Enhancing Investment Strategies in Waqf Management: Experiences in the United Kingdom

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In order to manage *waqf* assets in a professional way, there are various ways to formulate innovative Islamic legal and administrative framework based on *ijtihad* (Abu Saad, 2001), and the variables needed for any socioeconomic development, are namely participatory political economy, appropriate technological change, Islamic financial instruments of economic participation and cooperation of the people (Choudhury, 2003). Cizakca (2004) also suggested a model in which the concept of cash *waqf* can be used in contemporary times to serve the social objectives in the society.

According to Hassan (2010), in order to achieve this, two things are essential. Firstly, existing endowments or *waqf* must be better managed and used to enhance the security of the tenure, and in the interest of needy community. Secondly, future endowments *waqf* must be used for resource redistribution and to strengthen civil society. "Continuous charity" is one of the main characteristics of *waqf* (Kahf, 2004). Al-Jayyousi (2012) notes that, "The permanent nature of *waqf* resulted in the accumulation of *waqf* properties all over the Muslim lands and the variety of its objectives provides support for widespread religious and philanthropic activities".

Waqf assets are employed for the purpose of repeatedly extracting its usufruct with the objective of representing righteousness or philanthropy. Hence, as long as its principal is preserved, the *waqf* is a continuously usufruct-giving asset (Kahf, 2007). The *waqf* should be seen as a welfare institution in a civil society providing public space, thereby capable of promoting democratization and good governance (Sait & Lim, 2006). Hamza (2002) envisions improving the *waqf* institution by adopting modern business management techniques to transform it into a transparent and responsive institution.

Cash *waqf* is an innovative instrument for economic development that had two forms: 1) the cash was used for free lending to the beneficiaries; and 2) cash was invested and its net return is assigned to the beneficiaries of the *waqf* (Cizakca, 2007). For example, some of the generous wealthy people established charitable cash endowments (*waqf*) which was lent to various borrowers (Baskan, 2002). It is exactly similar to loans as defined in *Shari'ah* which is an act of charity whereby the lender sacrifices the benefit of using his/her cash during the period of the loan (Abu Saad, 2001). *Waqf* asset remains in the *waqf* domain perpetually and any new *waqf* may be added to that domain, implying that *a waqf* asset can only be increased but cannot be sold. Hence, *waqf* is not only an investment but also a cumulative and compounded investment (Kahf, 1998).

Many *waqf* organizations simply do not have the funds to develop new capacity while maintaining their existing efforts. *Waqf* assets, through the issuance of *Sukuk*, offer an alternative investment. Therefore, *sukuk* can be used as a tool to finance the development of the *waqf* properties (Pirasteh & Abdolmaleki, 2007). The main objective is to provide long term support with a focus on building capabilities and producing results. There are several types of *sukuks.* However, two types in particular, i.e. *ijara sukuk* and *musharakah sukuk,* are the most popular in real estate financing and for creating funds for construction of new complexes. *Musharakah sukuk* allows utilisation of all this to benefit not only the *awqaf* sector but also the whole economy (Hassan, 2010).

Kahf (2004) and Ahmed (2003) proposed establishing a microfinance institution based on *zakah*, *waqf*, and *sadaqah*. They suggested that the returns from *waqf* and funds from *sadaqah* can be used to finance productive social enterprise at subsidised rates. While Elgari (2004) proposed establishing a non-profit financial intermediary such as a *Qard Hassan* bank that gives interest free loan to finance consumer lending for the poor. The bank's capital would come from monetary (cash) *waqf* donated by wealthy Muslims. Another innovation of using "*waqf* structure for designing *takaful* (Islamic insurance) institution is proposed by The Council of Islamic Ideology of Pakistan" (Khan, 2003, taken from Ahmed, 2004: 130). The idea behind this approach is based on creation of a mutual or joint guarantee fund, where *waqf* is the capital.

Based on the author's analysis of three *waqf* organizations in the UK, some of the strategies for developing *waqf* adopted by these organizations are shared here. The three *waqf* organizations are: Islamic Relief, Europe Trust and Islamic Foundation.

The Islamic Relief uses two types of strategies for developing *waqf*. Firstly, cash for shares, following the business approach of presenting the funds to ensure that the maximum possible interest is made from investing in these funds, and in line with the *Shariah*. As a charity organization without business and investment experience, an investment advisor was placed on the *waqf* Board. All proposals must go through the Board committee members for approval. Secondly, in-kind donations such as land, property, water rigs, etc. are considered *waqf* that is specific to that particular sector. For example, if a donation of a certain amount was made to the *waqf* water sector, the Islamic Relief will ensure that the return from investing this money will be used for funding projects that are related to water. The Islamic Relief will decide where to implement the project based on need, or the other way round such as based on a region, and the Islamic Relief will decide the sector.

The Europe Trust employs the following strategy for developing *Waqf. Waqf* cash was used as initial investment in the early stages of a project. Without sufficient resources to purchase property, the *waqf* cash was used mainly for investments. The Trust have generally two sources of income; the first comes from the returns on investment and the second comes from donations. It is only years later that the Trust managed to reach an agreement with another *waqf*-oriented organization and began building its portfolio around student accommodation. The board of trustees is responsible in achieving the aims and the objectives and also to ensure that management is kept on track. The aim of the trustees is the stability and safety of the assets. The trustees also realised that the chances of losing cash investments are greater than *waqf* properties (buildings), because even when buildings do not generate rent, they are still valuable assets. In the sense that buildings are more secure in the long run than cash investments.

The Islamic Foundation meanwhile employs the strategy that since it is unlikely that one donor would be willing to give away a complete property, shares were divided among a few donors and the property then belongs to the foundation to be managed. The property is then managed by an estate agent with a management charge of 3 and 7 per cent net income from the foundation. The director and the executive director were placed in charge of administration and any further issues were referred to the senior management committee. Islamic Foundation submits their annual return to the charity commission regularly by means of an audited annual financial report and every year, the trustees would meet in the summer and approve the budget and manage deficits. The foundation has been growing for 38 years now; hence specific responsibilities were given to specific partners. Markfield Institute is now an independent charity along with the Conference Centre and Cube Publication. The board of governors from the foundation personally attend to any problems regarding finance. These institutions work on donations and under certain circumstances on loans. In most cases, they are independent and self-sufficient.

Analysis on strategies and challenges faced by *waqf* management reveals various issues relating to the efforts of managing *waqf* is a slow program, poor understanding of *waqf*, and lack of experience in property management. The main challenges in managing *waqf* can be traced back to the current economic situation and the difficulty in generating fund and *waqf* cash for future projects. This is evident as none of these organizations plan for expansion of their assets in the foreseeable future. The issues associated with maintenance also highlight the lack of the entrepreneurship or business development of these organizations for not allowing the assets to be part of any business collaborations with any third party. In short, all three organizations tend to undertake low risk business strategies for low income.

Various strategies were taken by each organization to overcome the challenges. The three organizations have different priorities in terms of development strategies. The Islamic Relief is focused on developing steps to enhance its portfolio of *waqf* assets as it is the youngest of the three. The Europe Trust is determined to clear their toxic assets by re-mortgaging or selling while the Islamic Foundation is focused on the restructuring of the management hierarchy and share of responsibilities. Their aims and objectives are also noticeably different. The Islamic Relief set up their *waqf* to raise funds for humanitarian projects while the Europe Trust is focused on building assets from cash as endowments (*waqf*) and to promote the establishment of businesses and investments to generate *waqf* income to fund charitable projects. In contrast, Islamic Foundation set up their *waqf* only to get funding for its own activities.

To summarise, there are two obvious implications of this renewed focus on the *waqf*. Firstly, the existing *waqf* will be managed and used in better ways in enhancing security of tenure, and also to assist the poor. Secondly, future *waqf* will be able to help in resources redistribution and to strengthen civil society. Given the apparent support for the idea of the *waqf* at the local, national and international level among Islamic communities, the institutions of *waqf* should act similar to a non-governmental organization (NGO) by employing Islamic business management ethics so that the proceeds of the *waqf* assets may be used for the socioeconomic and educational development of the Muslim community.

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