Abstract

This paper focuses on the theoretical structure of funding for Islamic philanthropy, especially waqf. Waqāf is projected to play further significant role to tackle present social problems, where financial sustainability has become one of the foremost challenges faced by awqāf institutions. There is a need to study various models of fundraising that could be applied to reform awqāf institutions. Employing content analysis approach, this paper analyses traditional and modern structures of fundraising that are applicable for development and management of waqāf fundraising: īstibdāl, ḥukr, ījāratayn, venture philanthropy of waqf model (VPWM), value-based capital model of waqf (VBCMW), and social enterprise waqf fund model (SEWF). The discussions are expected to be able to contribute towards boosting a better fundraising management of awqāf institutions in Muslim communities as well as countries.

Makalah ini fokus pada struktur teoritis pendanaan untuk filantropi Islam, terutama wakaf. Wakaf diproyeksikan untuk memainkan peran penting lebih
lanjut untuk mengatasi masalah sosial saat ini, di mana keberlanjutan keuangan telah menjadi salah satu tantangan utama yang dihadapi oleh lembaga-lembaga awqaf. Ada kebutuhan untuk mempelajari berbagai model penggalangan dana yang dapat diterapkan untuk mereformasi institusi awqāf. Dengan menggunakan pendekatan analisis isi, makalah ini menganalisis struktur penggalangan dana tradisional dan modern yang berlaku untuk pengembangan dan pengelolaan penggalangan dana wakaf: istibdāl, ḥukr, ijāratayn, venture philanthropy of waqf model (VPWM), value-based capital model of waqf (VBCMW), dan social enterprise waqf fund model (SEWF). Diskusi diharapkan dapat berkontribusi untuk meningkatkan manajemen penggalangan dana yang lebih baik dari lembaga awqaf di komunitas Muslim serta negara.

**Keywords:** Waqf fundraising; Management; Traditional method of fundraising; Modern method of fundraising

**Introduction**

Historically, waqf had significantly contributed to the well-being and educational development of the Muslim societies. It was a successful and exemplary model for funding and sustaining Islamic educational institutions, such as universities, schools, madrasahs and other public services in the past that some of these institutions are still in existence. Nowadays, however, the Muslim societies expect that many awqāf institutions should take over more responsibilities to meet the current social and educational problems. There are challenges to be faced by significant numbers of awqāf institutions today. These challenges revolve on how to mobilise and manage their resources to improve Islamic educational institutions, societal economic development and help preserve the vast liquid assets

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1 Waqf (plural awqāf) means the act of creating a religious endowment. Waqf is the devotion of wealth either in stated terms or by implication, for any charitable or religious purpose, or to protect any benefit to human beings.

2 The waqf-based Islamic educational institutions, for example, are Al-Azhar University in Egypt and Al-Zaytuna University in Tunis.
from being lost in the never-ending circles of charity. There are evidences suggesting that considerable figures of *waqf* assets and *awqaf* institutions are mismanaged and many suffered from lacked of funds to generate productive use of *waqf* assets.

Several previous studies revealed that the development, unstructured management of *waqf* institutions, funding, technical expertise, inefficiency, and ineffectiveness are some of the examples of the *awqaf* problems that need to be solved. Mohammad Tahir Sabit identifies that insufficient legal provisions, poor information system, lack of trained employees, lack of trust and insufficient financial resources are the major constraints in developing *waqf* properties. Other problems pointed by researchers in relation to management of *awqaf* are lack of accessibility, unskilled *nāẓīrs*, misuse of *waqf* assets, doctrinal understanding of *waqf* (perpetuity and inalienability), and special purpose *waqf*. Furthermore, Mohammad Tahir Sabit and Abdul Hamid Mar Iman observe that the

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three basic components which form the basis of creation of *waqf*, specifically irrevocability, perpetuity, and inalienability have become the components that presented undesirable effects on realizing full benefits from *waqf*, such as problems of liquidity and cash flow, ensuing in legal conflict particularly for contemporary *waqf* (i.e. cash *waqf*).\(^{10}\) As a result, there is limited cash flow that subsequently blocked the growth of *waqf*.

These evidences indicate that the present circumstances of most *awqāf* institutions are not satisfactory. The role of *nāẓirs* has come into mistrust. It can be said that in many areas, there has been a catastrophic downfall of *awqāf*. The *awqāf* institutions are not given the right maintenance and therefore, enormous *awqāf* assets are ill-managed. In addition, according to Abul Hasan and Abdus Shahid, the unavoidable consequence is much deterioration and disrepair of these valuable assets.\(^ {11}\) Regarding this issue, there is a contention that the decentralisation (privatisation) of *waqf* is a fit structure of *waqf* management, since its centralisation (nationalisation) has led to mismanagement of *waqf* and opened the door to many problems in a lot of Muslim countries.\(^ {12}\) For example, it triggered unemployment, as the *nāẓirs* who were selected by the *wāqif* became reliant on monthly wages, without administering the *waqf* assets properly. In addition, Baskan emphasizes that there is a necessity in returning the *waqf* assets to private organisation by establishing *waqf* boards of trustees independent of the government ministry.\(^ {13}\) It can be argued that


\(^{13}\) Birol Baskan, “*Waqf* System as a Redistribution Mechanism in Ottoman Empire”, A *Paper Presented at 17th Middle East History and Theory Conference*, 10-11 May 2002, Center for
the transferring of waqf management to the independent body will bring benefit as waqf assets is managed in a professional manner.

From the stated situation of the awqaf institutions in many Muslim countries, considerable efforts have to be made in the progressive way in order to find the proper approach to maintain the existing waqf assets and funds. Undeniably, the current reassessment of the role of the waqf supports anticipations to study from the faults of the past and to move in managing waqf assets and funds in a professional manner within modern management framework.

In order to revive these awqaf institutions, there is a need to study the traditional models of fundraising in order to propose new models that could be applied in the awqaf institutions. Therefore, the purpose of this study is to analyse and compare several classical and modern fundraising models, management, and innovation in the development of waqf assets and funds in the Muslim world. In addition, the study will also identify the best and most effective fundraising model to be adopted by awqaf institutions around the world.

**The concept of fundraising**

Since waqf institutions share some characteristics with non-profit organisations, fundraising is an essential element for the running of these institutions. Functioning, suitable, and effective fundraising methods are required to secure the preferred human and financial resources. Although waqf in some categories is common around the Muslim world, organised fundraising and waqf on a huge scale is still mostly an extraordinary phenomenon for the Muslim community. Lindahl and Conley argue that “little study focuses on fundraising for religious institutions, although it is a fact that this category constantly attracts huge amount of charitable

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Middle Eastern Studies, University of Chicago.
funding each year.”

Additionally, it is necessary to recognise the concept of fundraising comprehensively in the *waqf* institution in order to boost its development. This is because of the significance of *waqf* as one of the most vital non-profit organisations that exist in the Islamic legacy.

Although the term ‘fundraising’ can be largely defined to take into account political fundraising and raising funds for business ventures, this research focuses on the efforts engaged in raising a provision for non-profit charitable organisation, namely *waqf*. Fundraising is sometimes understood as tantamount with non-profit organisations. The term fundraising is frequently used interchangeably with the term “development or advancement”. According to Worth, fundraising is a movement that started with the goal of producing charitable or philanthropic giving. In the simplest words, fundraising means “asking for a gift” even though it is a long process in which asking for a gift. In other words, it is a step in more complicated processes. Andreasen and Kotler describe fundraising as an activity of accumulating financial resources and ascertaining the fundamental bases of funds. Also, Warwick highlights that fundraising is not only an effort to procure funds for the organisation, but also includes the creation of a donor base, making donors active, visible and efficient.

From the definitions given above, it can be inferred that fundraising, as the movement focused on obtaining monetary and non-monetary re-

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sources from benefactors, is not easy to be explained. Some prefer to emphasise on the collection of funds, while others concentrate on the fundraising activities and tools. According to Holloway,\textsuperscript{19} fundraising can be classified into three formulas: (1) raising moveable and immovable resources from the society; (2) creating a base of revenues from the existing assets by investment and innovation; and (3) utilising non-monetary resources such as volunteers, equipment, and positive images of the institutions to achieve the resources. In short, this research adopts Holloway’s categorisation of fundraising. Hence, it can be argued that fundraising in waqf institutions covers all efforts to provide financial and non-financial resources in an attempt to integrate it into social entrepreneurial activities. However, these initiatives require a general model for the development of waqf fundraising and management.

**The classical models of waqf fundraising**

Monzer Kahf opines that waqf assets can be established through various modes of financing which can be applied in the development of waqf assets; traditional schemes, modern schemes, and self-finance schemes.\textsuperscript{20} The traditional concepts of istibdāl, ḥukr and ijārātayn have been used by waqf institutions in the Muslim countries.

**Substitution of the waqf property (istibdāl)**

One of the traditional financing concepts of waqf assets is istibdāl (substitution of waqf properties), where a waqf asset is swapped for another asset that affords at least similar services or returns without any change in the


requirements laid out by the founder. Umar Ahmad et al. define istibdal as “selling of all or part of waqf property and the earnings from the sale can be utilised to purchase a different part of property devoted as waqf for similar purposes.” Thus, it is projected that the implementation of the istibdal should assist the waqf institution in getting cash to fund waqf investment project through replacement of less productive waqf property.

There are numerous issues concerning the utilisation of istibdal as a financing mechanism to magnify waqf properties for socio-economic development. Muslim jurists have different opinions regarding the concept of istibdal because there is no direct injunction from Qur’ān and ḥadīth referring to istibdal. From an economic perspective, according to Monzer Kahf, either a full or partial substitution (istibdal) of waqf cannot multiply capital value of the waqf assets even though it might expand its returns because of the possibility of uselessness of the property before replacement. For these reasons, a number of interpretations of fuqahā are provided relating to the acceptability of istibdal. Some Muslim jurists opine that an istibdal is prohibited except in extraordinary cases. Some of them view that an istibdal is allowed with slight requirements.

According to Abu Zahrah, Imam Malik and Imam Al-Shafi‘i refuse the view to make an istibdal for a mosque even if the mosque has been damaged. They are of the view that mosque cannot be substituted with a new structure as it would change the existing construction of the wāqif’s

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charity. In other words, it would terminate the perpetual endowment of the waqf. In contrast, Imam Ahmad accepts the idea to create an exchange (istibdal) of the mosque for the land of the mosque. Additionally, Imam Ahmad agrees with the istibdal deed if the mosque has been damaged and could not be used by Muslims.

According to Imam Al-Shafi’i, istibdal is allowed for immovable properties based on particular situations, such as the waqf estate is damaged or the land has become unproductive. In that case, waqf properties can be sold or exchanged with another asset for the development of waqf. With regards to moveable asset, Imam Al-Shafi’i opines that istibdal is prohibited due to the position of the waqf property that cannot be sold, inherited, or owned as the ownership has been passed to Allah. On the other hands, the Maliki School of Law argues that the istibdal of waqf is acceptable in order to substitute the damages and swap for the lost benefits of waqf assets. The essential concern of the Māliki jurists is the benefit of the waqf assets. Therefore, the application of istibdal must comply within the shari’ah and guarantees the benefits of the waqf assets to the beneficiaries.

Monzer Kahf divides istibdal into the substitution of one waqf with another similar asset and the substitution of waqf land with cash value. He states that the mode of istibdal provides flexibility needed for the op-

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26 Jasni Sulong, “Permissibility of Istibdal in Islamic Law and the Practice in Malaysia”…, 680-689.
30 Jasni Sulong, “Permissibility of Istibdal in Islamic Law and the Practice in Malaysia”…, 680-689.
erational accomplishments of the *waqf*. It can also improve the services of the *waqf* in specific cases. In addition, the tolerability of the *istibdal* of *waqf* is only dedicated to expand and preserve *waqf* assets. In practice, according to Ahmed *et al.*, *istibdal* has been utilised in various formulations such as “selling part of *waqf* property to develop the existing of the same property, selling a bundle of *waqf* properties and purchasing a new one to be used for the same purpose of the sold properties”. This concept has been practised in Indonesia, Malaysia, Singapore, Kuwait, Egypt, Sudan, Turkey, and in many other Muslim countries. Finally, it can be argued that practising and authorising *istibdal* of *waqf* property for another asset should be solely based on achieving greater flexibility in creating *waqf* to be more productive.

**Long lease with large advance lump sum (the mode of ḥukr)**

A literal meaning of the term ḥukr is ‘monopoly or exclusivity’. According to Ahmed *et al.* and Anas Zarqa this model is designed by the Hanafi jurists in the third century of hijrah to avoid *waqf* assets being sold due to damage. In practice, a *waqf* administrator may face the problem where a part of the *waqf* property cannot generate revenue, unless additional investments or innovations are initiated to develop it. One may consider selling such property and purchase another property that can generate the same revenue without additional investment. Nonetheless, selling *waqf* property, according to the majority of classical fuqahāʾ is prohibit-
ed except under special conditions and after getting the approval of the shari‘ah judge.  Rather than selling the waqf asset, Monzer Kahf proposes that the nażir sells the right of the waqf asset to the lessee for a long lease at a nominal periodical rent.

This contract gives an opportunity to the nażir to get a huge lump sum of cash in the form of advanced rental. Shamsiah Karim opines that the lessee can also impose a constant rent or flexible rent depending on the value of the property. The lump-sum revenues from the rent/sale of rights to utilise the waqf asset and periodical rent can be channelled to a more beneficial investment. It can also be used to preserve and expand waqf assets. This model of financing was utilised in the 12th century in Egypt and Syria. In addition, Crecelius observes that in the 16th century Egypt, the ḥukr payment was used by the administrator of Muhammad Bey Al-Dhahab’s waqf institution. Fundamentally, ḥukr contract has similar characteristic with that of an istibdāl. This kind of contract is also used in different countries with different terms. Baer cited by Ahmad Dallal gives evidence that in Tunisia it is called inzāl and nasba, jalsa in Morocco, and muqata’a in Turkey. Undoubtedly, the ḥukr contract is a solution to get

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a sum of money which is nearly equal to the value of the waqf property. It can overcome the problem of the everlasting waqf from the perspective of the legal requirements of various Islamic schools of law. Furthermore, according to Monzer Kahf, the acceptance of the model does not rely on the sum of the monthly rent, but on the objectivity of the practice and the ultimate expenditure of the lump sum revenue produced by selling exceptionality rights.

**Lease with dual payment (ijāratayn)**

A literal meaning of *ijāratayn* is two leases. It is a tenancy with dual payment. This model is one of the instruments whereby the lessee can hold permanent rights of the property. The contract model of *ijāratayn*, according to Monzer Kahf, is close to the conception of ḥukr. There is only a slight difference between the two. In the *ijāratayn*, the huge lump sum must be utilised for the restoration of the rented asset itself. In this specific procedure, dual lease obliges the lessee to make a great down payment nearly equal to the value of the waqf property and a nominal of periodic rent to get the rights to utilise the waqf asset in the permanent basis. Subsequently, the down payment is utilised by the waqf administrator to restore leased waqf property. One may keep in mind that the rights to utilise waqf property can be transferred and inherited to others, and the contract of the lease is renewed annually. As a result, no significant amount of cash can be used for developing other waqf properties.

This model of financing was used during the late Ottoman Empire period in Anatolia in the 16th and 17th centuries when many waqf assets

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in these periods were devastated by bonfires.\textsuperscript{49} The model of \textit{ijāratayn} was introduced to solve the problem. This model, according to Anas Zarqa, is poorer than \textit{ḥukr} because it involves higher costs on the part of the \textit{waqf} assets than in \textit{ḥukr}, particularly, using the rental payment to reconstruct a particular damaged \textit{waqf} property.\textsuperscript{50} Tahir Sabit \textit{et al.} argue that under \textit{ijāratayn}, the \textit{waqf} beneficiaries may not significantly benefit from either the rental earning or the lump sum amount.\textsuperscript{51} Therefore, the model is not an ideal model to be developed in order to expand \textit{waqf} assets in the modern period.

**The modern models of \textit{waqf} fundraising**

**Venture philanthropy of \textit{waqf} model (VPWM)**

One central problem in \textit{waqf} management is how to proceed with the available \textit{waqf} funds (especially cash \textit{waqf}) so as to preserve its original value and to develop the value over time.\textsuperscript{52} In the context of cash \textit{waqf} management, several models have been projected. There are many suggestions from practitioners and academics to expand the utilities of \textit{waqf} into financing activities, \textit{takaful} (Islamic Insurance) and to develop in-


\textsuperscript{50} Muhammad Anas Zarqa, “Financing and Investment in \textit{Awqa}f Projects”..., 6.

\textsuperscript{51} Mohammad Tahir Sabit Haji Mohammad, Abdul Hamid Mar Íman, Ismail Omar, *an Ideal Financial Mechanism for the Development of the Islamic Trust Properties in Malaysia*, University Teknologi Malaysia, 2005.


ventive economic models.\textsuperscript{54} Corporate \textit{wakf} based on \textit{mushārakah} and \textit{muḍāraba} models are widespread in the Muslim countries (i.e. Malaysia). In addition, Alias has suggested a model termed as the Enterprise \textit{Waqf} Fund (EWF) to boost the function and the organisation of cash \textit{waqf} funds by engaging the venture capital or venture philanthropic systems and approaches.\textsuperscript{55} Finally, Zakaria \textit{et al.} proposed the VPWM in combination with the establishment of sustainable \textit{waqf} businesses.\textsuperscript{56} They argue that a sustainable \textit{waqf} business is able to ensure that the philanthropic activities will produce revenues consistently.\textsuperscript{57} In this phase, another form of the potential venture philanthropy models for cash \textit{waqf} operations will be presented.

The concept of venture philanthropy is not a new concept for Islamic investments.\textsuperscript{58} This concept is based on the principles of venture capital, but in the Islamic (society) context, its purpose is to produce a financial and social benefit to the Muslim community. Conventionally, revenues from venture capital are distributed to shareholders, while benefits from venture philanthropy endowments are reinvested in order to develop both its investment portfolio and development impact.

A number of philanthropists have defined venture philanthropy by emphasising on different elements. So far, there is no single accepted definition of venture philanthropy. According to Pepin, venture philan-


thropy seems to be similar to that of venture capitalists, taking the initiative, but investing in innovative ideas produced by donations. Alm highlights that venture philanthropy is not only a funding institution which is focusing on the financial resources but it is also engaging in the management and technical supports. This support is concentrated on empowering institutions to build better organisational capacity. One should keep in mind that the purpose of establishing a venture philanthropy or venture capital is to create a win-win solution between capital benefactor and the beneficiary. In other words, venture capital will possibly be focusing on financial returns on the investment while venture philanthropy would be expecting social benefits instead.

In 2006, Matthew Bishop in the Economist article publicised the term ‘philanthrocapitalism’ to illustrate a trend sweeping philanthropic institutions. There has been “a need for philanthropy to become more like the for-profit capital markets” In other words, according to McGoey, the new idea of the philanthrocapitalism is “the explicitness of the self-interested motives underlying large-scale charitable activities”. Furthermore, Lorenzi and Hilton view that the term philanthrocapitalism is “the application by an individual of significant accumulations of financial capital to address social problems so as to affect social justice”. It is dedicated

62 Matthew Bishop, “Philanthrocapitalism”, 2006 http://philanthrocapitalism.net/about/about-the-authors/matthew-bishop/.
to transfer the wealth –using business practices, tools, and market forces to develop better social good– from the rich to the poor. It can be inferred from the concept that there is a need to build social entrepreneur for philanthropists to invest in. The building of social entrepreneur is designed as the application of human capital to produce social capital through the process of sustainable business practices.\textsuperscript{65} In some ways, according to Ramdas, the philanthrocapitalism and venture philanthropy can be perceived as a normal expansion of the patterns of the capitalism as a reasonable alternative economic system.\textsuperscript{66}

Pepin explains venture philanthropy as one of the non-traditional charitable sources of revenues in the perspective of social entrepreneurship.\textsuperscript{67} He categorises non-traditional source of returns into venture philanthropy, commercial ventures, and social venture capital.\textsuperscript{68} The classifications share a similar characteristic which is to provide funding with the expectation to get returns that would be funded for social dedications.\textsuperscript{69} The returns are produced through commercial activities in order to gain the profits that will contribute to the sustainability. Indeed, in the capitalist system, there can be two types of business organisational entities. On the one hand, corporations can be perceived as profit-maximising business, whose objective is to produce shareholder value, and; on the other hands, non-profit organisations exist to satisfy social objectives.\textsuperscript{70} The

\begin{thebibliography}{9}
\bibitem{65} Peter Lorenzi and Francis G. Hilton, “Optimizing Philanthrocapitalism”..., 398.
\bibitem{70} Clyde Eirikur Hull and Brian H. Lio,“Innovation in Non-Profit and For-Profit Organizations: Visionary, Strategic, and Financial Considerations”, \textit{Journal of Change

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experience of Grameen, in building social business of the microfinance, gives a lot of lessons that can be learned. This social business, according to Yunus et al., is projected and activated just like traditional business enterprise, with products, services, markets, expenses and revenues. Its concept is close to social entrepreneurships which includes both profit and not-for-profit initiatives. In addition, it can be argued that a social business is an innovative practise of business that can be placed anywhere between a profit-maximising and a non-profit organisation. It has difference with NGOs (non-governmental organisations) that most of which are not anticipating to recover their total costs from their operations. Thus, the NGOs are obliged to dedicate part of their time and energy to raising cash.

In line with Pepin, Scarlata and Alemany use the term Philanthropic Venture Capital (PhVC) to define an investment that is not only focusing on maximising shareholders’ prosperity but also on maximizing ethical dimensions of the social impact on the investments. Moreover, Scarlata and Alemany argue that the PhVC model is not only fund providers but also value-added services to portfolio organisations with the main objective of maximising the social impact or social return on the investment.


Therefore, it can be agreed that adapting the model into *waqf* institutions would enable the development of *waqf* funds and assets in order to give more benefit to the beneficiaries. The modification of Scarlata and Alemany’s model in *waqf* can be seen in the Figure 1.

**Figure 1 The Venture Philanthropy of *Waqf* Model**

![Diagram of Venture Philanthropy of Waqf Model]

Source: Adapted from Alemany and Scarlata (2009 and 2010).

Figure 1 demonstrates the VPWM of *waqf* investment. *Wāqif* in the VPWM endows fund to the *nāẓir* who will then invest in the high prospective social impact of social enterprises. The main goal of VPWM is to achieve and maximise social benefit rather than to concentrate on financial return maximisation as accomplished in traditional ven-
ture capitals.\footnote{Further explanation about Venture Philanthropy can be learnt from Mariarosa Scarlata and Luisa Alemany, “Deal Structuring in Philanthropic Venture Capital Investments”..., 121-145. http://doi.org/10.1007/s10551-011-0851-8.} It differs from the microfinance that is operated just like conventional venture capital that normally raises investment from cash-rich institutional investors, such as Grameen Bank in Bangladesh. The VPWM, instead, accumulates capital from waqf contribution. In organisational structure, the microfinance model is principally the same as profit-maximising business but it is modified to be socially oriented as it targets the poor and the micro-enterprise.

The model (VPWM) suggests that the social enterprise\footnote{UK DTI (2002) defines a social enterprise as “a business with primarily social objectives whose surpluses are principally reinvested for that (social) purpose in the business and the community”. And, social entrepreneurship is defined as “entrepreneurial activity with social orientation and intent”. For further explanation see John L. Thompson, “Social Enterprise and Social Entrepreneurship: Where Have We Reached”, Social Enterprise Journal, Vol. 4, No. 2 (2008).} (social business entity) does not remain by just organising its social entrepreneurial activities to become self-sustainable, but also to channel contributions to the society. In this regard, growth and sustainability of social enterprise can be achieved both through the provision of waqf fund as well as value added services which help support social enterprise on a strategic and managerial level. Additionally, the sustainable social enterprise entity is expected to establish another social enterprise by operating the same core of business or a different type of business.\footnote{Azliza Azrah Mohd Zakaria, Rose Ruziana Abd. Samad, and Zurina Shafii, “Venture Philanthropy -Waqf Practices and Its Implementation”..., 108-115.}

Two types of returns can be obtained from the VPWM. First, if the funded ‘social enterprise’ has sound sustainability and has an ability to maximise its social impression, the return will be distributed to the society; and second, the self-sustainability of social enterprise is expected to
create and empower the production of some financial returns.\textsuperscript{79} If the social enterprise is a non-profit organisation, revenues produced must be reinvested within the organisation. On the contrary, if the social enterprise is a for-profit body, then any created returns can be redistributed to nāḥirs and reinvested to another social enterprise through nāḥirs. In this model, the nāḥirs has the authority to decide on the disposal of the waqf fund whether to reinvest or to distribute to the beneficiaries (society) as long as it complies with the shari‘ah.

In short, the venture philanthropy capital in the waqf fundraising model will engage a three-stage life cycle. The first phase is asset building (which may take different durations among waqf institutions which should take around five to ten years), during which time the VPWM will focus on fundraising and generating income. The second stage begins with the management and investment of the waqf funds. The third stage is utilising revenue from investments to fund the intended objectives.\textsuperscript{80} Therefore, it is predicted that by executing the venture model in waqf fundraising would generate a new source of funding to achieve financial and social returns on the investments. This is for the reason that waqf would be supportively involved in business creation to the effect that the enterprise is completely owned by waqf institutions.

**Value-based capital model of waqf (VBCM)**

The purpose of this model is to focus on the difference between the value of waqf and its physical entity. The concept of value has several definitions. Values may be seen as absolutes (inaccessible to science), as


\textsuperscript{80} Tunku Alina Alias, “Venture Capital Strategies in Waqf”..., 99-126.
inherent in objects (material or non-material), as present within man, and as identical with his behaviour.\textsuperscript{81} In addition, anything capable of being appreciated (wished for) is a ‘value’. The object has certain inherent qualities which may be desired by somebody.\textsuperscript{82} In this context, the value-based object of dedication which substitutes the permanency of the subject matter drives afar the restrictions of immoveable and moveable properties. According to Tahir Sabit and Mar Iman, dedication could be implemented by amortisation of the value of things are capable of generating revenues, and things are not capable of producing returns which would be preserved differently.\textsuperscript{83}

In short, this means that under this model, the focus must be given to preserving the value of the dedication rather than the physical object of the subject matter. The VBCM of \textit{waqf}, at least, will have a two-step life sequence. The first phase is asset building during which time the VBCM of \textit{waqf} will focus on revenue-generating and non-revenue-generating \textit{waqf} objects which should be valued in cash. The cash value should be considered the principal capital of \textit{waqf}, henceforth referred to as value capital (VC). The second stage will start with the consideration of VC as perpetual and should be maintained all the time by the investments.\textsuperscript{84} All efforts should be prepared to protect the VC through its returns. In order to avoid loss, the large portfolio would be arranged to spread the risks.


The following figure describes the model.

![Figure 2 A Model for VBCM of Waqf](image)

Source: Adopted from Mar Iman and Tahir Sabit (2006).

Based on Figure 2 above, to assure the perpetuity of VC, at this point, investment and revenue accounts should be matched to the VC account. All capitals in VC are required to be invested, and its revenues should be collected. These revenues should be separated into distributable income and expenses. The distributable income would be distributed to the beneficiaries of the *waqf* whereas the fund marked for expenses would be preserved in the reserve account. These funds could be placed in a larger fund (hedge fund). This is done to compensate losses in one of the principal capital accounts.\(^\text{85}\) It is also projected that by applying the VBCM

in *waqf*, it would reduce the problem of non-liquidity of the *waqf* assets and thus encourage the *ummah* to contribute for further development of *waqf* institutions.

**Social enterprise *waqf* fund model (SEWF)**

In the following discussion, the investigation of the best possible enterprise models for *waqf* utilisation will be described. As the objective of *waqf* is welfare enhancement, it can be argued that Social Enterprise *Waqf* Fund model (SEWF) that puts welfare as the ultimate priority is considered the most suitable model for sustainable (cash) *waqf* advancement. Moreover, *waqf* institution as one of the most vital non-profit organisations that exist in the Islamic heritage, certainly, has been applying many methods to ensure its continuity. Accordingly, social enterprise seems a more applicable model for *waqf* as a non-profit organisation than venture business. It can be argued that social enterprise is a construct that bridges an important gap between business and benevolence. It applies profitable patterns to maximise social prosperity, rather than maximising profits for shareholders. Since it is a value-driven business, “pairing such enterprise with *waqf* is seen to be more natural due to shared value”.

The organisers of SEWF can be individuals or a group of administrators who are experts in social entrepreneurship activities. They have to invent new practices to produce additional and various sources of revenues. The following figure describes the proposed model of SEWF that can be practised in the development of *waqf*. The structure of this model is highlighted below.

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The process flow of the SEWF model is as follows:

a. The waqif (founder) will contribute to the social enterprise through waqf or educational institutions, and at the same time both institutions should give waqf funds/assets to the nāzir.

b. Nāzir should manage and invest the waqf fund. The nāzirs are expected to come from educational institutions or others who have the skills of social enterprise.

c. The investment returns will then be distributed to nāzir no more than 10% of return, and the 90% of it should be circulated to beneficiaries including educational institutions and others.

This section has offered an overview of the SEWF model for the development of waqf fundraising and management. Hence, for the manager (nāzir) of a non-profit organisation like waqf, it needs a clear mission, careful placement, and continuous learning and teaching, management by objectives, self-control, responsibility and accountability to ensure high performance. In addition, a philanthropy venture capital, value-based capital, and social enterprise waqf fund models aim at structuring the

87 Thenisbah (percentage) of shared return is based on the ḥadīth of Ibn Umar regarding the administrator of waqf who is allowed to take a portion of return to feed himself and his colleagues without excessive manner.
Waqf assets and funds in a modern and dynamic manner. However, this could only be done if the legal framework and the *maqāsid al-shari‘ah* are able to support the structure especially if it becomes a sensitive issue. Finally, SEWF is an innovation process in *waqf* fundraising and management that can be implemented by a number of *waqf* institutions in many countries. The model is based on value creation and operates by its rules and reasons. It is argued that the model enables the development of *waqf* funds whereby the *waqf* is invested in profit seeking schemes which also creates social impact. It is a model that seems well suited to support the sustainability of *waqf* institutions in Muslim society.

**Conclusion**

The institution of *waqf* has contributed massively towards the development of public and social services in the Muslim world. There are traditional modes of fundraising for the development of *waqf* assets and funds such as *istikbal*, *ijiratayn*, and *hukr* that become the basis of *waqf* sustainability. It is apparent that there is a need to innovate new models which bring new scholars to the field and encourage new methodologies and frameworks. Therefore, it is expected that by executing the modern model of fundraising like venture philanthropy model (VPWM) in *waqf* fundraising management, it would be able to generate new sources of funding in order to achieve financial and social returns on the investments. It is also projected that by applying the value-based capital model (VBCM) in *waqf* fundraising management, it would reduce the problem of non-liquidity of the *waqf* assets and support the *ummah* to contribute to further development of *waqf* institutions. Finally, social enterprise *waqf* fund model (SEWF) is an improvement practise in the *waqf* fundraising management that can be implemented by different *waqf* institutions in many countries. This model balances revenue generation with
social impact creation for the public good to make sure that prosperity is circulated from the rich to the poor and benefits the ummah. It is a model that seems well suited to address some of sustainability of waqf institutions in Muslim society.

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