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Integrating Islamic Agenda in National Development Policy - A Malaysian Experience in Establishing A Waqf Corporation

Tan Sri Muhammad Ali Hashim

1. Introduction: Critical economic challenges facing the Muslim ummah

Seen from the business and corporate perspective, the Muslim ummah today faces three critical economic challenges detrimental to their future. Firstly, persistent poverty and deprivation of the vast majority of the ummah. Once popularly blamed on their past colonization by Western powers, poverty and deprivation had, however, persisted even after decades of self-rule, and in spite of the fact that many Muslim states are today relatively more prosperous and wealthy. A prolonged lack of economic capacity for dynamic and sustainable development had resulted in the ummah's relative powerlessness and marginalization, consequently diminishing popular perception of Islam as a contemporary civilizational force.

The second critical challenge arises from a general apathy towards business among majority of Muslims, culminating in suspicion and distrust if not outright hostility towards business enterprise on the part of many, in spite of Islam's fundamental pro-business worldview. If allowed to prevail, such disdain towards business will only alienate the vast majority of especially young Muslims away from pursuing business careers which is the key to solving their persistent poverty problem. This negative attitude is

partly the outcome of perception gaps regarding the role of business, especially among many influential Muslims who allege that business is harmful due to its “materialistic” nature and “this-worldly” tendencies. Such a perception may have arisen from observing Muslim entrepreneurs and businessmen conducting their business affairs in ways that are contrary to Islamic principles and teachings, often the result of their emulating and adopting un-Islamic business methods of global business. Needless to say, in today’s business-driven economic climate, a persistent anti-business outlook among Muslims will only worsen and prolong their state of economic powerlessness, exacerbating the ummah’s economic marginalization and dependency on others. The bigger challenge facing the ummah today is therefore to find a creative, practical solution to successfully manage this paradox.

The third critical challenge is to be found in the way Muslims generally conduct their business affairs. Business has very deep roots in Islamic history.¹ Evidently these deep roots had not been taken advantage of by the ummah. Muslim businesses are seldom organized and structured, or coherently networked, with the simple family-owned enterprises or small companies continuing to be the dominant type over centuries.

The lack of organizational capacity and effective business network simply means Muslim businesses are weak and vulnerable, thus unsustainable in today’s highly combative global business environment. In the context of contemporary society

¹Islam was born in Makkah, an ancient city of traders, and Prophet Muhammad SAW was active in trade before his Prophethood. The significant role of business in Islamic history and its impact on religious and daily life is evident from the so many passages in the Qur’an articulated using business terminology. Furthermore, trade and business had also played a very significant part in establishing Islam as a civilizational force throughout history. Islam came to the Malay world and was spread through trade in particular.

being a “society of organizations”,² an unorganized business culture diminishes Muslim organizational capabilities and managerial skills. Being unorganized has also resulted in a general absence of long-lasting large scale enterprises, undermining further the ummah’s competitive position, exposing them to prolonged economic subjugation or even re-colonization, both deliberate or as an unintended consequence.³ Additionally, business apathy and unorganized business methods had resulted in a serious shortfall in corporate critical mass and a pronounced under-development of entrepreneurial talent among Muslims. The ultimate outcome is greater dependency either on their governments, or worse, on predatory foreign enterprises and multinational corporations (MNCs) to meet economic needs. Failure to address this organizational challenge will surely lead towards prolonged economic lethargy and greater social fossilization of the ummah.

All nations are today forced to integrate into the global economic system long dominated by Western powers through their highly organized and powerful corporations. Muslim states, including those with new sources of wealth emanating from oil and other resources, with their low-level business organization skills are therefore no match in this corporate-driven and highly predatory capitalist arena. The end result is obviously tragic and very costly to the ummah, as the system had worsened their

²See, Peter F Drucker, “Innovation and Entrepreneurship”, page 28. 3

³Evidently there are MNCs that seek to exploit this vulnerability for corporate imperialistic ends, sometimes as part of a broader business-driven re-colonization strategy. George Friedman in his book *The Next Decade* alluded to such corporate imperialistic tendencies, observing that “Corporations making deals with governments or warlords can get the job done much more cheaply, without taking the responsibility of governing. Today’s corporate imperialism allows foreign powers to go in, take what they want at the lowest possible cost, and leave when they are done.” See Friedman, page 220.

situation, widened income and wealth disparities and aggravated socio-economic divides. Thus the ummah became highly divisive, mired as they are in internal contradictions, resulting in most Muslim states today being highly volatile, threatened by unrests, conflicts and uprisings. The Arab Spring, a spontaneous popular uprising with complex causes, can also be traced to the mass rejection of an economic system sustained by exclusive, uncaring regimes that had jumped blindly on to the Western capitalistic bandwagon, resulting in extreme concentration of power and wealth, consequently marginalizing the masses.

Thus, Muslim communities that are extremely proud of their past traditions and heritage of glory; imbibed with strong Islamic sense of righteousness and dignity and the high expectations for prosperity, 'adl and social justice, are today finding themselves within a global, borderless system that is divisive, unabashedly materialistic, uncaring and often greed-driven and therefore extremely contrary to their life aspirations as Muslims. An ummah that is regarded as “the best of peoples”,⁴ who are also promised a position of power and civilizational prominence as “Khalifahs”⁵ is therefore expectedly less tolerant of such indignity. The contradictions in the global system vis-à-vis fundamental Islamic values demand that Muslim societies seriously re-examine their positions. Particularly consequent upon the uncertain outcomes of the recent Arab uprisings, it is obvious

⁴“Khaira ummah”. See Al Qur'an, Surah Ali Imran, 3;110.

⁵See Surah Al An'am , 6;165, and Surah An Nur, 24;55. Stephen B Young, Global Executive Director of Caux Roundtable, a global NGO, had described man's Khlifatic mission as follows: “ ... I take very seriously the revelation that God created humans to serve as Khalifa ... Our ministry as individuals – both men and women, ... in any position of power or authority – is not to serve ourselves narrowly and selfishly, but to serve God's creation and make it more fruitful and just.”

that Muslim nations cannot afford the luxury of doing nothing nor doing more of the same.

There is no alternative to change; otherwise change will be forced on all of them with dire consequences.

This paper intends to focus on one business-driven institutional option available to contemporary Muslim societies to reform and reinvent their economic systems. In particular it is aimed at meeting their need for an institutional formula that will not only enable them to harness the dynamics of wealth- and value-creation required to eradicate poverty and prosper Muslim societies. More importantly, such an institutional formula must also be capable of empowering Muslim states economically, and at the same time enhance equality and translate into living reality the ideals embedded into the Islamic precepts of 'adl and social justice. Hence the recommendation for the formation of business-driven Waqf Corporations

2. The Waqf Corporation as an Institution for change and transformation

The approach taken in introducing an institutional innovation through Corporate Waqf is premised on the fact that Islam is clearly pro wealth creation, as wealth is one of the fundamental dimensions of the Maqasid Al Shariah. Furthermore, Islam is absolutely pro-market, pro-trade and pro-business, as it is absolutely abhorrent towards *riba'* and intolerant of any system that will lead towards gross injustice and divisive economic disparities. Thus, imitating the West and duplicating their business methods and corporate institutions without concern for their after-effects is a formula for conflict, if not rejection, violence and disaster, as seen happening in many Muslim states. Consequently Muslim business and corporate leaders in particular, and governments in general, are duty-bound to creatively and

innovatively transform business and corporate practice and integrate the higher Islamic ideals of prosperity, ‘adl and social justice into business life and corporate reality.

The ummah’s general poverty, lethargy, dependency, subjugation and prolonged economic powerlessness call for no less than a kind of an economic “jihad” - and in the context of a highly business-driven environment, a “Business Jihad”⁶ in pursuit of business success and economic empowerment. Such a “Business Jihad” must be made a key motivational strategy in the struggle for Islamic economic transformation, as a jihadic mission in the pursuit of business success and economic empowerment implies full shariah alignment and the integration of Islam’s highest moral standards into business practice. The critical current state of Muslim economic impotence indeed justifies a call for a jihadic response among Muslim businessmen no less, as persistent poverty and marginalization had tarnished and diminished Islam, threatened the survival of the ummah and deprived the religion of its civilizational capability to deliver and spread Allah’s Mercy for the benefit and salvation of all mankind and creation in this world and the Hereafter. Furthermore, a call for Business Jihad provides the business pursuit with a powerful source of “spiritual energy” and a higher motivational passion critical for success. The proposed adoption of Corporate Waqf as an institution is also fully consistent with a business pursuit that is articulated in terms of a “Jihad”, as there is a clear Quranic injunction that a jihadic mission calls for organized, collective action.⁷ After all, a Waqf

⁶ Islam recognizes the undertaking of jihad through using possessions and wealth “in the path of God”. If poverty, in the Prophet (SAW)’s words: “leads towards unbelief”, then business action aimed principally at salvaging the ummah from mass poverty is indeed a cause worthy of a jihad. In another hadith recorded by Tirmizi, the Prophet had further stated that the honest and faithful merchant (or businessman) will be exalted and shall join the ranks of the martyrs.

⁷ Al Qur’an, Surah AsSaf, 61:4. “Verily Allah loves those who fights in His Cause in rows (ranks) as if they were a solid structure.” See also Surah

Corporation is one institution that has the potential to mobilize the support of and input from all members of the community, including the vast majority that comprise the non-business sector in a total, collective struggle.

Towards this end, the initiatives and lead already taken by Muslims to make a success of Islamic Banking and Finance (IBF) are indeed laudable and must continue. However, it is also the contention of this paper that IBF reform by itself is inadequate for a total transformation. The time has come to focus the transformation process on to the wealth-creating core and the very heart of the capitalist system, namely the Corporation. Banks and financial institutions are after all intermediaries, and the system is defined and shaped more by the architecture and behavior of Corporations as the principal wealth creators in the “real economy”. Furthermore, continued focus on IBF sector will not result in effective systems renewal, more so now that global banks and multi-national financial institutions are all capable of offering halal IBF products, thus depriving the ummah of their initial competitive and strategic institutional advantage of leveraging on IBF for market leadership positioning and for systems transformation.

Hence the urgent need to focus on reforming Corporations. The thesis of this paper is that while it is critical for Muslims to successfully harness the capacity of Corporations to create wealth to overcome mass poverty and marginalization, it is also absolutely necessary for them to reinvent and redesign the Corporation to avoid the negative outcomes of global capitalism, namely socio-economic injustice and extreme economic divisions

AzZukhruf, 43:32, “It is We who portion out between them their livelihood in the life of this world; and we raise some of them above others in ranks, so that some may command work from others. But the mercy of thy Lord is better than the (wealth) which they amass.”

between the few rich and the poor masses.⁸ Redesigning and reinventing the Corporation in Islamic terms are essential in addressing extreme inequality and divisiveness that is also of critical concern in the West. The Occupy Wall Street protest phenomena, growing anti-banks and anti-banker sentiments consequent upon the post-1998 Western economic crises, as well as the generally lower tolerance of inequality generated by Western capitalism similarly call for global institutional reform. More so after many Western countries, including Greece, Cyprus, Ireland, Portugal, Spain and others are still struggling for economic and political survival after being hit by systemic failures resulting in endemic crises generated by dysfunctional capitalism. In this regard Islam surely has a critical role to play to offer alternative solutions.

Corporations originated as Western-created legal creatures that are consequently ‘immortal’ in the eyes of the law for as long as they are financially sustainable. Collectively, they have today become one of the most powerful institutions dominating modern societies, influencing state policies and national priorities, as well as defining civilization as we know it in business and corporate terms. Unfortunately, due to the ownership structure, corporate domination has resulted in extreme concentration of assets and wealth in the hands of a small minority of shareholders, unfairly giving this small minority vast power and tremendous influence over affairs affecting the lives of the rest of humanity. As a consequent of corporate dominance, 2 per cent of the world’s

⁸Islam is categorically against concentration of wealth in the hands of a few, instituting Zakat, Sadaqah and Waqaf, among others, to distribute wealth “in order that it may not (merely) make a circuit between the wealthy among you”. See Al Qur’an, Surah Al Hashr, 59:7. This principle should equally apply to the global society of nations where wealth is highly concentrated in the hands of a few rich nations and among the super-rich in these nations.

richest now owns 51 per cent of world assets. The poorest 50 per cent own only 1 per cent.⁹

Extreme wealth concentration also caused irreconcilable global divides. Today, the world's ten largest MNCs "have annual sales of more than the GNPs of the 100 smallest, poorest countries in the world."¹⁰ It is a fact that leading Corporations established and owned by the developed nations today wield more economic power and influence than governments of all developing countries, including Islamic countries. Leading MNC's command and control over economic resources far exceed those of governments, including many of the Western states themselves. In the Western context of democratic system of government, especially under the Anglo-American liberal capitalist model, Corporations principally owned by individuals and private sector interests are extremely "shareholder-centric", making them the root causes of skewed political hegemony, economic divisions and gross social injustice.¹¹

In such a dominant position of power, and as the single most important institution driving the global economic system, Corporations can therefore be said to actually "rule the world". If, in the words of Al Qur'an, "mischief and corruption has appeared on the land and in the sea as an outcome of what man's hand has

⁹From a study undertaken by the United Nations University. See David C Korten, "Agenda for a New Economy", page 55.

¹⁰See Stuart L Hart, "Capitalism at the Crossroads", Prologue.

¹¹Joel Bakan, in his book "The Corporation, the pathological pursuit of profit and power" described the Corporation as "a pathological institution, a dangerous possessor of the great power it wields over people and societies.". "...corporations have amassed such great power as to weaken government's ability to control them." He added: "The trouble on Wall Street today, beginning with Enron's spectacular crash, can be blamed in part on the corporation's flawed institutional character..."

wrought”¹², today greater mischief and corruption have been caused on a compounded, much larger scale by the huge corporate “hands”, especially those led by greed-driven entrepreneurs and capitalists with the support of their selfish bankers. Whatever their shortcomings, Corporations are here to stay and will remain powerful as an institution. The time has come for the Muslim ummah, in the pursuit to redefine life in the new millennium in Islamic terms, to harness the dynamics of the Corporation. Yet the imperative is to transform Corporations into institutions that are capable of translating high Islamic ideals and way of life into reality.

This paper is of the conviction that Islam can offer and is indeed the solution to such extreme global challenges. Hence the call for an adaptation of the Corporation’s proven capacity and capability to generate wealth and adding economic value, and creatively and innovatively incorporating it with an in-built capacity and capability to bridge divides. It is critical that the Corporation be reengineered with inherent capability to benevolently involve and protect the interests of society’s non-business and non-corporate larger community. The objective of this paper is to promote the formation of one such potentially powerful Islamic institutional innovation for reform, namely the “Waqf Corporation” - a Corporation that is “community- and people-centric”, in contrast to the conventional extremely capitalistic corporations that are singularly private “profit- and shareholder-centric” that effectively have marginalized and crowded out people everywhere.

3. Brief outline of Waqf’s role in history

Waqfs had played a unique, powerful and critical role in Muslim societies throughout history, especially as an instrument of state and social policy. Waqfs preceded NGOs, and as an

¹²Al Qur’an, Surah Al Rum, 30;41.

institution created and legitimized by Islam, had been a major force that had a tremendous civilizational impact on the well-being of societies in the early days of Islam. Throughout Islamic history Waqfs were also effective, institutionalized channels for bridging income transfers from the rich to the poor, originally purely in voluntary pursuit of spiritual merit and Allah's Blessings.

Traditionally, Waqfs therefore, were 'social equalizers' to fulfill the need to build an equitable and just society. Waqf in conventional practice, though, have been identified solely with charity, public welfare and as part of the social safety net for the poor and the marginalized. In Islamic history, it is worth noting that, other than for charity, social and public services including water supply for public consumption and for irrigation of farms, have been known to be funded and promoted by Waqfs, thus making them institutions for the long term, sustainable prosperity of society.¹³

Waqfs had also been known to be used to fund public projects and infrastructure development and in this respect had therefore preceded state-initiated development programs that were common practice in the second half of the twentieth century. Roads and highways, especially under early Othmaniah Turkish rule in the Balkans and other parts of Europe, had been built and maintained by Waqfs, to include also ensuring security of passage for traders and travellers.

Bazaars, caravanserais, or trading centres (the then equivalents of today's malls, supermarkets and warehouses), with accommodation as well as safe and secure storage facilities for goods were built by Waqfs, often adjacent to mosques, medrassas, public baths and other public facilities. Rental and other incomes from the former in fact were usually important sources of

¹³See, for example, Murat Cizakca, "A History of Philanthropic Foundations: The Islamic world from the seventh century to the present", (2000).

sustainable funding for the perpetuation of the latter. This is therefore one early example of a viable institutional concept of linking commerce to meeting the needs for economic, social, political and spiritual well-being of society that is community-based, without excessive government or bureaucratic involvement. This is one dynamic feature of Waqf that can be replicated and adapted to suit today's business-driven and corporate-dominated environment.

Waqfs had therefore served as a core, strategic institution for Islamic commerce, township development and urban settlement on the one hand, and the materialization of Islamic civilizational achievements on the other. Thus the Waqf institution offers Muslim societies tremendous potential for meeting with today's challenges. What is needed is new, innovative ways to enhance Waqf's relevance to meet especially with a business- and corporate-driven global economic environment.

Unfortunately, today in most Muslim countries, including Malaysia, Waqfs had degenerated due to neglect and poor management of their affairs. Thus, in public eye, they are more often regarded as institutions of charity that serves the cause for 'after life', involving cemeteries, mosques, medressas, orphanages, and such. The other unfortunate outcome is the general 'fossilization' of Waqf management in Muslim societies, left as they are in the care of conservative and ill-equipped Islamic religious administrators.

4. The 'Corporate Waqf': Critical success factor

Corporate Waqf is an institutional innovation the first example of which was initiated by Johor Corporation of Malaysia through the establishment of Waqaf An Nur Corporation Bhd or WANCorp, (described in some detail under section 5 below), aimed at revitalizing the powerful Islamic Waqf institution, harnessing its dynamics and channeling them towards adding

value and creating wealth through sustainable business and corporate activities. In this manner the Waqf institutional energy can be mobilized towards enhancing the economic growth of Muslim societies, addressing poverty through business-driven methods and in the long run, empowering the Ummah through cumulative economic impact.

The Muslim ummah is always duty-bound to initiate measures, to act and mobilize all resources to overcome challenges they constantly face on matters that relate to the Maqasid al Syari'ah – especially when Muslim selves (or lives), faith, intellect, posterity and wealth are under imminent threat. Today, the ummah is indeed under siege and threatened from all sides. Economically, in a business-driven world, Muslims have lagged behind and the majority of Muslim ummah still live in poverty and deprivation. Even in economically more advanced Muslim countries such as Malaysia, the Muslim majority generally lags behind in terms of income and wealth, consequently dependent and strongly challenged.

It is observed that this situation had arisen mainly due to the Muslim failure to make business “nine-tenth of livelihood”, and as highlighted in the Introduction to this paper, their failure to build capacity to compete and undertake business on an organized, sustainable basis. Corporate Waqf seeks to address this weakness in Muslim societies and to economically empower the ummah as a matter of the highest priority, as economic empowerment is a critical pre-requisite to the realization of the ummah's other higher aspirations.

Established as a Waqf, the Waqf Corporation can therefore serve as a community-based institution mobilizing community resources to become the principal driver for sustainable community-owned business success. The critical success factor is for corporate waqfs to be fully business-driven, corporate-structured and entrepreneur-led at all times.

As a market-friendly and business-driven corporate entity it cannot, by definition, be exclusive only to Muslims in its activities – an important consideration for multi-ethnic and multi-religious Muslim-majority societies such as Malaysia. Obviously, this inclusive feature of Corporate Waqf practice is also a very important consideration in the effort to empower minority Muslim communities living in majority non-Muslim states. Thus, in spite of its Islamic origin as an institution, its business and corporate focus will make Corporate Waqf an inclusive instrument for making a success of national economic development aspirations everywhere through business methods with the capability to harness entrepreneurial talent of all citizens.

One distinct strategic advantage of the Waqf Corporation is its longevity. This is critical to address the issue of sustaining corporate ownership of wealth and resources in community hands and to address leakages and erosion in ownership stakes. “Privatization” to a Waqf Corporation instead of to individual business interests has tremendous policy appeal, as conventional privatization practices have often been regarded as an act of “transferring wealth from the poor to benefit the rich”. This is an important consideration in countries such as Malaysia, where privatization of valuable national or government-owned assets to individuals and private hands has been a major source of wealth divide as well as community ownership erosion. The presence of Waqf Corporations offers another option to privatization, this time in an Islamic way entrusting ownership into community hands for the benefit of generations to come. As Waqfs are, by definition, non-government, steps taken to ‘privatize’ assets to Waqf Corporations contributes directly to empower the non-corporate masses thus adding the long term advantage of reducing the economic gaps and bridging social divides within society.

Just like traditional waqfs for charitable purposes, the Waqf Corporation is well suited to perform the ‘equalizing’ role.

Once critical mass is achieved, Waqf Corporations can also be expected to fund and support the development of social institutions as well as deserving social causes of NGOs. The attraction here is that such charitable and welfare acts, (as seen in the case of WANCorp of Malaysia – see Section 5 below), can also be highly inclusive to benefit all citizens in terms of ethnicity as well as class and income levels.

5. The Waqaf An Nur Corporation Model

WaqafAnNur Corporation Bhd is a company limited by guarantee established by Johor Corporation (JCorp) of Malaysia.¹⁶ Initially registered in 2000 as *PengurusanKlinikWaqafAnNurSdnBhd* offering medical services at a charge of RM5 per treatment to low-income patients at clinics located largely at mosque compounds financed by waqf funds, the company was elevated into a Waqf Corporate entity in 2006.

This had occurred on 3rd August, 2006, when JCorp took the bold step to endow into waqf US\$66 million or RM200 million (at Net Asset Value) of JCorp shares in three Malaysian Public Listed Companies (PLCs). The shares involved were in a palm oil plantation company *Kulim Malaysia Bhd*, (4.67 percent of issued shares valued at NAV RM142 million), a top Malaysian company involved in private healthcare delivery, *KPJ Healthcare Bhd*, (9.25 percent valued at NAV RM45 million) and a leading property developer, *Johor Land Bhd*. (3.54 percent at the then NAV of RM12 million). *Johor Land Bhd* shares were subsequently replaced through *istibdal* by *Al Aqar KPJ REIT Bhd*, a healthcare-related Islamic property trust company that is also listed on the Malaysian Bourse.

JCorp is a highly successful, US\$ 5 billion (end 2010) state-owned corporate entity. One interesting prospect for the future of Waqf Corporation as an institution for economic

transformation, at least in the Malaysian context, is the endowment into Waqf of all assets and businesses owned by JCorp as well as other Malaysian State-owned enterprises or GLCs. This is not impossible to envisage, subject to the presence of strong political will.

JCorp had subsequently also endowed into waqf, registered in the name of WaqafAnNur Corporation Bhd, shares that represent controlling interests in several unlisted or non-PLC subsidiaries of JCorp. This included companies owning travel and ticketing business for umrah and haj, and a RM50 million (NAV) shares in a company that owns the Larkin Sentral shopping complex in Johor Bahru making it the first mall to be owned and operated by a Waqf Corporation in Malaysia.

6. Corporate Waqf: WANCorp's Track Record

WANCorp is an outstanding success when measured in terms of its track record of sustaining and enhancing value of equity endowed into waqf. The PLC waqf shares, valued at RM90.05 million (US\$30 million) at point of endowment, increased substantially in value by 173.8 per cent to RM246.55 million (US\$82 million) based on market prices at 31st December, 2010. (The value of RM90.05 million at point of waqf or endowment was much less than the RM200 million NAV registered because for most of the shares, the NAV at point of waqf were higher than the then prevailing market prices). At end December, 2011 total WANCorp waqf asset value rose substantially to RM538.5 million (US\$179.1 million - as a result of strong performance of its equity stakes at the Bursa Malaysia. At end December 2012 the market capitalization value increased further to RM575.9 million (US\$191.6 million).

WANCorp was also a success in terms of the benefits distributed. The principal source of WANCorp income is the cash dividend payout by the PLCs as well as unlisted companies. In the

case of WANCorp, 30 per cent of all revenue, principally derived from dividends paid out were allocated for charitable causes and *fi sabilillah*. Among the major programs carried out that have tremendous impact are as follows:-

- A chain of 21 Waqf clinics and 1 Waqf hospital (Dec 2013), located mostly at mosque compounds in 5 States throughout Malaysia, (with professional and financial support of KPJ Healthcare Bhd). Cumulatively 961,148 treatments were given by doctors, mainly to poor patients (including more than 69,690 non-Muslims) at a nominal charge of RM5 per treatment. Dialysis Centres located at these facilities also offer subsidized (free for many hard core poor) blood transfusion services;
- Financial support for 5 mosques built JCorp and manned by WANCorp located mainly at malls;
- Establishment of a Waqf Brigade fully trained and equipped for disaster relief and humanitarian aid
- Establishment of a Fund offering Qardul Hasan micro-funding facilities for the poor to start small-scale businesses
- General financial assistance and aid for the needy

The dividend payout were to be reinvested in either new business start-ups or in entrepreneurial development or human capital enhancement of WANCorp for future corporate growth and expanding the Waqf base. WANCorp's track record proves the point that, properly structured, efficiently organized, entrepreneurially led and professionally managed the Waqf Corporation, just as any other successful business corporation, can be expected to have the capacity and capability of Consonant with its Corporate Waqf objectives, 70 per cent or the bulk of enhancing value, creating wealth and cumulating valuable assets

on a sustainable basis. At the same time, they would have an in-built mechanism to deliver the expected benefits to all stakeholders, including widening the social safety net, in the special case of Waqf Corporations, directly to the needy and the poor.

7. Waqf Corporation – An institution for economic transformation and the Ummah’s social and political reform.

The Waqf Corporation, based on WANCorp model of Malaysia is therefore a ‘hybrid’ institution structured to harness the dynamics of a Western-type corporate entity and embedding into it the intrinsic features of a Waqf as defined by the Sharia. In the case of WANCorp, Malaysia had made full use of the Western legal provision by incorporating a company limited by guarantee under Malaysia’s Companies Act. This company was then officially and legally recognized (through a formal Memorandum of Agreement entered into between WANCorp and the Johor State Religious Authority in 2009) as *maukufalaih* and *mutawalli* of waqf assets in the form of shares and securities. (The scope of Corporate Waqf status in the case of WANCorp excludes rights over waqf of landed property, real estate and other fixed assets).

The added advantage of incorporating the Waqf as a corporate entity is found in its ability to maximize all advantages from the dynamics of a corporate entity. Firstly, it has full access to the legal infrastructure that governs corporate practice. It can also benefit from the umbrella of guidelines, rules and regulations that govern a company, especially those that are listed public companies (PLCs). This is indeed important to WANCorp considering that the largest component of its assets that are endowed into Waqf are in the form of PLC shares. Furthermore, it can take full advantage of the flexibility, agility and speed of action available to corporations, whilst adopting highest corporate

governance standards and best practices and instituting systems of corporate control, check and balances for effective risk management.

On the other hand, its Waqf status, by Sharia definition, establishes it legally as a non-Government, non-private entity, but one whose ownership is “vested in the name of Allah” for the benefit of the ummah, and hence theoretically for all of mankind and creation. One significant difference in the basic feature of a Waqf Corporation that distinguishes it from conventional Waqfs is its lesser emphasis on pure charity and welfare objectives. Under the extremely vulnerable economic circumstances of the ummah today, top priority must be given to making a success of “Business Jihad” through fast-tracking the building of Muslim owned global corporations and their Waqf MNC equivalents. WANCorp’s priority is therefore to grow itself as fast as possible into a leading corporation in terms of strategic businesses, size, scale and market leadership positions. Hence, in the case of WANCorp, its Waqf Endowment Deed stipulated that 70 percent of annual profits and surplus cashflows were devoted to re-investment and growing the asset value owned under Waqf. At the same time, a portion of the 30 per cent dedicated to charity and fi sabilillah programs were also expended on programs to develop entrepreneurial skills among young executives. The focus is on building teams of “Intrapreneurs” or “Amanah Entrepreneurs” (as they are specifically referred to at WANCorp), enabling executives without access to personal wealth or capital to become entrepreneurs, highly trained, exposed and skilled in taking business decisions, creating wealth and adding value to waqf-owned corporate assets motivated by an empowering amanah higher cause.

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8. Conclusion

Being “Waqf-owned”, the long term impact of ownership vested in the community will ultimately be for the benefit of society and the ummah at large, with all the strategic collective advantages of “longevity” and “immortality”. Yet, being entrepreneurially-led, with Intrapreneurs at the helm, the full dynamics of corporate entrepreneurship can indeed be inculcated into the Waqf organization. These Intrapreneurs can be compensated at the going market rates, minus, of course rewards in terms of stock options, MBOs or privatization opportunities that are contrary to Waqf principles. This absence of “equity-based” perks and benefits, however, can be more than compensated for by appealing, for example, to the “Business Jihad” mission. As seen in the case of WANCorp, such an appeal is an equally if not a more powerful motivational force than mere material rewards, to get the very best especially from young Muslim intrapreneurs of faith.

It is the contention of this paper that, once proven successful, and once a critical mass of Waqf Corporations begin to create an impact in the market, the process of transforming the unjust capitalist economic system adopted by all Muslim nations can begin. The collective impact from successful Waqf Corporations will, in the long run, shift the system away from its current narrow, shareholder-centric, materialistic and self-serving attributes to one that is more selfless, community-centric, morally and ethically founded and hence humanistic, more sustainable system that is ultimately ‘adl and socially just.

option or solution for meeting with the Ummah’s critical need to address poverty and economic powerlessness. In the case of Malaysia, Waqf Corporations can be expected to play a critical role to also address the issue of equity and social justice and in reducing economic gaps and social divides between ethnic

groups.¹⁴ Furthermore a study undertaken by The Said Business School, Oxford University, on Waqaf An Nur Corporation Bhd (unpublished, December 2010), endorsed the viability of the Waqf Corporation concept. The study concluded that JCorp’s “... Business Jihad, Corporate Waqf and intrapreneurship have been highly effective and have far exceeded what would have been likely achievable through using conventional development economic tools and known policy-driven methods.” Further, “Corporate waqf seems to be emerging as both an innovative and effective mechanism for the functional, practical delivery of the benefits in line with the principles of Waqf.”¹⁵

Based on WANCorp’s track record, the Waqaf Corporate model offers a viable poverty eradication and sheer for-profit business.” In his chapter on “Waqf of stocks” Cizakca concluded: “In sum, waqf of stocks will probably dominate the future of the waqf system.”¹⁶

In the case of Malaysia, on more than one occasion the writer had also propagated for the transformation of principal GLCs in Malaysia into corporate Waqf entities. Indeed, GLCs or state-owned enterprises play a central role in Malaysia’s business-driven economic system, accounting for more than 43 percent of

¹⁴A National Congress of Malaysian State Religious Authorities held in October, 2011 had adopted as one of its Resolutions the proposal for the establishment of a Malaysian National Waqf Corporation at the Federal level, and a state level Waqf Corporation respectively for each State. Additionally, Malaysia’s Prime Minister in his 2013 Budget Speech announced that the Department of Waqf, Zakat and Haj will draw up a Masterplan for the establishment of Waqf Corporations in Malaysia

¹⁵Said Business School, University of Oxford, “A Study of Johor Corporation’s Corporate Waqf Strategy in Malaysia”, December, 2010.

¹⁶Additionally, Murat Cizakca in his book “Islamic Capitalism and Finance, Origins, evolution and the future” (2011) described Waqf An Nur Corporation in the following terms: “... a powerful waqf of stocks appears to be emerging in Malaysia ...”, “... an imaginative combination of charity, micro-finance, .

market capitalization value of all companies listed on Malaysia's Bourse at end 2013. The first move can be initiated by Johor Corporation itself, and the best and most practical way to achieve this is through legislation, enabling the conversion of JCorp from a state-owned GLC into a Waqf-owned entity. In doing so with one legislative stroke a highly successful state-owned enterprise with asset value exceeding RM20 billion, highly capable team of more than 200 intrapreneurs with more than 65,000 employees in its stable of more than 280 companies group-wide can spearhead a waqf-driven corporate reform initiative in Malaysia, to be followed through by converting other Malaysian GLCs into Waqf Corporations. In the medium and long term the Waqf Corporate critical mass will also have to include the establishment of fully private-sector and community-driven corporate waqf entities, incorporated, led and managed by outstanding and righteous entrepreneurs from the private sector. In any event, such a transformation would require a total review of Malaysia's existing legislative regime affecting waqf matters that are restrictive and highly non-inclusive and intolerant of business-driven ways and of corporate methods.

The long term objective is to make a success of business organisational reform, incrementally transforming Malaysian society from one that is extremely shareholder-centric to a community-centric business and corporate eco-system. The biggest advantage of a Corporate Waqf institutional approach is the fact that all these can be undertaken through financially self-reliant, competitive, market-friendly methods that are capable of sustaining and enhancing the pace of a private sector-driven national economic growth that is also inclusive in its long term impact.

It is recommended that the Corporate Waqf strategy be adopted at the national level in all Muslim states through the formation of a National Waqf Corporation (NWC). In the light of

the proposal by the Islamic Development Bank to establish a World Waqf Foundation,¹⁹ it is also recommended that a global Corporate Waqaf strategy be adopted by IDB to coordinate global Corporate Waqf initiatives, especially through NWCs, managing Waqf assets at the global level, supporting and participating in Waqf investment activities and developing corporate strategies and leveraging on synergies to enhance the ummah's business and competitive position and general economic interests globally.

Properly structured, NWC can quickly create the impact and achieve critical Mass needed not only to speed up the Ummah's economic transformation process, but more importantly, to economically empower the ummah and begin to retrieve so much loss ground to reinstate Islam as a civilizational force for the benefit of all mankind. ¹⁹ Speech by H.E. Tan Sri Dr Ahmad Mohamed Ali, President IDB at the Langkawi Islamic Finance and Economics (LIFE) International Conference 3, Langkawi, Malaysia, 29th October, 2011.