waqf funds in the real sector, such as the construction of rentable properties, and managing the funds professionally by hiring a competent asset management team. Income generated from renting out the properties can then be used to fund the humanitarian programmes. This strategy has been proven by JCorp Malaysia and Warees Singapore, as well as DD Indonesia. In addition, IHNGOs may create Islamic financial technology (FinTech) that enables them to

channel the waqf funds to sharia-compliant financing using various Islamic finance contracts.

Moreover, we observe that IHNGOs, which ideally will only use Islamic banking facilities for their transactions, still use conventional banks. Our informal communications with various management representatives of Indonesian IHNGOs revealed that they are obliged to make this suboptimal choice due to donor convenience issues. The majority of their donors bank with conventional banks and the IHNGOs would therefore incur extra charges when transferring the funds to most Islamic banks. One of the IHNGOs in our case study reported that their revenues comprised both donations and bank interest. If in this case the interest was derived from a conventional bank, then it should be reported separately and should never be recognised as income. IHNGOs should also only use the remaining balance of the bank interest to fund public needs, such as for the construction of roads and toilets. Then, as soon as possible, they should move the account to an Islamic bank or the Islamic window of a conventional bank. This will ensure that IHNGOs fully comply with Islamic finance principles.

## **6. Conclusion**

While waqf is often considered to be a strategic instrument that can help address the global humanitarian financing gap, its potential in this regard requires further development. Of the 18 IHNGOs that we identified as being committed to tackling global humanitarian issues, only six explicitly use the term ‘waqf’ in their fundraising initiatives. As such, IHNGOs need to conduct much greater socialisation to the public related to the prominence of waqf. Furthermore, among those six organisations, we found a lack of disclosure concerning details of where they invested the waqf funds entrusted to them. IHNGOs must continue to ensure that their investments are truly sharia-compliant.

Next, our findings indicate that the waqf programmes managed by the six IHNGOs align with global attempts to achieve the SDGs, particularly Goals 1–6 and Goal 16. This opens up opportunities for subsequent research to explore this issue further. Future research may be developed by reviewing the management of waqf by each of the organisations discussed here and also by those patronised mainly by high-profile individuals (as exemplified in the early Islamic period), as well as wider contexts.

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